1. **Rescission** or voiding of a policy is typically based on misrepresented facts in the ______________.
   A. Policy
   B. Application
   C. Underwriting
   D. All of the above

2. A **false statement** in an application for insurance does not void a policy unless it was made ____________.
   A. In writing
   B. With intent to deceive
   C. By mistake
   D. Before policy delivery

3. After a **signed settlement release** concerning a claim, the insurance company ______________.
   A. Dispenses a check to the affected party
   B. Can rely on the claim being settled
   C. Can rely that no additional claims will be made
   D. All of the above

4. Under **fair claims time line rules**, insurers must acknowledge receipt of a claim within _______ days or sooner of being notified.
   A. 10 days
   B. 15 days
   C. 30 days
   D. 45 days

5. The primary **purpose of rescission** under the law is to ____________ both parties to their former positions as far as possible.
   A. Restore
   B. Negotiate
   C. Equalize
   D. Reimburse

6. A **discretionary clause** in a policy is not encouraged by the State as it confers sole discretionary ____________ to the carrier to determine eligibility of benefits.
   A. A duty
   B. Authority
   C. Powers
   D. Choice

7. **Concealment**, under Section 330 of the insurance code is the neglect to communicate that which a party knows and ____________.
   A. Should know
   B. Ought to communicate
   C. Reveals
   D. Might know

8. **Undue influence** means an insurer may not drag out the settlement of one portion of a policy in order to ____________.
   A. Enrich the company
   B. Influence a different portion of the policy
   C. Pay less on a claim
   D. Avoid taxes

9. A **telephone conversation** CANNOT be the basis for denial of a claim unless it is ____________.
   A. Documented in the claim file
   B. Long distance
   C. Recorded
   D. A two-way conversation

10. An **arbitration clause** or language in a policy determines how the parties will ____________.
    A. Get paid
    B. Part ways
    C. Settle their differences
    D. Divide policy benefits

11. The key message of the **Robinson v. Occidental Life** case is that an insurance company has the unquestioned right to ____________.
    A. Select whom it will insure
    B. Rescind every policy without cause
    C. Settle any claim
    D. Refund premiums

12. Under **fair claim time line rules**, an insurer has _______ days after coverage has been affirmed to tender payment of a claim.
    A. 10 Days
    B. 15 Days
    C. 30 Days
    D. 45 Days
13. **Claims settlement practices** shall NOT be based on the following:

A. Age, Race, Gender  
B. Income or religion  
C. Sexual orientation or disability  
D. None of the above should be considered in claim settlements  

14. **Reformation** of an insurance policy may be court ordered when a policy does not express the agreement of the

A. Insured  
B. Insurer  
C. Insurer and insured  
D. Agent  

15. **Rescission** of a policy may be **denied by** the court if an applicant did not understand __________ or comprehend the significance of his answers.

A. An application question  
B. His legal rights  
C. Terms of a policy  
D. His legal duty  

16. **Section 1691** of the California Insurance Code states that to effect a rescission, an insurer MUST:

A. Give notice of the rescission  
B. Restore the other party (refund premiums)  
C. Offer to restore upon condition the other party does likewise (return premiums / return benefits paid).  
D. All of the above  

17. Under **fair claims time line rules**, an insurer must notify the claimant _____ days before the expiration of the statute of limitations applicable to his claim.

A. 15 Days  
B. 30 Days  
C. 60 Days  
D. 90 Days  

18. A **first party claimant** is defined as a __________ under an insurance policy.

A. Named insured  
B. Other insured  
C. Beneficiary  
D. Any of the above  

19. The **claims process** is a method of translating rights of a policyholder into __________.

A. A remedy  
B. Cash  
C. A rescission  
D. Double the claim amount  

20. The key point of **O’Riordan v. Federal Kemper Life** is that agents should advise clients to answer applications __________.

A. To get approved  
B. Truthfully  
C. Quickly  
D. Briefly  

21. The **materiality of a misrepresentation** by an applicant is determined by the __________ effect which truthful answers would have had upon the insurer.

A. Gross  
B. Diminished  
C. Probable and reasonable  
D. Windfall  

22. If a **policy exclusion** is vague or unclear, the courts typically construe language in favor of __________.

A. The claimant  
B. The insurer  
C. The uninsured  
D. Innocent parties
23. **Notice of claim**, under fair claims law, means ________________ to an insurer or its agent that reasonably apprises that the claimant wishes to make a claim.

   A. A written letter  
   B. An oral phone call  
   C. Any written or oral notification  
   D. An attorney letter

24. Under **fair claims time line rules**, a **licensee** must respond within ____ days to any oral or written inquiry from the Department of Insurance concerning a claim.

   A. 14 Days  
   B. 21 days  
   C. 33 Days  
   D. 61 Days

25. **Cooperation by an insured** is instrumental to _______________. Lack of cooperation can lead to denial of a claim.

   A. Rescinding a policy  
   B. Claim documentation  
   C. Resolving the claim  
   D. Fast settlement

26. **Fair Claims Settlement Section 2695.9** specifies that **no insurer** shall suggest or recommend that the insured have property repaired _________________.

   A. In the first 24 hours  
   B. By a specific individual  
   C. By the insured  
   D. On demand

27. **Lack of appeal** refers to the concept that insurers cannot exploit the legal system by appealing arbitration awards as a way to _________________.

   A. Rescind a claim  
   B. Force a settlement or compromise  
   C. Pay less  
   D. Deny a claim

28. **Section 355** of the California Insurance Code states that a **representation** in a policy may be altered or withdrawn ______________ the insurance is effected.

   A. Before  
   B. After  
   C. At anytime  
   D. At no time before

29. **Applications** are the lifeblood of the insurance business and **agents have a legal duty** to be sure each application is _________________.

   A. Filled out  
   B. Attached to the policy  
   C. Completed fully without deceit of any nature  
   D. Perfect

30. **Subrogation** is defined as the insurance company’s right to sue the torfeasor for the amount of _________________.

   A. All premiums  
   B. Court costs  
   C. Damages reimbursed to the insured  
   D. Punitive damages

31. The lesson for agents in the **Thompson v. Occidental Life** case is . . . don’t _________________.

   A. Modify the application in any way  
   B. Speak to clients  
   C. Talk to underwriters  
   D. Fill out the application for the client

32. **Bad faith litigation** can encompass a carrier’s failure to ______________ a claim within a reasonable amount of time.

   A. Investigate  
   B. Evaluate  
   C. Settle  
   D. All of the above

33. **Salvage** refers to property that rightfully **belongs to the insurer** as a result of _________________.

   A. Osmosis  
   B. Paying a claim  
   C. Utmost ownership  
   D. Fair Claims
34. **Third party claimants**, under fair claims law, shall NOT be forced or advised to make a claim under ____________ to avoid paying a claim.

A. His or her own policy  
B. Duress  
C. The cloud of secrecy  
D. The amount owed

35. **Fair claims time line rules** require that insurers accept or deny a claim within _____ days after receipt of proof of claim.

A. 15 Days  
B. 20 Days  
C. 40 days  
D. 60 days

36. California Insurance Code **Section 10381.5** states that insureds will not be bound by any statement on an application for a policy unless ____________.

A. Underwriting has approved it  
B. A copy of such application is attached to or endorsed on the policy  
C. The insurance Commissioner has signed the policy  
D. The policy is fully paid

37. **Soft fraud** occurs where a policyholder ____________ an otherwise legitimate claim.

A. Exaggerates  
B. Completely lies about  
C. Invents  
D. Acts out

38. **Being ethical** goes beyond the mere compliance with the law, it means being ____________ concerning ALL FACTS.

A. Right  
B. Fair  
C. Completely honest  
D. Sympathetic

39. **Proof of Claim** is evidence or documentation that provides evidence of the claim and supports the amount of the ____________.

A. Adjuster’s estimate  
B. Claimed loss  
C. Claim plus interest  
D. Loss less depreciation

40. A **stakeholder** is anybody ____________. Being ethical is being fair to all stakeholders.

A. Who owns stock  
B. Who pays you money  
C. With power  
D. Affected by your actions

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