

C43 SPECIALTY LINES

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. Although glass insurance is provided by most all risks property forms, a separate glass rider may be preferable for certain classes of business because property forms generally exclude loss to glass caused by
- (A) theft or attempted theft.
 - (B) malicious mischief.
 - (C) vandalism.
 - (D) riot.

2. A standard glass rider automatically covers the cost of
- (A) removing and replacing any fixtures or other obstructions to the glazier.
 - (B) replacing exterior glass that has been scratched, defaced, or disfigured.
 - (C) boarding up or installing temporary plates in windows when unavoidable delays occur in replacing broken glass.
 - (D) damage to glass, lettering, ornamentation, tape or foil described in the schedule attached to the policy caused by accidental breakage.
3. The premium for cathedral glass would be determined using
- (A) area rating.
 - (B) schedule rating.
 - (C) cost-rating.
 - (D) flat-rating.
4. Which statement is INCORRECT in discussing glass claims?
- (A) Broken glass must be replaced immediately.
 - (B) Glass claims are usually not investigated because of the small amount of glass premium.
 - (C) Insurers often rely on glass dealers to identify the cause of glass breakage.
 - (D) Insurers have no right of subrogation against the person breaking the glass.
5. **A surety**
- (A) protects an employer from the dishonest acts of an employee.
 - (B) protects insureds to the extent that they are liable for negligence.
 - (C) guarantees the debt or performance of another.
 - (D) is entrusted with the administration of something for the benefit of another.
6. In a construction bond, the clause that outlines the time limit for any lawsuit under the bond, the methods of calculating liability, the limit of any payment, and who may bring action against the surety under the bond is known as the
- (A) Claims payment clause.
 - (B) *Now, therefore..*clause.
 - (C) Administration clause.
 - (D) *Signed and sealed...*clause.
7. Which of the following statements is NOT true of an Agreement to Bond?
- (A) This agreement is a surety's undertaking.
 - (B) The contractor is a party to this agreement.
 - (C) The surety is obligated to issue a performance bond if the contractor is awarded and accepts the contract.
 - (D) An Agreement to Bond is signed under seal.

8. The contractor's ability to complete a project based on the management experience, favourable job history, and the reputation of the key personnel within the construction company is known as
- (A) Capital.
 - (B) Capacity.
 - (C) Character.
 - (D) Communications.
9. The clause in a surety bond that allows the obligee to report a claim after the bond has expired is
- (A) Guarantee clause.
 - (B) Bond penalty.
 - (C) Discovery period.
 - (D) Performance clause.
10. As a result of the growing consumer demand for protection, governments require those who wish to exercise a privilege or engage in a particular business to provide a bond to comply with the government statute, by-law or regulation. The bonds are categorized as
- (A) financial guarantee bonds.
 - (B) lost document bonds.
 - (C) court and fiduciary bonds.
 - (D) licence and permit bonds.
11. The clause in a miscellaneous bond wording that describes how much will be paid upon default of the duty or obligation is the
- (A) fixed-term clause.
 - (B) guarantee clause.
 - (C) amount payable clause.
 - (D) fixed-penalty clause.
12. An open penalty bond used for lost securities is issued
- (A) when the lost instrument is a stock certificate.
 - (B) for a fixed dollar amount.
 - (C) when the security is of a specified value.
 - (D) when the lost instrument is a certified cheque.
13. Which of the following perils is covered under all risks property policies and therefore excluded under boiler and machinery policies?
- (A) Electrical arcing
 - (B) Rupture of pressure vessel
 - (C) Furnace explosion
 - (D) Mechanical breakdown

14. Which item of mechanical and electrical equipment could be considered an object under a boiler and machinery insurance policy?
- (A) A conveyor belt used to carry luggage in an airport
 - (B) A hoist used on a general construction site
 - (C) An electrical panel used to control lighting in a store
 - (D) A kiln used in the firing of ceramic pots
15. When fire, smoke, or combustion explosion damage ensue from an accident covered under a boiler and machinery policy, the policy will pay for
- (A) the damage caused by the accident and the damage caused by the ensuing fire.
 - (B) none of the damage.
 - (C) the damage caused by the accident, not the damage caused by the ensuing fire.
 - (D) the damage caused by the ensuing fire, not the damage caused by the accident.
16. The Suspension condition of boiler and machinery policies
- (A) cancels the policy.
 - (B) must have an endorsement from the insurer in order to reinstate coverage.
 - (C) requires the insurer to immediately refund 75% of the pro rata unearned premium.
 - (D) requires the insurer to give 15 days notice that the policy will be suspended.
17. If there has been a loss paid under a boiler and machinery business interruption policy, the Adjustment of Premium condition
- (A) provides for the insurer to return 50% of the annual premium to the insured.
 - (B) provides for the insurer to keep the total annual premium.
 - (C) requires the premium adjustment to be calculated on the expired time from the commencement date of the policy until the date of the loss.
 - (D) requires the insured to file a monthly statement of values with the insurer.
18. The definition of **Gross Earnings** under a boiler and machinery business interruption policy excludes
- (A) total net sales value of production.
 - (B) the cost of merchandise sold, including the packaging material.
 - (C) total net sales of merchandise.
 - (D) any other earnings derived from the operations of the business.
19. The operating expenses that continue or may continue in the event of a partial or total shutdown of business covered under the Gross Profits boiler and machinery business interruption coverage are called
- (A) average daily value.
 - (B) standing charges.
 - (C) daily indemnity.
 - (D) extra expense.

20. The average provision may be suspended on which boiler and machinery business interruption policy?
- (A) Gross Earnings
 - (B) Actual Loss Sustained
 - (C) Rent or Rental Value
 - (D) Loss of Profits
21. The federal Department of Transport has many responsibilities. Identify the responsibility OUTSIDE of its control.
- (A) Issues licenses for air traffic controllers
 - (B) Responsible for aviation safety in general
 - (C) Administration of regulations governing the amount and form of liability insurance carried by owners and operators of private aircraft
 - (D) Regulates commercial air carriers
22. Select the commercial operation that would NOT be permitted by the National Transportation Agency without a license.
- (A) Dropping parachutists
 - (B) Flying a company aircraft to deliver goods to isolated communities
 - (C) Flying one's aircraft on business and being reimbursed for such operation by one's employer
 - (D) Farmer spraying a neighbour's field
23. The term **international carriage** refers to any air journey that begins
- (A) in the territory of one country and ends in the territory of another.
 - (B) and ends in the territories of two countries that are parties to the international agreement.
 - (C) and ends in one country if the flight includes a stopover in the territory of another country.
 - (D) and ends in one country if the flight includes travel in the airspace of any other country.
24. The Automatic Reinstatement condition of an aviation insurance policy usually provides that
- (A) if the insurer pays a partial loss during the term, the amount of insurance is reduced by the amount paid.
 - (B) when the insurer has repaired damage following an insured loss, the insurance under the policy continues automatically at no additional premium.
 - (C) no hull premium will be returned on any aircraft on which a claim has been paid.
 - (D) the amount of hull insurance will be reduced by the amount of the loss and then gradually increased as repairs are conducted until it returns to the original amount.

25. Very old or antique aircraft are difficult to insure mainly because
- (A) their operation is more hazardous than the norm.
 - (B) their design, manufacture, and assembly were not subject to regulatory standards.
 - (C) there are insufficient data to provide credible statistics of accident rates.
 - (D) of the high cost of repair relative to insured value.
26. The Knowledge and Consent Endorsement for attachment to aviation policies
- (A) protects the named insured if an employee or a renter commits an act that the insured would not condone and that would otherwise result in the insurer's denying coverage.
 - (B) provides a form of accident coverage where the injured party need not prove negligence but is paid automatically at the insured's request.
 - (C) provides periodic payments for temporary disability to crew who have been injured and agree to sign a full release so that no further claim will be permitted.
 - (D) provides for premiums to be returned at the expiry of the policy for periods of forced inactivity of the aircraft for reasons beyond the insured's control.
27. In aviation insurance, **admitted liability**
- (A) is a coverage where the insurer automatically pays the claimant a predetermined sum for death, dismemberment or permanent total disability if requested by the insured.
 - (B) is a form of coverage where the injured person must prove the plaintiff acted negligently in order to claim compensation.
 - (C) automatically excludes coverage for employees.
 - (D) payments will not affect any claim that may otherwise be covered under a legal liability.
28. Which of the following is covered under Hangarkeeper's Liability?
- (A) Any aircraft owned or part-owned by, hired by, or loaned to the insured or the insured's family or employees
 - (B) Damage to aircraft and their parts in the insured's care, custody, and control for service
 - (C) Loss of or damage to material furnished by the insured or destruction of any work done by the insured out of which the accident arises
 - (D) Property damage to any aircraft or aircraft part held by the named insured for demonstration, rental, or sale
29. In hail insurance, an individual has an insurable interest in the crop to be insured if that person
- (A) sold land to the grower in exchange for a percentage of the crop grown on the land.
 - (B) buys the crops at harvest time.
 - (C) rents the land to the grower in exchange for a percentage of the crop grown on the land.
 - (D) rented the land to the grower for cash.

30. In reporting a hail loss, the insured
- (A) must complete the Notice of Loss form and forward it to the insurer so that the insurer receives it within three days of the storm.
 - (B) must notify the insurer directly by phone, fax, or e-mail within three days of the storm.
 - (C) can notify the broker or agent and this is considered notice to the insurer.
 - (D) must submit a Proof of Loss directly to the insurer within 30 days of the occurrence.
31. Economic Slaughter Coverage, as an attachment to a livestock mortality policy, has the effect of
- (A) allowing the insurer to determine whether it is more economical to treat or slaughter an injured or diseased animal.
 - (B) allowing the insured to have an animal put down rather than attempt to treat it if a veterinarian determines this is the most humane treatment.
 - (C) indemnifying the insured for economic loss arising when a performance animal is of no value because injury or illness leaves it permanently unable to perform.
 - (D) indemnifying the insured for economic loss if animals must be slaughtered to prevent the spread of illness or disease to other animals.
32. Livestock mortality insurance will pay a claim
- (A) when the owner sells the animal to an individual pretending to be a livestock buyer.
 - (B) for any surgical operation required by the animal.
 - (C) when a performance animal is involved in an automobile accident while being transported to a stampede.
 - (D) when an animal disappears from its paddock.
33. A global business that is unable to collect money for the goods and services it sold in a country because of a civil war may seek indemnity from
- (A) credit insurance.
 - (B) breakdown of transmission insurance.
 - (C) legal expenses insurance.
 - (D) Difference in Conditions insurance.
34. Extended warranty insurance
- (A) transfers the purchaser's risk that the party that issued the warranty will fail to pay claims against it.
 - (B) transfers the purchaser's risk that the purchased product will not be fit for its intended use.
 - (C) is a written guarantee given to the purchaser of a product assuring that the product is fit for its intended use.
 - (D) is a promise to repair or replace the product or its defective parts, free of charge, for a specified period.

35. Difference in Conditions insurance is not required in Canada to the same extent as in the United States because
- (A) coverage provided by standard insurance policies in Canada is broad enough for the most unusual risks.
 - (B) risks that are so unusual that conventional policies would not provide adequate coverage do not exist in Canada.
 - (C) most risks that have unusual insurance requirements are part of a U.S. parent company and coverage is arranged there.
 - (D) it is easier in Canada to modify conventional policies for unusual risks.
36. Personal legal expenses insurance pays, on behalf of the insured, reasonable legal expenses
- (A) incurred in a criminal case where the insured killed a burglar and was subsequently acquitted.
 - (B) when the insured disputes a parking ticket.
 - (C) when the husband files for a divorce from his wife one month after purchasing the policy.
 - (D) incurred by the insured in drawing up a will.
37. With regard to government health insurance plans, Canadians travelling outside their home province but within Canada
- (A) may be adversely affected by illness because the same degree of protection does not necessarily exist in all provinces.
 - (B) are protected to the extent they would be in their home province because reciprocal agreements exist between all provinces.
 - (C) are protected to the same extent since all provinces must conform to the federal Canada Health Act.
 - (D) are not covered by their provincial health plans and require travel health insurance.
38. A resident of Canada does not usually qualify for a government health insurance plan if he or she has not been present in the country for at least
- (A) 60 days.
 - (B) 90 days.
 - (C) 183 days.
 - (D) 365 days.
39. In a travel health insurance policy, unexpected or unforeseeable sickness or injury which requires immediate non-discretionary medical attention, treatment, or care defines
- (A) a medical emergency.
 - (B) an accident.
 - (C) an illness.
 - (D) a treatment.

40. Edward was aware he had a heart condition. He bought travel insurance at a kiosk that automatically issues policies at the airport and went on vacation. While on vacation, Edward had a heart attack and had to be hospitalized. His travel health policy will most likely
- (A) pay the claim, since the condition was believed to be under control.
 - (B) deny the claim, since the condition existed before the policy was in effect.
 - (C) pay the claim, since hospitalization was unexpected and unintended.
 - (D) supplement the benefits that will be provided under his government health plan.

(2 marks each = 80 marks)

Section B: Narrative Questions

Answer ONLY FIVE (5) questions from Questions 2 to 8.

- Question 2. (a) Although all risks property insurance forms insure glass forming parts of buildings, there is still a demand for plate glass insurance specifically written on the glass rider. Give reasons for this demand. (4 marks)
- (b) Summarize the terms of the insuring agreement in a glass rider. (4 marks)
- (c) Identify FOUR (4) exclusions (other than war and related risks) found in the glass rider. (8 marks)
- (d) Identify FOUR (4) types of cost-rated glass. (4 marks)
- Question 3. For each of the following bonds, state the purpose(s) for which the bond is issued and the obligation(s) of each of the three parties to the surety agreement.
- (a) Bid bond (5 marks)
 - (b) Performance bond (5 marks)
 - (c) Payment bond (5 marks)
 - (d) Maintenance bond (5 marks)

continued over

- Question 4. (a) Boiler insurance has widened to include many other types of equipment besides boilers. Identify FIVE (5) other types of equipment covered by this insurance. (5 marks)
- (b) Explain how boiler and machinery insurance complements a property policy covering losses that are not covered by most all risks property policies. (5 marks)
- (c) There are areas where coverage under boiler and machinery policies and property policies can overlap. Give ONE (1) example of this. Explain the usual procedure where a loss occurs and there is an overlap of coverage. (5 marks)
- (d) Briefly explain the provisions and conditions of Automatic Coverage under a boiler and machinery policy. (5 marks)
- Question 5. (a) Outline the TWO (2) aspects of indirect loss addressed by boiler and machinery business interruption insurance coverages. (4 marks)
- (b) Explain the basis for coverage under the following types of boiler and machinery business interruption policies.
- (i) Gross Earnings form (8 marks)
- (ii) Loss of Profits form (8 marks)
- Question 6. All aircraft policies contain certain important definitions. Explain the important features of the following:
- (a) In motion (4 marks)
- (b) Moored (4 marks)
- (c) Passenger (4 marks)
- (d) Occurrence (4 marks)
- (e) Hire or reward (4 marks)
- Question 7. A cattle breeder is arranging livestock mortality insurance on a purebred bull purchased for breeding purposes.
- (a) Name the principal insurer for this type of insurance in Canada. (1 mark)
- (b) What basic coverage may be available? Mention any special exclusions. (5 marks)
- (c) What information would the underwriter require? (4 marks)
- (d) Explain the infertility extensions that may be available. (5 marks)
- (e) In the event of a claim under this type of policy, what is required of the insured? (5 marks)

- Question 8. (a) Name and state the purpose of FIVE (5) insurance coverages available for film and television exposures. (10 marks)
- (b) Describe the operation of the pool operated by the Nuclear Insurance Association of Canada (NIAC). (5 marks)
- (c) (i) Define **credit insurance**. (1 mark)
(ii) State FOUR (4) functions of the coverage. (4 marks)

Section C: Application Question

All Students

- Question 9. (a) As a human resources administrator in a business that regularly hires new immigrants in addition to Canadian citizens, you are often asked to describe the coverages available under the government health insurance plan in your home province. Describe the eligibility requirements, services covered and limitations to a new employee. (10 marks)
- (b) Your employees regularly travel out of the country to visit friends and relatives. Briefly explain to your employees the need for travel health insurance that arises from the limitations in government health insurance plans. Define **travel health insurance** in terms of its coverages and its limitations. (10 marks)

