

# Free PDF Quiz IIC - C11 - Principles and Practice of Insurance—High-quality Valid Real Exam



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Sample Exam

## C11 Principles and Practice of Insurance

### 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  C  D

**DO NOT MARK THE ANSWERS ON THESE PAGES.**  
**USE THE FIRST PAGE OF YOUR ANSWER BOOK.**

1. Insurance was developed as a result of the existence of
- (A) hazards.
  - (B) indemnity.
  - (C) loss.
  - (D) risk.

Page 1 of 9

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the C11 Exam more easily in the most efficient and productive way and learn how to study with dedication and enthusiasm, which can be a valuable asset in your whole life. It must be your best tool to pass your C11 exam and achieve your target.

## IIC Principles and Practice of Insurance Sample Questions (Q100-Q105):

### NEW QUESTION # 100

Which type of insurance company has the same capital structure as any other capital enterprise?

- A. Stock company
- B. Co-operative company
- C. Captive company
- D. Factory mutual company

**Answer: A**

Explanation:

A stock insurance company operates with the same capital structure as other conventional for-profit corporations. Ownership is represented by shares of stock, held by shareholders who supply capital and expect a return on investment. Profits are distributed as dividends or reinvested into the company. This structure aligns closely with traditional corporate financial frameworks in Canadian commerce.

Option B, a captive company, is owned by a parent business to insure its own risks-not structured like a general capital corporation.

Option C, a co-operative company, is owned by its policyholders or members, not shareholders. Option D (factory mutual company) refers to a mutual insurer owned by its policyholders and requiring high loss-prevention standards.

Thus, the only insurer type that mirrors the capital structure of typical Canadian corporate enterprises is the stock company, making A correct.

### NEW QUESTION # 101

An insurer's agency or production department is the equivalent of which department in other businesses?

- A. Administration and human resources
- B. Finance and production
- C. Information technology and business services
- D. Sales and marketing

**Answer: D**

Explanation:

The agency or production department within an insurance company is responsible for generating new business, managing distribution channels, working with brokers and agents, and promoting the insurer's products. These functions align directly with sales and marketing departments found in other industries. Their goals include increasing premium volume, maintaining relationships with intermediaries, and ensuring the insurer's products reach the marketplace effectively.

Option B is incorrect because finance and production refer to cost control and manufacturing, neither of which parallels insurance distribution. Option C does not align because administration and HR handle internal operations, not customer acquisition. Option D deals with internal systems and support functions, unrelated to the business-production role of generating and selling insurance.

Therefore, the insurer's agency or production department corresponds to A: Sales and marketing.

### NEW QUESTION # 102

Why does the Office of the Superintendent of Financial Institutions (OSFI) control the types of investments insurers are allowed to make?

- A. To minimize industry indemnifications
- B. To minimize insurers' investment loss exposures
- C. To maximize insurers' returns on investments
- D. To maximize industry profits

**Answer: B**

Explanation:

OSFI regulates federally incorporated insurers to ensure they remain solvent and financially stable so they can pay claims. One of the

key regulatory tools is restricting or monitoring insurers' investment portfolios. By controlling the types of investments insurers may purchase, OSFI aims to reduce exposure to excessive investment risks, ensuring that insurers do not jeopardize policyholder funds through speculative or volatile investments.

Option A is incorrect-OSFI's mandate is consumer protection, not profit maximization.

Option B is incorrect because indemnification amounts depend on claims, not investment rules.

Option C is incorrect-while returns are important, OSFI's priority is safety, not maximizing yield.

Thus, the correct purpose is D: minimizing insurers' investment loss exposures to protect policyholders and maintain financial stability.

### NEW QUESTION # 103

What is the definition of subrogation?

- A. The full payout an insurer makes before receiving the deductible
- B. A promise by one party to release another from responsibility in exchange for money
- C. The right of the insurer to take action against the insured in cases of fraud
- **D. The process allowing an insurer that paid a claim to recover the amount from the legally responsible party**

**Answer: D**

Explanation:

Subrogation allows an insurer that has indemnified an insured to pursue recovery from the party legally responsible for the loss. It prevents the insured from collecting twice and shifts the financial burden back to the negligent third party. Subrogation is a fundamental principle tied to indemnity.

Option A describes insurer action in fraud cases-not subrogation.

Option B is incorrect; deductibles are always retained by the insured, not reimbursed later.

Option C describes a release or waiver, not subrogation.

Thus, the correct definition is D.

[Insurance as a Contract - Utmost Good Faith / Material Facts]

### NEW QUESTION # 104

How would a moving and storage company benefit from purchasing insurance to cover customers' goods while in transit?

- A. Provides a feeling of security
- **B. Greater acquisition potential**
- C. More capital for business ventures
- D. Opportunity for more subscription policies

**Answer: B**

Explanation:

Purchasing insurance that covers customers' goods in transit enhances the company's ability to attract more clients, which is referred to as greater acquisition potential. Clients feel more confident choosing a mover that offers protection for their belongings, especially when transporting high-value items. This competitive advantage increases business opportunities and strengthens the company's reputation.

Option B-"feeling of security"-is a benefit but applies to the insured party, not the business's competitive positioning. Option C is incorrect because purchasing insurance does not provide additional capital; it is a business cost. Option D (subscription policies) has no connection to transit insurance.

Therefore, the most direct business benefit for the moving company is A: Greater acquisition potential.

### NEW QUESTION # 105

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