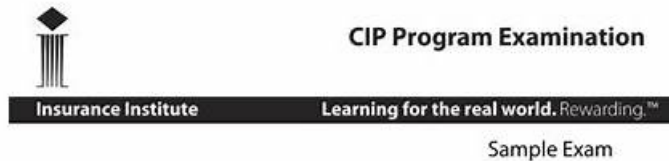


# Free PDF 2026 IIC Fantastic C11 Reliable Exam Question



## 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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## IIC Principles and Practice of Insurance Sample Questions (Q56-Q61):

### NEW QUESTION # 56

How are staff adjusters and independent adjusters similar?

- A. Both are licensed only in Quebec and New Brunswick
- **B. Both work on behalf of, and are paid by, the insurer**
- C. Neither has any limitation on their authority to settle claims
- D. Neither is allowed to perform an investigation

**Answer: B**

Explanation:

This question is identical to Question 25, so the correct answer and reasoning are the same. Whether an adjuster is a staff employee or an independent contractor, they are hired to represent the insurer in the claims process. They are both compensated by the insurer—staff adjusters through salary and benefits, independent adjusters through fees or billing arrangements. Both must meet licensing requirements established by provincial regulatory bodies, conduct investigations, and report their findings to the insurer. They are also both subject to authority limits on claim settlement.

Thus, the only option that correctly reflects their similarity is B: both serve and are paid by insurers.

### NEW QUESTION # 57

A person applies for fire insurance on their house but fails to mention that in winter they leave the house unoccupied for two months while vacationing. What is this an example of?

- A. Breach of warranty
- B. Discharge of contract
- C. Negligence
- **D. Non-disclosure**

**Answer: D**

Explanation:

Insurance contracts are built on the principle of utmost good faith, meaning applicants must disclose all material facts that could influence the insurer's decision to accept the risk or determine the premium. Failing to mention a material fact—such as the home being unoccupied for long periods—is considered non-disclosure. Unoccupancy increases the risk of vandalism, frozen pipes, fire severity, and delayed emergency response, all of which affect underwriting decisions.

Option A, negligence, refers to failure to act with reasonable care, not failure to disclose.

Option C, breach of warranty, applies only after a policy is in force and a condition guaranteed to be true is violated.

Option D, discharge of contract, refers to cancellation or completion of contractual obligations.

Since the issue arises during the application stage and involves withholding a material fact, the correct classification is non-disclosure.

### NEW QUESTION # 58

Which statement reflects the concept that the premium for each risk should be commensurate with that risk?

- A. Risks can happen to anyone, so each individual should purchase insurance
- **B. Risks more likely to have losses should pay higher premiums**
- C. Proper settlement of losses should be paid out of the pool of funds
- D. One or more persons should provide protection to another person against loss

**Answer: B**

Explanation:

One of the fundamental principles of insurance rating is that the premium charged must accurately reflect the level of risk being insured. This principle ensures fairness and financial stability: individuals or businesses presenting a higher probability of loss or greater potential severity must pay higher premiums, while lower-risk policyholders pay less. This is essential because insurers must collect sufficient funds to cover expected claims, expenses, and maintain solvency.

Option B describes the pooling of funds, which is part of how insurance works but does not address how premiums are determined.

Option C relates to the general purpose of insurance, not premium adequacy.

Option D loosely refers to indemnification, not rating methodology.

Therefore, the only statement that accurately reflects the idea that premiums must be commensurate with the risk is A.

#### NEW QUESTION # 59

Dominika's house sustains a fire resulting in a \$500,000 total loss to the house and contents. Some pieces of furniture are salvageable and valued at \$4,000 by the insurer. Dominika chooses to keep these items for her next home. Dominika's policy has a guaranteed replacement cost clause with a limit of \$500,000 and a deductible of \$1,000. What settlement amount will Dominika recover from the loss?

- A. \$500,000
- B. \$495,000
- C. \$496,000
- D. \$499,000

**Answer: B**

Explanation:

With a guaranteed replacement cost policy, the insurer agrees to pay the full cost of replacing the damaged or destroyed property (subject to conditions), even if that amount approaches or, in some forms, exceeds the stated limit. Here, the total replacement cost of the loss is \$500,000.

However, some furniture is salvageable and valued at \$4,000. Since Dominika elects to keep this salvage, she is effectively retaining part of the value of the damaged property. To maintain the principle of indemnity and avoid overpayment, the insurer deducts the salvage value from the total amount they would otherwise pay.

Step-by-step:

Replacement cost of loss: \$500,000

Less salvage value retained by insured: \$4,000

Subtotal: \$496,000

Less deductible: \$1,000

Net settlement: \$495,000

Therefore, Dominika will recover \$495,000, making Option A correct.

#### NEW QUESTION # 60

Why does the need for liability insurance arise?

- A. Reduce personal risk to oneself
- B. Meet societal obligations and norms
- C. Uphold ethical feelings of responsibility
- D. Fulfill legal obligations to others

**Answer: D**

Explanation:

Liability insurance arises because individuals and businesses have legal obligations not to cause bodily injury or property damage to others. When someone is negligent, the law allows the injured party to seek compensation. These legal obligations can be substantial and financially devastating. Liability insurance provides protection by transferring the financial burden of compensating others to an insurer. It ensures that the insured can meet their legal responsibilities and that injured third parties receive compensation.

Option A is incorrect because liability insurance is not for protecting oneself from personal risk—it protects against obligations to others. Option C refers to social norms, which may influence behavior but do not impose enforceable financial duties. Option D refers to ethics, but ethical feelings alone do not create legal liability.

The key reason liability insurance exists is the legal requirement to compensate others when negligent, making B the correct answer.

#### NEW QUESTION # 61

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