

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 is a FALSE statement? In Canada, automobile insurance is marketed
- (A) by direct writing insurers through captive agents.
 - (B) by reinsurers.
 - (C) through crown corporations of provincial governments.
 - (D) through independent agents selling on behalf of various insurers.

2. Which of the following have crown corporations that provide the basic compulsory automobile coverages?
 - (A) Alberta and British Columbia
 - (B) Manitoba and Ontario
 - (C) Manitoba and Saskatchewan
 - (D) Saskatchewan and Alberta

3. Automobile policy forms are regulated by
 - (A) agents and brokers.
 - (B) insurers.
 - (C) the federal government.
 - (D) the provincial governments.

4. Onus probandi
 - (A) rests on the pedestrian making the claim when an automobile is involved.
 - (B) is the right to state one's case in a court.
 - (C) means "burden of proof".
 - (D) means "presumed liable".

5. Which of the following is a true statement?
 - (A) Legal liability arises out of negligence.
 - (B) The Third Party Liability coverage provides protection not only for the insured but also for anyone who drives or operates any part of the automobile without the insured's consent.
 - (C) The Third Party Liability coverage provides protection only in cases where the third party is liable.
 - (D) When a liability claim arises out of a collision between two automobiles, the onus of proof is upon the defendant.

6. The legal concept that obligates an insurer to pay third party liability claims under an automobile policy even if the insured has violated policy conditions is known as
 - (A) Absolute Liability.
 - (B) Additional Agreement of Insurer.
 - (C) Financial Responsibility.
 - (D) Motor Vehicle Liability.

7. The ultimate aim of direct compensation plans is
 - (A) to reduce claims costs leading to lower premiums.
 - (B) speedier claims settlements because there is no fault assigned.
 - (C) successful subrogation by the injured party's insurer.
 - (D) to have the third party's insurer pay the claim.

8. With respect to automobile insurance in Ontario, a threshold
- (A) defines financial responsibility under the law.
 - (B) defines the types of injuries suffered in an automobile accident, for which lawsuits are permitted.
 - (C) is a no-fault benefit.
 - (D) is the maximum amount of insurance that a driver may purchase.
9. Which of the following have "no-fault" automobile insurance plans?
- (A) Alberta, British Columbia, Prince Edward Island, and Quebec
 - (B) British Columbia, Newfoundland, Ontario, and Quebec
 - (C) Manitoba, New Brunswick, Nova Scotia, and Ontario
 - (D) Manitoba, Ontario, Quebec, and Saskatchewan
10. A horse and buggy are hit by an automobile. The horse is killed. Neither the buggy nor the automobile have been damaged. Which of the motorist's automobile coverages applies to the horse?
- (A) Accident Benefits (Death benefits and Funeral expenses)
 - (B) Comprehensive
 - (C) Third Party Liability (Bodily Injury)
 - (D) Third Party Liability (Property Damage)
11. The minimum limits under the Third Party Liability coverage are \$200,000 in every Canadian province and territory except
- (A) Alberta.
 - (B) British Columbia.
 - (C) Newfoundland.
 - (D) Quebec.
12. Priorities of Payment do NOT apply to bodily injury claims under the government plan in
- (A) British Columbia.
 - (B) Saskatchewan.
 - (C) Manitoba.
 - (D) Quebec.
13. Under an automobile insurance policy, Accident Benefits
- (A) are paid only to innocent victims of an automobile accident.
 - (B) are paid regardless of fault.
 - (C) can only be collected if the injured person has no other source of income.
 - (D) must be awarded by the courts.

14. Which of the following is included under the Specified Perils section (Loss of or Damage to the Insured Automobile)?
- (A) A passing truck throws up a rock that shatters the insured automobile's windshield.
 - (B) The insured automobile is being transported by rail from Toronto to Vancouver - the train is derailed and the automobile is demolished.
 - (C) The undercarriage of the insured automobile hits the ground on a rough and rutted country road and the muffler is torn off.
 - (D) Vandals slash the tires and scratch the paint on the insured automobile.
15. Earthquake is covered under
- (A) All Perils, Comprehensive and Specified Perils.
 - (B) All Perils only.
 - (C) Comprehensive but not Specified Perils.
 - (D) Comprehensive only.
16. Which of the following losses could be covered under the Loss of or Damage to the Insured Automobile section of an automobile policy?
- (A) Damage caused by radioactive contamination
 - (B) Damage caused when water freezes in the radiator
 - (C) Rust damage to the exhaust system
 - (D) Tires damaged when the automobile caught fire and burned
17. The insured will be reimbursed for Loss of Use by theft expenses
- (A) from the moment the automobile is reported stolen.
 - (B) in whatever amounts the insured spends and claims.
 - (C) only if the insured has purchased theft coverage.
 - (D) when the spare tire is stolen from the trunk and the insured has to hire a service truck.
18. Under Additional Agreements of Insurer (Loss of or Damage to the Insured Automobile), the insurer agrees to waive subrogation against which of the following?
- (A) A neighbour driving the automobile with the insured's consent
 - (B) A driver who breached a policy condition
 - (C) Someone who had the automobile in connection with the business of selling or repairing automobiles
 - (D) Someone who had the automobile in connection with the business of storing or parking automobiles

19. Which of the following is true of the Uninsured Automobile coverage?
- (A) A deductible applies to bodily injury losses.
 - (B) An insured must be legally entitled to recover.
 - (C) It covers bodily injury caused by identified motorists.
 - (D) It is available only in Ontario.
20. Which of the following is covered under an automobile policy?
- (A) Driving the automobile in Mexico
 - (B) Transporting the vehicle by rail in Europe
 - (C) Transporting the automobile from Vancouver, British Columbia to San Francisco, California by ship
 - (D) Driving a rented automobile in Great Britain
21. Which of the following is true with respect to termination of automobile insurance coverage?
- (A) Once the policy has been issued, it can only be terminated if the insured sells the automobile.
 - (B) The lienholder can terminate the policy at any time by request.
 - (C) The insurer may terminate the policy mid-term without notice.
 - (D) The policy may be terminated by either the insured or the insurer.
22. After being involved in an accident where injuries occurred, an insured must
- (A) contact a lawyer immediately.
 - (B) give prompt notice of the accident to the insurer.
 - (C) try to settle with the injured parties on his own.
 - (D) admit his liability.
23. Which of the following statements is true when the insured automobile has been damaged in an accident?
- (A) Once the insurer has paid for the claim, it is the insured's responsibility to dispose of the salvage.
 - (B) The insured is required to repair any damage to the automobile and submit the receipts for the repairs to the insurer for reimbursement.
 - (C) The insured's only responsibility is to advise the insurer of the accident promptly.
 - (D) The insurer's maximum liability is the least of the actual cash value of the automobile or the cost to repair or replace it with one of like kind and quality.

24. When the third party is uninsured and is legally liable for bodily injury to the insured, coverage for the insured's shortfall can be provided by the
- (A) Passenger Risks Clause.
 - (B) Amount Paid Clause.
 - (C) Excluding, Reducing or Increasing Coverage for Named Persons Endorsement.
 - (D) Family Protection Endorsement.
25. The two major components of an automobile insurance rate are an expense loading and the
- (A) pure premium.
 - (B) profit.
 - (C) acquisition costs.
 - (D) contingencies.
26. **The Facility Association**
- (A) is an incorporated, for profit association of insurers.
 - (B) ensures that automobile insurance is available to every licenced driver.
 - (C) is a government department providing high risk insurance coverage.
 - (D) is none of the above.
27. Some mandatory automobile coverage is provided by both private industry and by the government in
- (A) British Columbia.
 - (B) Newfoundland.
 - (C) Ontario.
 - (D) Quebec.
28. In Ontario, which of the following is NOT part of the definition of the verbal threshold for non-economic loss?
- (A) Catastrophic impairment
 - (B) Death
 - (C) Permanent serious disfigurement
 - (D) Permanent serious impairment of an important physical, mental or psychological function
29. In which way is the Quebec Policy form (Q.P.F. 1) similar to standard automobile insurance policies in other provinces?
- (A) Basic Accident Benefits are provided by the Q.P.F. 1.
 - (B) Third Party Liability, Accident Benefits and Loss of or Damage to Insured Automobile coverage may be provided by the Q.P.F. 1.
 - (C) Mandatory Third Party Liability is provided by the Q.P.F. 1.
 - (D) Loss of or Damage to the Insured Automobile is a mandatory coverage.

30. Which of the following statements applies to automobile insurance in Manitoba, Saskatchewan, and British Columbia?
- (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.

(2 marks each = 60 marks)

Section B: Narrative Questions

- Question 2. (a) Describe the concept of financial responsibility as it relates to automobile insurance, including the various reasons for and means of proof. (10 marks)
- (b) What information is found on a pink card and what is important in its usage? (10 marks)
- Question 3. Applications for automobile insurance are not standard throughout Canada but the information required is essentially the same. Identify and briefly explain TEN (10) items of information required on a SAF 1. (20 marks)
- Question 4. (a) Describe the provisions of the Ontario Insurance Act regarding Direct Compensation – Property Damage. (10 marks)
- (b) Briefly describe the coverage provided by the Société de l'assurance automobile du Québec. (10 marks)
- Question 5. Under certain circumstances, the automobile insurance policy (SPF 1) provides coverage for automobiles other than the one(s) described on the policy. Explain how the coverage applies to the following:
- (a) Newly Acquired automobiles (8 marks)
 - (b) Temporary substitute automobiles (12 marks)

- Question 6. With respect to Loss of or Damage to the Insured Automobile insurance (Own Damage), identify the subsection(s), if any, that would provide coverage in connection with each of the following occurrences:
- (a) Cost of decontamination of an automobile following an escape of radioactive material
 - (b) Damage by collision with a moose on the highway
 - (c) Damage by material dropped off a building
 - (d) Damage caused by falling masonry in an earthquake
 - (e) Damage to contents of a camper being hauled by the insured automobile when the automobile was involved in a collision
 - (f) Damage to the underside of an automobile due to running over lumber that had dropped off a truck
 - (g) Shotgun damage to a parked automobile
 - (h) Theft of the automobile
 - (i) Tires that need to be replaced due to wear
 - (j) Theft of audio tapes in a case stored in the trunk of the automobile
- (2 marks each = 20)
- Question 7. Discuss the reasons for, and the operation of, the Highway Victims Indemnity Funds. How does the coverage operate in the various jurisdictions in Canada? (20 marks)

Section C: Application Question

- Question 8. You are an insurance agent who services a large book of personal lines automobile business. The standard automobile insurance policy has limitations or exclusions that may be added to the policy in certain circumstances. Explain to your client why an endorsement is necessary in each of the following situations, and briefly describe to the insured what coverage the endorsement provides.
- (a) Your client takes a long-term lease on an automobile - the terms of the lease require him to arrange his own insurance. (5 marks)
 - (b) The insured has restored an older automobile and has an appraisal showing that it has a much higher value than other automobiles of that year and model. (5 marks)
 - (c) The insured lays his automobile up for the winter but wants coverage for damage to it while it is not in use. (5 marks)
 - (d) The insured operates a commercial driver training school that specialises in teaching defensive driving methods. (5 marks)

