

C14 AUTOMOBILE INSURANCE – PART 1 ATLANTIC PROVINCES

IMPORTANT

The time allowed for this exam is 3 hours.

Total marks: 200

You must hand in this paper and any paper used for rough work to the supervisor when you leave the examination room. Failure to do so may result in disqualification.

Section A: Multiple-Choice Questions

Question 1. For the following multiple-choice questions, fill in the circle of the letter that identifies the most correct answer.

Example: (A) (B) ● (D)

DO NOT MARK THE ANSWERS ON THESE PAGES.

USE THE FIRST PAGE OF YOUR ANSWER BOOK.

1. Which of the following provides an element of no-fault automobile insurance coverage in all provinces?
- (A) Accident Benefits
 - (B) Own Damage
 - (C) Third Party Liability
 - (D) None of the above

2. Which of the following has a compulsory automobile insurance plan that involves both government and private insurers?
 - (A) Alberta
 - (B) British Columbia
 - (C) Ontario
 - (D) Quebec

3. With respect to a liability claim arising from an automobile accident, which of the following must prove the link between fault and damage?
 - (A) The claimant
 - (B) The defendant
 - (C) The plaintiff
 - (D) The third party

4. With respect to automobile insurance, subrogation rights
 - (A) do not exist.
 - (B) may be limited or removed by federal legislation.
 - (C) exist only if the insured gives written authorization to the insurer at the time a claim is paid.
 - (D) may be limited or removed by provincial legislation.

5. **Absolute liability** implies that
 - (A) all liability claims resulting from an automobile accident are settled on a 50-50% basis.
 - (B) the insurer must pay third party damages regardless of the amount involved.
 - (C) the insurer must pay third party damages, up to the actual limits of the policy, even if the insured violated a policy condition.
 - (D) the insurer must pay third party damages, up to the minimum limits of the jurisdiction in question, even if the insured violated a policy condition.

6. What does **Direct Compensation** mean as it relates to automobile insurance?
 - (A) All automobile owners are fully reimbursed for any automobile damage claims.
 - (B) All insureds collect 50 % of their claim from their own insurer and 50 % from the insurer of the other person involved.
 - (C) Insureds will deal only with their own insurer for all automobile damage claims.
 - (D) No-fault.

7. With respect to automobile insurance, **no-fault** insurance means
 - (A) a strict tort system of compensation.
 - (B) minimum limits under the Third Party Liability coverage.
 - (C) that all automobile coverages are sold by the government.
 - (D) that legislation has been passed prohibiting or severely limiting lawsuits for injuries.

8. In which of the following provinces does the Personal Injury Protection Plan (PIPP) operate?
- (A) British Columbia and Manitoba
 - (B) British Columbia and Quebec
 - (C) Manitoba and Quebec
 - (D) Manitoba and Saskatchewan
9. An injured person can NOT sue a liable third party, regardless of how serious the injury may be or even if death occurs, in the province(s) of
- (A) Ontario.
 - (B) Saskatchewan.
 - (C) Quebec.
 - (D) All of the above
10. Which of the following would least affect the premium of an automobile insurance policy?
- (A) Past accidents and claims
 - (B) The drivers of the automobile
 - (C) The existence of a lien
 - (D) The type and model of automobile
11. Under an automobile policy, **property damage** means damage to
- (A) any property, caused by an uninsured automobile.
 - (B) any third party automobile only.
 - (C) property of others but not the insured's own property.
 - (D) the insured's own property only.
12. If the insured drove his own automobile into his own garage door, which of the following would be covered under the Third Party Liability coverage of his automobile policy?
- (A) Only the automobile
 - (B) Only the garage door
 - (C) Both the automobile and the garage door
 - (D) Neither the automobile nor the garage door
13. Under the Third Party Liability coverage, the definition of "insured person" is
- (A) anyone who personally drives the insured automobile with consent.
 - (B) anyone who personally operates any part of the insured automobile with consent.
 - (C) the named insured.
 - (D) all of the above.

14. A **threshold**
- (A) applies to automobile insurance in Quebec.
 - (B) has nothing to do with automobile insurance.
 - (C) is a definition of the conditions under which an injured person can sue the responsible motorist in Ontario.
 - (D) is the maximum amount that an injured person may claim from the responsible motorist.
15. In addition to the basic Third Party Liability coverage, the insurer agrees to
- (A) allow the insured to investigate and settle his own losses if he so chooses.
 - (B) defend any civil action against the insured that arises out of a loss.
 - (C) pay half of the investigation cost for any loss.
 - (D) reimburse the insured for out-of-pocket medical costs if the insured was at fault.
16. Which of the following is **NOT** covered under Additional Agreements of Insurer (Third Party Liability)?
- (A) Costs relating to investigation and settlement of the claim
 - (B) Court costs assessed against the insured
 - (C) Defence costs for any criminal prosecution arising out of the accident
 - (D) Out-of-pocket medical costs for immediate medical aid at the scene of the accident
17. Priorities of payment relate to payment of which types of losses under an automobile policy?
- (A) Accident Benefits and Loss of Income
 - (B) Bodily Injury and Property Damage
 - (C) Collision and Property Damage
 - (D) Comprehensive and Bodily Injury
18. The purpose of the Accident Benefits coverage is to provide the insured with
- (A) financial protection against liability imposed by law upon the insured.
 - (B) financial protection following physical injury.
 - (C) protection against claims for non-vehicular property damage.
 - (D) protection against claims for vehicular damage.
19. The Accident Benefits coverage of an automobile insurance policy does NOT pay for
- (A) dental work.
 - (B) funerals.
 - (C) loss of wages.
 - (D) pain and suffering.

20. The insured automobile is broken into and some articles are taken. Which of the following is included under the Specified Perils coverage (Own Damage)?
- (A) Musical instruments that were in the trunk
 - (B) Property of the insured's passengers
 - (C) The bumper jack belonging to the insured automobile
 - (D) The insured's raincoat
21. Which of the following is covered under the All Perils coverage (Own Damage) of an automobile policy?
- (A) Damage caused to the automobile while the driver was under the influence of drugs
 - (B) Radioactive contamination
 - (C) Rusting of the automobile body
 - (D) Vandalism damage to the automobile
22. The Deductible Clause
- (A) always disappears if the amount of the loss exceeds the deductible.
 - (B) cannot be used to reduce the premium on a policy.
 - (C) does not apply to certain types of losses.
 - (D) eliminates coverage for large losses.
23. Which of the following is a true statement?
- (A) A newly acquired automobile is automatically insured for a specified time period if it replaces another insured automobile.
 - (B) An automobile with a trailer attached is considered as two vehicles for purposes of Accident Benefits.
 - (C) Insuring more than two automobiles on the same policy is not permissible.
 - (D) No coverage applies to temporary substitute automobiles under Third Party Liability.
24. In which of the following situations is coverage available for a temporary substitute automobile?
- (A) A friend lends his automobile to the insured.
 - (B) The insured rents an automobile while his vehicle is being repaired.
 - (C) The insured rents an automobile while on vacation in Florida.
 - (D) The insured borrows the company van to move a few pieces of furniture.
25. The insured asks his broker to delete all coverage from his only automobile since he is going south for three months during the winter. The broker should
- (A) advise the insured to leave all coverages intact to save cancellation fees.
 - (B) request the insurer to delete the Collision and Comprehensive coverages from the policy and leave the other coverages intact.
 - (C) request the insurer to suspend coverages by the use of the approved Suspension of Coverage Endorsement.
 - (D) request the insured to send a release form to terminate the policy.

26. Which of the following is true of the Facility Association?
- (A) It ensures that automobile insurance is available to every licenced driver.
 - (B) It is an unincorporated non-profit association of insurers.
 - (C) It operates through Servicing Carriers.
 - (D) All of the above
27. Which of the following is true of the Uninsured Motorist coverage under an automobile insurance policy?
- (A) In Quebec, this coverage is provided by Fonds d'indemnisations.
 - (B) It is not offered by all insurers.
 - (C) It is provided by the government in all jurisdictions.
 - (D) It is uniform in all provinces.
28. Extension policies are available in provinces having government automobile insurance plans. These policies
- (A) are mandatory.
 - (B) are available only from private insurers.
 - (C) are available only from the government.
 - (D) may be used to increase limits of insurance and/or reduce deductibles.
29. Which of the following is common to all the western provinces in which the government provides basic compulsory automobile insurance?
- (A) Every motorist must purchase the government insurance and an extension policy.
 - (B) Everyone pays the same amount of premium.
 - (C) No policy is issued for the basic coverages.
 - (D) No vehicle licence plate is required.
30. In which of the following is the Own Damage coverage mandatory?
- (A) British Columbia and Quebec
 - (B) Manitoba and Quebec
 - (C) Manitoba and Saskatchewan
 - (D) Ontario and Saskatchewan

(2 marks each = 60 marks)

Section B: Narrative Questions

- Question 2. (a) Identify FIVE (5) pieces of information found on a motor vehicle liability insurance card. (5 marks)
- (b) Briefly discuss the following legal concepts regulating the settlement of automobile accident claims:
- (i) Negligence (5 marks)
 - (ii) Burden of proof (5 marks)
 - (iii) Subrogation (5 marks)
- Question 3. (a) Identify, with examples, the THREE (3) levels of government laws pertaining to the operation of automobiles. (6 marks)
- (b) The Insurance Acts of the provinces contain a provision commonly known as the Absolute Liability Law. Explain how this operates. (14 marks)
- Question 4. Referring to the Third Party Liability coverage of the Owner's Policy:
- (a) Who is insured? (4 marks)
 - (b) Outline each of the SIX (6) Additional Agreements of the Insurer. (12 marks)
 - (c) Outline each of the TWO (2) Agreements of the Insured. (4 marks)
- Question 5. Regarding Loss of or Damage to the Insured Automobile (Section C):
- (a) Identify EIGHT (8) of the Specified Perils. (8 marks)
 - (b) Briefly explain "Loss of use by theft" in connection with the Additional Agreements of the Insurer. (4 marks)
 - (c) Briefly discuss the FOUR (4) types of automobile theft for which the Owners Policy does NOT provide coverage. (8 marks)
- Question 6. (a) Describe fully the operation of the Facility Association. (16 marks)
- (b) Explain why the Facility Association does not exist in provinces with government automobile programs. (4 marks)
- Question 7. Please state your province.
- (a) In general terms, compare and contrast automobile insurance in your jurisdiction and in Ontario with respect to Bodily Injury, Third Party Liability claims. (10 marks)
 - (b) Describe the coverage provided under the Accident Benefits (Section B): Death Benefits. (10 marks)

Section C: Application Question

- Question 8. (a) The Statutory Condition relating to Requirements where Loss or Damage to Automobile, Repair or Replacement, reads as follows:

Except where an appraisal has been made, the insurer, instead of making payment, may, within a reasonable time, repair, rebuild, or replace the property damaged or lost with other of like kind and quality if, within seven days after the receipt of the proof of loss, it gives written notice of its intention to do so.

John Smith's automobile was damaged in an accident and was repaired by a garage recommended by his own insurer. Following completion of repairs but before the automobile is delivered to Mr. Smith, the garage and all vehicles in it are totally destroyed in a fire when the flames of an adjoining building spread to the garage.

With reference to the stated Statutory Condition:

- (i) Could the insurer, having paid the garage for the repairs, justify not replacing the automobile after the fire? Explain. (4 marks)
 - (ii) What is the obligation of the insurer to the insured? (3 marks)
 - (iii) What would the position of the insurer have been had it elected to make payment directly to the insured prior to the fire? (3 marks)
- (b) The insured, John Smith, has basic automobile coverage under his S.P.F. 1 for Third Party Liability, Accident Benefits, and Uninsured Motorist coverages. Mr. Smith and his female passenger are involved in a one-vehicle accident when he hits a hydro pole after sliding on icy pavement. They both sustain injuries and Mr. Smith's suitcase and its contents are damaged.

State and briefly explain the coverage available to the insured for each of the following:

- (i) The insured's injuries (2 marks)
- (ii) The passenger's injuries (2 marks)
- (iii) The physical damage to the insured's suitcase and its contents (2 marks)
- (iv) The physical damage to the hydro pole (2 marks)
- (v) The physical damage to the automobile (2 marks)

