

PERSONAL LINES – AGENT LIABILITY

1. Agency agreements should be read often by agents. Doing so may give you a better chance of remaining within the _____.
 - A. Zone
 - B. Scope of agency
 - C. Parameters of life
 - D. Limits of coverage
2. An ostensible agent is one who induces others to believe they are acting in _____.
 - A. The capacity of an agent
 - B. Good faith
 - C. The proper manner
 - D. A legal fashion
3. In the case *Alaniz vs Simpson* an agent _____ an applicant that he was uninsured several hours before an accident thereby keeping the agent free of negligence.
 - A. Notified
 - B. Called
 - C. Faxed a letter to
 - D. Advised
4. Misrepresentation by an insured is considered to be a representation by the insured that is untrue, material to the risk and _____.
 - A. Relied upon
 - B. Important
 - C. Critical
 - D. Somewhat true
5. The fiduciary duty of an agent prevents him from competing with the principal (insurer) or from making _____.
 - A. Trouble
 - B. Underwriters mad
 - C. A secret profit
 - D. Too much money
6. “Consumers” under new privacy law definition, are individuals who are _____.
 - A. Over 21
 - B. Buying more than \$10,000 of coverage
 - C. Seeking to obtain a product or service from an insurance company
 - D. Existing policyholders
7. Parol evidence is _____ and difficult to prove in court.
 - A. Oral
 - B. Written
 - C. Tainted
 - D. Illegal
8. The *McConnell vs Ehrlich* case involved an agent who made a concerted effort to attract _____.
 - A. The best clients
 - B. Bad risk business
 - C. Underage applicants
 - D. Criminals
9. Fraudulent conveyance is defined as a transfer of property _____.
 - A. For illegal purposes
 - B. In lieu of any payment
 - C. In a foreign country
 - D. Without adequate consideration to defraud creditors
10. The Law of Agency is a universal area of law that determines producer status and binds the agent for _____.
 - A. More business
 - B. His acts
 - C. His omissions or errors
 - D. Both B & C
11. Dual agency, and the additional liability it creates, occurs when an agent assumes non-agency business or by professing to have _____.
 - A. A better insurer
 - B. Special expertise
 - C. Unlicensed employees
 - D. Additional licenses
12. The rule of policy ambiguity states that if a policy could imply to an average policy holder that coverage is in force then coverage _____.
 - A. Does extend
 - B. Does not.
 - C. May extend
 - D. May not
13. In *Eddy vs Sharp*, a fiduciary exposure for an agent surfaced because he proposed a “full coverage” policy but failed to describe _____.
 - A. Exclusions in the written policy
 - B. His insurer
 - C. The limits
 - D. How to file a claim
14. In the view of courts, an insurer has a “duty to defend” where the _____ gives the insured a reasonable expectation that the insurer will provide a defense.
 - A. Written word
 - B. Agent
 - C. Agent’s employee
 - D. Policy language
15. A liquidation is a sever condition in which an insurance commissioner must take title to an insurer’s assets and use them to pay _____.
 - A. Creditors
 - B. Policyholders
 - C. Agent commissions
 - D. A&B only

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16. Reinsurance _____ the inherent nature of risk being insured.
- A. Can change
 - B. Limits
 - C. Does not change
 - D. Enhances
17. To “opt-out”, under new privacy rules, is notification to an agent that a customer prohibits his _____ from being shared with non-affiliated third parties.
- A. Policy information
 - B. Signature
 - C. Personal financial information
 - D. Property condition
18. Hearsay evidence includes notes and other written information that is not generally admissible in court unless it is collected by _____.
- A. A judge
 - B. An officer of the court
 - C. Ordinary business rules
 - D. The next business day
19. Standard operating procedures are steps that you _____ in selling and serving clients.
- A. Follow consistently
 - B. Can't ignore
 - C. Choose to follow
 - D. Have forgotten
20. Loss control procedures involve the steps necessary in _____.
- A. Eliminating exposures to risk
 - B. Reducing risk frequency or severity
 - C. Hiring professional risk managers
 - D. A & B only
21. In *BSF Inc vs Cason*, an agent was found liable for acting outside his scope of authority by _____.
- A. Failing to record a client's claim and cancellation experience on the application.
 - B. Binding the client early
 - C. Witnessing a blank application
 - D. Not forwarding premiums
22. In *Lazzara vs Howard Esser*, an agent was sued for a _____.
- A. Negligence violation
 - B. Gap in coverage
 - C. Fraudulent conveyance
 - D. Lack of attention
23. The *State Farm vs Gros* case is a classic example of why agents need to _____.
- A. Get more help
 - B. Consult an attorney
 - C. Make notes to their client files
 - D. By a computer
24. Which of the following are reasons why agents need to look “beyond insurance” when advising clients.
- A. Clients can be underinsured
 - B. Clients cannot be fully insured
 - C. Insurance can fail to insure
 - D. All of the above
25. The agency agreement is one of the most important documents controlling _____.
- A. Responsibility
 - B. Agent duties
 - C. Claims
 - D. Policy ambiguity
26. Unlicensed employees who are found doing the work of a licensee can cause substantial problems. The licensed agent in charge could be responsible for _____.
- A. Any claim or shortfall
 - B. Cancellation of the E&O policy
 - C. Department of Insurance sanctions, fines and possible license revocation
 - D. All of the above
27. Contributory liability can occur when an agent holds himself out to be _____.
- A. An expert
 - B. A specialist
 - C. A “professional”
 - D. Any or all of the above
28. A drafting history is a detailed records regarding policies to seek or find the _____ of policy terms and the manner in which they were intended to apply.
- A. Origins
 - B. Translation
 - C. Original meaning
 - D. Author
29. A clause in a policy may be classed a “warranty” is the subject of the clause is _____ by the insurer at the time of inception of the policy.
- A. Discoverable
 - B. Ambiguous
 - C. Clear
 - D. Legal
30. Twisting or churning is defined as _____ for purposes of inducing a client to change, surrender or lapse an existing policy.
- A. Harassing
 - B. Misrepresentation
 - C. Unfair Comparison of insurers or policies
 - D. B & C only

166	Personal Lines - Agent Liability Exam	10 Hours	Instructions
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