

187 **Coverage Denied! Exam** **Satisfies Ethics 12 Hours** **Instructions**

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1. **Rescission** or voiding of a policy is typically based on misrepresented facts in the _____.

- A. Policy
- B. Application
- C. Underwriting
- D. All of the above

2. A **false statement** in an application for insurance does not void a policy unless it was made _____.

- A. In writing
- B. With intent to deceive
- C. By mistake
- D. Before policy delivery

3. After a **signed settlement release** concerning a claim, the insurance company _____.

- A. Dispenses a check to the affected party
- B. Can rely on the claim being settled
- C. Can rely that no additional claims will be made
- D. All of the above

4. Under **fair claims time line rules**, insurers must acknowledge receipt of a claim within _____ days or sooner of being notified.

- A. 10 days
- B. 15 days
- C. 30 days
- D. 45 days

5. The primary **purpose of rescission** under the law is to _____ both parties to their former positions as far as possible.

- A. Restore
- B. Negotiate
- C. Equalize
- D. Reimburse

6. A **discretionary clause** in a policy is not encouraged by the State as it confers sole discretionary _____ to the carrier to determine eligibility of benefits.

- A. A duty
- B. Authority
- C. Powers
- D. Choice

7. **Concealment**, under Section 330 of the insurance code is the neglect to communicate that which a party knows and _____.

- A. Should know
- B. Ought to communicate
- C. Reveals
- D. Might know

8. **Undue influence** means an insurer may not drag out the settlement of one portion of a policy in order to _____.

- A. Enrich the company
- B. Influence a different portion of the policy
- C. Pay less on a claim
- D. Avoid taxes

9. A **telephone conversation** CANNOT be the basis for denial of a claim unless it is _____.

- A. Documented in the claim file
- B. Long distance
- C. Recorded
- D. A two-way conversation

10. An **arbitration clause** or language in a policy determines how the parties will _____.

- A. Get paid
- B. Part ways
- C. Settle their differences
- D. Divide policy benefits

11. The key message of the **Robinson v. Occidental Life** case is that an insurance company has the unquestioned right to _____.

- A. Select whom it will insure
- B. Rescind every policy without cause
- C. Settle any claim
- D. Refund premiums

12. Under **fair claim time line rules**, an insurer has _____ days after coverage has been affirmed to tender payment of a claim.

- A. 10 Days
- B. 15 Days
- C. 30 Days
- D. 45 Days

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13. **Claims settlement practices** shall NOT be based on the following:

- A. Age, Race, Gender
- B. Income or religion
- C. Sexual orientation or disability
- D. None of the above should be considered in claim settlements

14. **Reformation** of an insurance policy may be court ordered when a policy does not express the agreement of the _____.

- A. Insured
- B. Insurer
- C. Insurer and insured
- D. Agent

15. **Rescission** of a policy may be **denied** by the court if an applicant did not understand _____ or comprehend the significance of his answers.

- A. An application question
- B. His legal rights
- C. Terms of a policy
- D. His legal duty

16. **Section 1691** of the California Insurance Code states that to effect a rescission, an insurer MUST:

- A. Give notice of the rescission
- B. Restore the other party (refund premiums)
- C. Offer to restore upon condition the other party does likewise (return premiums / return benefits paid).
- D. All of the above

17. Under **fair claims time line rules**, an insurer must notify the claimant _____ days before the expiration of the statute of limitations applicable to his claim.

- A. 15 Days
- B. 30 Days
- C. 60 Days
- D. 90 Days

18. A **first party claimant** is defined as a _____ under an insurance policy.

- A. Named insured
- B. Other insured
- C. Beneficiary
- D. Any of the above

19. The **claims process** is a method of translating rights of a policyholder into _____.

- A. A remedy
- B. Cash
- C. A rescission
- D. Double the claim amount

20. The key point of **O’Riordan v. Federal Kemper Life** is that agents should advise clients to answer applications _____.

- A. To get approved
- B. Truthfully
- C. Quickly
- D. Briefly

21. The **materiality of a misrepresentation** by an applicant is determined by the _____ effect which truthful answers would have had upon the insurer.

- A. Gross
- B. Diminished
- C. Probable and reasonable
- D. Windfall

22. If a **policy exclusion** is vague or unclear, the courts typically construe language in favor of _____.

- A. The claimant
- B. The insurer
- C. The uninsured
- D. Innocent parties

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23. **Notice of claim**, under fair claims law, means _____ to an insurer or its agent that reasonably apprises that the claimant wishes to make a claim.

- A. A written letter
- B. An oral phone call
- C. Any written or oral notification
- D. An attorney letter

24. Under **fair claims time line rules**, a **licensee** must respond within ____ days to any oral or written inquiry from the Department of Insurance concerning a claim.

- A. 14 Days
- B. 21 days
- C. 33 Days
- D. 61 Days

25. **Cooperation by an insured** is instrumental to _____. Lack of cooperation can lead to denial of a claim.

- A. Rescinding a policy
- B. Claim documentation
- C. Resolving the claim
- D. Fast settlement

31.

26. **Fair Claims Settlement Section 2695.9** specifies that **no insurer** shall suggest or recommend that the insured have property repaired _____.

- A. In the first 24 hours
- B. By a specific individual
- C. By the insured
- D. On demand

27. **Lack of appeal** refers to the concept that insurers cannot exploit the legal system by appealing arbitration awards as a way to _____.

- A. Rescind a claim
- B. Force a settlement or compromise
- C. Pay less
- D. Deny a claim

28. **Section 355** of the California Insurance Code states that a **representation** in a policy may be altered or withdrawn _____ the insurance is effected.

- A. Before
- B. After
- C. At anytime
- D. At no time before

29. **Applications** are the lifeblood of the insurance business and **agents have a legal duty** to be sure each application is _____.

- A. Filled out
- B. Attached to the policy
- C. Completed fully without deceit of any nature
- D. Perfect

30. **Subrogation** is defined as the insurance company's right to sue the torfeasor for the amount of _____.

- A. All premiums
- B. Court costs
- C. Damages reimbursed to the insured
- D. Punitive damages

31. The lesson for agents in the **Thompson v. Occidental Life** case is . . . don't _____.

- A. Modify the application in any way
- B. Speak to clients
- C. Talk to underwriters
- D. Fill out the application for the client

32. **Bad faith litigation** can encompass a carrier's failure to _____ a claim within a reasonable amount of time.

- A. Investigate
- B. Evaluate
- C. Settle
- D. All of the above

33. **Salvage** refers to property that rightfully **belongs to the insurer** as a result of _____.

- A. Osmosis
- B. Paying a claim
- C. Utmost ownership
- D. Fair Claims

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34. **Third party claimants**, under fair claims law, shall NOT be forced or advised to make a claim under _____ to avoid paying a claim.

- A. His or her own policy
- B. Duress
- C. The cloud of secrecy
- D. The amount owed

35. **Fair claims time line rules** require that insurers **accept or deny** a claim within _____ days after receipt of proof of claim.

- A. 15 Days
- B. 20 Days
- C. 40 days
- D. 60 days

36. California Insurance Code **Section 10381.5** states that insureds will not be bound by any statement on an application for a policy unless _____.

- A. Underwriting has approved it
- B. A copy of such application is attached to or endorsed on the policy
- C. The insurance Commissioner has signed the policy
- D. The policy is fully paid

37. **Soft fraud** occurs where a policyholder _____ an otherwise legitimate claim.

- A. Exaggerates
- B. Completely lies about
- C. Invents
- D. Acts out

38. **Being ethical** goes beyond the mere compliance with the law, it means being _____ concerning ALL FACTS.

- A. Right
- B. Fair
- C. Completely honest
- D. Sympathetic

39. **Proof of Claim** is evidence or documentation that provides evidence of the claim and supports the amount of the _____.

- A. Adjuster's estimate
- B. Claimed loss
- C. Claim plus interest
- D. Loss less depreciation

40. A **stakeholder** is anybody _____. Being ethical is being fair to all stakeholders.

- A. Who owns stock
- B. Who pays you money
- C. With power
- D. Affected by your actions

--END EXAM--