

9: (2.25 points)

a. (0.5 point)

Identify two common coverage restrictions that insurance companies may place on private passenger auto policies issued to high-risk drivers.

b. (0.5 point)

Describe how Automobile Insurance Plans (Assigned Risk Plans) achieve a social purpose.

c. (1 point)

Identify four exposures considered uninsurable under most FAIR plans.

d. (0.25 point)

Briefly describe a Difference in Conditions (DIC) insurance policy.

SAMPLE ANSWERS AND EXAMINER'S REPORT

Part c

Candidates were expected to fully describe two barriers to increased private insurer participation in flood insurance.

Common errors included:

- Identifying a possible barrier without explaining why
- Describing something that was not a barrier to increased private insurer participation
- Listing adverse selection as a barrier without discussing participation or imbalanced concentration of risks
- Stating that the fact that floods are catastrophic, that significant capital is required, or that insurers could go insolvent; needed to discuss barriers that prevent insurers from addressing these issues.
- Stating that floods are uninsurable

FALL 2019 EXAM 6U, QUESTION 9

TOTAL POINT VALUE: 2.25

LEARNING OBJECTIVES: B2

SAMPLE ANSWERS

Part a: 0.5 point

Any two of the following responses:

- May provide lower (or state minimum) limits on liability
- May require higher deductibles on comprehensive or collision
- May not provide comprehensive or collision
- May not provide (or provide lower limits) on medical payments
- May not provide some coverages like glass
- "Physical Damage" was an acceptable substitute for "comprehensive or collision"

Part b: 0.5 point

Required an explanation touching on two key points:

- Makes coverage more affordable and/or available to all
- There is a societal benefit of reducing the number of uninsured drivers or decreasing the likelihood of unreimbursed losses from an accident.

Part c: 1 point

Any four of the following responses:

- Vacant or open to trespass
- Poorly maintained
- Unrepaired fire damage
- Contains unacceptable hazards
- Storage of flammable materials
- Violates a law or public policy
- Not built in accordance with building and safety codes
- Failed inspection or was not inspected

SAMPLE ANSWERS AND EXAMINER'S REPORT

<ul style="list-style-type: none">• Inured was able to procure coverage in the voluntary market• Insured is in an active hurricane zone
Part d: 0.25 point
<i>Sample 1</i> A policy that covers on 'all-risks' basis to fill gaps in the insured's underlying property coverage.
EXAMINER'S REPORT
Candidates were expected to identify coverage restrictions, describe Automobile Insurance Plans, identify exposures that are uninsurable, and describe a DIC policy.
Part a
Candidates were expected to describe two coverage limitations and at least one coverage. Common errors include: <ul style="list-style-type: none">• Provided coverage limitations that were not specific to auto
Part b
Candidates were expected to provide some description of how AIP's expand coverage and why this is socially desirable. The responses required an extension to the societal benefit of reducing uninsured drivers or decreasing the likelihood of unreimbursed losses in an accident. Common errors include: <ul style="list-style-type: none">• Not explaining the societal benefit of reducing uninsured drivers
Part c
Candidates were expected to provide four types of exposures uninsurable under FAIR plans. Common errors include: <ul style="list-style-type: none">• Listing answers that are too similar, for example vacant and subject to trespass• Listing answers that are reasons why the FAIR plan was designed, for example riot-prone area or areas subject to windstorm
Part d
Candidates were expected to explain that a DIC policy covered perils not insured in another/primary policy. Common errors include: <ul style="list-style-type: none">• Stating that a DIC policy provides higher limits

FALL 2019 EXAM 6U, QUESTION 10	
TOTAL POINT VALUE: 2.75	LEARNING OBJECTIVES: B1, B2, B3
SAMPLE ANSWERS	