

CAIB Volume 1

Student Resource Guide

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INSURANCE BROKERS ASSOCIATION OF CANADA
ASSOCIATION DES COURTIERS D'ASSURANCES DU CANADA

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CHECKPOINTS - CHAPTER 1 - SECTION 1

Insurance - A Means of Managing Risk

1. Reference pg. 1-1/2
 - (a) Avoid the Risk (rent rather than buy)
 - Control the Risk (loss control measures)
 - Retain the Risk (self-insurance or share risk through deductibles)
 - Transfer the Risk (purchase insurance)

Reference pg. 1-2

- (b) Transfer the risk

Understanding Insurance Contracts

2. Reference pg. 1-3/4
 - Agreement
 - Consideration
 - Legality of Object
 - Legal Capacity of Parties to Contract
 - Genuine Intention
3. Reference pg. 1-4/5
 - (a) Individuals can contract if they are competent to do so
 - (b) Trade names have no legal status and are not entitled to contract
 - (c) Corporations have the same right to contract as individuals (extent of rights set out in corporation's charter)
4. Reference pg. 1-5/6
 - (i) Insurable Interest
 - (ii) Utmost Good Faith
 - (iii) Indemnity

5. Reference pg. 1-6

(a) Broker owes the Insured the following duties:

- Careful and prompt attention to instructions
- Expert advice
- Competitive pricing of products

(b) Broker owes the Insurer the following duties:

- Collection of premiums
- Passing on of relevant information obtained from the client

6. Reference pg. 1-6

- Indemnity is measured by the value of the insured property as it existed immediately prior to the loss

7. Reference pg. 1-6

(a) Agency Agreement

Reference pg. 1-6

(b) Oral binders should be confirmed immediately in writing

Reference pg. 1-7

(c) The broker/brokerage may face an errors and omissions claim

Reference - class discussion

- May bind a property risk for higher amounts than set out in the agency contract
- May bind a risk which is on the decline list in the agency contract
- May bind a liability risk for higher limits than set out in the agency contract

8. Reference pg. 1-8

- (a) -Actual cash value of the item at the time of the loss
-Interest of the insured in the property
-Limit of insurance provided by the policy

Reference pg. 1-8/9

- (b) The least of:
- ACV
 - Insurable Interest
 - The Limit of insurance

9. Reference pg. 1-8/9
- (a) $ACV = RC - \text{Depreciation}$
- Reference pg. 1-8/9
- (b) - Condition of object
- Normal life expectancy
- Resale Value

KEY TERMS - CHAPTER 1 - SECTION 1

Risk:	Chance of financial loss to which an object of insurance is exposed. (Reference pg.1-1/2)
Speculative risk:	The chance of a financial loss or gain. (Reference pg.1-2)
Pure risk:	The chance of financial loss but no chance of financial gain. (Reference pg.1-2)
Insurance:	The undertaking by one person to indemnify another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed... or to pay a sum of money or other thing of value upon the happening of a certain event. (Reference pg.1-2)
Contract:	An agreement between two or more persons which creates an obligation to do or not to do a particular thing. (Reference pg.1-2 – 1-7)
Consideration:	An exchange of something of value between parties. (Reference pg.1-3)
Insurable Interest:	One has an insurable interest in the subject matter of the insurance when they will suffer financially by a loss. (Reference pg.1-5)
Utmost Good Faith:	The law requires insurance contracts maintain a higher standard of honesty than is needed of other contracts. (The duty of utmost good faith applies to the insured, the insurer and the broker.) (Reference pg.1-5)
Indemnity:	Application of the principle of indemnity ensures people receive the actual amount of their loss, no more and no less. (Reference pg.1-6)
Insurance Binder:	A temporary agreement in which the insurer agrees to provide certain coverages pending the issuance of the policy. (Reference 1-6)
Agency Agreement:	A written agreement or contract between the insurer and the brokerage which acknowledges their relationship. (Reference pg. 1-7)
Void Contract:	One which is unable in law to support the purpose for which it was intended. Such contracts are deemed never to have existed. (Reference pg. 1-6)

Voidable Contract:	A contract that may be voided at the option of the wronged party only and not the wrongdoer. (Reference pg.1-6)
Peril:	The cause of a loss. (Reference pg.1-7)
Direct Loss:	A direct loss occurs when the peril insured actually attacks the object of insurance. (Reference pg.1-7)
Indirect Loss:	Losses which arise as a consequence of a direct loss. (Reference pg.1-7)
Actual Cash Value:	New or replacement cost of the property at the time of the loss, less depreciation. (Reference pg.1-8)
Replacement Cost:	The cost to repair or replace the lost or damaged property with new property of like kind and quality, without deduction for depreciation. (Reference pg.1-8)
Valued Policy:	Both the insured and insurer agree at the time the policy is issued as to the cash value of the property. In the event of a loss, the agreed amount would be paid. (Reference pg.1-9)
Blanket Coverage:	Policy which provides a single limit of insurance for all property falling within a specific class. (Reference pg. 1-9)
Scheduled Coverage:	Covered property is itemized on the policy. (Reference pg.1-9)

CHECKPOINTS - CHAPTER 1 - SECTION 2

The Role of Government in the Insurance Industry

1. Reference pg. 1-12
 - To ensure insurance companies will be financially competent to discharge their obligations.
 - To ensure forms of contracts are drafted fairly
 - To ensure business is being conducted to the general benefit of the public

2. Reference pg. 1-13

The role of PACICC is to protect the consumer against insurer insolvency. Each insurance company is assessed an amount based upon the total of their direct written premium. The maximum amount available for any one claim is \$250,000. Provision is made for the return of unearned premiums, subject to a maximum of \$700 per policy.

3. Reference pg. 1-14/15
 - (i) Fire
 - (ii) Lightning
 - (iii) Explosion of natural, coal or manufactured gas

4. Reference pg. 1-14
 - Damage caused by water and other extinguishing agents
 - Physical damage to buildings caused by firefighters
 - Damage resulting from other actions to prevent the spread of fire

5. Reference pg. 1-14/15
 - To remove coverage for which more specialized coverage forms are available
 - To remove coverage for losses which are uninsurable

6. Reference pg. 1-15
- (a) Dwelling: Yes (resultant damage) Pants: No (application of heat directly caused the damage and it is specifically excluded)
 - (b) Lightning damage to wiring in the motor is not covered by the basic Fire Policy. Resultant damage to the deep freeze by ensuing fire would be covered by all fire policies.
 - (c) Damage to fridge by power surge is not covered. However, any resultant fire damage would be covered.
 - (d) Fire damage caused during invasion of foreign enemy is not covered by the Fire Policy.

Fire Statutory Conditions Legislated

7. Reference pg. 1-16 to 1-28

- | | | |
|------|-------|-------|
| 1) l | 6) k | 11) j |
| 2) f | 7) a | 12) e |
| 3) g | 8) o | 13) m |
| 4) d | 9) h | 14) i |
| 5) n | 10) b | 15) c |

Other Legislated Requirements

8. Reference pg. 1-28

- (i) Policy Period: the policy takes effect at 12:01 a.m. standard time at the address of the named insured as stated herein.

Reference pg. 1-29

- (ii) Loss Payable or Payee: The Insurance Acts require that the policy provide adequate space to identify all parties to whom insurance monies are payable in the event of a loss. The failure of the insurer to include a named payee in an insurance settlement could result in the insurer being liable to the payee i.e. having to pay a portion of the same claim twice.

9. Reference pg. 1-30

(a) Conditions Applying to Removal Clause

- (i) Requires insurers respond only when insured property is necessarily removed from the location specified to prevent loss, destruction or damage or further loss, damage or destruction.
- (ii) The amount of insurance available for any loss to the property while at the unnamed location will be reduced by the amount paid for the loss at the named location.
- (iii) The insurer is obliged to provide coverage at the unnamed location for at least seven days or the unexpired term of the policy if less than seven days.

Reference pg. 1-30/31

- (b) When a contract of insurance contains any clause which allows the insurer to pay an amount which is less than that purchased by the insured, it shall have printed or stamped upon the face sheet of the policy in red ink the words, "This policy contains a clause that may limit the amount payable". Two such clauses are (i) Deductible and (ii) Co-insurance Clauses.

Reference pg. 1-31

Why discourage extremely low deductibles?

- Insurance policy is not intended as a maintenance contract for smaller losses which could easily be paid by insureds without financial hardship.
 - Expensive to administer small claims. The insurer would be forced to increase premiums to pay for increased administration costs.
- (c) Reference pg. 1-31
- When the insurer has paid a claim for loss caused by a third party, the Insurance Act allows the insurer to place itself "in the insured's shoes" in respect of their right to recover the amount of the loss from the responsible party.
- (d) Reference pg. 1-32
- No terms or condition of a contract of insurance shall be considered to be waived by the insurer unless such waiver is provided in writing and signed by a person authorized for that purpose by the insurer.
- (e) Reference pg. 1-33
- The Insurance Act stipulates that when the insurance policy has been delivered, but not paid for, it shall be as binding on the insurer as the premium had been paid.

KEY TERMS - CHAPTER 1 - SECTION 2

Fiduciary:	One who occupies a special position of trust or confidence in the handling or supervising of the affairs or funds of another. (Reference pg.1-12)
Unearned Premiums:	Premiums not yet earned by the insurer. Such premiums are deemed to be held in trust in order to refund the insureds in the event the policy is cancelled prior to expiry date. (Reference pg.1-12)
Fire:	Involves the presence of a visible flame or glow, actual ignition or burning is required. (Reference pg.1-14/16)
Friendly Fire:	A fire that is contained in its proper receptacle. (Reference pg.1-14)
Hostile Fire:	A fire that passes outside of the limits assigned to it. (e.g. spark thrown from a fireplace that burns a carpet is hostile fire) (Reference pg.1-14)
Proximate Result:	Damage which arises from a natural or continuous sequence of the peril causing the loss. (Reference pg.1-14)
Material Change:	Is any change within the control and knowledge of the insured and which arises after the policy has been issued and serves to increase the chance of loss. (Reference pg.1-18)
Pro Rata:	Basis of return premium calculation when the insurer cancels a policy. The amount of the return premium is arrived at by dividing the amount of premium paid by the number of days in the policy period. The number so obtained is then multiplied by the number of days remaining in the policy period. (Reference pg.1-20)
Short Rate:	The basis of return premium calculation when the insured cancels the policy. The amount of the return premium is equivalent to that provided on a pro-rata basis, less any administrative charge or cancellation penalty. (Reference pg. 1-20)
Notice of Loss:	Immediate report of loss to insurer by the insured or his representative (agent) in writing. (Reference pg.1-21)

- Proof of Loss:** A formal verification, under oath, of the details and amounts being claimed under the policy. (Reference pg.1-21 & 1-25)
- Fraud:** Is a deliberate attempt to deceive, with a view to securing some profit. (Reference pg.1-23)
- Deductible:** Represents the amount the insured is required to absorb for each loss for which insurance coverage is provided before receiving any payment from the insurer. (Reference pg.1-30)
- Subrogation:** When the insurer has paid a claim for loss caused by a third party, the Insurance Act allows the insurer to place itself "in the insureds shoes" in respect of their right to recover the amount of the loss from the responsible party. (Reference pg.1-32)

CHECKPOINTS - CHAPTER 1 - SECTION 3

Distribution of Insurance

1. Reference pg. 1-37/38

(i) Independent Agency/Brokerage System

- Owners are not employees of insurers
- Owners responsible for payment of all expenses associated with the business
- Own the business they produce
- Many owners are given increased responsibility for client services
They may be authorized to quote and issue policies for certain classes of business and handle small property claims in order to reduce the insurer's expenses

Reference pg. 1-38/39

(ii) Direct Writing System

- Producers are employees of insurer
- Remuneration of producers may be on either a salary or commission basis or combination of salary and bonus
- Insurer owns all business written
- Administration function assumed by insurer

KEY TERMS - CHAPTER 1 - SECTION 3

Proprietary Insurers:	Insurance companies which exist to make a profit or return on their investment. (Reference pg.1-37)
Non-Proprietary Insurers:	Insurance companies which are organized for reasons other than profit. They are owned and controlled by their policyholders and their mandate is to secure insurance at as low a cost as possible. (Reference pg.1-37)

DISCUSSION QUESTIONS - CHAPTER 1

1. A broker friend told you that she recently sold a Tenants' Package Policy to a 16 year old who was attending university. It is your understanding that minors cannot enter into contracts for things not deemed to be the "necessities of life." What position does the law take regarding the enforceability of insurance contracts entered into by minors?

The law recognizes that such persons are not entitled to enter into certain contracts. However, when they do, their right to void the contract because of their status as a minor is forfeited after a reasonable length of time.

(Reference pg. 1-3)

2. Indicate whether the following persons would have an insurable interest in the property owned by your client. State Yes/No.
 - (i) Mortgagee
 - (ii) Next door neighbour
 - (iii) Owners of local storage warehouse at which insured property is being stored.

(i) **Yes**

(ii) **No**

(iii) **Yes**

(iv) (Reference pg. 1-5)

3. The Statutory Conditions outline the duties and responsibilities of both the insured and insurer in a contract of insurance. Explain the responsibility of the insurer in the following claims:

- (a) In their application for insurance, the insureds stated they had no claims during the previous three years. This week they made a \$7,200 claim for a theft loss. On checking with their previous insurer, the insurer discovered they had four thefts over the last three years.

Claim denied on basis of "Misrepresentation" of a material fact.

(Reference pg. 1-16)

- (b) The insureds recently converted their private garage into a boat repair shop. The insurer was not advised of this change in occupancy. Last week, a fire occurred while the insured was heating materials to be used in applying fibreglass to a customer's boat.

Claim denied on basis of insured's failure to report a material change. (Reference pg. 1-18)

- (c) Your insureds recently suffered a fire loss to their dwelling. In the proof of loss filed by them, a claim was made for a \$1,200 compact disc player and 180 compact discs. During the investigation of the claim, the insurer discovered that the insureds did not own the items claimed.

Claim denied on basis of "Fraud"...the entire claim is invalidated.
(Reference pg. 1-23)

- (d) Your insured submitted a proof of loss to the insurer over three months ago. They have not yet been advised whether the insurer intends to rebuild their property or provide a cash settlement.

Insurer obligated to settle claim on cash settlement basis. (Reference pg. 1-26).

4. (a) Your client recently suffered a theft loss to personal property. What obligation is placed by the "Additional Conditions" on persons having crime related losses?

When the cause of the loss is due to certain criminal acts, the insured must give immediate notice to police or other authorities having jurisdiction. (Reference pg. 1-27)

- (b) Most of your client's jewellery was taken in the theft. However, a pair of earrings which matched an expensive string of pearls were in another location and were missed by the thieves. Your client believes that the earrings have little value on their own and insists that she be paid on the basis of a total loss. Discuss how the insurer would pay this claim.

When there is loss or damage to only one item of a pair or set, the loss is not a total loss. The item not lost continues to have value which will be considered in the amount of the settlement.
(Reference pg. 1-28)

- (c) During the theft, the thieves sprayed orange fluorescent paint on the walls and rug in the insured's hallway. The rug in the hallway was a perfect match for that in the living and dining rooms and your client is insistent that the rug in those rooms also be replaced as part of the claim. Discuss how the insurer would pay this claim.

When there is loss or damage to a part of insured property which consists of several parts or components, the insurer will pay for the replacement of the lost or damaged part only, including the cost of installation. (Reference pg. 1-28)

5. (a) A building worth \$360,000 is insured for \$90,000 and the policy contains an 80% co-insurance clause. A fire causes \$72,000 damage. What amount would the insured recover?

\$22,500

- (b) A building valued at \$120,000 is insured for \$30,000 and there is an 80% co-insurance clause on the policy. The building was totally destroyed by fire last weekend. What is the amount of the settlement that the insured would receive?

\$30,000

CHECKPOINTS - CHAPTER 2 - SECTION 1

The Development of Habitational Insurance

1. Reference pg. 2-1

With increased competition for homeowners insurance business, many insurers began to amend these forms in order to make them more attractive to consumers.

2. Reference pg. 2-1/2

Homeowners

- Single family dwellings occupied year around by the owners as their principal dwelling
- Dwellings containing more than one family
- Insureds having more than one principal dwelling
- Mobile homes situated on a full basement
- Dwellings in the course of construction when the insured intends to occupy the dwelling upon completion

3. Reference pg. 2-3

Section I - Property Coverages
Section II - Liability Coverage

4. Reference pg. 2-2

Homeowners Forms insure a person not named on the policy and not legally married to the Named Insured if they are considered to be a spouse.

The Named Insured and his/her spouse:

- Have lived together in a conjugal relationship continuously for 3 years,
or
- Are the natural or adoptive parents of a child for a period of one year.

5. Reference pg. 2-6

(a) Property Excluded under Coverage C:

- Motorized vehicles or their equipment
- Aircraft or their equipment

Reference pg. 2-7

(b) Territorial Limits:

- Worldwide

6. Reference pg. 2-7/8

- (i) (a) Specified property items which have been stolen or which were lost or damaged by other broad perils.
- (b) Items/limits:
 - Jewellery and furs up to \$ 2000 in all
 - Coin collections up to \$ 200 in all
 - Stamps/stamp collections and manuscripts up to \$1,000 in all
 - Collectible cards up to \$1,000 in all
 - Each bicycle, its equipment and accessories, up to \$500 in all
- (ii) (a) Those which apply to specified property items, regardless of the cause of the loss.
- (b) Items/limits:
 - Business property - \$2,000
 - Securities - \$2,000
 - Property of students living away from home - \$2,500
 - Money or bullion - \$200
 - Garden type tractors, including attachments and accessories - \$5,000
 - Watercraft - \$1,000
 - Computer software - \$2,500
 - Spare automobile parts - \$1,000

7. Reference pg. 2-8 - Conditions of Coverage

Coverage is provided when:

- The dwelling is damaged by an insured peril; and
- The damage is sufficient to make the dwelling unfit for occupancy, or requires that the insured move out while repairs are being made.

Payment is limited as follows:

- (i) Only those additional expenses incurred by the insured after the loss are covered
- (ii) It must be shown that such expenses were necessarily incurred in order for the insureds to maintain their normal standard of living

8. Reference pg. 29/10 - Mass Evacuation

Coverage is also provided for a period not exceeding two weeks for any necessary increase in living expense when an order for "mass evacuation" is made by a civil authority. The order must have been the direct result of a sudden and accidental event originating in Canada or the U.S.A.

9. Reference pg. 2-10 - Extensions of Coverage:

(a) Moving to another home

Coverage is automatically extended to insure property while in transit to and at another location which is to be occupied by the insureds as their principal residence. Coverage is restricted to Canada and is provided for 30 consecutive days only, or until the policy expires or is terminated, whichever is sooner.

(b) Change of temperature

Coverage is included on all homeowners forms for damage to personal property due to a change of temperature resulting from physical damage to the dwelling or equipment from an insured peril.

(c) Freezer food

The homeowners forms provide up to \$2,000 for food contained in a freezer located on the insured's premises when the loss or damage is due to:

- Power failure
- Mechanical breakdown

(d) Lock Replacement

All homeowners forms provide for up to \$500 to replace or re-key the locks on the insured's principal dwelling. This coverage is available only when the insured's keys have been stolen and the loss reported to authorities.

(e) Tear out

Homeowners forms provide coverage for the repair of walls, ceilings or other parts of insured buildings which must be torn apart before water damage from pipes or domestic appliances can be repaired. The cost of tearing out and replacing any part of the building to repair damage caused by swimming pools or public watermains is not insured.

(f) Credit cards/Debit or automated teller cards

Coverage for the following losses is limited in total to \$1,000 during the policy period:

- Credit cards (including Mastercard, VISA, gas, grocery and department store cards).
- Coverage is provided for amounts billed to the insured resulting from the theft or unauthorized use of cards issued to or registered in the insured's name.
- Debit or automated teller cards.
- Coverage is provided for amounts taken from the insured's bank account when a debit or automated teller card has been stolen.

10. Reference pg. 2-13

(a) Personal Property - replacement cost (except for electronic media and records)

Reference pg. 2-12

(b) Dwelling and Detached Private Structures - replacement cost

11. (a) Reference pg. 2-14/15

Coverage B - Detached Private Structures (10% of Dwelling Amount)

10% of \$140,000 = \$ 14,000

Coverage D - Additional Living Expenses (20% of Dwelling Amount)

20% of \$ 140,000 = \$ 28,000

(b) Reference pg. 2-15

Insurance amounts described above for Detached Private Structures and Additional Living Expenses are IN ADDITION to the coverage provided on Dwelling Building.

(c) Reference pg. 2-15

Coverage C - Personal Property

The amount of insurance applicable to Coverage C is determined as a percentage of the amount of coverage on Dwelling Building.

This amount may vary between insurers. However, most insurers require that the amount of insurance for personal property be equivalent to 90 or 100% of the insurance purchased for the dwelling building.

KEY TERMS - CHAPTER 2 - SECTION 1

Personal Property:	Contents of the insured's dwelling and other personal property owned, worn or used by the insured while on the premises, which is usual to the ownership or maintenance of a dwelling. (Reference pg. 2-5)
Additional Living Expenses:	Coverage that provides for additional cost of living elsewhere when the dwelling is damaged by an insured peril and the damage is sufficient to make the dwelling unfit for occupancy, or requires that the insured move out while repairs are being made. Also provides for loss of fair rental value if part of the dwelling was rented or being held for rental at the time of the loss. (Reference pg. 2-8)

CHECKPOINTS - CHAPTER 2 - SECTION 2

Homeowners Forms - The Coverages

Homeowners Basic Form (IBC 1151)

- | | | | | |
|----|-----|-------------------------|-----|-------------------------|
| 1. | (a) | C (Reference pg. 2-18) | (b) | C (Reference pg. 2-18) |
| | (c) | NC (Reference pg. 2-18) | (d) | NC (Reference pg. 2-18) |
| | (e) | C (Reference pg. 2-18) | (f) | NC (Reference pg. 2-19) |
| | (g) | NC (Reference pg. 2-19) | (h) | C (Reference pg. 2-19) |
| | (i) | NC (Reference pg. 2-19) | (j) | C (Reference pg. 2-20) |
| | (k) | C (Reference pg. 2-20) | (l) | NC (Reference pg. 2-21) |
| | (m) | NC (Reference pg. 2-21) | (n) | NC (Reference pg. 2-22) |
| | (o) | NC (Reference pg. 2-22) | (p) | C (Reference pg. 2-23) |
| | (q) | NC (Reference pg. 2-23) | (r) | C (Reference pg. 2-24) |
| | (s) | NC (Reference pg. 2-24) | (t) | C (Reference pg. 2-24) |
| | (u) | NC (Reference pg. 2-25) | (v) | C (Reference pg. 2-26) |

Homeowners Comprehensive Form (IBC 1155)

2. Reference pg. 2-27
- (i) insures collapse of roof from snow load
 - (ii) insures loss or damage caused to both the dwelling and personal property by smoke from a fireplace
3. All coverages under Section 1 - Property Coverages of the Homeowners Comprehensive Form are insured on an **All risks** basis. (Subject to exclusions specified in the wording)
- | | | | |
|-----|----------------------------|-----|---------------------------|
| (a) | NC (Reference pg. 2-27) | (b) | C (Reference pg. 2-27) |
| (c) | NC (Reference pg. 2-27) | (d) | NC (Reference pg. 2-28) |
| (e) | NC (Reference pg. 2-27) | (f) | NC (Reference pg. 2-27) |
| (g) | NC (Reference pg. 2-29) | (h) | NC (Reference pg. 2-31) |
| (i) | NC (Reference pg. 2-29) | (j) | NC (Reference pg. 2-30) |
| (k) | NC (Reference pg. 2-20/29) | (l) | C (Reference pg. 2-27) |
| (m) | NC (Reference pg. 2-30) | (n) | NC (Reference pg. 2-28) |
| (o) | NC (Reference pg. 2-30) | (p) | C (Reference pg. 2-20/29) |
| (q) | NC (Reference pg. 2-31) | | |

KEY TERMS - CHAPTER 2 - SECTION 2

- Vandalism:** The wilful or ignorant destruction of property. (Reference pg. 2-19)
- Malicious Act:** Wrongful act done without legal justification or excuse. (Reference pg. 2-19)
- Vacant:** Refers to circumstances where, regardless of the presence of furnishings, all occupants have moved out with no intention of returning and no new occupant has taken up residence; or in the case of a newly constructed house, no occupant has yet taken up residence. (Reference pg. 2-19)
- Theft:** Includes all means of taking property without the owner's consent. (Reference pg. 2-24)

DISCUSSION QUESTIONS - CHAPTER 2

1. Red and Lily White recently purchased a new dwelling in your community. They have made a list of questions regarding the water coverage provided by their Comprehensive Homeowners Form (IBC 1155) and have asked you to respond to them.

Note: Water coverages provided by the Comprehensive Form are similar to those provided by the Homeowners Basic Form. As the discussion of this coverage was provided in depth in the Basic Homeowners Form, all references will be to that form.

- (a) "Our dwelling is situated on a riverbank. The last time the river overflowed its banks was in 1985. Would our policy cover flood damage to the house and its contents?"

No

(Reference pg. 2-21)

- (b) Are there any other sources of water losses which would be insured by this policy?

Damage caused by escape of water from a public watermain, outdoor hot tub or swimming pool is insured by their policy. Reference pg. 2-20

2. "In our area, it is not unusual for summer storms to dump 2"-3" of rain. Would we be covered for the following losses?

- (a) damage to basement carpet when sump overflows?

No

(Reference pg. 2-21)

- (b) damage to wall panelling from rain water which seeps in through the basement walls?"

No

(Reference pg. 2-21)

3. "Would water damage resulting from the following causes be insured by our policy?"

(a) rupture of 45 gallon hot water tank located in basement of the dwelling.

Yes

(Reference pg. 2-21)

(b) accidental discharge of water from a sprinkler system installed in the dwelling."

Yes

(Reference pg. 2-21)

4. "We usually take a three week vacation every February. Friends who travelled with us last year suffered a serious water loss when their waterpipes froze. They were denied coverage under their policy because they did not comply with a condition stated in the policy. We don't want to be caught in the same position in the event we have a loss. Tell us what we have to do to ensure our coverage isn't jeopardized."

When the insureds are away for more than 4 consecutive days during the usual heating season, coverage for loss or damaged caused by freezing would be insured if:

(a) **arrangements had been made for a competent person to enter the dwelling daily to ensure that heating is being maintained;**

or

(b) **the water supply had been shut off and all pipes and appliances drained.**

(Reference pg. 2-20)

CHECKPOINTS - CHAPTER 3 - SECTION 1

Other Habitational Insurance Forms

1. Reference pg. 3-1/2

Major causes of Loss to Mobile Homes:

- (i) Fire
- (ii) Windstorm
- (iii) Hail
- (iv) Transportation

2. Reference pg. 3-2

Emergency Removal Expense:

If the mobile home is threatened by an insured peril the policy will provide up to 5% of the amount of insurance on the dwelling to pay for reasonable expenses incurred to remove it from the site.

Expenses paid include:

- expenses to disconnect water and power
- towing or transporting costs

3. Reference pg. 3-3

Tenants Package:

-Improvements or Betterments made by or acquired at the expense of the tenant.

-up to \$500 for damage (excluding fire) to the portion of the building occupied by the insured due to:

- theft or attempt thereof;
- to the interior of the building caused by vandalism or malicious acts.

4. Coverage D - limit of insurance on Tenants Package is 20% of Personal Property limit

5. Reference pg. 3-5

The Condominium Corporation must purchase a single amount of insurance in its own name to cover (i) the value of the building (as it was originally constructed) including the value of those units owned by its members and (ii) the value of the common elements.

6. Reference pg. 3-5/6

(i) Unit Improvements and Betterments

-covers any renovations and betterments made to the individual unit by the unit owner

(ii) Loss Assessment

-acts as a backup policy for the condominium corporation policy if a special assessment is assessed against each unit owner because the condo corporation policy is inadequate (under insurance, lapsed coverage) to cover damage to collectively owned property. Coverage is provided only when the assessment is due to a loss insured by the owner's policy.

(iii) Unit Additional Protection

-covers the insured's individual unit for damage should the condominium corporation's policy be inadequate

7. Reference pg. 3-7

(i) transportation

(ii) burglary or robbery

(iii) vandalism or malicious acts

(iv) glass breakage

KEY TERMS - CHAPTER 3 - SECTION 1

Mobile Home:	A home that is factory built on its own chassis and which can be easily moved. (Reference pg.3-3)
Condominium:	A system of separate ownership of individual units in a multiple unit building. (Reference pg.3-5)
Burglary:	Advise students to delete, if not yet removed from this edition
Robbery:	Advise students to delete, if not yet removed from this edition.

CHECKPOINTS - CHAPTER 3 - SECTION 2

Common Habitational Endorsement Forms

1. (a) Reference pg. 3-11/12
Fine Arts Endorsement:
- provides broader coverages than are available under most habitational forms and a more equitable basis of settlement
- (b) Reference pg. 3-13
Personal Articles Endorsement:
- provides broader coverages than are available under most habitational forms for high valued personal property items
- (c) Reference pg. 3-15
Increased Cost - Demolition or Construction (for Dwellings):
- changes the basis of settlement to reflect the increased costs to comply with existing building by-law, law or ordinance after a loss. Coverage can be purchased for either or both of the following:
 - Sprinkler By-Law Extension
 - Demolition or Construction Extension
- (d) Reference pg. 3-16
Residence Glass Endorsement:
-adds accidental glass breakage coverage to buildings. Most frequently used as a means of reducing the deductible for glass breakage under the policy.
- (e) Reference pg. 3-16
Sewer Backup Endorsement:
-broadens the coverages provided under most habitational policies to include loss or damage caused by the backing up or escape of water from a sewer or drain, sump, septic tank, eavestrough or downspout. (This endorsement varies from insurer to insurer)
- (f) Reference pg. 3-19
Travel Trailer Floater
-provides coverage for owned trailers and their contents (normally excluded by habitational policies)

2. (a) Reference p. 3-17
Coverage can be purchased for either or all of the following items:
- the boat, including permanently attached equipment (except outboard motors);
 - the motor(s), including fuel containers, starting equipment and controls supplied by manufacturer
 - other boat equipment including batteries, battery chargers, oars, flares, life preservers, etc.
- (b) Reference pg. 3-17/18
Coverage is provided for "all risks" including:
- transportation losses
 - collision with rocks and floating objects
- (c) Reference pg. 3-17
The following exclusions apply:
- accumulative damage, however caused
 - wear and tear, gradual deterioration, latent defect, mechanical breakdown, corrosion, rust, dampness of atmosphere, freezing or extremes of temperature
 - work done on insured property, except for resultant damage caused by fire or explosion
 - dishonesty of persons to whom the insured property is entrusted, except carriers for hire
 - while insured property is rented or leased to others, used to carry passengers for compensation or being operated in a race or speed test
- (d) Reference pg. 3-18
Loss of use coverage is limited to \$20/day (\$200 limit during policy period) for rental of boat and/or motor when the insured watercraft is damaged by an insured peril.
- (e) Reference pg. 3-18
Coverage is available on either of an actual cash value or replacement cost basis.
- (f) Reference pg. 3-18
As watercraft are generally not used 12 months each year, the minimum retained premium provision helps to ensure that the insurer receives adequate premium for those months when there is the greatest potential for loss.

KEY TERMS - CHAPTER 3 - SECTION 2

- Endorsement: An extra sheet(s) or slip(s) of paper attached to the policy indicating in writing that the insured and insurer have agreed to a change in the terms of the insurance contract. (Reference pg. 3-11)
- Fine Arts: Traditionally includes paintings, pictures, etchings, tapestries and other bona fide works of art of rarity, historical value or artistic merit. (Reference pg. 3-11)

DISCUSSION QUESTIONS - CHAPTER 3

1. Joe and Helen Adanac recently inherited a 8' x 10' Persian rug which was recently appraised at \$11,500. The rug is displayed on a wall near the fireplace in their dwelling and is unlikely ever to leave the premises.

- (i) Identify the endorsement which would be used to insure this property.

Fine Arts Endorsement (IBC 1113) (Reference pg. 3-11)

- (ii) Under which Coverage Section of this endorsement would you recommend coverage be placed?

The coverages provided under Section A would be adequate for this exposure. (Reference pg. 3-12)

- (iii) Would you recommend coverage be placed on a **valued** basis? Why or why not?

Yes - when property cannot be replaced, settlement on a valued basis provides the insured with a means of recovering the monetary value of the property in the event of its loss. (Reference pg. 3-12)

2. Helen and Joe Adanac recently surprised each other with gifts of expensive jewellery. Joe's watch is valued at \$4,500 while Helen's dinner ring is appraised at \$6,200.

- (a) Explain why the Adanacs should purchase additional coverage for these items.

As all IBC habitational forms contain Special Limits of Insurance for jewellery, additional coverage should be purchased. (Reference pg. 3-14/15)

- (b) Identify the endorsement which would be used to insure this property.

Personal Articles Endorsement (IBC 1114) (Reference pg. 3-13)

- (c) Although the Adanacs' personal property is insured under the Homeowners Comprehensive Form (IBC 1122), this endorsement provides even broader coverage. Identify some of the coverage advantages provided by the endorsement.

Coverage advantages:

The broadened coverages provided to the Adanacs include:

- chipping, marring or scratching or breakage
- accidental loss or damage while actually being worked upon e.g. during cleaning
- snowslide, earthquake, landslide or other earth movement;
- theft by a tenant, members of tenant's household or employees of the tenant (if applicable);
- flood, sewer back-up, seepage or other water damage

(Reference pg. 3-12)

- (d) When the value of individual jewellery items exceeds a certain amount, the insurer generally imposes stricter underwriting guidelines. Explain.

When the value of jewellery exceeds a certain amount, usually \$2,000 or more, a current valuation is normally required. A bill of sale or recent appraisal are normally sufficient to meet this underwriting requirement. (Reference pg. 3-15)

CHECKPOINTS - CHAPTER 4 - SECTION 1

The Canadian Legal System

1. Reference pg. 4-1
 - (i) Criminal Law deals with wrongs against society. It uses a system of punishment to enforce the laws, all of which are defined in the Criminal Code.
 - (ii) Civil Law is concerned with the settling of disputes between individuals or other legal entities in matters not involving a criminal act.
2. Reference pg. 4-2

Statute law is written law and is derived from bills introduced into parliament and provincial legislative assemblies to deal with specific needs. Statute law takes priority over any existing common law dealing with the same matter.
3. Reference pg. 4-3

Contract Law deals with obligations set out under contract between two or more parties while Tort Law deals with breach of a duty laid down by law.
4. Reference pg. 4-3/4
 - (i) Intentional Torts
There must be an actual intent to invade the rights of the victim or an intentional undertaking which would reasonably be expected to result in injury or damage.
 - (ii) Unintentional Torts
Involves careless rather than intentional invasion of another's rights eg. negligence.
5. Reference pg. 4-3
 - (i) Legal Duty Owed
 - (ii) Duty Breached
 - (iii) Damages suffered as proximate result of Defendant's Actions.
6. Reference pg. 4-7
 - (i) Insures against bodily injury, property damage and/or other direct financial loss.
 - (ii) Coverage is provided against third party claims only.
 - (iii) Payment of damages is limited to those required to compensate third parties for their loss.

KEY TERMS - CHAPTER 4 - SECTION 1

Criminal Law:	Category of law that deals with wrongs against society. (Reference pg. 4-1)
Civil Law:	Law that concerns itself with settling disputes between individuals or other legal entities in matters not involving a criminal act. (Reference pg. 4-1)
Plaintiff:	The party making the complaint (suing someone) (Reference pg. 4-1)
Defendant:	The party who allegedly committed the wrong. (Reference pg. 4-1)
Tort:	A wrong done to another in breach of a duty laid down by law. (Reference pg. 4-3)
Strict Liability:	Doctrine in law in which "a person is guilty until proven innocent." (Reference pg. 4-4)
Negligence:	The omission to do what a reasonable man, guided by those ordinary considerations which ordinarily regulate human affairs, would do, or the doing of something which a reasonable and prudent man would not do. (Reference pg. 4-4)
Special Damages:	Damages which can be accurately measured and which are intended to reimburse the plaintiff for out-of-pocket expenses. (Reference 4-7)
General Damages:	Damages which cannot be exactly determined but which reflect an amount the court believes necessary to compensate the aggrieved party fairly. (Reference pg. 4-7)

CHECKPOINTS - CHAPTER 4 - SECTION 2

The Law - Establishing Liability in Tort

1. (Reference pg. 4-11/12)
 - (i) Trespassers - no legal duty owed
 Exceptions:
 -occupier not to set traps
 -occupier not to intentionally harm the trespassers
 - (ii) Licensees - must take the premises as they found them
 Exception:
 -occupier has a duty to warn licensees of any hazard which has been introduced to the premises which they would not normally expect and which the occupier is aware of and knows to be dangerous.
 - (iii) Invitees -occupier has a duty to protect the invitee against dangers he is aware of, as well as against those which with reasonable care he might discover.

Several provinces have legislated the Occupiers' Liability Acts which amend common law terms of licensees and invitees, classifying them instead within the heading of "visitors". The effect is to replace the common law duty with a common duty to take reasonable care that visitors are safe when using the premises.

2. (a) (Reference pg. 4-12/13)
 - there is no first free bite and a dog's owner is deemed legally liable from the first bite.
- (b) (Reference pg. 4-13/14)
 - parents are not normally liable for the torts of their children unless it can be shown that:
 - (i) the parents failed to properly control and supervise their children's activities
 - (ii) the injury or damage was caused by a dangerous thing or animal the parents relinquished to their child
 - (iii) the child acted on the authority of the parent
 - (iv) the injury or damage arose out of the duties of employment in the parent's business

(c) (Reference pg. 4-14)

-landlords are not responsible for ensuring a building or land rented to others is fit for the purpose for which it is rented unless they warrant the fitness for such purpose or conceal any adverse conditions.

Exceptions:

-when landlord rents furnished premises
-if landlord contracts to maintain the premises and fails after reasonable notice to do so

(d) (Reference pg. 4-14/15)

-those who contract with independent contractors to do work for them are not liable for the negligence of an independent contractor.

Exceptions:

- (i) the work being conducted is inherently dangerous
- (ii) the work creates a public nuisance
- (iii) the work being done is contrary to established statutes
- (iv) damage arose because of defective equipment supplied by the owner or tenant
- (v) the party for whom work is being done controls the manner in which work is to be done

KEY TERMS - CHAPTER 4 - SECTION 2

Trespasser:	Is one who is on another's premises for his/her own purpose without the express or implied permission of the occupier. Their presence is of no value to the occupier and such persons are viewed as having temporarily appropriated the property for their own use. (Reference pg. 4-11)
Licensee:	A licensee is someone who comes onto the premises for his own purpose but with the occupier's consent. or a licensee is someone who goes upon the lands of another with express or implied invitation to transact business with the owner or occupant or to do some act to his advantage or to the mutual advantage of both the licensee and the owner or occupant. (Reference pg. 4-11)
Invitee:	Someone who enters by invitation, be it express or implied. His entry is connected with the owner's business or with an activity the owner conducts or permits to be conducted on his land and there is mutual benefit or benefit to the owner. (Reference pg. 4-12)
Visitor:	Classification given to a licensee or invitee under provincial Occupier's Liability Acts. (Reference pg. 4-12)
Joint Liability:	When two or three people act together so as to cause injury or damage, they are held to be jointly liable. (Reference pg. 4-14)

CHECKPOINTS - CHAPTER 4 - SECTION 3

Insuring Personal Liability

1. Reference pg. 4-18
 - Tenants Package Form
 - Mobile Homeowners Form

2. Reference pg. 4-18
 - Coverage E - Personal Liability - \$1,000,000
 - Coverage F - Voluntary Medical Payments - \$1,000
 - Coverage G - Voluntary Payment for Damage to Property - \$500
 - Coverage H - Voluntary Compensation for Residence Employees -
As per schedule

3. Reference 4-18/19
Other persons insured include:
 - (i) any person or organization legally liable for damages caused by a watercraft or animal owned by the insured and to which this insurance applies. This does not include anyone using or having custody of the watercraft or animals in the course of any business or without the owner's permission.

 - (ii) a residence employee while performing duties in connection with the ownership, use or operation of motorized vehicles and trailers for which coverage is provided by the policy.

4. Reference pg. 4-19/20
Premises insured include:
 - (i) all premises specifically described on the Coverage Summary Page
 - (ii) premises where insured is temporarily residing . . . except when insured is the owner or long-term (90 days or more) lessee or tenant
 - (iii) newly acquired premises in Canada and which are to be occupied by insureds as their principal residence (maximum 30 days)
 - (iv) individual or family cemetery plots or burial vaults
 - (v) vacant land in Canada owned or rented by the insured, excluding farm land
 - (vi) land in Canada where an independent contractor is building a one, two or three family residence to be occupied by the insured

5. Reference pg. 4-20/21

Coverage E - Personal Liability

-covers the legal liability of insureds in their role as private citizens (personal acts) anywhere in the world, including:

-claims arising out of the condition of the premises or activities conducted thereon

- claims for injuries or death sustained by a residence employee.

Coverage is subject to exclusions.

6. Reference pg. 4-22/23 & 24

In regards to Defence, Settlement, and Supplementary Payments the insurer agrees to pay the following additional costs arising from a civil action against the insured:

- (i) -all expenses which are incurred by the insurer
- (ii) -all costs charged against the insured in any suit insured under Coverage E
- (iii) -any interest accruing after judgement on that part of the judgement which is within the amount of insurance of Coverage E
- (iv) -premiums for appeal bonds required in any insured lawsuit involving the insured and bonds to release any property that is being held as security up to the amount of insurance, but insurer is not obliged to apply for or provide these bonds
- (v) -expenses which have been incurred for emergency medical or surgical treatment to others following an accident or occurrence
- (vi) -reasonable expenses, including actual loss of income up to \$100 per day which are incurred by the insured at the insurer's request

7. (a) Reference pg. 4-24

Coverage F- Voluntary Medical Payments

-provides for payment of reasonable medical expenses incurred by the insureds when another person is unintentionally injured by the insureds or is accidentally injured while on their premises. There is no requirement that the insured is legally liable.

- (b) Reference pg. 4-24/25

Coverage G - Voluntary Payment for Damage to Property

-the insurer agrees to make a voluntary payment for property damage:
-which has been unintentionally caused and for which the insured would not be legally liable
-which has been intentionally caused by an insured 12 years of age or under

- (c) Reference pg. 4-25

Coverage H - Voluntary Compensation for Residence Employees

- provides coverage for the insured's legal liability for injury or death to a residence employee

8. Reference pg. 4-24

Notice of accident or occurrence

-it allows the insurer to quickly assess the potential for a successful action against the insured

9. Reference pg. 4-24/25

It allows the insurer the opportunity to file an objection to the claim with the court.

10. (a) Reference: pg. 4-26/27

Coverage is provided for certain owned and non-owned watercraft and motorized vehicles.

- (b) Reference: pg. 4-27

Exclusions: There is no coverage when watercraft or motorized vehicles are:

- (i) used for carrying passengers or compensation
- (ii) used for business purposes
- (iii) used in any race or speed test
- (iv) rented to others
- (v) being used or operated without the owner's consent if the insured is not the owner

11. Reference pg. 4-27/28
Business activities insured by the policy include:
- (i) your personal actions during the course of your trade, profession or occupation which are not related directly to your trade, profession or occupation
 - (ii) the occasional rental to others of the portion of the dwelling usually occupied by you as a private residence
 - (iii) the rental to others of portions of your two or three-family dwelling usually occupied in part by you as a private residence provided no family unit includes more than 2 roomers or boarders
 - (iv) the rental of space in your residence to others for incidental office, school or studio occupancy
 - (v) the rental to others, or holding for rent, of not more than three car spaces or stalls in garages or stables
 - (vi) the temporary or part-time business pursuits of an insured person under the age of 21 years

Personal Umbrella Liability Policy

12. Reference pg. 4-29

Drop down feature

-the umbrella liability policy drops down to fill in any gaps in coverage not covered under the primary policies the insured carries.

13. Reference pg. 4-29

Self-Insured Retention

-it acts as a deductible for losses covered by the umbrella that are not insured by the primary insurance policies carried by the insured.

DISCUSSION QUESTIONS - CHAPTER 4

1. Indicate whether the following persons would be insured by Section II - Liability Coverage of the Homeowners Forms.

The insureds are planning a three week vacation to Florida and have made arrangements for their dog, Bowser, to stay behind with friends. The insureds' friends are not charging for this service.

Just three days after the insureds left on their vacation, Bowser escaped from his leash and severely mauled a five year old girl who was playing in a nearby yard. The parents of the child sued your insureds' friends for \$1,000,000. Unfortunately, the insureds' friends carried no liability insurance. They have asked the insured if they can use their policy to pay for the claim. Discuss how the insurer would view this request.

The insureds' friends would be permitted to make a claim under the insured's policy. (Reference: 4-18/19)

2. Your client has just purchased the following land and has asked whether the policy will provide coverage in the event of a bodily injury or property damage claim arising out of its use by others. State whether covered/not covered (C/NC).

- (a) two cemetery plots for self and spouse;
- (b) residential lot at local resort;
- (c) 160 acres of farm land to be used for growing corn for sale.

(a) covered (b) covered (c) not covered

3. Indicate whether the coverages provided by Section II - Liability Coverage would respond to pay the following accidental losses. State whether covered/not covered.

- (a) bodily injury arising out of use of rented car while on holiday in Hawaii.
- (b) loss of borrowed fishing rod while casting for fish in local lake.
- (c) bodily injuries sustained by insured's son who tripped on tools left at bottom of basement steps by the insured.
- (d) drowning of neighbour's three year old child in insured's swimming pool. The gate leading to the pool area was accidentally left open by the insured's son.
- (e) fire damage caused to hotel room rented to the insured.
- (f) injuries sustained by residence employee who fell approximately 20 feet to the ground while using defective ladder supplied by insured.
- (g) damage deliberately caused to neighbour's bicycle by insured's 10 year old son.
- (h) bodily injury caused by insureds while operating boat purchased by them four months ago. The boat was powered by a 100 h.p. outboard motor.

- (i) bodily injury caused by insured while operating boat equipped with 220 h.p. inboard motor. The boat was being rented by the insured while on a fishing holiday in the northern part of the province.
- (j) property damage caused to dock by 32 foot sailboat owned by the insured and just purchased 2 weeks ago.
- (k) bodily injury caused to passerby from stones thrown by 3 h.p. lawnmower while insured was cutting grass on the premises.
- (l) damage caused by rock thrown through neighbour's picture window from 15 h.p. snowblower. The insured was being paid \$10 to remove the snow from the neighbour's driveway after a severe storm.
- (m) bodily injury caused to small child by insured's golf cart which was being operated on a public bicycle path at the time of the accident.
- (n) property damage caused by insured's 15 year old child while babysitting at neighbour's premises.
- (o) The insured has a t.v. sales and repair shop on the premises. Yesterday, a customer slipped and broke both legs.

- (a) not covered**
- (b) not covered**
- (c) not covered**
- (d) covered**
- (e) covered**
- (f) covered**
- (g) covered**
- (h) not covered**
- (i) covered**
- (j) covered**
- (k) covered**
- (l) covered**
- (m) not covered**
- (n) covered**
- (o) not covered**

The answers to the above questions are based on a review of Coverages E, F, G and H/Special Limitations of the policy.

CHECKPOINTS - CHAPTER 5

Farm Insurance

1. Reference pg. 5-1/2

Farm Policies insure:

- dwelling building & personal property
- major outbuildings and contents
- machinery and equipment
- general liability

2. Reference pg. 5-3

Fire Department Charges:

- the farm policy covers fire department charges the insured may be assessed if neighbouring urban and rural fire departments are called to assist in putting out a farm fire
- minimum amount included ranges from \$ 500 - \$ 2500 with increased coverage for an additional premium.

3. Reference pg. 5-5

Loss of Use Extension:

- reimburses the insured for expenses incurred in the rental of a substitute machine in order to complete work already underway. Coverage is provided only when machinery insured is being repaired due to damage from an insured peril.

4. Reference pg. 5-6

Employees insured include:

- residence employees whose duties are exclusively in connection with the maintenance or use of the residence premises
- farm employees who are paid to perform farming activities outside the insured's dwelling or who are engaged on behalf of the insured for no pay in a neighbourly exchange of assistance.

5. Reference pg. 5-9/10

The basic policy provides coverage for the operation of non-owned recreational motor vehicles on and off the insured premises.

There is no coverage for owned recreational motor vehicles, other than golf carts when used on a golf course, off the insured premises.

6. Reference pg. 5-11/12

Farmers should purchase Employer's Liability Coverage because "farm employees" are not subject to Workers' Compensation and may sue their employer for injuries they receive on the job.

7. Reference pg. 5-12

Employees can be injured or killed in an accident through no fault of the insured. In such case there would be no recourse against the insured under the Employer's Liability Rider. The Voluntary Compensation (Employers' Liability) Rider provides the farm employee or their family with some compensation.

KEY TERMS - CHAPTER 5

Farming:	Ownership, maintenance or use of premises for the production of crops or the raising or care of livestock, including all necessary operations. NOTE: The following could be included in the answer, but is not necessary for marking purposes. Includes the operation of roadside stands and farm markets maintained principally for the sale of the insureds own farm products. (Reference pg. 5-1)
Custom Farming:	Use of insured's farm machinery or equipment for others away from insured's farm premises for compensation. It does not include work done for others in return for work done by them. (Reference pg. 5-4)
Residence Employee:	Those whose duties are exclusively in connection or maintenance and use of the residence premises. (Reference pg. 5-6)
Farm Employee:	Those paid for their work and who are hired on a part time, seasonal or full time basis to perform duties principally connected with farming activities outside the insured's dwelling. <u>or</u> Persons engaged in farm related work on behalf of the insured in a neighbourly exchange of assistance for which the insured is not obliged to pay any money. (Reference pg. 5-6)

DISCUSSION QUESTIONS - CHAPTER 5

1. Your clients accepted your recommendation to insure their dwelling on a guaranteed replacement cost basis. They also instructed you to add replacement cost coverage on all outbuildings on their premises. Indicate whether the following buildings would be eligible for replacement cost coverage. State Yes/No.

Reference: pg. 5-2/3

- (a) portable steel granaries having wood floors. Age: 2 years;
- (b) farm machinery storage shed constructed of metal; concrete foundation. Age: new
- (c) farm workshop constructed of frame; concrete foundation. Age: 20 years.
- (d) wood granaries on concrete foundation. Age: 5-25 years.

- (a) **No**
- (b) **Yes**
- (c) **No**
- (d) **Yes - all granaries less than 15 years;
No - all granaries more than 15 years.**

2. These same clients have a barn located on their premises which is used to raise hogs for sale. As they normally keep from 75-100 hogs in the barn at all times, special coverage had to be purchased. The insurer agreed to provide coverage only if the "Deferred Loss Settlement Clause" was attached to the policy.

- (a) Indicate why the insurer would insist upon the inclusion of this clause.
The Deferred Loss Settlement Clause was designed by insurers to avoid paying the full amount of insurance purchased when outbuildings are not replaced after a loss. Reference pg. 5-3

- (b) Outline how this clause would operate in the event of a loss to the barn.
Under the provisions of this clause, the insured shall receive an initial payment of not more than 50% of the amount payable at the time of the loss. The remaining 50% is payable, plus interest, if:

- the building is repaired or replaced with a building designed for the same purpose.

- the repair or replacement is completed within nine months of the date of the loss or damage; and

- the building insured is repaired or replaced within 200 feet of the building which was destroyed.

Reference pg. 5-3

3. Your client depends on chemical spraying to control weeds and pests.
- (a) Indicate how the *Environmental Exclusion* would respond to a loss to crops of others caused by chemical drifting arising out of the insured's spraying operations.
No coverage unless damage to crops of others is caused by the accidental "emission, release, discharge, dispersal or escape" of pollutants or contaminates. When a loss arises out of chemicals which are deliberately applied and a loss occurs, there is no coverage. Reference pg. 5-12/13
- (b) Explain how some insurers have addressed this issue.
Some insurers include coverage for "accidental chemical drift from spraying operations on the insured's premises, other than by means of an aircraft". If this coverage is not included, the insurer will normally agree to provide coverage by a separate endorsement.
Reference pg. 5-12/13

CHECKPOINTS - CHAPTER 6 - SECTION 1

Automobile Insurance Compulsory in all Provinces

1. Reference pg. 6-2

Financial Responsibility Laws require that all motorists purchase automobile insurance up to a certain minimum dollar limit. This helps to ensure that society is not left to pay the cost of restoring property damage, rehabilitating accident victims and maintaining their families.

2. Reference pg. 6-2

This answer will depend on the province of residence
In most provinces, automobile owners will be required to purchase third party liability and Accident Benefits coverages (except Newfoundland)

3. Reference pg. 6-2

Minimum Limit Third Party Liability = \$200,000

4. Reference pg. 6-3 (Exhibit)

This answer will depend on the province of residence.

5. (a) Reference pg. 6-4

The Inter-Province Motor Vehicle Liability Insurance Certificate, also called "the pink card", is used in provinces where auto insurance is provided by private insurers. The pink card provides proof of financial responsibility.

- (b) Reference pg.6-4

In provinces with compulsory government insurance the pink copy of the vehicle certificate of registration serves as proof of financial responsibility.

Private v. Government Insurers

6. Reference pg. 6-5/6

The private insurers are permitted to compete with the government insurers for excess covers only.

7. Reference pg. 6-5

The Facility Association was established to ensure the availability of coverage for applicants who are refused insurance by private insurers.

The Application Form

8. Reference pg. 6-7

Two legislated requirements relating to automobile insurance applications are that:

- the application be an actual part of the insurance contract
- the applicant for insurance signs the application

9. (a) Reference pg. 6-8/9

List of all Drivers

- name of all drivers
- percentage of use of the automobile
- number of years licensed

(b) Reference pg. 6-8

Driver History

- convictions history (previous three years)
- accident and claims history (previous six years)

(c) Reference pg. 6-9/10

Use of Automobile

- the purpose for which the automobile is chiefly used
- whether it is used to commute (i.e. driving to work, school or part way - such as to public transit) and if so, the distance one way
- usual distance driven annually

10. Reference pg. 6-10

A claim may be forfeited when the insured:

- (i) provides a false description of the automobile being insured which is to the prejudice of the insurer
- (ii) knowingly misrepresents the risk or fails to disclose a required fact
- (iii) breaches a policy term
- (iv) commits a fraud
- (v) wilfully makes a false statement in respect of a claim

KEY TERMS - CHAPTER 6 - SECTION 1

- Pink Card:** In provinces where automobile insurance is provided by private insurers, a PINK CARD is used to provide proof of financial responsibility.
- or
- In provinces having compulsory government insurance plans, the PINK COPY of the certificate of registration serves as proof of financial responsibility. (Reference pg. 6-4)
- Facility Association:** An insurance pool in which all licensed automobile insurers participate and which provides insurance to those who may be refused insurance by private insurers. (Reference pg. 6-5)
- Driver's Abstract:** A record of the driver history of the applicant and other drivers which can be obtained from provincial licensing authorities. (Reference pg. 6-7)

CHECKPOINTS - CHAPTER 6 - SECTION 2

S.P.F. No. 1 - Owner's Form Coverages

1. The coverages are basically the same in Alberta and Nova Scotia. However, there may be some minor differences and the coverage, exclusions and conditions etc. for Nova Scotia would need to be discussed with a broker from that province. (Reference pg. 6-14)

Section A - Third Party Liability

2. The policy insures bodily injury or property damage for which the following persons are legally liable:
 - Named Insured
 - everyone who personally drives or operates a part of the automobile with the consent of the Named Insured(Reference pg. 6-14/15)
3. Reference pg. 6-16

In the event of a claim or legal action brought against an insured, the insurer will pay for the following additional costs:

- (i) costs to investigate, negotiate or settle a claim
- (ii) costs to defend any insured under the policy
- (iii) costs taxed in any civil action defended by the insurer and any accrued interest after entry of judgement (within the limits of the insurer's liability)
- (iv) reimbursement of the insured for emergency medical expenses incurred at the time of the accident
- (v) to pay additional amounts necessary to comply with minimum limit requirements in province in which the accident occurred, if applicable
- (vi) not to establish a defence to a claim occurring in another province if such defence is not permitted in that province

Section B - Accident Benefits

4. Injured drivers, occupants of automobiles and pedestrians injured by the insured. (Reference pg. 6-18)
5. (Reference pg.6-18/19)

Payments are made regardless of fault, and the insured has to prove he was employed at the time of the accident. He would be reimbursed for lost employment income subject to:

- (i) seven (7) day waiting period
- (ii) the limit of the weekly benefit for the remaining seven (7) weeks

6. When the driver of an uninsured or unidentified automobile causes bodily injury or death to an insured, the insured's own policy will respond to pay the damages which normally would have been assessed against the other driver. Payment is limited to the compulsory minimum amounts for bodily injury that are applicable in the jurisdiction in which the accident occurred. (Reference pg. 6-19)

Section C - Loss of or Damage to Insured Automobile

7. to indemnify the insured against direct and accidental loss or damage to the automobile including its equipment. (Reference pg.6-21)
8. Reference pg.6-21/22
 - (i) All Perils
 - (ii) Collision or Upset
 - (iii) Comprehensive
 - (iv) Specified Perils
9. Reference pg.6-22

Theft coverage under All Perils is broader than that provided by Comprehensive or Specified Perils. All Perils also covers:

- theft of automobile by any person residing in the same residence premises as the insured.
 - theft of automobile by any employee of the insured engaged in operation, maintenance or repair of the auto whether it occurs during the hours of such service or employment or not.
10. The deductible does not apply to fire, lightning or theft of the entire automobile. (Reference pg.6-22)
 11. Reference pg.6-24/26

Additional Agreements re: Coverage C

- (i) extends to include general average, salvage, fire department charges and customs duties of Canada or USA. These are all additional costs which an insured could be liable for, following a loss covered by the policy.
- (ii) to waive subrogation rights against anyone having care, custody or control of the insured's automobile, subject to certain exclusions. This is to protect individuals who have the insured's automobile with his permission.
- (iii) indemnifies insureds against a claim when they operate a temporary substitute automobile. When an insured has the use of a temporary substitute automobile because their vehicle is not usable, they need to be protected.
- (iv) Loss of Use by Theft. When the insured automobile is stolen, the insurer will pay towards the cost of public transit or rental of a substitute automobile.

General Provisions, Definitions and Exclusions

- 12. Canada, the United States of America and upon vessels plying between the ports of those countries. (Reference pg.6-29)
- 13. There is no coverage provided for occupants of an insured automobile when such vehicle is operated without the insured's permission. (Reference pg.6-29)
- 14. Reference pg.6-30
 - (a) Newly Acquired Automobile: same coverage as is on the policy. There is 14 days' coverage without requirement of notice to the insurer
 - (b) Temporary Substitute Automobile: Third Party Liability and Accident Benefits
 - (c) Rented Automobile(s): Third Party Liability and Accident Benefits
- 15. (a) Reference pg.6-31
 - (i) leased or rented to others
 - (ii) used for carrying passengers for compensation or hire
 - (iii) used for carrying explosives or radioactive materials

16. Reference pg. 6-31/32

Occasional acceptance of money for compensation of transportation costs does not constitute “carrying passengers for hire”.

Used permitted by policy:

- (i) car pools
- (ii) sharing the cost of a trip
- (iii) carrying domestic servants
- (iv) carrying clients or customers or potential ones
- (v) occasional transporting of children to or from school related activities

Statutory Conditions

17. The key points are clearly displayed in the shaded areas dealing with each Statutory Condition.

KEY TERMS - CHAPTER 6 - SECTION 2

Uninsured Automobile: (As defined in Accident Benefits coverage)	One in which neither the driver nor the owner has collectible bodily injury liability insurance. (Reference pg.6-19)
Unidentified Automobile: (as defined in Accident Benefits coverage)	One in which the identity of either the owner or driver cannot be ascertained and which causes bodily injury or death to an insured person arising out of actual contact of that automobile with the automobile in which the insured is an occupant. (Reference pg. 6-19)
General Average:	Designed to provide payment for ocean marine losses voluntarily incurred for the safety of the entire venture. The insurers of the parties whose property was saved shall contribute to the losses of the parties whose property was sacrificed. (Reference pg.6-23)
Temporary Substitute Automobile:	One which is temporarily being used as a substitute for the automobile described on the policy. It qualifies only if the described automobile cannot be used because of its breakdown, repair, servicing, loss, destruction or sale. (Reference pg.6-24)
Occupant:	Any person who drives the automobile <u>OR</u> is being carried on or upon or entering into or leaving the automobile. (Reference pg.6-29)
Newly Acquired Automobile:	One which replaces an automobile described on the policy or is in addition to others owned by the insured which are all insured by the same insurer. (Reference pg.6-30)

CHECKPOINTS - CHAPTER 6 - SECTION 3

Endorsements Applicable to the S.P.F. No. 1 - Owner's Form

1. S.E.F. No. 20 - Loss of Use Endorsement
-pays for all reasonable expenses for the rental of a substitute automobile following damage to the insured automobile which is covered under Section C of the policy. Covered expenses could also include taxi cabs or public transportation. Coverage limits are set at a certain amount per day, with a maximum limit per occurrence. (Reference pg. 6-41)
2. S.E.F. No. 27 - Legal Liability for Damage to Non-Owned Automobiles Endorsement
-provides physical damage coverage for certain types of non-owned automobiles which are leased or rented to the insured on a short term basis. The endorsement eliminates the need to buy the insurance from the lessor or the rental agency. The policy covers physical damage only if the insured:
 - is legally liable for the damage
 - has agreed under contract to be responsible for the damage.

There are certain limitations to the coverage which relate to who can drive the automobile, the type of automobile which is covered and the maximum amount payable. (Reference pg. 6-41/42)

3. S.E.F. No. 43R - Limited Waiver of Depreciation Endorsement
-covers the depreciation should loss or damage occur in the first 24 months of the purchase of the automobile. Automobiles tend to depreciate quickly and, in the event of a total loss, an insured could suffer a large uninsured loss.

The endorsement covers the lesser of:

- the actual purchase price of the automobile and its equipment
- the manufacturer's suggested retail price at the original date of purchase (Reference pg. 6-42/43)

4. S.E.F. No. 44 - Family Protection Endorsement
-protects insureds involved in an accident where bodily injury or death is caused by an at-fault driver who is uninsured or under-insured.

The endorsement effectively increases the Third Party limits of the at-fault party to the same limits carried by the insured. The limit of coverage is the difference between the liability insurance limit of the insured's policy and that carried by the motorist at fault. In other words, if the party liable only has the minimum \$200,000 and the insured carried \$2,000,000, the endorsement would make the difference (\$1.8 million) available to the insured. Persons covered include the named insured, the spouse and dependant relatives. (Reference pg.6-43)

DISCUSSION QUESTIONS - CHAPTER 6

1. Three months ago, your client received a policy which was not issued in accordance with the application she signed. There was no statement from the insurer advising her of any reason for its failure to issue the policy as requested. Yesterday, your client was involved in an automobile accident which caused \$2,300 damage to her car. When she applied for insurance, she requested a \$250 deductible for Collision or Upset losses but the insurer issued the policy with a \$500 deductible. Your client contends that the insurer should be responsible for the \$250 difference in the deductible amount.

Indicate whether the insurer would be held responsible to reimburse your client for the difference in deductible amounts.

YES. When the policy is issued, it is deemed to be in accordance with the application unless the insurer advises in writing in what respect the policy differs from the application.

(Reference pg. 6-7)

CHECKPOINTS - CHAPTER 7 - SECTION I

Regulation of Brokers - Ethics and Professionalism

1. Reference pg. 7-2/3

Ethical Decisions - brokers may not be acting ethically when they:

- (i) sell more insurance than is needed
- (ii) sell higher priced coverage when equivalent coverage is available at a lower price
- (iii) recommend the policy with highest commission percentage
- (iv) consistently recommend least expensive coverage
- (v) place quality business with insurers in order to earn contingent commission, while using insurers who do not offer such bonus plans as a dumping ground
- (vi) fail to recommend a client purchase coverage from a competitor when it is clear they are unable to place insurance
- (vii) undertake to insure a particular risk knowing it is less than desirable to the insurer

2. Reference pg. 7-4/5

- (i) a commitment to high ethical standard
- (ii) a high standard of educational preparedness and training with mandatory continuing education
- (iii) belong to a formal association or society with regulating power over its members

KEY TERMS - CHAPTER 7 - SECTION 1

- Step Licensing: A step licensing system is a system which requires a higher degree of knowledge for each increasing step. (Reference pg. 7-2)
- Ethics: The principles of conduct governing an individual or group. (Reference pg. 7-2/3)
- Professional: A professional is one who possesses special skills or knowledge. (Reference pg. 7-4)
- Self Regulation: The right of an industry to govern its own affairs. (Reference pg. 7-5)

CHECKPOINTS - CHAPTER 7 - SECTION 2

The Errors and Omission Exposure - An Analysis

1. (a) Reference pg. 7-8

While brokers are required to exercise "reasonable skill, care and diligence" in their dealings with their clients, there have been a number of court decisions which have imposed upon brokers a standard of duty of care approaching perfection.

- (b) Reference pg. 7-9

An insurer has a right of action against a broker when it has been required to pay a loss which it did not intend to insure.

2. Reference pg. 7-9

- (i) Inadequate coverage
- (ii) Misrepresentation and Description errors
- (iii) Cancellation/Renewal errors

3. Reference pg. 7-9/10

- (i) failure to provide proper coverage
- (ii) failure to advise clients of policy exclusions, exemptions and other disadvantageous terms
- (iii) failure to place coverage
- (iv) mistake in coverage
- (v) placing coverage too late
- (vi) not correctly advising as to availability of coverage

4. Reference pg. 7-10

Brokers have been ordered to pay when the evidence was that the insurer:

- (i) would not have accepted the risk
- (ii) might not have accepted the risk
- (iii) would have charged a higher premium had it been given the correct information

5. Reference pg. 7-11

- (i) not renewing at all
- (ii) not renewing adequate coverage
- (iii) not warning of pending expiry

6. Reference pg. 7-11

(a) -an automobile policy may insure several vehicles. During the policy term there are numerous additions and deletions of vehicles and/or changes in coverage. If care is not taken, it is possible that the wrong vehicle may be deleted or coverage deleted on the wrong vehicle.

(b) Reference pg. 7-11

-a broker was held responsible for a fire loss involving straw which started within 10 minutes of the broker agreeing to arrange the coverage. Although the coverage had not yet been placed, there was evidence that on two other occasions, similar insurance had been arranged by the broker within 15 minutes of making a series of telephone calls.

(c) Reference pg. 7-11/12

When limits or underwriting guidelines are exceeded and a loss occurs, brokers will usually be responsible for payment of the loss.

7. (a) Reference pg. 7-12

- (i) ensure staff members are acting within the level of their competence
- (ii) take all steps necessary to properly determine the client's needs
- (iii) be advisers rather than deciders for insureds
- (iv) know coverages and insurers
- (v) keep within the bounds of binding authority
- (vi) to avoid non renewals, office procedures should be established to ensure that all policy expiries are accounted for on a timely basis
- (vii) double check requests for policy changes, both when requesting the change from the insurer and again when the change endorsement is received
- (viii) be sure insureds are aware of any special restrictions or limitations in their insurance
- (ix) be sure the insured is advised in writing of any changes in policy coverages, conditions or limits from the expiring policy
- (x) insureds must know that they are not insured for everything that may happen
- (xi) brokers in a responsible position in the brokerage firm should conduct a periodic file audit
- (xii) handle claims promptly and properly

- (b) Reference pg. 7-13/14
 - (i) report the claim immediately to the insurer
 - (ii) inform the insureds they will be contacted by an adjuster and remind them of the duties imposed by the policy
 - (iii) do not authorize the insured to proceed with repairs or replacement nor make any statement that would commit the insurer to a particular course of action
 - (iv) if certain the loss is not covered, inform the insured of this fact
 - (v) follow up periodically with the insured to ensure settlement is progressing
 - (vi) maintain proper claims records
 - (vii) be helpful to insureds while at the same time, avoiding any interference in the adjustment of the claim
 - (viii) maintain their integrity and professionalism

- 8. Reference pg. 7-14
 - documentation

- 9. Reference pg. 7-14
 - conversation/telephone logs
 - confirming letters

The Need for Errors and Omissions Insurance

- 10. Reference pg. 7-15

Coverage is provided for claims that arise from any negligent act, error or omission of the insured or any person for whose acts the insured is legally liable.

- 11. Reference pg. 7-15

They do not cover claims arising out of any dishonest, fraudulent, criminal or malicious acts, nor do they cover claims for the failure to collect, pay or return premiums.

DISCUSSION QUESTIONS - CHAPTER 7

1. Brokers are subject to provincial regulation. Indicate the rule in your province regarding the following:
 - (a) courses approved for initial licensing; pass mark; limitations or restrictions on classes of business which may be written, if any;
 - (b) term of licence; cost for initial broker's licence and/or renewal;
 - (c) procedures to be followed when writing business on property situated in another province;
 - (d) situations which may cause a licence to be revoked;
 - (e) handling of insurance premiums;
 - (f) rebating.

Note: While the above questions cannot be asked on a standard examination, the answers are important in defining how the activities of brokers are regulated in your province.

Facilitators will find the answers to these questions from the following sources:

- Provinces governed by Insurance Acts - The Insurance Act and Regulations:
- Provinces governed by Insurance Councils - The Insurance Act and Insurance Council By-laws
- Ontario - The RIBO Act, 1981

KEY TERMS - CHAPTER 8 - SECTION 1

Insured	An Insured Applicant, his Spouse and any Dependent Children. (Reference pg. 8-2)
Insured Applicant	A Canadian resident under age 65, insured under the government health insurance plan of his Province or Territory of Residence, who has been named on an invoice/ application issued by his broker. (Reference pg. 8-3)
Extended Family	The dependant child, spouse, parent, guardian, brother, sister and grandparent of the Insured Applicant or Spouse. (Reference pg. 8-4)
Accident	An unforeseen and unintended occurrence due to external, violent, sudden, fortuitous causes beyond the Insured's control. (Reference pg. 8-5)
Sickness	Bodily Sickness or disease, contracted and commencing after the policy is issued and while the policy is in effect. (Reference pg. 8-5)

CHECKPOINTS - CHAPTER 8 - SECTION 1

Travel Insurance

1. Reference pg. 8-1

When people travel, they may need travel and accident insurance. Many people believe that their provincial or territorial health plans will cover them for medical and other expenses incurred regardless of where they become ill or are injured. Unfortunately this is only partially true.

2. Reference 8-1

Ambulance charges, Family visitation, Repatriation, or Return of vehicle

3. Reference 8-3

- A permanent resident of Canada, and

- Covered under the provincial or territorial health care plan.

4. Reference 8-4

a) When the client has returned to the province, or

b) Territory of residence after each trip that occurs within the policy period.

Some insurers limit the maximum number of days in any trip to 30, while others limit the maximum number of days to 45.

5. Reference 8-5

'Supervised Condition' means a diagnosed medical condition, illness or injury for which you require any diagnostic testing, investigation or referral not yet complete, or for which the results are still not known that requires constant consistent treatment and is controlled with medication without change for:

- a) At least three months preceding the date of departure if you are under the age of 60, or
- b) At least six months preceding the date of departure if you are age 60 or over, or
- c) If you have taken medication for a cardiac condition or related condition at any time within six months.

6. Reference 8-12

- bodily contact sports,
- acrobatic and stunt flying,
- hang gliding,
- parachuting,
- skydiving,
- parasailing,
- rock climbing,
- mountain climbing,
- bungee jumping,
- scuba diving (unless the Insured Person holds a basic SCUBA designation from a Canadian certified school),
- motorized race or motorized speed contests

DISCUSSION QUESTIONS - CHAPTER 8

1. Your clients only vacations within Canada and believes that their provincial or territorial health care plan will take care of their needs should any family be injured or become sick while away from his place of residence. Explain whether you agree or disagree with your clients' belief.

While provincial or territorial health plans have reciprocal agreements amongst themselves, there are many conditions to provincial and territorial plans and they vary from province to province. While these reciprocal agreements agree to reimburse the province that provided the medical costs where the injury or illness occurred, a number of these plans do not cover costs associated with:

- Ambulance charges,
- Family visitation,
- Repatriation, or
- Return of vehicle

regardless of where the injury or accident occurred. Also, provincial or territorial health plans will not respond when a resident is away from their place of residence beyond a specific period of time, usually 90 days. Brokers should check the time period within their jurisdiction. (Reference 8-1 & 8-2)

2. By use of an example, explain to your client how the 'alcohol abuse' exclusion may differ among insurers.

(Reference 8-12)

3. While completing an application for a travel insurance policy your client mentions he is looking forward to going white water rafting while on vacation in Mexico. What exclusion would you point out to your client?

Participation in hazardous activity exclusion (Reference 8-12)

4. Your client's wife and their two children, an 18-year-old daughter and 23-year-old son, were recently on vacation in Hawaii when their son became ill and was hospitalized. At the time of the incident the son was unemployed and had been living with his parents since completing a course at the local community college six months earlier. Would the policy respond for the hospital charges? Why? Would your answer be different if it were the daughter who was hospitalized?

No, the policy would not cover the son. He is over the age of 20 and no longer attending college, therefore requires his own travel policy.

The daughter would be covered since she is under 20 years of age. (Reference 8-4 & 8-5)

5. While visiting Maine, your client slipped, struck his head on the sidewalk and was rushed to a nearby hospital for treatment. The hospital completed several tests including x-rays. Other than his broken dentures and some bruising, the tests revealed no permanent damages. The attending physician suggested he pick up some painkillers and go back and relax for the remainder of the day. What portion of the expenses incurred may be covered by the client's travel accident policy?

Damage to false teeth would not be covered under the policy. (Reference 8-6/7)

6. Your client's wife and their two children, an 18-year-old daughter and 23-year-old son, were recently on vacation in the Caribbean when their son was injured while skydiving and was hospitalized. Do you believe that the policy would respond for the hospital charges? Would your answer be different if it were the daughter who was hospitalized?

No insured person is covered when participating in a hazardous activity. (Reference 8-12)