1. Damages that can be recovered against an insurer under a breach of contract action include:

A. Punitive damages

B. Future damages

C. Damages up to the contract’s terms

D. Mental anguish

2. When a bad-faith claim is based on an insured’s allegations that its insurer has committed wrongdoings against the insured, this is:

A. First-party bad-faith

B. Second-party bad-faith

C. Third-party bad-faith

D. All of the above

3. Insured Kelly ran a red light and was involved in a motor vehicle accident. She was slow in reporting the claim to her insurer and refused to cooperate by allowing the insurer to inspect her vehicle. When the insurer delayed the claim payment, Kelly sued for bad faith. A defense the insurer could use in defending against Kelly's bad-faith claim is

A. Debatable reasonable basis.

B. Statutory defenses.

C. Comparative bad faith.

D. Contributory negligence.

4. A third-party claimant or excess insurer may gain the right to sue in a bad-faith claim by:

A. Court order

B. Motion to the court

C. Assignment from the policyholder

D. Assignment from the judge

5. Good-faith is broadly defined as:

A. Handling claims honestly

B. Giving at least the same consideration to the insured’s interests as the insurer’s

C. Paying claims so insureds have no complaints

D. All of the above

6. Good-faith claim handling involves a number of practices by insurers. Which of the following is an example of an effective claim management practice that can add to an insurer’s capability to operate in good faith?

A. Thorough training of representatives and other claim personnel

B. Manageable caseloads for representatives

C. Consistent supervision practices by supervisory staff

D. All of the above

7. All of the following are examples of consequential damages, EXCEPT:

A. Business losses

B. Attorney fees

C. Interest on a judgment

D. The amount payable under a contract according to the contract’s terms

8. A statutory bad-faith claim is based on:

A. Gross misconduct

B. Violation of a state’s bad-faith statute

C. Violation of the federal bad-faith statute

D. All of the above

9. Who can be the plaintiff in a bad-faith claim?

A. Policyholder

B. Claimant

C. Excess insurer

D. All of the above

10. Store-All Warehousing purchased $500,000 all-risk building coverage for its warehouse. When fire in an adjacent building spread to Store-All's warehouse, the building was seriously damaged, and Store-All submitted a claim to its insurer. The insurer intentionally postponed settling Store-All's claim for 18 months while it attempted to obtain a settlement contribution from the insurer of the adjacent building in which the fire originated. Store-All sued its insurer, launching a

A. Third-party bad-faith suit.

B. Excess insurer suit.

C. First-party bad-faith suit.

D. Claimant suit.