

43. Which insurance principle seeks to place the insured in the same position after an insured loss as existed immediately before?
- A. Contribution.
 - B. Indemnity.
 - C. Subrogation.
 - D. Insurable interest.

Key option: B

Learning outcome: 3.13

44. To whom does the principle of good faith apply in relation to insurance contracts?
- A. The proposer only.
 - B. The insurer only.
 - C. Both the insurer and the proposer.
 - D. Any interested third party.

Key option: C

Learning outcome: 3.8

55. An individual borrows his friend's car on the condition that he arranges comprehensive insurance cover on the vehicle for himself. The individual's broker informs him that he is unable to do so as he has no financial relationship with the vehicle. This is an example of the application of the
- A. contra proferentem rule.
 - B. material damage proviso.
 - C. principle of insurable interest.
 - D. principle of good faith.

Key option: C

Learning outcome: 3.7

57. The insurance principle which imposes a duty on the parties of a contract 'not to misrepresent any matter relating to the insurance' is known as
- A. assignment.
 - B. insurable interest.
 - C. legal personality.
 - D. fair presentation.

Key option: D

Learning outcome: 3.8

58. In connection with an insurance policy, at what point does the duty of fair presentation **first** arise?

- A. At the beginning of negotiations.
- B. On the making of an offer.
- C. On the acceptance of an offer.
- D. At policy inception.

Key option: A

Learning outcome: 3.9

59. Under a **typical** fire insurance policy, the duty of good faith is modified by the

- A. change of risk clause.
- B. contribution clause.
- C. reinstatement memorandum.
- D. subrogation clause.

Key option: A

Learning outcome: 3.9

60. Under the duty of fair presentation, what is required to be disclosed by the proposer in relation to an insurance policy?

- A. Facts of law which affect the assessment of the risk.
- B. Financial details upon which ability to pay the premium can be assessed.
- C. Material representation of facts upon which the risk is to be assessed.
- D. Personal requirements upon which the suitability of the policy can be assessed.

Key option: C

Learning outcome: 3.10

61. On an application for a theft insurance policy, the proposer advised the insurer that he only had a single Yale lock on the main entrance to the property to be insured. This information is an example of

- A. best advice.
- B. common interest.
- C. contract consideration.
- D. a fair presentation of risk.

Key option: D

Learning outcome: 3.10

62. In what circumstances may an insurer have the right to avoid paying a claim and to void a household contents insurance policy from inception?
- A. When a premium instalment is not paid.
 - B. When a second insurer is used by the insured.
 - C. When an fraudulent non disclosure is discovered.
 - D. When the value of contents is mistakenly underestimated by the insured.

Key option: C

Learning outcome: 3.10

63. An insurer is in the process of settling a claim and has already made three interim payments of £300,000 each. Prior to payment of the final amount of £300,000, the loss adjuster discovers that the insured deliberately withheld relevant information pertinent to the claim. What is the **maximum** amount the insurer can recover from the insured?
- A. £300,000
 - B. £600,000
 - C. £900,000
 - D. £1,200,000

Key option: C

Learning outcome: 3.1

77. Which insurance principle gives an insurer the right to call upon other insurers to share in the settling of a claim?
- A. Average.
 - B. Contribution.
 - C. Subrogation.
 - D. Insurable interest.

Key option: B

Learning outcome: 3.17