

FINAL EXAM – Agents on Trial

1. New approaches in litigation tie together the _____ between the agent, insurer and its insured.
 - A. Relationship
 - B. Correspondence
 - C. Compatibility factor
 - D. Tolerance
2. In *Malone v Basey*, the agent was sued when a page from the application failed to _____.
 - A. State a preexisting condition
 - B. Reflect the insured's name
 - C. Go through the fax machine
 - D. Be read by the agent
3. Courts generally support a "punitive damage award" where a misdeed has been _____ by a managing agent.
 - A. Detected
 - B. Ratified
 - C. Reformed
 - D. Investigated
4. If an insurance company wants to insert *conditions or restrictions* which deny coverage until the full premium is received, it must _____.
 - A. Phone ahead
 - B. Give the insured 24-hour notice
 - C. Mail an rider to the insured
 - D. Word them in clear unambiguous language
5. The main issue in the *American Management Group v Samuel Dunlap* case is the fact that the agent _____.
 - A. Lost the insured's application
 - B. Promised to remit premiums and didn't
 - C. Closed his office 2 hours early
 - D. Abused his office staff
6. The right of an insurance agent to commissions on renewal premiums depends upon the _____.
 - A. Contract existing between agent and insurer
 - B. Circumstances of the renewal
 - C. Company attorney
 - D. Agent's recent sales
7. Arbitration clauses have met with _____ on the part of courts.
 - A. Great acceptance
 - B. Relative success
 - C. Substantial hostility
 - D. Minor resistance
8. In *Mate v Wolverine Mutual*, it was determined that an agent had _____ a client demonstrated by years of experience and notes in the agent file. This created an additional duty of care.
 - A. Neglected
 - B. A special relationship with
 - C. Cheated
 - D. Never contacted
9. When agents are sued by their insurer, it is most likely for a violation of _____.
 - A. Trust
 - B. The Law of Agency
 - C. City codes
 - D. Policy misrepresentation
10. A Potentially Responsible Party Letter is usually written by an attorney and tend to imply that you _____.
 - A. Have been cleared in a claim
 - B. Are guilty in a claim
 - C. May have some exposure in a dispute
 - D. Must pay a fine
11. In the *Barhonovich v American* case, the insured did NOT have the right to rely on fraudulent statements made by an insurance agent since they were _____ with the terms of the policy.
 - A. Materially the same
 - B. In direct conflict
 - C. Somewhat in compliance
 - D. Strikingly similar
12. In *Peerless v Young*, it was argued that coverage is only effective from the date of _____.
 - A. Receipt of the request
 - B. First contact
 - C. The initial office meeting
 - D. The first phone conversation

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13. Ratification generally occurs where the employer or its managing agent is charged with failing to _____ a known pattern of workplace abuse, or failing to investigate or discipline the errant employee once misconduct became known.
- A. Recognize
 - B. Perceive
 - C. Intercede in
 - D. Talk about
14. Insurance abuse is any practice that uses the system in a way that is _____ to either the intended purpose of the system or the law.
- A. Slightly opposed
 - B. Contrary
 - C. Compatible
 - D. Legally opposite
15. To be bound by the "acts of an agent", evidence must show that the principal (insurer) held the agent out to the public as possessing _____ authority and the person dealing with agent know of these facts and acted in good faith.
- A. Actual
 - B. Express
 - C. Minimal
 - D. Sufficient
16. Under the theory of respondeat superior, a principal (insurer) can be liable for agent acts done within the scope of employment even though the principal did not _____ such acts or even forbade them.
- A. Remember
 - B. Recognize
 - C. Authorize
 - D. Participate in
17. The reasonable expectation theory states that if a policy could imply to an average policy holder that coverage is in force, yet that exact language does not exist in the policy, then coverage _____ extend.
- A. Does
 - B. Does not
 - C. May
 - D. Probably doesn't
18. In the Macey v Allstate case conclusion, the court found that agents who _____ the insured that he is covered by their policy, have a special duty to inform him if he has been cancelled.
- A. Imply to
 - B. Never imply to
 - C. Reassure
 - D. Fail to inform
19. The Szelenyi v Morse case proves that not all terms of agency agreement need to be reduced to writing to be _____.
- A. Readable
 - B. Legal
 - C. Enforceable
 - D. Understood
20. In order for a civil conspiracy to take place, the courts say _____ must commit an unlawful act.
- A. All parties involved
 - B. A minimum of three parties
 - C. A single person
 - D. Two people
21. The purpose of a contract integration clause is to preclude either party from later claiming there were _____ in addition to those stated in the written agreement.
- A. Oral representations
 - B. Representations
 - C. Contract terms
 - D. All of the above
22. The Law of Agency is an area of law that determines producer status and binds the agent for his _____.
- A. Time
 - B. Expertise
 - C. Acts of omissions or errors
 - D. Past experience
23. Policy ambiguity rules state: If the policy could imply to a reasonable policy holder that coverage is in force, yet that exact language does not exist, then coverage _____.
- A. Does not exist
 - B. Does extend to the policy holder
 - C. May not exist
 - D. Probably does not exist

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24. Agent ethics involves honest standards and judgments that _____.
- A. No one expects
 - B. Everyone provides
 - C. Place the client first
 - D. Courts demand
25. Insurers have a "duty to defend" the insured where the policy language gives the insured _____ that the insurer will provide a defense.
- A. A reasonable expectation
 - B. Clear indication
 - C. Absolute confirmation
 - D. A hint
26. In the *McCann v Gulf National* case, the court determined that where the agent takes charge of the application or suggest answers to questions, the insurance company shall not void the policy as long as _____.
- A. The agent was licensed
 - B. The insured was over the age of 25
 - C. Everyone agrees on the answers
 - D. Full disclosures were made by the applicant
27. In the *Cooper v Berkshire Life* case, the agents were sued because they told Cooper they were highly skilled insurance experts and they _____ him to rely on their expertise and prior relationship.
- A. Forced
 - B. Encouraged
 - C. Suggested
 - D. Asked
28. Knowledge of the agent is NOT imputed to the insurer when an agent _____.
- A. Is engaged in fraud
 - B. Has a motive for concealing information
 - C. Doesn't understand the insurer's product
 - D. A & B only
29. Application statements made by an insured are considered to be representations, not warranties. The difference is significant because a representation can be _____, but a warranty is presumed as conclusive.
- A. Made in error
 - B. Defended
 - C. Misunderstood
 - D. Legally binding
30. Knowledge of a general or managing agent constitutes _____ even if the agent fails to pass it along.
- A. Knowledge of the insurer
 - B. Materiality
 - C. Implied knowledge
 - D. Fair warning to the insurer
31. A contract integration clause proclaims to the courts that an agreement or policy _____ any and all previous oral or written communications between the parties.
- A. Is subject to
 - B. Supersedes
 - C. Confirms
 - D. Substantiates
32. "Complete insurance protection" is not required of agents, but you may have a duty to _____.
- A. Make clients comfortable
 - B. Speak only in English
 - C. Explain policy options that are widely available at a reasonable cost
 - D. Understand client needs
33. If an "agent's renewal history" with a client is to automatically and voluntarily renew or remind them to renew a policy, he _____ for the *one and only* time he forgot.
- A. Can assume exposure
 - B. Cannot be liable
 - C. Is probably not liable
 - D. Will never be responsible
34. E-mail communications are binding. You and others in your company should communicate with e-mail as you would in _____.
- A. Normal conversation
 - B. Other written documents
 - C. A public meeting
 - D. A private phone conversation
35. The legal precedent theory bases legal decisions on precedents leading to a constant _____ of the law.
- A. Expansion
 - B. Contraction
 - C. Maintenance
 - D. Accountability

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36. Application statements you make that are in direct conflict with policy coverage may _____ or set up a situation for a potential claim.
- A. Extend coverage
 - B. Be allowable
 - C. Be illegal
 - D. Be taken the wrong way
37. In *National Inspection v Valley Forge Life*, the court concluded that the agent violated the terms of his producer contract but his insurer was not entitled indemnification because the agent's error was not the _____ the principal's loss.
- A. Focus of
 - B. Proximate cause of
 - C. Issue in
 - D. Important element of
38. The examination of an insurance policy is an obligation of an insured unless _____.
- A. The agent has held himself out to be an expert relied upon by the insured
 - B. A special relationship of trust exists which would excuse the insured
 - C. The insured plans to return it within 30 days
 - D. A & B above
39. Failing to disclose a *known* risk to your insurer, such as a client's pre-existing condition, which induces the insurer to issue coverage on which it suffers a loss may subject you to _____.
- A. Embarrassment
 - B. Loss of status
 - C. A 20% reduction in commissions
 - D. Punitive damages
40. An agent's *standard of care* is that which a reasonably prudent person, engaged in the insurance business would use under _____.
- A. Pressure
 - B. Cover
 - C. Similar circumstance
 - D. The cloak of knowledge
41. The statute of limitations begins to run when the insured (plaintiff) knows, or reasonably should have known, facts that would make a reasonable person aware that _____ exists.
- A. Harm
 - B. Causation (casualty)
 - C. Tortuous (deceptive) conduct
 - D. All of the above
42. Terms of agreement between a principal (insurer) and an agent do not have to be in writing. Rather, terms may be _____ from the facts and circumstances of the relationship.
- A. Generated
 - B. Implied
 - C. Conducted
 - D. Drawn
43. Written agency agreements, according to the courts, are legal, controlling documents that must be _____.
- A. Read by all parties
 - B. Recorded
 - C. Enforced
 - D. Reviewed by an attorney
44. To claim *recovery of commissions*, one must have _____.
- A. A New York attorney
 - B. A good relationship with an insurer
 - C. Reasonable expectation of payment
 - D. Sales in excess of \$100,000 in premium
45. Agents advising clients they are covered with knowledge that the intended insurer has not yet agreed to accept such coverage, act as _____ until coverage is accepted.
- A. The Insurance company
 - B. An Intermediary
 - C. A Bridge agent
 - D. De facto brokers
46. The general *rule of agency law* states that if an insurance agent acts as the agent of a disclosed principal (insurer), the _____ is liable to the client.
- A. Agent
 - B. Principal (insurer)
 - C. Office manager
 - D. Broker of record

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47. Failing to procure coverage for a client may subject an agent to liability for loss, damage or the limits of the policy until _____.
- A. 30 days have passed
 - B. 60 days have passed
 - C. 90 days have passed
 - D. Insurance is found
48. Concealment is neglecting to _____ what the agent knows or ought to know to be true.
- A. Put in writing
 - B. Phone in
 - C. E-mail
 - D. Communicate
49. A completed application, under generally accepted law, may be forwarded to the insurer for assessment of the risks, *after which*, the insure may decide to form a contract by _____.
- A. Sending it back
 - B. Giving the agent a nod
 - C. Accepting the applicant's offer
 - D. Handing to the company attorney
50. Twisting or churning is defined as misrepresentation or comparison or insurers or policies for the purpose of inducing a client to _____ an existing policy.
- A. Change
 - B. Surrender
 - C. Lapse / forfeit
 - D. All of the above

--END EXAM--

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