



C110 ESSENTIALS OF LOSS ADJUSTING

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)

<p>DO NOT MARK THE ANSWERS ON THESE PAGES. USE THE FIRST PAGE OF YOUR ANSWER BOOK.</p>
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1. Which of the following is the most effective method to establish communication with your insured following a loss?
 - (A) Active listening to understand the emotional level of the insured
 - (B) A sympathetic approach to an unfortunate circumstance
 - (C) Over-identifying with how another person is feeling
 - (D) Being direct with client about any concerns

2. Policy Conditions are understood to include
 - (A) a statutory declaration of oath.
 - (B) the rights, duties and obligations of the insured and insurer.
 - (C) the rights, duties and obligations of the insurer.
 - (D) the rights, duties and obligations of the insured.

3. Secondary Evidence can be described as
- (A) reports from a witness to an accident on how the accident happened.
 - (B) photographs of the scene of the accident.
 - (C) reports from an expert that present an opinion on the value of causation.
 - (D) hearsay information.
4. An adjuster has informed the insured to rent a car after an accident. The insured proceeds to rent the car. Later that day the adjuster realizes that the insured does not have rental coverage. This is an example of
- (A) Estoppel.
 - (B) Non disclosure.
 - (C) Material fact.
 - (D) Concealment.
5. The financial performance of an insurer is measured in part by its
- (A) operating results.
 - (B) allocated expenses and premiums.
 - (C) distribution costs.
 - (D) underwriting performance.
6. Civil law in its application to the business of insurance is concerned mainly with
- (A) criminal law and administrative law.
 - (B) the law of principal and agent.
 - (C) the law of precedents.
 - (D) the law of contract and the law of tort.
7. In contract law, consideration is
- (A) legality of object.
 - (B) something of value, such as a premium.
 - (C) legal right to make a contract.
 - (D) a decision to be made.
8. Insuring Agreements within a policy describe
- (A) who is insured and how much insurance is purchased.
 - (B) the location of the risk.
 - (C) the property covered and the circumstances under which coverage will apply.
 - (D) the guarantee by the insurer of indemnity.

9. When one party drafts the policy wording and controls it, this is known as
- (A) a contract of adhesion.
 - (B) a bilateral contract.
 - (C) privity of contract.
 - (D) a multilateral contract.
10. Under a liability policy, a Claims-made policy is triggered
- (A) when the third party makes a claim against the insured.
 - (B) by the accident date when the loss happens.
 - (C) when the policy was written.
 - (D) by the type of claim.
11. Cultural norms are derived from
- (A) the work environment.
 - (B) the level of education and professional standing achieved.
 - (C) our wealth in society.
 - (D) our religious and ethnic values of the society in which we live.
12. Rapport in a relationship often indicates
- (A) that people are aware of certain feelings and can relate.
 - (B) a common bond that leads to agreement and harmony.
 - (C) that we are listening and understand what is being said.
 - (D) controlling our reactions to comments made by others.
13. A non-waiver agreement permits the adjuster to maintain contact with the
- (A) broker to assist on coverage issues.
 - (B) insurer to review coverage issues.
 - (C) insured throughout the investigation without creating an estoppel.
 - (D) insured after the loss has been indemnified.
14. A witness is anyone who
- (A) did not actually see the accident but is aware of the facts.
 - (B) can provide facts that are relevant and material to the claim.
 - (C) can relate to the accident as they had a similar accident.
 - (D) can provide a positive statement.

15. Circumstantial evidence relates to
- (A) what can be inferred from what was presented as evidence.
 - (B) what was actually seen by a witness.
 - (C) sworn statements provided by the insured.
 - (D) evidence that is not admissible.
16. When an insurer enforces the "replacement clause" it is understood to mean the
- (A) appraised value of a risk to be insured.
 - (B) fair value of damaged property based on a purely intrinsic valuation.
 - (C) agreement to pay property damages based on the value of the appraisal.
 - (D) option to repair, rebuild, or replace the property damaged instead of making a payment.
17. As a means of resolving claims disputes, arbitration
- (A) is very expensive and usually results in the dispute proceeding to trial.
 - (B) requires that the disputing parties agree that they will be bound by the decision of impartial third party.
 - (C) allows parties to identify real issues and consider solutions in an informal setting.
 - (D) is a meeting held for the purpose of exchanging all non-privilege documents that the parties intend to rely upon as evidence.
18. After the submission and acceptance of a proof of loss, the adjuster must be in a position to settle the claim within how many days?
- (A) 30 days
 - (B) 120 days
 - (C) 50 days
 - (D) 60 days
19. The written statements of facts and of the law filed by the parties to a lawsuit is collectively know as
- (A) pleadings.
 - (B) a writ of summons.
 - (C) a counterclaim.
 - (D) subrogation.
20. A default judgment is when
- (A) a defendant is awarded damages and legal fees.
 - (B) the judge awards pecuniary damages.
 - (C) a claim is not contested and the plaintiff asks for damages.
 - (D) a defendant has a claim against the plaintiff.

21. Liability insurance offers protection to the insured against
- (A) damages to their property as a result of a negligent third party.
 - (B) the costs of a civil action brought against him by a third party.
 - (C) fire damages to their property.
 - (D) damages as a result of continuous wear and tear.
22. Nuisance is
- (A) an unreasonable interference in the way a teacher performs the work for which they were hired.
 - (B) a civil action brought before a court, involving individual rights, business practices and procedures.
 - (C) unreasonable use of property causing discomfort or harm to another person or group of persons.
 - (D) a dispute between individuals brought before the courts.
23. A person who brings something onto their land that potentially could cause damage should it escape to adjoining property is said to be
- (A) vicariously liable.
 - (B) civilly liable.
 - (C) absolutely liable.
 - (D) strictly liable.
24. An occurrence is defined under a liability policy as a(n)
- (A) event that occurs out of the insured's own negligence over a long period of time.
 - (B) event for which the insured is legally liable that occurs during the policy period.
 - (C) sudden and accidental event that causes injury or damage to the insured.
 - (D) accident including continuous or repeated exposure to the same harmful conditions.
25. Which of the following would be considered a friendly fire?
- (A) A carpet fire develops from sparks from a fireplace
 - (B) A burning log from a fireplace rolls onto the cement floor and creates scorching
 - (C) A fire burning in the fireplace hearth providing heat
 - (D) Candles burning on the fireplace, catching fire to the curtains
26. Which of the following would NOT be covered under the Water Escape peril typically found in named perils policy forms?
- (A) Back up from a sewer, sump, or septic tank
 - (B) Water that enters the dwelling through an opening that has been created by an insured peril
 - (C) Sudden and accidental escape of water from a water main
 - (D) Sudden and accidental escape of water from a domestic water container located outside the building

27. The extent of coverage on an automobile all-perils policy is determined by the
- (A) insuring agreement.
 - (B) named perils.
 - (C) general conditions.
 - (D) exclusions.
28. Under an automobile policy, there is consent to drive when the driver
- (A) has the owner's permission to drive the automobile.
 - (B) has a valid licence to drive the automobile.
 - (C) takes a friend's mother's vehicle because the friend has given permission.
 - (D) is anyone other than the named insured.
29. The Canadian Automobile Theft Bureau is actively involved in the
- (A) seizure and repossession of automobiles.
 - (B) recovery of stolen automobiles.
 - (C) laying of criminal charges.
 - (D) physical return of automobiles.
30. Under the legal concept of The Duty of Care, a person will be held responsible for damages
- (A) when the injury should have been reasonably contemplated.
 - (B) to our neighbours.
 - (C) when the injury is the result of a direct chain of causation.
 - (D) imposed by law.

(2 marks each = 60 marks)

Section B: Narrative Questions

- Question 2. (a) Active listening is important in relationship building and is an excellent means of developing rapport with customers and improving communication levels. Describe the facets included in active listening. (5 marks)
- (b) Following a loss, it is very important that the adjuster manage the insured's expectations. What should the adjuster consider in managing the expectations of the insured? (10 marks)
- (c) Explain the concept of **Privity of Contract**. (5 marks)

- Question 3. (a) A claim has been assigned to you following a car accident. You have been asked to obtain a statement from a person who saw the accident. Discuss how you would plan for this interview. (10 marks)
- (b) Explain the importance of the following in the loss investigation process.
- (i) Photographs (4 marks)
 - (ii) Experts (6 marks)
- Question 4. (a) Discuss the various forms of body language and the ways in which these gestures can be interpreted. (10 marks)
- (b) Explain in full the THREE (3) elements necessary to constitute an actionable tort. (10 marks)
- Question 5. (a) Contrast a “Friendly Fire” with a “Hostile Fire”. (5 marks)
- (b) Discuss in full what is involved when a contractor or adjuster scopes the damaged property. (10 marks)
- (c) Briefly explain the concept of **salvage**. (5 marks)

Section C: Application Questions

- Question 6. For each of the following loss situations, explain if the loss would be covered or not based on the usual perils included in a residential property policy and note any exceptions to the coverage.
- (a) Mrs. Smith has left her home for a one week vacation, during which time the temperature drops suddenly causing her pipes to burst. Upon Mrs. Smith’s return, she discovers water damage throughout her home. Mrs. Smith presents a claim to her insurance company. (5 marks)
- (b) Mr. Boyle was watching T.V. during a rather heavy rainstorm. During this storm, a large lightning bolt hit a transformer causing the power to shut down. When power is resumed, Mr. Boyle notices the T. V. no longer works. Mr. Boyle presents a claim to his insurance company. (5 marks)
- (c) A few months ago, Mrs. Carr installed a new porcelain toilet in her second floor washroom. Recently, Mrs. Carr noticed wet marks on the kitchen ceiling. She then discovered water all over the bathroom floor and noticed a small crack at the base of the toilet. Mrs. Carr presents a claim to her insurance company. (5 marks)

- (d) Your fully furnished home was rented to a young ambitious lawyer. The lawyer recently informed you that he is being relocated and has since vacated the premises. You attended at the premises once he has left only to find several of your furnishings missing. You notify your insurance company. (5 marks)
- Question 7. (a) You are the adjuster assigned to a recent automobile fire loss. List the steps that you will include in your investigation to confirm that this is not a fraudulent claim. (5 marks)
- (b) Benjamin's Production Company has recently suffered a large theft of production equipment during the filming of a movie. The theft was only discovered the next morning when he noticed that the trailer, which he had rented, was broken into. Much of the equipment was stolen and the remaining equipment has been severely broken or smashed. Benjamin has reported the incident to his insurance company and the local authorities. Benjamin's insurance company advises him that he has coverage under his commercial property policy. Explain how an adjuster would initiate the investigation of the loss using the Decision Tree Methodology. (15 marks)
- Question 8. Sip and Dip Donuts has recently reported a "slip and fall" of a customer within their premises. The third party indicated that they slipped on the stairs leading to the bathroom and have broken their ankle. As the independent adjuster, you have been appointed to investigate this incident on behalf of Sip and Dip Donuts' insurance company. Discuss the items you would initially investigate and what you would include in your first report. (20 marks)

