IIC
C131
Advanced Skills for the Insurance Broker and Agent

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Question: 1

Which exclusion on the contractors' equipment floater applies to loss or damage caused by breaking through ice or sinking in soft ground?

A. Territory exclusion
B. Muskeg exclusion
C. Sinkhole exclusion
D. Overloading exclusion

Answer: B

Explanation:
The correct answer is B. Muskeg exclusion. In contractors’ equipment insurance, a contractors’ equipment floater is designed to insure mobile equipment such as graders, bulldozers, excavators, loaders, cranes, and similar machinery used away from the insured’s premises. However, this coverage contains exclusions because some operating environments create a much higher probability of loss. “Muskeg” refers to soft, boggy, unstable ground, often found in marshy or northern terrain. Equipment operating in these conditions can sink, become trapped, or be damaged because the ground cannot support its weight. Similarly, operating over frozen surfaces creates a special hazard where equipment may break through ice. The muskeg exclusion is specifically intended to remove or restrict coverage for losses caused by sinking in soft ground or breaking through ice. The territory exclusion deals with where the equipment is used geographically; the sinkhole exclusion relates to collapse of land due to underground voids; and overloading concerns excessive weight or strain. Course topic Contractors; Property Coverages; Contractors’ Equipment Floaters; Policy Exclusions.
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Question: 2

A broker is trying to convince his large accountancy client to purchase cyber risk insurance. The firm's CEO believes the controls in place managed by a third-party information technology provider are sufficient. The broker provides the CEO with a list of claims that will only be covered if cyber risk insurance is carried. Which type of claim appears on that list?

A. Computer fraud
B. Online extortion
C. Business interruption due to data breach
D. Crisis-management services due to theft of securities

Answer: B

Explanation:
The correct answer is B. Online extortion. Cyber risk insurance is specifically designed to address exposures arising from electronic data, network security, privacy breaches, ransomware, cyber extortion, and technology-dependent business operations. A client may believe that outsourced IT controls are sufficient, but technical controls do not eliminate legal, operational, financial, or reputational cyber risk. Online extortion is a core cyber exposure because criminals may threaten to lock systems, release confidential client information, disrupt operations, or destroy electronic data unless payment is made. Traditional commercial property, crime, or liability policies usually do not respond adequately to this kind of cyber event unless a specific cyber form or cyber endorsement is in place. Computer fraud may be addressed under crime coverage, depending on wording. Theft of securities relates more closely to crime or fidelity coverage. Business interruption from a data breach may also appear in cyber policies, but the most direct and unmistakable cyber-only exposure among the options is online extortion. For an accountancy firm, this is especially important because client financial records and confidential professional information are attractive targets. Course topic Liability; Risk Management; Analyzing Risk Exposures; Cyber Liability and Electronic Data Exposures.
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Question: 3

Insurance premiums on automobile fleet policies are based on which factor?

A. Overall experience of all drivers
B. Driving record of the individual drivers
C. Original purchase price of all vehicles in the fleet
D. Mechanical condition of a vehicle from one particular fleet

Answer: A

Explanation:
The correct answer is A. Overall experience of all drivers. Fleet automobile insurance is rated differently from ordinary individual automobile insurance. In a personal or individually rated commercial auto policy, the insurer may focus heavily on the driving record of a specific driver, the vehicle's use, location, and vehicle characteristics. In a fleet policy, however, the underwriting approach looks at the entire group of vehicles and drivers as a collective exposure. The insurer is concerned with the overall claims experience, loss frequency, loss severity, driver controls, vehicle use, fleet size, safety procedures, maintenance practices, and management of the fleet as a whole. The individual driving records may still be reviewed as part of underwriting, but the premium basis is not simply the record of one driver. Likewise, original vehicle purchase price and the mechanical condition of one vehicle do not determine the fleet premium by themselves. The key underwriting logic is that a fleet produces a pattern of risk over time.

Therefore, the insurer prices the policy according to the overall experience and performance of the entire fleet operation. Course topic Automobile, Crime, and Bonds; Commercial Automobile Insurance; Fleet Rating; Underwriting Factors.
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Question: 4

Amy, an agent, is inspecting a facility of a prospective client, Medical Manufacturing Inc. A junior employee, Max, is showing Amy around the main facility while it is in action, and answering her questions. Toward the end of the tour, Max's manager joins them and chastises Max for his negligence. What did Max likely forget to do?

A. Examine Amy's agent identification
B. Request a copy of Amy's coverage proposal
C. Prevent Amy from recording proprietary information
D. Provide Amy with the facility's business interruption plan

Answer: C

Explanation:
The correct answer is C. Prevent Amy from recording proprietary information. A facility inspection allows a broker or agent to identify property, liability, business interruption, equipment, process, and operational exposures. However, commercial inspections must be handled carefully because many businesses contain confidential or proprietary information. A medical manufacturing facility may have sensitive production methods, formulas, machinery layouts, quality-control procedures, supplier information, research processes, or regulatory documentation. If a junior employee permits an outside agent to freely record or photograph operations without authorization, the company may expose trade secrets or confidential business information. The concern is not that Amy lacks identification or that she needs a proposal during the tour. The more serious professional issue is protecting confidential operational information while still allowing the insurance representative to gather enough data to assess the risk. A competent business should control what visitors can see, photograph, copy, or record. The broker also has a duty to handle client information responsibly, but the employee conducting the tour must follow internal confidentiality procedures. Course topic Analyzing Risk Exposures; Commercial Inspections; Business Information; Confidentiality and Proprietary Risk.
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Question: 5

After examining an organization's financial statements and accounting records, a broker decides that they would like to take the company on as a client. What did the broker determine during their examination that helped make this decision?

A. The organization has a captive company.
B. The organization is consistently profitable.
C. The organization has paid policy premiums on time for the last seven years.
D. The organization is compliant with federal and provincial tax laws.

Answer: B

Explanation:
The correct answer is B. The organization is consistently profitable. When a broker examines financial statements and accounting records, the purpose is not limited to accounting accuracy. In a commercial insurance context, financial information helps the broker understand the stability, viability, and quality of the prospective client. A consistently profitable organization is usually a more attractive account because it suggests effective management, stable operations, stronger internal controls, and a lower likelihood of premium-payment problems. Financial records can also help assess values, business interruption exposure, revenue trends, payroll, gross profits, inventory levels, and other insurance rating factors. A captive company would be a separate risk-financing mechanism, but the question focuses on what the broker determined from the financial statements. Seven years of premium-payment history would usually come from insurance records, not the company's financial statements. Tax compliance may be relevant to general business governance, but it is not the central underwriting or client-selection issue here. The broker wants a client whose financial condition supports insurability and long-term relationship value. Course topic Introduction to Commercial Insurance; Risk Management; Financial Review; Commercial Client Analysis.
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