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#183 -- FRAUD & FAIR PRACTICE LAW – FINAL EXAM

1. **The intent of fraud statutes is to restore \_\_\_\_\_.**
  - A. Lost funds
  - B. Legitimacy and integrity
  - C. Jobs
  - D. Known victims back to zero
2. **Suspected fraud should be reported by insurance professionals within \_\_\_\_\_ days.**
  - A. 15 days
  - B. 20 days
  - C. 30 days
  - D. 90 days
3. **A remedial measure means actions taken by an insurer to \_\_\_\_\_ any error or mission in the handling of claims.**
  - A. Correct or cure
  - B. Hide
  - C. Circumvent
  - D. Justify
4. **A telephone conversation cannot be the basis of denying a claim unless the telephone conversation is \_\_\_\_\_.**
  - A. From a wireless phone
  - B. Documented in the claim file
  - C. More than 10 minutes
  - D. Witnessed by at least 3 people
5. **A release for subject matter beyond the current claim is illegal unless the legal effect of the release is \_\_\_\_\_.**
  - A. In writing
  - B. Disclosed and fully explained in writing
  - C. In English
  - D. Witnessed
6. **The form used to report insurance fraud in California is \_\_\_\_\_.**
  - A. SD3
  - B. GT4
  - C. OOPs
  - D. FD1
7. **If the settlement payment from a total loss auto claim is not enough to purchase a comparable auto, within 35 days the insurer must \_\_\_\_\_.**
  - A. Reopen the claims file
  - B. Permanently close the file
  - C. Give the insured double the settlement
  - D. Start another claim
8. **A phantom vehicle scam occurs when a person \_\_\_\_\_ to show ownership of a vehicle that does not exist.**
  - A. Creates the illusion
  - B. Produces phony documents
  - C. Shows legitimate papers
  - D. Contacts the DMV
9. **An insurer cannot force a third party claimant to make a claim \_\_\_\_\_ to avoid paying the insurer's claim.**
  - A. Under his own policy
  - B. Using his real name
  - C. Within policy limits
  - D. For pain and suffering
10. **Under fair claims file and documentation rules, all claims files must include enough detail to reconstruct licensee actions. To assist in this, insurers must \_\_\_\_\_.**
  - A. Maintain accessible, legible and retrievable claim data.
  - B. Record dates the licensee received and processed relevant materials.
  - C. Maintain copyable files for the current year and 4 years preceding.
  - D. All of the above
11. **Unreasonably low settlement claim offers by insurers are not permitted. Which of the following determines what is low:**
  - A. The extent to which the insurer considered a claimants value
  - B. Legal authority and procedures used by the insurer to determine damages
  - C. Credible evidence that the offer is below the amount a reasonable person would have offered.
  - D. All of the above

12. Immunity from civil suit is provided to licensees who report fraud as long as it is done \_\_\_\_\_.

- A. On the proper form
- B. Before the end of every month
- C. Without malice and applies to everyone
- D. In complete secrecy

13. All policy provisions and benefits must be disclosed to a claimant presenting a claim. Where a surety bond is involved, these benefits may never be \_\_\_\_\_.

- A. Mentioned
- B. Disclosed
- C. Misrepresented or concealed
- D. Counted

14. Non-original equipment manufacture replacement crash parts may NOT be used in the repair of an auto unless:

- A. The parts are equivalent in kind, quality, safety and performance
- B. The insurer warrants and discloses such parts are of like kind
- C. Such parts are identified in a permanent manner
- D. All of the above

15. Insurers have up to 40 calendar days, after receipt of proof of claim to \_\_\_\_\_.

- A. Pay a claim
- B. Accept or deny the claim
- C. Adjust the claim
- D. Respond to a claim

16. A sub-rosa investigation of a claimant is basically a \_\_\_\_\_.

- A. Police investigation
- B. Legal action
- C. Video surveillance
- D. Surveillance known to the claimant

17. A Department of Insurance inquiry concerning a claim must receive a written response within \_\_\_\_\_ days.

- A. 15 days
- B. 21 days
- C. 30 days
- D. 60 days

18. Determining the cost of a comparable automobile value involved in a claim involves which of the following:

- A. Using the average cost of two or more comparable autos in the local market.
- B. Averaging two or more quotes from local licensed dealers
- C. Using a computerized cost comparable valuation service having valid local values
- D. Either of the above may be used

19. A 30-day extension of time for an insurer to accept or deny a claim must be made in writing to the claimant. Written notice must also be made every \_\_\_\_\_ days thereafter.

- A. 20 days
- B. 30 days
- C. 45 days
- D. 60 days

20. Having high ethical standards is more than being honest, it reflects \_\_\_\_\_.

- A. A level of ability
- B. Honor
- C. Doing the right thing
- D. Good upbringing

21. Proof of claim means any evidence submitted by the claimant or insurer that reasonably supports the \_\_\_\_\_.

- A. Magnitude or the amount of the claimed loss
- B. Case
- C. Claimant
- D. Insurer

22. Automobile repairs shall not be required to be made at a specific repair shop or a suggested or recommended repair shop unless the insurer \_\_\_\_\_.

- A. Prominently discloses such a requirement at the time insurance is applied for
- B. Has an interest in the shop
- C. Provides a 25% discount
- D. Pays 100% of all repairs

23. Replacement cost in a residential or commercial policy means the insured shall not have to pay for \_\_\_\_\_. Replaced items must also match in quality, color or size.

- A. Deductibles
- B. Depreciation
- C. Property taxes
- D. Premiums

24. Fraud occurs when someone knowingly \_\_\_\_\_ to obtain some benefit or advantage.

- A. Cheats
- B. Lies
- C. Swears
- D. Deceives

25. First party claimant is defined as any person asserting a right under an insurance party as a \_\_\_\_\_.

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

26. Upon receiving a *notice of claim* every insurer shall immediately, but in no more than \_\_\_\_\_ calendar days, acknowledge receipt, provide necessary forms, begin investigation or pay the claim.

- A. 10 calendar days
- B. 15 calendar days
- C. 30 calendar days
- D. 40 calendar days

27. When the *amount claimed* is adjusted because of betterment or depreciation, all justification and adjustments shall be \_\_\_\_\_.

- A. Contained in the claims file
- B. Approved by the Department of Insurance
- C. Rounded up
- D. Independently audited

28. In the *swoop and squat* fraud, an automobile cuts suddenly in front of the squat vehicle forcing it to \_\_\_\_\_. The innocent victim behind the squat can't stop fast enough and hits the squat car.

- A. Swerve
- B. Accelerate
- C. Stop quickly
- D. Spin around

29. The basis for any adjustment to an auto claim shall be \_\_\_\_\_.

- A. Fully explained to the claimant in writing
- B. Reflect measurable difference in market value
- C. Apply only to parts subject to repair and replacement
- D. All of the above

30. A communication from a claimant that reasonably suggests a response from a licensee must be answered immediately, but in no more than \_\_\_\_\_ calendar days.

- A. 5 calendar days
- B. 10 calendar days
- C. 15 calendar days
- D. 20 calendar days

31. In first party auto claims, a replacement automobile must be \_\_\_\_\_.

- A. Comparable with all applicable taxes, license and transfer fees
- B. As good or better condition than the insured's vehicle
- C. Available for inspection within a reasonable distance of the insured's residence
- D. All of the above

32. Licensee compliance with fair claims involves the adoption of agent standards for the prompt investigation and processing of claims and \_\_\_\_\_.

- A. Proper fees
- B. Training and instruction on fair claims regulations
- C. Annual audits
- D. Weekly meetings

33. The purpose of actuarial departments is to make sure that \_\_\_\_\_.

- A. Agent commissions are paid on time
- B. State insurance laws are followed
- C. No one brings more risk to the pool than resources
- D. Insurers file state annual reports on time

34. The purpose of fair claims legislation is to \_\_\_\_\_.

- A. Eliminate misrepresentation and undue influence
- B. Force insurers to acknowledge claims and process them promptly
- C. Control delays and satisfy claims without lawsuits
- D. All of the above

35. Partial settlement of a claim by check or draft shall not contain language releasing the insurer unless the policy limit has been paid or there has been \_\_\_\_\_ as to coverage and amount payable.

- A. A compromise settlement
- B. Three meetings
- C. A written demand
- D. A court ruling

36. Partial automobile losses must be settled on the basis of a written estimate which allows for repairs to be made in a workmanlike manner. If it appears the repairs will exceed the written estimate the insurer shall \_\_\_\_\_.

- A. Pay the difference
- B. Provide another repair shop that will make the repairs at the written estimate
- C. Reasonably adjust written estimates for a repair shop of claimant's choice.
- D. Do one of the above

37. For first party residential and commercial property claims, insurers shall not suggest or recommend specific individuals or entities to repair property unless \_\_\_\_\_.

- A. The referral is requested by the claimant
- B. The insurer's suggested repair place is accepted by the claimant and the damaged property is restored to no less than its prior condition
- C. Either A or B
- D. None of the above

38. No insurer shall base or vary its *claim settlement practices* upon a claimant's \_\_\_\_\_.

- A. Age, race, gender or income
- B. Religion, language or sexual orientation
- C. Ancestry, national origin or physical disability
- D. Any of the above

**39. A claim that is settled must be paid**

\_\_\_\_\_.

- A. Within 15 calendar days following affirmation of liability where no release is required.
- B. Within 15 calendar days following receipt of a properly executed claimant release (where required by insurer).
- C. Either A or B is correct.
- D. None of the above

**40. A policy that requires preauthorization of non-emergency medical services shall**

\_\_\_\_\_.

- A. Provide such preauthorization within 5 calendar days after the request
- B. Explain and communicate the preauthorization to the medical service provider in writing
- C. Communicate any denial of preauthorization in writing to the insured and medical provider.
- D. All of the above