

Insurance Terms Exercise

Level 1 Licensing Practice

Part I

1. A bailee is someone who:
 - a) entrusts goods or property to another for a stated purpose
 - b) is entrusted with goods or property for a stated purpose
 - c) posts a fee for the release of goods or property belonging to another person
 - d) a person who acts on behalf of the insuree in placing business with an insurer

2. An independent adjuster is someone who:
 - a) negotiates insurance or reinsurance contracts for another
 - b) is selected from the general populace sworn to hear evidence in a law case and to make a decision according to their findings
 - c) because of special knowledge is vested with authority in determining the real value of property or damage
 - d) adjusts losses on behalf of insurance companies, but is not employed by any one insurance company.

3. Malicious setting on fire of preparing, providing and setting the means for fire to start is the definition for:
 - a) Incendiary
 - b) Hostile Fire
 - c) Friendly Fire
 - d) Fire Damage

4. The disappearance of insured property in an unexplained manner is the definition for:
 - a) Disappearance
 - b) Theft
 - c) Mysterious Theft
 - d) Mysterious Disappearance

5. A non waiver agreement is:

- a) an agreement between the insurer and the policyholder requiring the policyholder to immediately give notice to the company of any loss
- b) an agreement between the insurer and the policyholder requiring the policyholder to waive their right to represent themselves in a court of law even when the insurer may choose to settle the loss to the policyholders disagreement
- c) an agreement signed by the policyholder after a loss agreeing that investigation and determination of the amount of damage by the insurance company shall not be construed as an admission of liability
- d) and agreement between the insurer and the policyholder to waive something affecting a contract of insurance important enough to change the agreement between the company and the policy holder

6. The pair and set clause:

- a) establishes the loss or damage to one of a pair or set of individual items represents the loss of the pair or set
- b) establishes the loss or damage to both items of a pair or all items of the set represents the loss of only one item of the pair or set
- c) establishes the loss or damage to one of a pair or set of individual items does not represent the loss of the pair or set.
- d) establishes the value of one item in a pair or set of individual items to be equal to the value of the pair or set for the settlement of a loss

7. Punitive damages are:

- a) damages paid for a direct loss from the guilty party
- b) damages imposed to punish the guilty party
- c) damages imposed recover the loss from the guilty party
- d) damages related to property losses

8. An Agency Contract is:

- a) The provisions in a written agreement which explain the benefits, conditions, and other features of the insurance contract
- b) The written agreement between an insurer and a broker outlining their respective rights and duties
- c) Articles defining or describing terms and responsibilities of the policyholder, contractor, performance and payment schedules, and the like
- d) An agreement between concerned parties

Part II

Match the following terms to the correct definitions

___ The fair market value of property taking into account factors that might augment or reduce the value of the property in question	a. Limit of Liability
___ A condition of morals or habits that increases the probability of loss from a peril	b. Replacement Value
___ The chance of a loss	c. Morale Hazard
___ The oral utterance or spreading of falsehood harmful to another's reputation	d. Flat Cancellation
___ The portion of premium earned or charged for the period of time a policy remained effective	e. Physical Hazard
___ A risk or probability that the event insured against might occur or a condition which increases the chance for a loss	f. Ex Gratia Payments
___ Provision in some insurance and reinsurance contracts covering only claims made during term of the contract.	g. Peril
___ The maximum amount that an insurer is bound to pay in case of a loss.	h. Earned Premium
___ A condition arising out of an insured's indifference to loss because of the existence of insurance	i. Actual Cash Value
___ A partial loss but where the damage is so extensive that repairs would cost as much or more than the repaired property would be worth, or the limit of insurance	j. Constructive Total Loss
___ The concept that an insured will be reimbursed for his loss	k. Risk
___ The cancellation of a policy as of the effective date with all paid premium refunded	l. Short Rate Cancellation
___ Insurance which agrees to indemnify the insured for sums he may be required by law to pay to third parties as damages for bodily injury or damage to property	m. Moral Hazard
___ A condition arising from the material, structural, or operational features of the risk itself apart from the persons owning or managing it	n. Claims Made Basis
___ Cancellation of an insurance policy or bond with the return premium credit being the full proportion of premium for the unexpired term of the policy	o. Slander
___ The cancellation by the insured of a policy before its natural expiration; the insurer pays a return premium which is less than the proportionate part that remains unearned	p. Principle of Indemnity
___ The event that caused a loss covered by the policy	q. Prescription
___ A payment made for which an insurer is not liable under terms of its policy.	r. Hazard
___ The cash value representing what it would cost to replace the particular article which is the subject of the insurance	s. Liability Insurance
___ A limitation of time within which a claim may be brought by the policyholder (action can be taken by a claimant)	t. Pro Rata Cancellation

Part III

List the correct term for the following definitions

_____ : Liability that occurs where one has a duty to fill no matter what the circumstances may be.

_____ : Liability imposed upon a person even though not a party to a particular occurrence.

_____ : A special form of liability policy designed to protect the insured for certain unknown contingencies over and above coverage's and to provide excess insurance.

_____ : Special prescribed and standardized conditions that the provincial Insurance Acts require to be included in fire, automobile and accident and sickness policies

_____ : The basis of all insurance and reinsurance contracts. Both parties to the contract are bound to exercise good faith and do so by a full disclosure of all information material to the proposed contract.

_____ : Two or more persons or companies who may be sharing a loss.

_____ : Cause of loss or damage. It is an unbroken chain of cause and effect between the occurrence of an insured peril and damage to property.

_____ : A legal wrong arising from a duty fixed by law.

_____ : That which belongs to something else; one thing belongs to another thing, which the two will remain in relationship and will pass with the ownership.

_____ : A requirement of the insured to repair the direct loss as quickly as practicable to reduce a consequential loss.

_____ : The mathematical premise that states that the degree of uncertainty is reduced as the number of events increases.

Answers

Insurance Terms Exercise

Level 1 Licensing Practice

Part I

9. A bailee is someone who:

- a) entrusts goods or property to another for a stated purpose
- b) is entrusted with goods or property for a stated purpose**
- c) posts a fee for the release of goods or property belonging to another person
- d) a person who acts on behalf of the insuree in placing business with an insurer

10. An independent adjuster is someone who:

- a) negotiates insurance or reinsurance contracts for another
- b) is selected from the general populace sworn to hear evidence in a law case and to make a decision according to their findings
- c) because of special knowledge is vested with authority in determining the real value of property or damage
- d) adjusts losses on behalf of insurance companies, but is not employed by any one insurance company.**

11. Malicious setting on fire of preparing, providing and setting the means for fire to start is the definition for:

- a) Incendiary**
- b) Hostile Fire
- c) Friendly Fire
- d) Fire Damage

12. The disappearance of insured property in an unexplained manner is the definition for:

- a) Disappearance
- b) Theft
- c) Mysterious Theft
- d) Mysterious Disappearance**

13. A non waiver agreement is:

- a) an agreement between the insurer and the policyholder requiring the policyholder to immediately give notice to the company of any loss
- b) an agreement between the insurer and the policyholder requiring the policyholder to waive their right to represent themselves in a court of law even when the insurer may choose to settle the loss to the policyholders disagreement
- c) an agreement signed by the policyholder after a loss agreeing that investigation and determination of the amount of damage by the insurance company shall not be construed as an admission of liability**
- d) and agreement between the insurer and the policyholder to waive something affecting a contract of insurance important enough to change the agreement between the company and the policy holder

14. The pair and set clause:

- a) establishes the loss or damage to one of a pair or set of individual items represents the loss of the pair or set
- b) establishes the loss or damage to both items of a pair or all items of the set represents the loss of only one item of the pair or set
- c) establishes the loss or damage to one of a pair or set of individual items does not represent the loss of the pair or set.**
- d) establishes the value of one item in a pair or set of individual items to be equal to the value of the pair or set for the settlement of a loss

15. Punitive damages are:

- a) damages paid for a direct loss from the guilty party
- b) damages imposed to punish the guilty party**
- c) damages imposed recover the loss from the guilty party
- d) damages related to property losses

16. An Agency Contract is:

- a) The provisions in a written agreement which explain the benefits, conditions, and other features of the insurance contract
- b) The written agreement between an insurer and a broker outlining their respective rights and duties**
- c) Articles defining or describing terms and responsibilities of the policyholder, contractor, performance and payment schedules, and the like
- d) An agreement between concerned parties

Part II

Match the following terms to the correct definitions

i The fair market value of property taking into account factors that might augment or reduce the value of the property in question	a. Limit of Liability
m A condition of morals or habits that increases the probability of loss from a peril	b. Replacement Value
k The chance of a loss	c. Morale Hazard
o The oral utterance or spreading of falsehood harmful to another's reputation	d. Flat Cancellation
h The portion of premium earned or charged for the period of time a policy remained effective	e. Physical Hazard
r A risk or probability that the event insured against might occur or a condition which increases the chance for a loss	f. Ex Gratia Payments
n Provision in some insurance and reinsurance contracts covering only claims made during term of the contract.	g. Peril
a The maximum amount that an insurer is bound to pay in case of a loss.	h. Earned Premium
c A condition arising out of an insured's indifference to loss because of the existence of insurance	i. Actual Cash Value
j A partial loss but where the damage is so extensive that repairs would cost as much or more than the repaired property would be worth, or the limit of insurance	j. Constructive Total Loss
p The concept that an insured will be reimbursed for his loss	k. Risk
d The cancellation of a policy as of the effective date with all paid premium refunded	l. Short Rate Cancellation
s Insurance which agrees to indemnify the insured for sums he may be required by law to pay to third parties as damages for bodily injury or damage to property	m. Moral Hazard
e A condition arising from the material, structural, or operational features of the risk itself apart from the persons owning or managing it	n. Claims Made Basis
t Cancellation of an insurance policy or bond with the return premium credit being the full proportion of premium for the unexpired term of the policy	o. Slander
l The cancellation by the insured of a policy before its natural expiration; the insurer pays a return premium which is less than the proportionate part that remains unearned	p. Principle of Indemnity
g The event that caused a loss covered by the policy	q. Prescription
f A payment made for which an insurer is not liable under terms of its policy.	r. Hazard
b The cash value representing what it would cost to replace the particular article which is the subject of the insurance	s. Liability Insurance
q A limitation of time within which a claim may be brought by the policyholder (action can be taken by a claimant)	t. Pro Rata Cancellation

Part III

List the correct term for the following definitions

Absolute Liability: Liability that occurs where one has a duty to fill no matter what the circumstances may be.

Vicarious Liability: Liability imposed upon a person even though not a party to a particular occurrence.

Umbrella: A special form of liability policy designed to protect the insured for certain unknown contingencies over and above coverage's and to provide excess insurance.

Statutory Conditions: Special prescribed and standardized conditions that the provincial Insurance Acts require to be included in fire, automobile and accident and sickness policies

Utmost Good Faith: The basis of all insurance and reinsurance contracts. Both parties to the contract are bound to exercise good faith and do so by a full disclosure of all information material to the proposed contract.

Co-Insurer: Two or more persons or companies who may be sharing a loss.

Proximate Cause: Cause of loss or damage. It is an unbroken chain of cause and effect between the occurrence of an insured peril and damage to property.

Tort: a legal wrong arising from a duty fixed by law.

Appurtenances: That which belongs to something else; one thing belongs to another thing, which the two will remain in relationship and will pass with the ownership.

Due Diligence: A requirement of the insured to repair the direct loss as quickly as practicable to reduce a consequential loss.

Law of Large Numbers: The mathematical premise that states that the degree of uncertainty is reduced as the number of events increases.