

FINAL EXAM – Market Conduct & Agent Blunders

1. Whether an agent has a duty to inform a client about possible "**gaps in coverage**" depends on

- A. The relationship of the parties
- B. Specific requests of the client
- C. The professional judgment of the agent
- D. All of the above

2. Regarding "**concealment by client**," the "**duty of a client**" to disclose information on an application applies only to _____, and not his fears or concerns.

- A. Issues
- B. Facts
- C. Thoughts
- D. Concepts

3. When "**ratings of an insurer**" vary widely among rating companies, the _____ of the insurer should be questioned.

- A. Financial safety
- B. Advertising
- C. Management
- D. Reinsurance

4. In the case of "**Southwest Auto Painting vs Binsfield**" (1995), the court determined that the agent was duty bound to advise the client about relevant types of coverage that are _____.

- A. Effective
- B. Limited to certain businesses
- C. Widely available at relatively low cost
- D. Guaranteed

5. When an agent negligently "**fails to obtain coverage**" for a client, he step in the shoes of the _____, and becomes liable for loss or damage _____".

- A. Insurance company / To the limits of the policy until insurance can be found
- B. Client / Within 24 hours
- C. Reinsurer / For the next 7 days
- D. Insurance commissioner / Forever

6. In order to prove delivery of "**correspondence**" to clients, experts suggest using _____ and various methods of delivery that provide a "tracking record."

- A. Private delivery services
- B. First class mail
- C. A relative
- D. Window envelopes

7. Which of the following are common "**State Guaranty Fund**" "exclusions"?

- A. Insurance exchanges
- B. Assessment companies
- C. Fraternal and HMOs
- D. All of the above

8. An asset-default test called "**C-1 Surplus Requirement**" establishes varying _____ be established for various classes of investments based on their default risk.

- A. Reserve accounts
- B. Real estate valuations
- C. Household assets
- D. Insurers

9. "**Deceptive Trade Practices**" of "Unfair Trade Practices" consumer laws apply to insurance and agents because an insurance policy is deemed a _____ and the purchaser of a policy is deemed a _____.

- A. Profit / source of income
- B. Asset / owner
- C. Service / consumer
- D. Luxury / millionaire

10. In a "**coverage dispute**," attorneys make use several "legal maneuvers" including:

- A. A drafting history
- B. Underwriting and claims handling manuals
- C. Reinsurance documents
- D. All of the above can be requested

11. "**The Law of Agency**" is a universal area of law that determines producer status and specifically binds the agent/broker for his _____ and _____ or _____.

- A. Work / efforts / tries
- B. Acts / omissions / errors
- C. Profession / values / ethics
- D. Agency / skills / know-how

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12. According to “ERISA,” **an agent is considered a “fiduciary”** if:

- A. The agent arranges to receive a fee for consulting on the pension plan
- B. The agent has an ongoing relationship with trustees of a plan who regularly accept the agent’s proposals without advice from other consultants
- C. The agent acts only an agent offering a choice of products
- D. A & B only

13. In “**Parsaie vs United Olympic Life**” (1994), the client prevailed in her action against a health insure. She could not read the application so she relied on the advice of the agent but failed to disclose a preexisting condition. The courts determined that the insurance company could only deny coverage where _____ was found.

- A. An intent to deceive
- B. A spelling error
- C. A missing signature
- D. Prior notification

14. When it comes to “**bad faith**,” “agent liability may accrue due to”:

- A. Unfair conduct by agents or allegations of fraud or deceit
- B. Misrepresentation or the statutes dealing with unfair settlement practices
- C. Communicating client claims to the insurer
- D. A & B only

15. When an insurance company is liquidated by a State Commissioner, the “**liquidation order of priority**” ranks this as the #1 priority.

- A. Policyholders, insureds and guaranty funds
- B. Liquidation expenses and costs
- C. Taxes
- D. Reinsurers

16. An agent is creating “**contributory liability**” when

- A. The client thinks the agent has done something wrong
- B. The agent holds himself out to be an “expert” or “specialist”
- C. The agent has “ALWAYS” handled a client’s business over the years, so much so, that the client blindly depended on their advice
- D. B & C only.

17. “**Sales conduct**” is an optional agent duty that involves proper handling and choice of _____, _____ and _____ to best serve a client’s financial planning.

- A. Banks / Brokerage services / Trustees
- B. Company / Product / Sales Presentation
- C. Rates / Terms / Services
- D. Policies / Financing / Turnaround

18. In “**Small vs King**” (1996) the court ruled that the agent’s duty to provide _____ cannot be triggered by a client’s request for _____ because that request is not a specific inquiry about a specific type of coverage.

- A. Correct coverage / “full coverage”
- B. Premium financing / installments
- C. Liability insurance / indemnification
- D. Specimen policies / sample clauses

19. When a dispute occurs and a “**producer’s status**” cannot easily be determined the courts usually rule in the direction of:

- A. Agency relationship
- B. Principal-agent relationship
- C. Null and void
- D. Principal only

20. “**Concealment**” by an agent is neglecting to communicate what the agent _____.

- A. Thinks of his client
- B. Believes about the other party
- C. Knows or ought to know as true
- D. Receives as commission

21. When it comes to “**insurer claims against agents**,” agents are liable to their company for violations such as:

- A. Clerical mistakes, mishandling premiums, withholding information, and twisting information
- B. Failure to perform, exceeding authority
- C. Fraudulent schemes and unfair trade practices.
- D. All of the above

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22. In “**Grace vs Interstate Life**” (1996) the client’s policy was maintained and premiums were collected after the client turned 65 and Medicare substantially replaced many of the benefits. The courts determined that the agent had a _____ to disclose this fact to his client.

- A. Tough time
- B. Duty
- C. Grace period
- D. Whole year

23. In the insurance industry, “**what is advertising**” (from the list below) that is subject to strict state guidelines

- A. Product Brochures
- B. Newsletters
- C. Telephone conversations
- D. All of the above

24. Regarding “**Lost Policies**,” if a policy has been lost or destroyed, the policy holder must satisfy two requirements to prove coverage:

- A. Show that he made a diligent search for the policy in all places where it can likely be found
- B. Prove the existence and the contents of the policy by identifying the parties to the contract, the policy period and the subject matter of the policy
- C. File a police report
- D. A & B

25. In “**Benton vs Paul Revere Life**” (1994) the court was clear to point out that any agent who does not understand _____ is subject to liability for fraud.

- A. His license number
- B. The differences between two products he is selling
- C. Which clients have special needs
- D. Every policy term and provision by heart

26. An agent _____ when he “**acts within the scope of his authority.**”

- A. Receives a bonus at year end
- B. Is legally clear of ALL personal liability
- C. Binds his principal (insurer)
- D. Cannot terminate his agency

27. In the case “**Ward vs Durham Life Insurance**” (1989) a deceased client’s widow sued the insurance company on the basis that the agent told her and her husband that the missing information that caused the benefits to be denied did not need to be disclosed on the application. The court ruled for possible collusion between agent and client because:

- A. He seemed suspicious
- B. No agent notes of the conversation could be produced
- C. His files were a mess
- D. The widow thought it was right

28. Agents create “**dual agency**” when representing themselves as agents of the _____ and as principal to the _____ in the form of an “**expert or consultant.**”

- A. Client / transaction
- B. State regulator / company
- C. FBI / community
- D. Insurance company / client

29. The “**Unfair Trade Practices Law**” prohibits unfair methods of competition and deceptive acts and practices including making, publishing, disseminating, or circulating material, which is _____ the financial condition of an insurer.

- A. False or maliciously critical of or derogatory to
- B. Honest and open about
- C. Promissory about the prospects of
- D. Exaggerated about

30. Examples of “**unlawful trade practices**” by agents include

- A. Passing off services as those of another
- B. Advertising services with intent not to sell them as advertised
- C. Contriving, setting up or promoting any pyramid promotional scheme
- D. All of the above

--END EXAM--

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