

Insurance Law Quiz #3

100

Question #1 (20 points)
What is your name?

Question #2 (10 points)

The question of whether a janitor occupied the third floor was a(n):

- A. Promissory warranty
- B. ~~Affirmative warranty~~
- C. Representation
- D. Misrepresentation

Question #3 True or false (5 points)
Maryland has third party bad faith.

Question #4 True or false (5 points)
Maryland has first party bad faith.

Question #5 True or false (5 points)
Common law defines insurable interest in Maryland.

Question #6 (10 points)

Can you insure property without being the owner of the property? If not, why not?

If so, how? Is there any test that is important to consider making a determination as to whether there is insurance?

Yes. As long as you are a good faith purchaser for value you can insure property w/o being the true owner. The test is whether a reasonable person would have known item was -

Question #7 (10 points)

You buy a textbook from me. I give you a warranty that the book will stay together all semester and if it falls apart for any reason, I will replace your book. Alabama law requires that if you are selling any insurance of any kind, you must register with the state. Am I required to register? Why or why not?

You must register. Insurance provided an item will stay good against even external forces not -

Question #8 True or false (5 points)
Arizona has first party bad faith.

Question #9 (10 points)

You represent an insurance company that insures on an all risk policy an owner of a gas station who installs underground storage tanks like those found at all gas stations. After 40 years of use, the tank springs a leak due to normal deterioration and allows gasoline to poison adjacent properties. It is common knowledge that all underground storage tanks have a lifespan and all such tanks will deteriorate and rupture, leading to the leeching of their contents into the surrounding area. After a loss due to a leak, the insured makes a claim. What do you advise your client? Who do you think will prevail?

Advise that these situations have been found to contain insurable interests that do not violate rule of fortuity. ALSO, -

Question #10 (10 points)

What are the possible tests to determine replacement value? Which test does the majority of jurisdictions use? *Market value, replacement cost minus depreciation, Broad evidence rule. Majority use Broad*

Question #11 (10 points)

What is a representation in an insurance contract? Where would you typically find a representation in, for example, a life insurance contract?

A representation is a statement as to how a fact is. But unlike a warranty, a representation is collateral to the k and will not void the k unless a misrepresentation is material. In a life insurance k, you'd find -

6. Stolen. If not known stolen then you can have an insurable interest. In a legal interest rather than factual expectation jurisdiction you can look at whether the insured has a property interest in the item, a k right connected with the item or legal liability based on the item.

7. Expected in ordinary wear, while a warranty promises a product will stay good against only ordinary wear. Here, you promise replacement if the book falls apart for ANY REASON so it goes beyond warranty and becomes insurance. Also, under principal purpose test, this seems to be a separate k from the k of sale and the insurance aspect of the replacement k appears to be principally insurance based.

9. The policy is all risk so the insurer has burden. The burden of showing coverage is excluded. In the end, the client will likely prevail.

11. a representation in the insured's statements about himself such as health and age.