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## MARKET CONDUCT & AGENT BLUNDERS -- 9 CE HOURS -- DOI # 10445

1. Whether an agent has a duty to inform a client about possible "gaps in coverage" depends on
  - A. The relationship of the parties
  - B. Specific requests of the client
  - C. The professional judgement of the agent
  - D. All of the above
  
2. Concealment of information on an application by a client applies only to \_\_\_\_\_, and not his \_\_\_\_\_.
  - A. Issues / Financial ability
  - B. Facts / Fears or concerns
  - C. Thoughts / Actions
  - D. Concepts / Ideas
  
3. Where insurer ratings for a single company vary widely among several rating companies, the \_\_\_\_\_ of the company should be questioned.
  - A. Financial safety
  - B. Advertising
  - C. Management
  - D. Reinsurance
  
4. The significance of the decision in Southwest Painting vs Binsfield (1995) is that agents may not be required to secure \_\_\_\_\_ insurance protection, but may need to explain policy options that are \_\_\_\_\_.
  - A. Effective / Significant
  - B. Specific / Written
  - C. Complete / Widely available at reasonable cost
  - D. Guaranteed / Oral
  
5. Failure to procure coverage for a client when it has been promised is negligence that causes the agent to "step in the shoes of the \_\_\_\_\_", and be liable for "loss or damage \_\_\_\_\_".
  - A. Insurance company / To the limits of the policy until insurance can be found
  - B. Client / Within 24 hours
  - C. Reinsurer / For the next 7 days
  - D. Insurance commissioner / Forever
  
6. Delivery of correspondence to clients regarding important matters may be denied by clients. Experts suggest agents use \_\_\_\_\_ and / or methods of proven delivery to reduce these problems.
  - A. Private delivery services
  - B. First class mail
  - C. A relative
  - D. Window envelopes
  
7. State Guaranty Fund exclusions typically omit coverage for the following:
  - A. Insurers not under regulatory supervision ( not state-admitted, etc )
  - B. Blue Cross & Blue Shield, HMO's and other fraternal organizations
  - C. Portions of policies where risk is borne by the policyholder or not guaranteed by the original insurer
  - D. All of the above
  
8. The "C-1 Surplus Requirement" is an asset-default test model recommended by NAIC to:
  - A. Establish varying reserve accounts be set up for various classes of insurance company investments based on their default risk
  - B. Assess real estate valuation
  - C. Keep track of household assets
  - D. Determine an insurer's internal rate of return
  
9. "Deceptive and unfair trade practice laws" apply to ordinary businesses AND agents because
  - A. Agents are licensed
  - B. Consumers need protection from agents
  - C. Insurance is a service and the purchaser of a policy is deemed a consumer
  - D. The IRS has wants it this way
  
10. In a coverage dispute, one of the legal maneuvers used by a policyholder's attorney is to request the following:
  - A. A drafting history -- industry information regarding policies and the original meaning of policy terms
  - B. Underwriting and claims manuals written by insurers to guide their employees
  - C. Reinsurance documents disclosing relevant communications between an insurer and its company
  - D. All of the above can be requested
  
11. The Law of \_\_\_\_\_ is the area of law that determines producer status and binds the agent / broker for his acts and errors.
  - A. Reversible Omissions
  - B. Agency
  - C. Professional Status
  - D. Agent Association

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12. The legal determination "ERISA fiduciary" may apply to an insurance agent if he

- A. Receives a consulting fee for establishing or managing a pension plan
- B. Maintains an on-going relationship with the pension trustees who accept and rely on his advice
- C. Acts only in the capacity of agent, offering a choice of products
- D. A & B only

13. The significance of the court decision in Parsaie vs United Olympic Life (1994) lies in a developing area of insurance conflict concerning

- A. Language misunderstandings, where clients with less than average English skills have pursued claims on the basis they did not understand the policy or agent
- B. Athletes who participate in the Olympics
- C. Estate planning
- D. Notification of premiums due

14. Examples of agent bad faith that have triggered liability for insurance reps include

- A. Transactions where agents exhibited unfair conduct, fraud, deceit, or misrepresented a product / company
- B. Transactions where agents violated statutes dealing with unfair settlement practices like talking a client out of a claim or suggesting a lower claim payment to keep premiums low
- C. Communicating client claims to the insurer
- D. A & B only

15. The "liquidation order of priority" that occurs when an insurance company is liquidated by a State Commissioner gives top priority to

- A. Policyholders, insureds and guaranty funds
- B. Liquidation expenses and unpaid wages of the insurer's employees
- C. Taxes
- D. Reinsurers

16. Agents create "contributory liability" between themselves and clients where

- A. The client thinks the agent has done something wrong
- B. The agent holds himself out to be an "expert" or "specialist"
- C. The agent has ALWAYS handled a client's business over the years so that the client blindly depended on his advice
- D. B & C only.

17. Sales conduct is defined as an agent's professional and ethical handling in the choice of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ to best serve a client's financial planning.

- A. Banks / Brokerage services / Trustees
- B. Company / Product / Sales Presentation
- C. Rates / Terms / Services
- D. Policies / Financing / Turnaround

18. Agents should know about the decision in Small vs King (1996) where it was determined that an agent's duty to provide \_\_\_\_\_ cannot be triggered by a client's request for \_\_\_\_\_ because that request is not a specific inquiry about a specific type of coverage.

- A. Correct coverage / full coverage
- B. Premium financing / installments
- C. Liability insurance / indemnification
- D. Specimen policies / sample clauses

19. A "producer's status" can be classed as an agency relationship or as a principal-agent relationship. Unless there is an agreement to the contrary, the law generally considers most agent transactions to be

- A. Agency relationships
- B. Principal-agent relationships
- C. Null and void
- D. Principal only

20. Concealment by an agent occurs when the agent neglects to communicate

- A. Matters that are not material
- B. Matters the other party ought to know
- C. What the agent knows or should know as true
- D. Matters waived by the client / insurer

21. Insurer claims against agents occur when the following events develop

- A. An agent misappropriates client monies
- B. An agent fails to disclose risks to the insurer
- C. An agent fails to notify the client his policy has been canceled when requested by the insurer
- D. All of the above

22. In Grace vs Interstate Life (1996) the courts determined that agents may have \_\_\_\_\_ duty to determine that the policy is no longer meeting a client's needs.

- A. An unlimited
- B. An after the sale
- C. A special
- D. Little

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23. Which of the following are considered "advertising", subject to strict state guidelines

- A. Prospect letters
- B. Newsletters
- C. Telephone conversations
- D. All of the above

24. Disputes can develop over "lost policies". If this happens, what must a policy holder do to prove coverage?

- A. Show that a diligent search for the lost policy took place
- B. Prove the contents of the policy by identifying the parties to the contract, the policy period and the subject matter of the policy
- C. File a police report
- D. A & B

25. In Benton vs Paul Revere Life (1994) the courts clearly point out that an agent must know

- A. His license number
- B. The difference between products he is selling
- C. Which clients have special needs
- D. Every policy term and provision by heart

26. When an agent acts within the scope of his authority or contract he

- A. Receives a bonus at year end
- B. Is legally clear of ALL personal liability
- C. Binds his principal (insurer) to the insurance contract
- D. Cannot terminate his agency

27. In the case Ward vs Durham Life (1989) the agent was liable for

- A. Withholding premiums
- B. Misrepresentation by advising the client and his wife that missing information on a life insurance application did not need to be disclosed
- C. Selling too much insurance
- D. Not disclosing policy terms

28. Which of the following best describes "dual agency"

- A. Where two agents act as one
- B. Where the agent first represents the client as agent, then switches to agent of the company
- C. When the agent assumes non-agency duties on behalf of the client or professes to have special expertise
- D. B & C

29. The Unfair Trade Practices Law focuses on

- A. Unfair methods of competition and deceptive or derogatory acts of insurance agents and insurers which are critical of another insurance company or agent
- B. Consumers who violate terms of their policies
- C. Any salesman who deceives a consumer
- D. Actions against attorneys who file frivolous lawsuits

30. Examples of "unlawful trade practices" by agents include

- A. Advertising services with intent NOT to sell them as advertised
- B. Employing "bait & switch" advertising
- C. Soliciting by telephone or door-to-door without identifying who the agent represents and the purpose of the call
- D. All of the above

31. The significance of Sobotor vs Prudential Property & Casualty (1984) lies in the conclusion that a fiduciary relationship can exist in a single insurance transaction if the agent \_\_\_\_\_ and the client \_\_\_\_\_.

- A. Has collected premiums / Paid them
- B. Is over 21 years of age / Is a US Citizen
- C. Claims special knowledge / Knows little about insurance
- D. Has multiple licenses / Believes everything he hears

32. A State Guaranty Fund is best described as

- A. An advanced payment system to pay off individuals and groups who would be devastated by an insurer liquidation
- B. Insurance behind the insurance company
- C. A State owned system financed by taxpayers to pay off claims that insurers refuse to pay
- D. A guaranteed "back-up" system that will pay for claims of ANY amount

33. Agent records that you can use in your own defense in a client lawsuit include any file, note or electronic record that is generated \_\_\_\_\_.

- A. Within 30 days of the lawsuit
- B. In the ordinary course of business
- C. In duplicate
- D. By someone other than you

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34. What all agents can learn from the Eddy vs Sharpe (1988) decision is that

- A. Client disclosures are not foolproof
- B. Clients do not always have a responsibility to read their policies
- C. Agents have a fiduciary duty to accurately describe the provisions of their policy
- D. All of the above

35. In an insurance dispute, agent cooperation is generally desirable. However, your errors and omissions company might advise that you

- A. Try not to settle the case yourself
- B. Don't make promises about resolving the matter or give legal advice of any kind
- C. Don't try to cover-up mistake
- D. All of the above

36. The importance of Glenn vs Leaman (1983) is that agent liability can exist where the agent is \_\_\_\_\_ or in cases where the client is \_\_\_\_\_.

- A. An expert / Sophisticated
- B. The exclusive insurance provider / Totally dependent on insurance decisions of the agent
- C. Not interested in client needs / Renewing a policy
- D. Under contract to serve the client / Out of town

37. In the case Karem vs St Paul (1973), the courts recognized that consumers are often confused about their policies. As a result, policy conflicts today are more often determined by whether it is \_\_\_\_\_ for a certain client to have read or understood the meaning of a policy.

- A. Legal
- B. Reasonable
- C. Discrimination
- D. Proper

38. Concerning policy replacement, proper sales conduct emphasizes documentation and justification for any recommendation to move a client's coverage from a company rated A to \_\_\_\_\_.

- A. A company rated A+
- B. A bank or savings and loan
- C. A lesser rated carrier
- D. A stock broker

39. State Farm Fire & Casualty vs Gros (1991) underscores the need for agents to

- A. Document communications between agent and client
- B. Sell only one line of insurance
- C. Always have a witness present when discussing policies with clients
- D. Tape record all client conversations

40. No matter how clear the language, all policies will contain areas of ambiguity. The universal rule of ambiguity states that if the policy implies that the policy holder is covered, the client \_\_\_\_\_

- A. DOES have coverage
- B. Must prove he has coverage
- C. Does NOT have coverage
- D. May never know if he is covered



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