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CIP Program Examination

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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: Ⓐ Ⓑ Ⓒ Ⓓ

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.

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C11 Practical Information, Exam C11 Fee

There are various individuals who have never shown up for the Principles and Practice of Insurance certification test as of now. They know close to nothing about the Principles and Practice of Insurance exam model and how to attempt the requests. IIC C11 Dumps give an unequivocal thought of the last preliminary of the year model and how a promising rookie ought to attempt the solicitation paper to score well.

IIC Principles and Practice of Insurance Sample Questions (Q30-Q35):

NEW QUESTION # 30

A commercial brokerage failed to advise the insurer of a client's modified risk. The insurer discovered this only at the time of a major loss and denied the claim due to material change. How will the client MOST LIKELY proceed?

- A. Take legal action against the brokerage, stating it had a contractual responsibility to disclose the material change
- B. Pay for the loss, and oblige the brokerage to reimburse the deductible
- C. Take legal action against the insurer, stating the insurer knew the full risk
- D. Pay for the loss, and cancel the policy backdated to before the loss

Answer: A

Explanation:

Brokers act as agents of the insured, meaning they owe a professional duty to advise the insurer of any material change in risk. A material change is any alteration that significantly affects the underwriting assessment of the policy. If a broker fails to report such a change, the insurer is legally entitled to void coverage or deny a claim because it was not given full information to properly rate or accept the risk.

When a claim is denied due to the broker's failure-not the insured's intentional nondisclosure-the insured will typically seek compensation by suing the brokerage for negligence. The brokerage has a legal duty of care to ensure proper communication with insurers on behalf of the client.

Options A and B make no sense because the insurer will not voluntarily pay after a justified denial. Option C is unlikely, because the insurer can demonstrate that it never received notification of the change. The correct and realistic recourse is legal action against the brokerage, making D correct.

NEW QUESTION # 31

Which insurance industry impact is an example of a surety?

- A. A bank issuing a mortgage on an insured building
- B. A doctor providing malpractice-covered services
- C. A manufacturer accepting shipping risks that are insured
- D. A developer advancing funds to a building contractor for a guaranteed project

Answer: D

Explanation:

A surety bond is a three-party contract in which the surety guarantees the performance of a contractor (principal) for the benefit of a third party (obligee). In construction, a developer may require a contractor to post a performance bond ensuring the project will be completed as agreed. This is the classic example of suretyship.

Option A is banking, not surety.

Option B is liability insurance, not a three-party guarantee.

Option D involves marine or cargo insurance, not a performance guarantee.

Thus, C correctly describes a surety situation.

NEW QUESTION # 32

Original Insurance Company terminated its broker agreement with TOY Insurance Brokers. Which situation likely resulted in this termination?

- A. Original Insurance Company provided quotes on all broker applications
- B. Original Insurance Company did not set service standards
- C. TOY Insurance Brokers did not remit commissions owed to the insurer
- D. TOY Insurance Brokers did not keep premiums in a trust account and used them to pay expenses

Answer: D

Explanation:

Brokers hold client premiums in trust accounts, separate from operating funds. This is a legal requirement under provincial insurance legislation. Trust funds belong to insurers (or insureds) until properly remitted. If TOY Insurance Brokers used trust funds to pay their own expenses, they violated both fiduciary duty and regulatory obligations. This constitutes serious professional misconduct and

is one of the most common and serious reasons for immediate termination of a broker contract-often accompanied by regulatory investigation or license suspension.

Option A would not justify termination because service standards should be defined by the insurer, not the broker. Option B reflects good insurer practice and is unrelated to termination. Option C is incorrect because brokers do not remit commissions to insurers-insurers pay commissions to brokers.

Therefore, the only correct answer is D: failure to maintain premiums in a trust account.

NEW QUESTION # 33

John convinces Louise to sign a contract for room and board at his house in Montreal in exchange for \$1,000.

When Louise prepares to move in, John informs her that she will be staying in a room at a run-down hotel he owns. Which cause of nullity is Louise MOST LIKELY to employ to cause the contract to be of no effect?

- A. Error
- B. Lesion
- C. Violence
- D. Fraud

Answer: D

Explanation:

Under contract law principles referenced in Principles and Practice of Insurance, a contract is only valid when both parties give free, informed, and genuine consent. Fraud occurs when one party intentionally misleads another through deception, false representation, or concealment to induce consent. In this scenario, John intentionally misrepresented the nature of the accommodation-promising his private residence while intending to place Louise in a different, inferior property.

Because Louise agreed based on a material misrepresentation, the contract is voidable due to fraud, meaning she can invoke nullity and have the contract deemed without effect. Fraud differs from error in that the misinformation was deliberately created by John. It is not lesion (which relates to unfair disadvantage in value) nor violence (which involves physical or psychological coercion). Therefore, the correct answer is B. Fraud.

NEW QUESTION # 34

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

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

Answer: D

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 # 35

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