

Ch1. General Insurance Terms And Related Concepts

Before you learn about the different types of insurance policies, you need to understand some basic terminology, concepts and what insurance is. You will also learn the terms that are used specifically in the Limited Lines exam. In general, this guide helps build a foundation of knowledge that makes it easier for you to learn the rest of the material in this course, so it is important for you to master these ideas for to successfully pass the Limited Lines exam. Let's begin by defining general insurance principles.

General Insurance Principles:

Insurance transfers the risk of loss from an individual or business entity to an insurance company, which in turn spreads the costs of unexpected losses to many individuals. If there were no insurance mechanism, the cost of a loss would have to be borne solely by the individual who suffered the loss.

"Insurer" is the insurance company, the "Insured" is the customer and the "Producer" is the insurance agent transacting insurance on behalf of the Insurer.

Authority of a producer, express implied and apparent

Express authority is an explicit definite agreement. Is the authority given to the producer as set forth in their contract. Every producer should act within the contract limits. To do otherwise could place the producer in a position of personal liability, all actions and knowledge are binding on the insurance company.

Implied authority is not expressly granted under the agency contract, but it is actual authority the producer has to transact the principal's business in accordance to general business practices. For example, if a producer's contract does not give her the express authority of collecting and submitting premium, but the producer does so on a regular basis and the company accepts the premium, then the producer is said to have implied authority. That is, it is a general business practice to collect premium, and by accepting premium from the producer, the company has implied that the producer has the authority to conduct his practice.

Apparent authority is the authority a producer seems to have because certain actions taken on his part. This action may mislead applicants or insureds, causing them to believe the producer has authority that in fact does not, in fact, have. The principal adds to this impression by acting in a manner that reinforces the impression of authority. For instance, a producer's contract usually does not grant him the authority to reinstate a lapsed policy by accepting past due premiums. If in the past the company has allowed the producer to accept late premiums for that purpose, a court would probably hold that the policyholder had the right to assume that the producers acceptance of premiums was in the scope of authority.

Loss: is defined as the reduction, decrease, or disappearance of value of the person or property insured in a policy, caused by a named peril. Insurance provides a means to transfer loss.

Risk: is the uncertainty or chance of a loss occurring. The two types of risks are pure and speculative, only one of which is insurable.

Peril: Are the causes of loss insured against in an insurance policy. Life insurance insures against the financial loss caused by the premature death of the insured; Health insurance insures against the medical

expenses and/or loss of income caused by the insured's sickness or accidental injury; Property insurance insures against the loss of physical property or the loss of its income producing abilities; Casualty insurance insures against the loss and/or damage of property and resulting liabilities.

Hazard: is/are conditions or situations that increase the probability of an insured loss occurring. Conditions such as slippery floors, or congested traffic are hazards and may increase the chance of a loss occurring.

Indemnity: (sometimes referred to as reimbursement) is a provision in an insurance policy that states that in the event of loss, an insured or a beneficiary is permitted to collect only to the extent of the financial loss, and is not allowed to gain financially because of the existence of an insurance contract. The purpose of insurance is to restore, but not let an insured or a beneficiary profit from the loss.

Subrogation: The insurer's legal right to seek damages from third parties, after it has reimbursed the insured for the loss. Subrogation is based on the principle of indemnity by preventing the insured from collecting on the loss twice: once from the insurer and a second time from

Direct and Indirect Loss: The two types of property losses that an individual or business are exposed to are direct and indirect. Property insurance only covers direct losses. However, indirect losses are related to the direct loss, and insurance coverage to protect against these indirect losses often is added to property insurance policies. Direct losses mean direct, physical damage to buildings and/or personal property. Direct loss also includes other damage where the insured peril was the proximate cause of loss. For example, an insured building catches fire. When the fire department applies water to put out the fire, the wall and floor coverings suffer water damage. Although water damage is not an insured peril, the damage is paid under the peril of fire because fire was the proximate cause. Indirect losses, also known as consequential losses, are losses considered a result of direct loss. Such losses usually result from the time it takes to repair or replace damaged property. The most prevalent type of indirect loss for individual homeowners is the extra living expense that may be incurred by the insured while the home is being repaired. For commercial risks, the primary type of indirect or consequential loss is the loss of profits a business may suffer because of having to close down until the business is repaired.

Proximate Cause: Is an act or event considered a natural and reasonably foreseeable cause of the damage or event that occurs and damages property or injures a plaintiff. The negligence must have been the proximate cause of the damage if the injured party is to collect for the damage. This means that there must have been an unbroken chain of events beginning with the negligence and leading to the injury or damage. (The negligence must have been the cause without which the accident would not have happened, also referred to as direct liability.)

Negligence: is the failure to use the care that a reasonable, prudent person would have taken under the same or similar circumstances.

Limits of Liability: Are the insurer's liability for payment as stated in an insurance policy.

Per occurrence is a sub-limit in a liability policy that puts a ceiling on the payment for all claims that arise from a single accident/occurrence.

Per Person: Is the maximum amount available for payment of bodily injury to a single person in an accident, regardless of the policy limit stated in the policy for bodily injury claims.

Deductible: In Limited Lines insurance, a deductible is a dollar amount an insured must pay on a claim before the insurance policy provides coverage. A higher deductible amount usually lowers the amount of the premium.

Certificate of Insurance: Written evidence showing that an insurance policy or policies have been issued. The certificate indicates both the amounts and types of insurance provided, but does not obligate the insurer to the person to whom the certificate was issued.

CH2 Insurance Law

In this section, you will examine some important concepts that are pertinent to insurance contract law and policy provisions. First, you will learn about special characteristics of an insurance contract, and the required elements that must be included in each. Next, you will focus on legal concepts and definitions that apply to all insurance policies. By the end of this chapter, you will be able to explain the purpose of each contract element and provision.

Insurance Contracts

In order for insurance contracts to be legally binding, they must have 4 essential elements:

- Agreement – offer and acceptance
- Consideration
- Competent parties
- Legal purpose

1. Offer and Acceptance

There must be a definite offer by one party, and the other party must accept this offer in its exact terms. In insurance, the applicant usually makes the offer when submitting the application. Acceptance takes place when an insurer's underwriter approves the application and issues a policy.

2. Consideration

The binding force in any contract is the consideration. Consideration is something of value that each party gives to the other. The consideration on the part of the insured is the payment of premium and the representations made in the application. The consideration on the part of the insurer is the promise to pay in the event of loss.

3. Competent Parties

The parties to a contract must be capable of entering into a contract in the eyes of the law. Generally, this requires that both parties be of legal age, mentally competent to understand the contract, and not under the influence of drugs or alcohol.

4. Legal Purpose

Every insurance contract must have a legal purpose. This means the contract must be for a lawful reason, and not against public policy.

Policy Structure

Every property or casualty policy is comprised of the following major components:

- Declarations
- Definitions

- Insuring agreement
- Additional coverage
- Conditions
- Endorsements
- Exclusions
- Policy limits.

1. **Declarations**

Declarations (schedule page) is the section of an insurance policy containing the basic underwriting information, such as the insured's name, address, amount of coverage and premiums, and a description of insured locations. It also contains any supplemental representations by the insured. This is usually the first page of the policy.

2. **Definitions**

The definitions component of an insurance policy clarifies terms used in the policy. Typically, words that are printed in bold, italics, or quotations have a definition as to their meaning in that contract.

3. **Insuring Agreement**

An insuring agreement is the section of an insurance policy containing the insurer's promise to pay. Among other things, the insuring agreement lists the parties to the contract, effective and renewal dates, the description of coverage provided, and perils.

4. **Additional/Supplementary Coverage**

Additional (or supplementary) coverage is a provision in an insurance policy that provides an additional amount of coverage for specific loss expense, at no additional premium. Examples: claim related expenses, reasonable expenses incurred by an insured to protect damaged property from further loss, and defense expense.

5. **Conditions**

Conditions is the section of an insurance policy that indicates the general rules or procedures that the insurer and insured agree to follow under the terms of the policy.

6. **Endorsements**

Endorsements are printed addendums to a contract that are used to change the policy's original terms, conditions, or coverages. Endorsements may be included at the time the policy is issued or added during the policy term. Endorsements must be in writing, attached to the policy and signed by an executive officer of the insurer to have any effect on the contract.

Endorsement may be used to add or delete coverage, or may be used to correct items such as the insured name, address, etc.

7. **Exclusions**

The exclusions section of an insurance policy details the perils that are not insured against and what persons are not insured. Exclusions restrict some of the broad terms used in the insuring agreement. This section can exclude people (except a spouse), property, and perils.

8. **Policy Limits**

Policy limits (also known as limitations) are the maximum amount an insured may collect, or for which an insured is protected under the terms of the policy.

C. Insured And Insurance Company

1. Definition and **Duties of the Insured**

An insured is anyone who is covered under the policy, whether named or not. An example of an insured would include an unnamed spouse or any resident relative that is a member of the named insured's household. Named insured means the individual(s) whose name appears on the policy's declaration. Additional insureds are individuals that are not named as insureds on the declaration page, but are protected by the policy, usually in regard to a specific interest. Additional insureds usually are added to the policy by an endorsement. An example would be a lien holder also known as a loss payee or financial institution financing the property insured.

In the event of a loss covered by the policy, the named insured is required to:

- Protect the damaged property from further damage;
- Prepare an inventory of damaged property;
- Cooperate with the insurer in settling the loss
- Notify the police in the case of a theft loss
- Submit to the insurer a signed sworn proof of loss within an allotted amount of time after being requested to do so.

2. Obligations of the Insurance Company

An insurance company, in return for premium, must be fair in underwriting and must pay covered losses.

D. Provisions And Clauses

1. **Appraisal**

If there is a disagreement between the insured and the insurer on the value of any property loss, either party can make a written demand for an appraisal. Each party will select a competent appraiser who will then select an umpire if they are unable to agree on a fair value.

2. **Arbitration**

Arbitration is a method of casualty claim settlement used when the insured and insurer cannot agree on how to settle a claim. The settlement is submitted to an arbitrator, or multiple arbitrators, whose decision may or may not be binding on both parties dependent on state law.

3. **Notice of Claim**

Notice of claim is a form or statement from an insured to an insurer, informing the insurer that events leading to a possible claim have occurred. The notice will include information as to how, when, and where the loss took place.

4. **Proof of Loss**

Proof of loss is a sworn statement that must usually be furnished by the insured to an insurer before any loss under a policy can be paid. This form is typically used in the settlement of first party losses, and includes the date and description of the occurrence and the amount of indemnity claimed. The initial claim report to the insurer may be oral or in writing but the proof of loss must be in writing. The proof of loss is required near the end of the claim process.

Fair Credit Reporting Act

The Fair Credit Reporting Act established procedures that consumer reporting agencies must follow in order to ensure that records are confidential, accurate, relevant, and properly used. The law also protects consumers against the circulation of inaccurate or obsolete personal or financial information.

These reports generally fall into 2 categories: Consumer Reports and Investigative Consumer Reports. Both reports can only be used by someone with a legitimate business purpose, including insurance underwriting, employment screening, and credit transactions.

CH3 Texas Insurance Regulations

1. Types of Insurers: (or principal) is the company or organization that issues a policy of insurance. Insurance companies can be classified in a variety of ways based on ownership, authority to transact business, location of incorporation (domicile), marketing and distribution systems, or rating (financial strength). As you read about different classifications of insurers, keep in mind that these categories are not mutually exclusive, and the same company can be described based on where it is located and allowed to transact the business of insurance, who owns it, and what type of agents it appoints.
2. Regardless of where an insurance company is incorporated, it must obtain a **Certificate of Authority** before transacting insurance within the state.
 - a. Domestic insurer is an insurance company that is incorporated in this state. In most cases, the company's home office is in the state in which it was formed the company's domicile. For instance, a company chartered in Pennsylvania would be considered a Pennsylvania domestic company.
 - b. Foreign insurer is an insurance company that is incorporated in another state. For example, a company chartered in California would be a foreign company within the state of New York.
 - c. Alien insurer is an insurance company that is incorporated outside the United States. For example, in Mexico.

Stock and Mutual

1. **Stock companies** are
 - a. owned by the stockholders who provide the capital necessary to establish and operate the insurance company.
 - b. Officers are elected by the stockholders and manage stock insurance companies.
 - c. Stock companies issue nonparticipating policies, in which policyowners do not share in profits or losses. A nonparticipating (stock) policy does not pay dividends to policyowners.
 - d. Taxable dividends are paid to stockholders.
2. **Mutual** companies are:
 - a. Owned by the policyowners and issue participating policies.
 - b. With participating policies, policyowners are entitled to dividends, which, in the case of mutual companies, are a return of excess premiums and are therefore nontaxable.
 - c. Dividends are generated when the premiums and the earnings combined exceed the actual costs of providing coverage, creating a surplus.
 - d. Dividends are not guaranteed.

Certificate of Authority

Before insurers may transact business in a specific state, they must apply for and be granted a license or Certificate of Authority from the state department of insurance. Insurers who meet the state's financial requirements and are approved to transact business in the state are considered authorized or admitted into the state as a legal insurer. Those insurers who have not been approved to do business in the state are considered unauthorized or non admitted.

B. Commissioner Of Insurance

1. General Powers and Duties

The Commissioner is the chief executive and administrative officer of the state Department of Insurance. The Commissioner must be a citizen of the state of Texas, be well informed and qualified in the field of insurance and insurance regulation, and have at least 5 years of experience in the administration of business or government or as a practicing attorney or certified public accountant. The Commissioner is appointed by the Governor for a 2 year term.

The Commissioner has the following broad powers and duties:

- Regulate the internal affairs of the Department of Insurance;
- Prescribe forms and procedures to be followed in proceedings before the Department;
- Aid in the interpretation of any state insurance law;
- Issue insurance licenses and certificates of authority;
- Enforce penalties, fines, denials, suspensions or revocations of licensees and certificates of authority.

2. Examination of Records

The Commissioner regulates insurance companies authorized to do business in this state. The purpose of the examination of insurers' books and records is to ensure that the companies remain solvent and conduct business in compliance with state laws and regulations pertaining to licensing, policy forms, rates, claims, and market conduct. The Commissioner must examine all authorized insurers at least once every 5 years.

3. Investigations, Hearings, and Penalties

Because the Commissioner's role is to enforce insurance laws and to protect the public from unfair trade practices, if the Commissioner suspects that an insurer or its agent has committed a violation or is engaged in an unfair trade practice, the Commissioner may issue an emergency cease and desist order. The order must state the charges and require the person to immediately stop committing the acts, methods or practices in violation. The order must also explain the rights of the person charged with the order. After determining that a violation has occurred the department must give written notice of the report to the affected person no later than 14 days after the date the report is issued. This notice must include a brief summary of the alleged violation and a statement of the amount of the recommended penalty. The notice must also inform the person that he/she has a right to a hearing on the occurrence of the violation, the amount of the penalty, or both.

Insurer insolvency

Upon an audit if the commissioner determines that an insurer is insolvent or if the continuation of its business is hazardous to the public, the commissioner will place the insurer under the supervision of the Department of Insurance.

C. Licensing Requirements

1. Types of Licensees

The Department of Insurance in this state may issue an insurance license to any of the following qualified individuals or entities:

Agents

Any person who solicits insurance on behalf of any insurance company, takes or transmits (other than for himself or herself) an insurance application or policy, examines any risk or loss, or receives, collects, or transmits any premium, is considered to be the agent of the company for which the act is done. Agents are normally compensated by commissions, where a percentage of the premium is paid to the agent by the insurance company.

The Department can issue a license to an individual applicant who meets all of the following requirements:

- Is at least 18 years old
- Resident of the same state
- Passed the required licensing examination
- Submit an application, required fees, and fingerprints.
- Shall not use the license "principally for the purpose of selling insurance to themselves, family members or to a small group of people (controlled business).

Nonresident Agents

A nonresident agent is one who resides or is domiciled in a state other than Texas. A nonresident can be licensed as an insurance agent if the Texas licensing requirements are met, as long as the agent's home state gives Texas residents the same privilege (reciprocity). The applicant must hold a license in good standing in his or her resident state

Exemptions/Exceptions

An insurance agent license is not required for individuals not transacting insurance:

- Any officer, director or employee of an insurer or organizations employed by insurers, provided they are not directly or indirectly involved with the actual sale of an insurance contract and do not receive any commission.
- A director or employee of an insurer whose activities are limited to executive, administrative, managerial, or clerical.
- The director or employee of a special agent assisting insurance producers by providing technical advice and assistance to licensed insurance producers.
- A person who secures and furnishes information for group insurance or performs administrative services related to mass marketed property and casualty insurance.
- An employer or association engaged in the administration or operation of a program of employee benefits for the employer's or association's own employees;
- Employees of insurers or organizations engaging in the inspection, rating or classification of risks, or in the supervision of the training of insurance producers and who are not individually engaged in the sale of insurance.
- A person whose activities are limited to advertising without the intent to solicit insurance;
- A nonresident who sells, solicits or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract.
- A salaried full time employee who counsels or advises his or her employer relative to the insurance interests of the employer or subsidiaries.

Agent Appointment

A licensee may not act as an agent unless he or she has been appointed by a designated insurer who is authorized to engage in business in Texas. **An appointment will remain in force until terminated by employer or the commissioner of insurance.**

3. Maintenance and Duration

The Commissioner will issue an initial license after the applicant passes a written examination. If the license is denied, the Commissioner must notify the applicant and insurer, in writing, that the license will not be issued.

Temporary License

The commissioner may issue a temporary license without examination. Hours of CE must be passed during a short period of time after issuance. Expires after 90 days and is not renewable.

Expiration and Renewal

An agent's license must be renewed every 2 years and will continue in effect until refused, revoked or suspended by the Commissioner. No examination is necessary upon renewal, only a fee must be paid.

Continuing Education

Continuing education (CE) rules are established to protect the public by maintaining high standards of professional competence in the insurance industry, and to maintain and improve the insurance skills and knowledge of licensed producers.

Licensees must complete 10 hours of continuing education every renewal period before the expiration date of the license. At least 2 of CE hours must cover ethics. At least 50% of all required continuing education hours must be completed in a classroom or a classroom equivalent setting approved by the Department. All CE hours must be completed during the reporting period; licensees are not allowed to carry over excess hours to the next reporting period.

If a licensee does not complete the 10 hours of CE before the expiration date of the license, the licensee will have 90 days to complete the deficient number of hours and pay a fine of \$50 per deficient hour. If these two conditions are not met within 90 days of the license expiring, the license will be inactivated, and the licensee will have to apply for a new license.

4. Disciplinary Actions

Denial of License

The Commissioner may discipline a license holder or deny an application to anyone who has done any of the following: Willfully violated any provision of the Texas Insurance Code; Intentionally made a material misstatement in the licensing application; Obtained, or attempted to obtain, the license by fraud or misrepresentation; misappropriated or converted to personal use money belonging to an insurer, insured or beneficiary; Been guilty of fraudulent or dishonest practices; Materially misrepresented the terms and conditions of life insurance policies or contracts;

Made or issued any statement misrepresenting or making incomplete comparisons regarding the terms of an insurance or annuity contract in an attempt to induce the owner to forfeit or surrender the contract and replace it with another (also called twisting); or been convicted of a felony.

Suspension, Revocation or Refusal to Renew

The Commissioner will suspend or revoke an existing license, or deny a new license for any of the following reasons: Willful violations of state insurance laws; Intentional material misstatements in the license application; Attempting to obtain a license by fraud or misrepresentation; Felony conviction;

Rebates of insurance premiums. No one whose license has been revoked can apply for another license in Texas for 5 years.

Agent Duties And Responsibilities

Commission Sharing

Both insurers and agents must understand the rules dealing with payment of commissions. An insurer or licensed insurance agent doing business in Texas must not pay commissions to any person or corporation for services as an insurance agent within Texas unless that person holds a valid agent's license. A person or corporation that is not a licensed insurance agent cannot accept any such commissions or other valuable consideration.

An unlicensed person may refer a customer or potential customer to an agent. This is not considered acting as an agent, and is legal as long as the unlicensed individual does not discuss specific insurance policy terms or conditions with the customer.

It is illegal for an insurer or agent to pay an unlicensed person for performing the duties of an agent.

Commissions may only be shared within agents with the same insurance license.

Marketing Practices

Unfair/Prohibited Trade Practices

Insurers and insurance producers may not engage in any trade practice that is defined as, or determined to be, an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.

It is considered an unfair trade practice to knowingly commit an unfair method of competition or to engage in such actions with enough frequency that the commission of unfair marketing practices indicates a general business practice.

Misrepresentations

It is illegal to issue, publish, or circulate any illustration or sales material that is false, misleading, or deceptive as to policy benefits or terms, the payment of dividends, etc. This also refers to oral statements. Committing this illegal act is called misrepresentation.

False Advertising

Advertising covers a wide scope of communication, from publishing an ad in a newspaper or magazine, to broadcasting a commercial on television or the Internet. Advertisements cannot include any untrue, deceptive, or misleading statements that apply to the business of insurance or anyone who conducts it.

The violation of this rule is called false advertising. It is prohibited to advertise or circulate any materials that are untrue, deceptive, or misleading. False or deceptive advertising includes but is not limited to misrepresenting:

- Terms, benefits, conditions, or advantages of any insurance policy;
- Any dividends to be received from the policy, or previously paid out;
- Financial condition of any person or the insurance company; or

Defamation

Occurs when an oral or written statement is made that is intended to injure a person engaged in the insurance business. This also applies to statements that are maliciously critical of the financial condition of any person or a company.

Rebating

Rebating is defined as any inducement offered to the insured in the sale of insurance products that is not specified in the policy. Both the offer and acceptance of a rebate are illegal. Rebates may include, but are not limited to, the following:

- Rebates of premiums payable on the policy;
- Special favors or services;
- Advantages in the dividends or other benefits; and
- Stocks, bonds, securities, and their dividends or profits

Boycott, Coercion and Intimidation

It is illegal to be involved in any activity of boycott, coercion, or intimidation that is intended to restrict fair trade or to create a monopoly. This would include unfair behavior that influences not only clients, but competing agents and brokers.

Claims Methods and Practices

The following acts, omissions, or practices are defined as unfair and deceptive claim settlement practices when knowingly committed or performed with such frequency as to indicate a general business practice, and are prohibited:

- Misrepresenting to insureds pertinent facts or policy provisions relating to coverage at issue;
- Failing to acknowledge and act reasonably promptly upon communications with respect to an insurance claim;
- Failing to adopt and implement reasonable standards for prompt investigation and processing of insured's claims;
- Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements are completed and submitted by insureds;
- Not attempting in good faith to effect prompt, fair and equitable settlements of claims on which liability has become reasonably clear;
- Refusing or delaying a settlement solely because there is other insurance available to partially or entirely satisfy the claim loss; the claimant who has a right to recover from more than one insurer has the right to choose the coverage from which to recover and the order in which payment is to be made;
- Compelling insureds to initiate suits to recover amounts due under an insurance policy by offering substantially less than the amount ultimately insurance policy by offering substantially less than the amount ultimately recovered in those suits.

Prompt Payment of Claims If the insurer rejects a claim, **the notice to the claimant must contain the reasons for the rejection.** If the insurer needs more time for a claim decision, the insurer must give the claimant the reasons for the delay and must accept or reject a claim no later than the 45th day after the insurer notifies the claimant of a delay.

Texas Motor Vehicle Safety Responsibility Act

Required Limits of Liability

The financial responsibility law in Texas is the Motor Vehicle Safety Responsibility Law. Proof of financial responsibility proves the ability to pay damages resulting from motor vehicle accidents in the following amounts:

- \$30,000 due to bodily injury or death of any 1 person in any 1 accident
- \$60,000 due to bodily injury or death of 2 or more persons in any 1 accident
- \$25,000 due to damage to property of others in any 1 accident

In Texas, no motor vehicle may be operated unless there is an automobile liability insurance policy in effect on the vehicle that provides the ability to respond to damages in the amounts of the financial responsibility laws.

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Per Person: Is the maximum amount available for payment of bodily injury to a single person in an accident, regardless of the policy limit stated in the policy for bodily injury claims.

Deductible: In Limited Lines insurance, a deductible is a dollar amount an insured must pay on a claim before the insurance policy provides coverage. A higher deductible amount usually lowers the amount of the premium.

Certificate of Insurance: Written evidence showing that an insurance policy or policies have been issued. The certificate indicates both the amounts and types of insurance provided, but does not obligate the insurer to the person to whom the certificate was issued.

CH2 Insurance Law

In this section, you will examine some important concepts that are pertinent to insurance contract law and policy provisions. First, you will learn about special characteristics of an insurance contract, and the required elements that must be included in each. Next, you will focus on legal concepts and definitions that apply to all insurance policies. By the end of this chapter, you will be able to explain the purpose of each contract element and provision.

Insurance Contracts

In order for insurance contracts to be legally binding, they must have 4 essential elements:

- Agreement – offer and acceptance
- Consideration
- Competent parties
- Legal purpose

1. Offer and Acceptance

There must be a definite offer by one party, and the other party must accept this offer in its exact terms. In insurance, the applicant usually makes the offer when submitting the application. Acceptance takes place when an insurer's underwriter approves the application and issues a policy.

2. Consideration

The binding force in any contract is the consideration. Consideration is something of value that each party gives to the other. The consideration on the part of the insured is the payment of premium and the representations made in the application. The consideration on the part of the insurer is the promise to pay in the event of loss.

3. Competent Parties

The parties to a contract must be capable of entering into a contract in the eyes of the law. Generally, this requires that both parties be of legal age, mentally competent to understand the contract, and not under the influence of drugs or alcohol.

4. Legal Purpose

Every insurance contract must have a legal purpose. This means the contract must be for a lawful reason, and not against public policy.

Policy Structure

Every property or casualty policy is comprised of the following major components:

- Declarations
- Definitions

- Insuring agreement
- Additional coverage
- Conditions
- Endorsements
- Exclusions
- Policy limits.

1. **Declarations**

Declarations (schedule page) is the section of an insurance policy containing the basic underwriting information, such as the insured's name, address, amount of coverage and premiums, and a description of insured locations. It also contains any supplemental representations by the insured. This is usually the first page of the policy.

2. **Definitions**

The definitions component of an insurance policy clarifies terms used in the policy. Typically, words that are printed in bold, italics, or quotations have a definition as to their mea

Limited Lines Simulated Exam (C)

Name_____

1. An insurer incorporated under the laws of the state in which it is operating is considered to be:
 - a. Foreign insurer
 - b. Alien insurer
 - c. Domestic insurer
 - d. Reciprocal insurer

2. If an insurer is legally selling insurance in a state other than the one they are domiciled in they are referred to as a(n) _____ insurer.
 - a. Domestic
 - b. Alien
 - c. Unauthorized
 - d. Foreign

3. An insurance company owned by its policyholders, who receive a return of unused premiums in the form of policy dividends is:
 - a. Stock company
 - b. Assessment insured
 - c. Mutual company
 - d. Fraternal company

4. In which company may stockholders share in the profits and losses of the insurer:
 - a. Stock
 - b. Service
 - c. Mutual
 - d. Assessment

5. Company in which policyholders may receive dividends when there is a profit:
 - a. Stock
 - b. Service
 - c. Mutual
 - d. Assessment

6. Mutual insurers pay dividends to:
 - a. Policyholders
 - b. Stockholders
 - c. Shareholders
 - d. Insurance agents

7. Stock insurers pay dividends to:
 - a. Policyholders
 - b. Stockholders
 - c. Shareholders
 - d. Insurance agents

8. The authority of an insurance producer that is spelled out in the written words of the agency contract between the producer and the insurer is:
 - a. Apparent
 - b. Presumed
 - c. Express
 - d. Implied

9. An agent's authority to collect premiums on behalf of the insurance company if not written in their contract, is what type of authority?
 - a. Express
 - b. Apparent
 - c. Implied
 - d. Residual

10. In the formation of a legal contract, each party must give something of value. Under contract law, this is referred to as:
 - a. Adhesion
 - b. Consideration
 - c. Indemnity
 - d. Agreement

11. Which of the following risks would not be insured:
 - a. A commercial structure
 - b. A person's death
 - c. An illegal business
 - d. An automobile

12. An agent's overall authority includes all of the following except:
 - a. Residual authority
 - b. Express authority
 - c. Implied authority
 - d. Apparent authority

13. Which individual would have legal capacity?
 - a. A retired person
 - b. An intoxicated person
 - c. A minor
 - d. An insane individual

14. Which of the following contractual elements consists of the "offer" and "acceptance":
 - a. Consideration
 - b. Competent parties
 - c. Mutual agreement
 - d. Legal object

15. Which of the following could enter into a legally enforceable contract?
 - a. Someone who signs because they fear bodily harm
 - b. An elementary school student

- c. An intoxicated person
 - d. Someone who is judged to be sane
16. All of the following are required elements of a legal contract, except:
- a. Offer and acceptance
 - b. Legal purpose
 - c. Competent parties
 - d. Waiver and Estoppel
17. When an insurance applicant makes a statement to the best of his knowledge on an application, that becomes part of the contract the statement is considered to be a:
- a. Condition precedent
 - b. Waiver
 - c. Representation
 - d. Warranty
18. The uncertainty about a loss that exists whenever more than one outcome is possible is called:
- a. Insurable interest
 - b. Hazard
 - c. Indemnity
 - d. Risk
19. A producer is a representative of:
- a. The insured
 - b. The insurance company
 - c. The commissioner
 - d. The policyholder
20. In the world of insurance the principle of making someone "whole" again after a loss by paying only for actual losses is called:
- a. Subrogation
 - b. Warranty
 - c. Indemnity
 - d. Estoppel
21. The insurance business is regulated primarily by:
- a. State laws
 - b. Federal laws
 - c. Individual insurance companies
 - d. The National Association of Insurance Commissioners
22. A binder
- a. Always a written agreement
 - b. Guarantees that a policy will be issued
 - c. May only be issued by the insurance company
 - d. May be oral or written

23. If an insurance company discovers an applicant made a material concealment on the application for insurance shortly after issuance of the policy, what will occur?
- The premium will be increased
 - The material concealment must be approved by the commissioner
 - Policy will be voided at the insurer's discretion
 - The insurer will add an exclusion of coverage to protect the rates
24. All of the following are true of insurance except:
- It helps deal with uncertainty
 - It is a transfer of risk
 - It spreads the risk among a large number of people
 - It eliminates the risk
25. A peril is defined as:
- Something that increases that chance of loss
 - A cause of loss
 - A chance of loss only with no chance of gain
 - A chance of loss with a chance of gain
26. Which of the following is a violation of the Texas Insurance Code?
- Sharing commission with another licensed agent
 - Stating that a policyholder may receive a dividend in the future
 - Splitting commission with a customer
 - Replacing an individual's current policy
27. Which of the following defines the purpose of the licensing application?
- It's submitted to the insurance company to secure an appointment
 - It's submitted to the Department of Insurance to make sure an individual meets all state licensing requirements.
 - It's to provide the insurance company with all the agent's legal information
 - It's for the records of the commissioner of insurance
28. An individual who represents an insurance company in the sale and solicitation of insurance is known as:
- Underwriter
 - Solicitor
 - Insured
 - Agent
29. When an insurance company obtains a certificate of authority to transact business in this state, they are referred to a (an):
- Reciprocal insurer
 - Unauthorized insurer
 - Authorized insurer
 - Alien insurer

30. An insurance license who is issued to an individual who is not a resident of the state is referred to as a:
- Resident license
 - Nonresident license
 - Informal license
 - Customary license
31. Texas insurance licenses are issued for a period of:
- 1 year
 - 2 years
 - 5 years
 - 10 years
32. All of the following are true about Continuing Education except:
- It is not required in order to renew an insurance license
 - It is required for all insurance agents
 - Each agent must complete at least two hours of Ethics each renewal
 - If an agent does not complete the CE credits they will be unable to renew their license
33. If the insurance commissioner revokes a license they must wait a minimum of _____ years prior to applying for another license.
- 1 year
 - 2 years
 - 5 years
 - 10 years
34. Convincing an individual to cancel their current policy and purchase a new superior policy from you based on factual differences within the policies is a lawful act known as:
- Replacement
 - Coercion
 - Defamation
 - Twisting
35. Convincing an individual to cancel their policy and purchase a new one from you based on incorrect comparisons of the two policies is a violation known as:
- Coercion
 - Boycott
 - Twisting
 - Defamation
36. Making untrue statements related to the financial condition of an insurer is known as:
- Defamation
 - Twisting
 - Coercion
 - Boycott

37. All of the following are considered to be Unfair Claims Settlement Practices except,
- Forcing insureds to sue by offering less than the amount due
 - Requiring that the insured submit proof of loss prior to paying their claim
 - Misrepresenting facts related to coverage
 - Refusing to pay claims without conducting a reasonable investigation
38. Splitting your commission with a customer is an illegal act known as:
- Coercion
 - Boycott
 - Permitted by the state as long as both agents have different licenses
 - Rebating
39. All are illegal except
- Coercion
 - Issuing a binder of insurance
 - Twisting
 - Boycott
40. False advertising is considered to be:
- Misrepresentation
 - Rebating
 - Coercion
 - Defamation
41. All of the following statements are true about the Insurance Commissioner except,
- Has the authority to issue a cease and desist orders
 - All rulings are final and cannot be appealed
 - Has the authority to revoke a license
 - Has the authority to subpoena a witness
42. How long does an agent whose license has been revoked has to wait until they apply for a new license?
- 1 year
 - 2 years
 - 4 years
 - 5 years
43. A texas resident seeking to sell insurance to customers in another state needs,
- A resident license in that state
 - A certificate of authority
 - A non resident license in that state
 - A foreign agent's license in that state
44. Person appointed by the insurer to solicit or sell insurance on their behalf is known as:
- Broker
 - Adjuster
 - Solicitor
 - Agent

45. The commissioner is the chief executive and administrative officer of the state Department of insurance, all of these are powers and duties except.
- a. Enforce penalties for unfair practices
 - b. Issue and suspend licenses
 - c. Create laws pertaining to the protection of the public
 - d. Examine all authorized insurers at least once every 5 years

Answer Key

01	C	26	C
02	D	27	B
03	C	28	D
04	A	29	C
05	C	30	B
06	A	31	B
07	B	32	A
08	C	33	C
09	C	34	A
10	B	35	C
11	C	36	A
12	A	37	B
13	A	38	D
14	C	39	B
15	D	40	A
16	D	41	B
17	C	42	D
18	D	43	C
19	B	44	D
20	C	45	C
21	A	46	
22	D	47	
23	C	48	
24	D	49	
25	B	50	

Limited Lines Simulated Exam (B)

Name _____

1. The uncertainty that exists when more than one outcome is possible or uncertain concerning loss not knowing for sure what will happen is known as:
 - a. Indemnification
 - b. Subrogation
 - c. Risk
 - d. Hazard

2. An agency contract does not specify that the agent may pay claims, but the insurer has supplied the agent with claim draft. If the agent pays a claim the agent is acting under what type of authority?
 - a. Risk
 - b. Strict
 - c. Implied
 - d. Express

3. The commissioner of insurance must examine the accounts and record of each domestic insurance company at least once every _____ Years.
 - a. 5
 - b. 4
 - c. 3
 - d. 2

4. If licensing requirements are met, for how long will an agent appointment remain in force?
 - a. Until cancelled by the employer or the commissioner
 - b. 2 years with CE credit hours due at the end of the term
 - c. Must be renewed every 5
 - d. 1 Year

5. If an insurance company denies a claim because of a policy provision, what must the company provide the insured with?
 - a. Proper notice of loss must be submitted
 - b. A subrogation notice
 - c. Written express authority
 - d. Notice of claim not paid

6. Boycott, Coercion and Intimidation all fall under the category of _____.
 - a. Unfair competition and practice
 - b. Legal forms of obtaining business
 - c. It's not illegal if done under the scope of the commissioner's orders
 - d. All these are forms of misrepresentations

7. Giving or offering to pay as an inducement to insurance of premiums is know as:
 - a. Boycott
 - b. Perfectly legal once the commissioner has audited the financial status of the company
 - c. False advertising

- d. Rebating
8. When may an applicant apply for a new license if denied, refused or revoked?
- a. 2 years
 - b. 3 years
 - c. 1 yr after suspension
 - d. After 5 years
9. How many continuing education hours will be necessary to complete before the expiration of the license in order to renew?
- a. 15 hours which 2 must be ethics and 50% classroom equivalent
 - b. 10 hours which 5 must be ethics and 60% classroom equivalent
 - c. 15 hours which 3 must be ethics and 50% classroom equivalent
 - d. 10 hours which 2 must be ethics and 50% classroom equivalent
10. Which best describes the sharing of commissions between agents *****
- a. Cohersion
 - b. Between a life insurance producer and a property and casualty producer
 - c. Acceptable when the authority is express
 - d. With a licensed insurance agent in the appropriate lines of insurance
11. Insured payment for the first premium and application constitutes what value?
- a. Offer and acceptance
 - b. Consideration
 - c. Legal purpose
 - d. Good faith
12. Authority formally granted in oral or written agreements by the insurer communicated to agents grant what power?
- a. Express
 - b. Implied
 - c. Subrogation
 - d. Consideration
13. How often does the commissioner check or examine insurance companies records?
- a. 10 hours
 - b. 3 years
 - c. 5 years or as often as necessary
 - d. 2 years
14. For how long is a Limited Lines license issued?
- a. 1 year
 - b. 2 years
 - c. 3 years
 - d. Indefinite

15. An insurance company selling on another state other than their resident state is called _____?
- Foreign insurance
 - Domestic
 - Reciprocal
 - Neighboring state Insurer
16. An insurance company formed under the laws of the state in which it operates:
- Reciprocal
 - Foreign
 - Domestic
 - Local
17. Transfer of an insured's right to seek damages from a negligent party to the insurer is found in which of the following clauses?
- Arbitration
 - Salvage
 - Appraisal
 - Subrogation
18. Which of the following does the term "proximate cause" refer to
- Reason for filing a lawsuit
 - Negligence that leads to injury
 - Injury that leads to compensation
 - Duty of the defendant to act
19. Insurance principle stating that if the policy allows for greater compensation than the financial loss incurred, the insured may only receive benefits for the amount of the loss?
- Reasonable coverage expectations
 - Indemnity
 - Stop loss
 - Limited benefits
20. When would a misrepresentation be considered fraud?
- If it's intentional and material
 - Never, statements by the applicant are only representations
 - When the application is incomplete
 - Any misrepresentation is considered fraud
21. Anything that modifies the original contract, either adding or removing coverage is done through an:
- Condition
 - Flexible policy
 - Endorsement
 - Additional coverage form

22. All of the following are found in the Declarations page, except:
- Name of the insured
 - Limits of the insured
 - Exclusions
 - Policy premiums
23. Part of the policy that clarifies terms of the policy is the:
- Insuring agreement
 - Conditions
 - Exclusions
 - Definitions
24. All of the following are conditions commonly found in the insurance policy except:
- Arbitration
 - Subrogation
 - Insuring agreement
 - Appraisal
25. The policy conditions define:
- Basic underwriting information
 - Excluded perils
 - Amount of coverage
 - How parties to the contract must act following a loss
26. Before an insurer will pay any loss under a policy, what is usually required from the insured?
- Proof of loss
 - Notice of claim
 - A binder
 - A claims-made form
27. Method of claim settlement used when the insured and insurer cannot agree on how to settle a claim:
- Restoration
 - Appraisal
 - Arbitration
 - Proof of loss
28. Section of the insurance policy that details what perils are not insured against and what persons are not insured is known as:
- Exclusions
 - Declarations
 - Endorsements
 - Conditions

29. All of the following would be considered an insurance transaction except? *** eliminate
- Soliciting a policy
 - Advertising a policyholder regarding a claim
 - Negotiating coverage
 - Obtaining an insurance license.
30. An insurer devises an intimidation strategy in order to corner a large portion of the insurance market. Which of the following best describes this practice?
- Illegal
 - A legal advertising strategy
 - Unfair discrimination
 - Defamation
31. Rebating is illegal, all of the following are examples of rebating except?
- Agent offers to share commissions with a policy holder
 - An agent offers tickets to a baseball game as an inducement to buy insurance
 - An agent uses misrepresentations to convince a person to cancel an existing policy and take a new one with him.
 - An agent offers the use of his lake house to a person as an inducement to buy.
32. A contractor can't be obligated to complete a job they never got paid for. Which element is it lacking?
- Offer and acceptance
 - Consideration
 - Competent parties
 - Legal purpose

Answer Key

01	C	26	A
02	C	27	C
03	A	28	A
04	A	29	D
05	D	30	A
06	A	31	C
07	D	32	B
08	D	33	
09	D	34	
10	D	35	
11	B	36	
12	A	37	
13	C	38	
14	B	39	
15	A	40	
16	C	41	
17	D	42	
18	B	43	
19	B	44	
20	A	45	
21	C	46	
22	C	47	
23	D	48	
24	C	49	
25	D	50	

Limited Lines Simulated Exam (A)

Name _____

1. Insurance is the transfer of
 - a. Risk
 - b. Loss
 - c. Hazard
 - d. Peril

2. What do Individuals use to transfer the risk of loss to a larger group?
 - a. Exposure
 - b. Indemnity
 - c. Insurance
 - d. Insurable interest

3. Transfer of an insured's right to seek damages from a negligent party to the insurer is found in which of the following clauses?
 - a. Arbitration
 - b. Salvage
 - c. Appraisal
 - d. Subrogation

4. In case of a loss, the indemnity provision in insurance policies
 - a. Restores an insured person to the same financial as before the loss
 - b. Allows the insured to collect 20% more than the actual loss
 - c. Pays the insured a percentage of the loss above and beyond the loss
 - d. Pays the insured as much as 95% of the loss

5. A policy condition that stipulates how the amount of damaged or lost property will be determined if the insured and the principal do not agree is known as:
 - a. Loss valuation
 - b. Loss payment
 - c. Appraisal
 - d. Coinsurance

6. In insurance the term hazard refers to
 - a. The risk taken when performing something dangerous
 - b. The tendency of poorer risks to seek insurance more often than better risks
 - c. The basic reason for an insured to purchase insurance
 - d. Any condition or exposure that increases the possibility of a loss.

7. For the purpose of insurance risk is defined as
 - a. An event that increases the amount of a loss
 - b. The uncertainty or chance of a loss
 - c. The certainty of a loss
 - d. The cause of a loss

8. Negligence is defined as
 - a. The failure to do what a reasonable prudent person would do under given circumstances
 - b. An unbroken chain of events that result in bodily injury or property damage to another person
 - c. Conduct that is so hazardous that the individual engaging in it would be held fully responsible for any resulting injury or damage
 - d. An intentional act that results in bodily injury or property damage to another person.

9. Term used for the amount of a loss that the insured must cover out of pocket, and the insurer will only pay for the additional amount of the loss above this limit?
 - a. Coinsurance
 - b. Primary amount
 - c. Deductible
 - d. Self-insured retention

10. Which of the following does the term "proximate cause" refer to
 - a. Reason for filing a lawsuit
 - b. Negligence that leads to injury
 - c. Injury that leads to compensation
 - d. Duty of the defendant to act

11. Insurance principle stating that if the policy allows for greater compensation than the financial loss incurred, the insured may only receive benefits for the amount of the loss?
 - a. Reasonable coverage expectations
 - b. Indemnity
 - c. Stop loss
 - d. Limited benefits

12. When would a misrepresentation considered fraud?
 - a. If it's intentional and material
 - b. Never, statements by the applicant are only representations
 - c. When the application is incomplete
 - d. Any misrepresentation is considered fraud

13. Anything that modifies the original contract, either adding or removing coverage is done through an:
 - a. Condition
 - b. Flexible policy
 - c. Endorsement
 - d. Additional coverage form

14. Part of the insurance contract that describes covered perils, the nature of coverage of the contractual agreement between the insurer and the insured is called the:
 - a. Declarations
 - b. Insuring agreement
 - c. Conditions
 - d. Exclusions

15. Part of the policy that shows the amount of insurance, premium and policy term is the:
- Declarations
 - Insuring clause
 - Conditions
 - Endorsements
16. All of the following are found in the Declarations page, except:
- Name of the insured
 - Limits of the insured
 - Exclusions
 - Policy premiums
17. Part of the policy that covers claim related expenses, reasonable expenses incurred by an insured to protect damaged property from further loss or defense expenses?
- Declaration
 - Insuring agreement
 - Additional coverage
 - Exclusions
18. Part of the policy that clarifies terms of the policy is the:
- Insuring agreement
 - Conditions
 - Exclusions
 - Definitions
19. All of the following are conditions commonly found in the insurance policy, except:
- Cancellation and renewal
 - Subrogation
 - Appraisal
 - Insuring agreement
20. The policy conditions define:
- Basic underwriting information
 - Excluded perils
 - Amount of coverage
 - How parties to the contract must act following a loss
21. Before an insurer will pay any loss under a policy, what is usually required from the insured?
- Proof of loss
 - Notice of claim
 - A binder
 - A claims-made form

22. Method of claim settlement used when the insured and insurer cannot agree on how to settle a claim:
- Restoration
 - Appraisal
 - Arbitration
 - Proof of loss
23. An agent tries to sell insurance over the phone to an applicant who appears to be confused, but is eventually able to give enough information for the application to be completed. After the policy was issued, the agent talked to the insured's family and they explained the insured was recovering from surgery and might have been under the influence of medication at the time of application. Which is true?
- The policy may be void if it can be proven the applicant was not capable of making a buying decision at the time of application.
 - The policy will remain in force as long as there are no material misrepresentations on the application.
 - The policy is legal since the applicant was able to give all required info.
 - The policy is not legal; agents cannot sell insurance over the phone.
24. Section of the insurance policy that details what perils are not insured against and what persons are not insured is known as:
- Exclusions.
 - Declarations
 - Endorsements
 - Conditions
25. The commissioner has full power and authority to do all of the following except.
- Draft insurance laws
 - Issue certificates of authority
 - Enforce the insurance code
 - Issue cease and desist orders
26. On regards to Limited Lines continuing education all of the following are true, except?
- 50% of the hours must be classroom equivalent
 - A total of 10 hours are owed
 - At least 2 hours must be on ethics
 - They are due in the first 5 years of the life of the license
27. All of the following would be considered an insurance transaction except?
- Soliciting a policy
 - Advertising a policyholder regarding a claim
 - Negotiating coverage
 - Obtaining an insurance license.

28. The insurance commissioner may examine the affairs of any insurer as often as necessary, but no less frequently than once every:
- 1 year
 - 2 years
 - 5 years
 - 3 years
29. Who does an agent represent?
- The insurance company
 - Their clients
 - The insured
 - DOI
30. An agent's license is good for how long before renewing?
- 1 year
 - 3 years
 - 2 years
 - 5 years
31. An insurance company has published a brochure that inaccurately portrays the advantages of a particular insurance policy, what is this an example of?
- Defamation
 - False advertising
 - Unfair claims
 - Twisting
32. Which of the following best describes a misrepresentation?
- Issuing sales material with false statements about policy benefits.
 - Making deceptive or untrue statement about a person engaged in the insurance business
 - Making maliciously critical statement that is intended to injure another person
 - Discriminating among individuals of the same insuring class
33. An insurer devises an intimidation strategy in order to corner a large portion of the insurance market. Which of the following best describes this practice?
- illegal
 - A legal advertising strategy
 - Unfair discrimination
 - Defamation
34. A banker is ready to close on a customer's loan. The bank is prepared to offer the loan but only if the customer purchases a life insurance policy from the bank in the amount of the loan. This is an example of:
- Twisting
 - Coercion
 - Loading
 - Defamation

35. An applicant properly notifies her insurer of a straightforward claim, but the insurer waits an exceedingly long time to process it. Which of the below terms best describes the behavior of the insurer?
- Fraud
 - Unfair claims settlement practices
 - Nothing wrong here, no specific deadline for insurers to process a claim
 - Misrepresentation
36. Rebating is illegal, all of the following are examples of rebating except?
- Agent offers to share commissions with a policy holder
 - An agent offers tickets to a baseball game as an inducement to buy insurance
 - An agent uses misrepresentations to convince a person to cancel an existing policy and take a new one with him.
 - An agent offers the use of his lake house to a person as an inducement to buy.
37. A fire starts in the kitchen, in order to put it out the fire department has to break the very expensive front door of the house.
- Kitchen damage is indirect loss, broken front door is direct loss
 - Fire is direct loss, to bother fire department is indirect loss
 - Money used to repair kitchen is direct loss, cancelled vacations are indirect loss
 - Kitchen damage is direct loss, broken front door is indirect/consequential loss
38. Where on the contract can the limits of liability be found?
- Exclusions
 - Duties of the insured
 - Schedule page (declarations page)
 - Additional coverages
39. The most benefits the insured will collect on a policy can be found under:
- Definitions
 - Insuring agreement
 - Consideration
 - Limits of liability
40. If a contractor is being obligated to complete a job they promised to do, yet never paid for. Which element is it lacking?
- Offer and acceptance
 - Consideration
 - Competent parties
 - Legal purpose
41. Where can the insured find the promise to pay from the insurer?
- Insuring agreement
 - Endorsement
 - Definitions
 - Schedule page

42. If it's not covered on the policy it will be found on:
- Endorsements
 - Definitions
 - Exclusions
 - Legal purpose
43. Where can we find the general rules or procedures that the insurer and insured agree to follow?
- Definitions
 - Exclusions
 - Insuring agreement
 - Conditions
44. All of the following are duties of the insured after an accident except:
- Protect the damaged property from further damage.
 - Cooperate with the insurer to settle a loss
 - Provide proof of loss
 - Provide a log of personal activities during the day of the accident
45. In an accident the insured and the insurer couldn't agree on how to resolve a claim, so they called in a mediator to help them settle.
- Appraisal
 - Notice of claim
 - Proof of loss
 - Arbitration
46. Statement given to the insurer providing details like how, when and where a loss took place.
- Notice of claim
 - Appraisal
 - Arbitration
 - Duties of the insurer
47. A company transacting insurance in another state other than their home state is known as:
- Foreign
 - Domestic
 - Alien
 - Resident
48. Type of company owned by policyholders where they're entitled to dividends and have policies also known as "participating".
- Mutual companies
 - Stock companies
 - Insurance companies
 - Domestic companies

49. Insurers who meet the state's financial requirements and are approved to transact business in the state are considered to be admitted into a state as a legal insurer, they should have:

- a. Signed permission
- b. Have their records examined
- c. A cease and desist order
- d. A certificate of authority

50. Under the Unfair Claims Settlement Practices Act, which of the following is not unfair:

- a. Failure to respond promptly on claims communications
- b. Attempting to settle based upon an application that has been altered
- c. The denial of an unsubstantiated claim
- d. Requiring a claimant to submit proof of loss

Answer key

01	A	26	D
02	C	27	D
03	D	28	C
04	A	29	A
05	C	30	C
06	D	31	B
07	B	32	A
08	A	33	A
09	C	34	B
10	B	35	B
11	B	36	C
12	A	37	D
13	C	38	C
14	B	39	D
15	A	40	B
16	C	41	A
17	C	42	C
18	D	43	D
19	D	44	D
20	D	45	D
21	A	46	A
22	C	47	A
23	A	48	A
24	A	49	D
25	A	50	C