

Ethics and Professional Practice (Québec)

Examples of exam questions

Competency: Develop an ethical professional practice, in compliance with the rules governing the insurance of persons sector

Ethics and Professional Practice (Québec)

Question 1

Paul and André have been in a civil union for the last three years. Paul has a TFSA with Assureur Garant and wants to make sure André will not be able to touch the TFSA if their civil union ends.

What should Karenne, his financial security advisor, answer him?

- a) The family patrimony applies to couples in a civil union, but it does not include TFSAs.
- b) The family patrimony only applies to married people; Paul therefore need not worry about the TFSA.
- c) The family patrimony applies to couples in a civil union, but Paul can exclude certain property from it, such as the TFSA, through a notarized contract.
- d) The family patrimony applies to couples in a civil union. A TFSA is a kind of retirement savings plan that is part of the family patrimony.

Correct answer: a)

Explanations

Answer a: **Correct answer.** The family patrimony applies to Paul and André, who are in a civil union. The TFSA is not included in the family patrimony, however.

Answer b: **False.** The family patrimony applies to married couples and couples in a civil union. The TFSA is not included in the family patrimony, however.

Answer c: **False.** The family patrimony applies to couples in a civil union, but Paul cannot exclude certain property, such as the TFSA, through a notarized contract.

Answer d: **False.** The family patrimony applies to couples in a civil union. The TFSA is not included in the family patrimony, however.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 1.1.1.3

Evaluated competency sub-component in Curriculum: 1.1 Define the provisions of the *Civil Code of Québec* applicable to insurance of persons

Ethics and Professional Practice (Québec)

Question 2

Véronique has been disabled for 17 weeks and receives a disability pension of \$1,236.32 a month from the Régie des rentes du Québec.

Her employer's group insurance plan, in which she participates, provides long-term disability insurance corresponding to 66.67% of her gross salary, payable after 17 weeks. This group insurance plan is covered by an insurance contract that includes coordination clauses with public plans.

If Véronique was earning an annual salary of \$75,000 before her disability, what monthly benefit amount will she receive from her group insurance plan's insurer?

- a) \$0.
- b) \$1,236.32.
- c) \$2,930.35.
- d) \$4,166.67.

Correct answer: c)

Explanations

Calculations:

- a) \$0, only the public plan applies.
- b) \$1,236.32, the private plan pays the same benefit as the public plan.
- c) $66.67\% \text{ of } 75,000/12 = 4,166.67$ $4,166.67 - 1,236.32 = 2,930.35$.
- d) $4,166.67 = 66.67\% \text{ of } 75,000/12$, there is no coordination between the private and public plans.

Answer a: **False.** Véronique's group insurance plan will not pay \$0 monthly but the difference between 66.67% of her monthly salary and the QPP's disability pension (\$1,236.32 per month).

Answer b: **False.** This monthly payment is the QPP's disability pension and not the monthly amount paid by Véronique's group insurance plan.

Answer c: **Correct answer.** This amount, paid by the group insurance plan, is the difference between 66.67% of Véronique's monthly salary (\$4,166.67) and the QPP's disability pension (\$1,236.32). Véronique will therefore receive a monthly benefit of \$2,930.35 from her group insurance since her private plan coordinates with the public plan.

Answer d: **False.** This amount is the total benefit paid by the public plan and the private plan. If this amount were paid by the private plan, Véronique, who also receives \$1,236.32 monthly from the QPP, would have a combined monthly income well over 66.67% of her salary.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 1.2.3

Evaluated competency sub-component in Curriculum: 1.2 Define the other sources of law applicable to insurance of persons

Ethics and Professional Practice (Québec)

Question 3

Étienne recently retired after participating for 24 years in a defined contribution pension plan through his employer. Étienne transferred the accumulated value of his contributions and the contributions made by his employer on his behalf into a 60% joint and survivor life annuity, with a guarantee period of 10 years, for his spouse Marie. He named his only son Anthony as beneficiary of the life annuity contract.

When will Anthony receive the death benefits from this life annuity contract?

- a) Upon the surviving spouse's death (Étienne or Marie), if the death occurs after 10 years.
- b) Upon Marie's death, if Étienne is already dead and Marie dies after 10 years.
- c) Upon Étienne's death, if Marie is already dead and Étienne dies after 10 years.
- d) Upon the surviving spouse's death (Étienne or Marie), if the death occurs before 10 years.

Correct answer: d)

Explanations

Answer a: **False.** Anthony will not receive any benefit because the death of the last survivor occurs after the end of the benefit guarantee period.

Answer b: **False.** Anthony could receive a benefit after Marie's death if Étienne is already dead and if Marie dies before the end of the 10-year guarantee period.

Answer c: **False.** Anthony could receive a benefit after Étienne's death if Marie is already dead and if Étienne dies before the end of the 10-year guarantee period.

Answer d: **Correct answer.** If Étienne and Marie both die before the end of the benefit period, Anthony will be entitled to a benefit that takes into account the fact that the benefit payments were guaranteed for 10 years.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 3.3

Evaluated competency sub-component in Curriculum: 2.1 Characterize the parties involved in the contract

Ethics and Professional Practice (Québec)

Question 4

Following his divorce five years ago, Mathieu has custody of his only son Maxime, age 17.

Recently, Mathieu's employer changed its group insurance plan's insurer. Mathieu had to fill in an enrolment application in which he declared Maxime as a dependent and beneficiary of his life insurance benefit.

Under the plan, dependents are also covered by \$10,000 of life insurance.

At the time the employer changed insurers, Maxime was on a school trip in France.

When will Maxime's life insurance protection take effect?

- a) Upon the change of insurer, once Mathieu has completed Maxime's enrolment application.
- b) Once Maxime has completed his enrolment application.
- c) Upon the change of insurer, once Mathieu has completed his enrolment application.
- d) Upon Maxime's return from France.

Correct answer: c)

Explanations

Answer a: **False.** Upon the change of insurer, Mathieu must complete an enrolment application in which he declares Maxime a dependent covered by the plan. Maxime does not have to complete an enrolment application.

Answer b: **False.** Maxime does not have to complete an enrolment application.

Answer c: **Correct answer.** Upon the change of insurer, Mathieu must complete an enrolment application in which he declares Maxime a dependent covered by the plan.

Answer d: **False.** Maxime has life insurance coverage as soon as Mathieu completes the enrolment application upon the change of insurer.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 2.7.10

Evaluated competency sub-component in Curriculum: 2.2 Contextualize the rules relating to the contract's formation, taking effect, reinstatement and termination

Ethics and Professional Practice (Québec)

Question 5

Linda is 49 years old and in excellent shape. She would like to move to Vietnam to work as a volunteer in an orphanage. Her only savings are \$100,000 in a LIRA. She meets with her insurance representative to determine whether she can use this money for her trip.

Under what conditions can Linda withdraw the funds from her LIRA for the trip to Vietnam?

- a) She can withdraw nothing from these funds since they are only for retirement.
- b) She can withdraw the money because she no longer plans to retire in Canada.
- c) She can transfer up to 40% of this locked-in amount to an RRSP.
- d) She will be able to take this money out of her LIRA once she has resided outside Canada for at least two years.

Correct answer: d)

Explanations

Answer a: **False.** Although this amount is only for retirement, Linda will be able to withdraw the funds from her LIRA once she has resided outside Canada for at least two years.

Answer b: **False.** Linda cannot immediately withdraw the funds from her LIRA; she will be able to do so only once she has resided outside Canada for at least two years.

Answer c: **False.** Linda would not be able to access the funds in her LIRA by transferring a portion of the locked-in amount to an RRSP.

Answer d: **Correct answer.** This is an exception to the locking-in of funds that would apply to Linda once she has resided outside Canada for at least two years. Only then will she be able to withdraw the funds from her LIRA.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 3.6.2.4

Evaluated competency sub-component in Curriculum: 2.3 Explain the main provisions and clauses of an insurance or annuity contract

Ethics and Professional Practice (Québec)

Question 6

Alexi has two children from a first marriage; in 2010 he drew up a will in which he set up a trust specifying how his estate, including his insurance policy, is to be administered. In 2012, he designated Brigitte, his new wife, as beneficiary of his life insurance policy. Unfortunately, the marriage failed and the couple divorced in 2014. Alexi asks his advisor if there is anything he needs to do after the divorce to allow Brigitte to collect the death benefit despite the divorce.

What should she answer Alexi?

- a) Alexi would have to redesignate Brigitte as beneficiary because the will has priority over the designation since it mentions the insurance policy.
- b) In any case, Alexi cannot change the beneficiary without Brigitte's consent since she is an irrevocable beneficiary.
- c) Alexi would have to redesignate Brigitte as beneficiary since the divorce cancels her designation as beneficiary.
- d) Alexi cannot designate Brigitte as beneficiary because you cannot designate an ex-spouse.

Correct answer: c)

Explanations

Answer a: **False.** Alexi should redesignate Brigitte so she can collect the death benefit, because their divorce cancelled this designation of beneficiary.

Answer b: **False.** Even if Brigitte were designated irrevocable beneficiary, the divorce cancels this designation of beneficiary. This rule applies to both revocable and irrevocable designations.

Answer c: **Correct answer.** All divorces granted since December 1, 1982, automatically cancel the designation of the spouse as beneficiary. Alexi must redesignate Brigitte as beneficiary so she can collect the death benefit despite the divorce.

Answer d: **False.** Alexi can redesignate his ex-spouse Brigitte as beneficiary.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 2.5.4.1

Evaluated competency sub-component in Curriculum: 2.4 Integrate into practice the rules relating to beneficiary designation and exemption from seizure of benefits

Ethics and Professional Practice (Québec)

Question 7

Marc retired at age 58. He receives a life annuity under his former employer's defined benefit pension plan. Given that he was single when he retired, Marc elected to collect a life annuity with a 10-year guarantee period in the form of a pension benefit, designating his succession (estate) as beneficiary. Marc has currently been living in a conjugal relationship with Marie for three years.

What happens to the death benefit if Marc dies before the end of the 10-year guarantee period?

- a) 60% of the annuity will continue to be paid to Marie until the end of the guarantee period.
- b) 60% of the annuity will continue to be paid to Marie during her lifetime.
- c) The balance of the guaranteed annuity payments will be paid to his succession.
- d) The balance of the guaranteed annuity payments will be paid to Marie.

Correct answer: c)

Explanations

Answer a: **False.** Since the annuity chosen by Marc at the time of retirement was not a joint and survivor annuity naming his wife as beneficiary, Marie will not receive 60% of the annuity until the end of the guarantee period.

Answer b: **False.** Since the annuity chosen by Marc at the time of retirement was not a joint and survivor annuity naming his wife as beneficiary, Marie will not receive 60% of the annuity during her lifetime.

Answer c: **Correct answer.** As per Marc's election at the time of retirement, if he dies before the end of the 10-year guarantee period, the balance of the guaranteed annuity payments will be paid to the succession (estate).

Answer d: **False.** As per Marc's election at the time of retirement, if he dies before the end of the 10-year guarantee period, the balance of the guaranteed annuity payments will be paid to the succession (estate) and not to Marie.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 3.12.2.2

Evaluated competency sub-component in Curriculum: 2.5 Contextualize the rules relating to claims and the payment of benefits

Ethics and Professional Practice (Québec)

Question 8

While meeting with Angèle, your new individual life insurance client, she tells you that she appreciates your professionalism and the information you have provided in helping her understand how her contract works.

She also tells you that she is planning on filing a complaint against the previous representative, who she believes acted beyond the limits of his competence and made misrepresentations.

She asks you if she should file a complaint directly with the disciplinary committee of the CSF.

What is your answer?

- a) Yes, it's a good way to ensure that the complaint is heard rapidly.
- b) No, only the syndic of the CSF, after first having the complaint verified by an investigator, can file a complaint before the disciplinary committee of the CSF.
- c) Yes, the disciplinary committee doesn't need to carry out an investigation in such a case and can process the file more quickly.
- d) No, she should address her complaint to the AMF, which in turn will register and forward it directly to the disciplinary committee of the CSF.

Correct answer: b)

Explanations

Answer a: **False.** This is not the right way to proceed. Only the syndic of the CSF can file a complaint before the CSF's disciplinary committee.

Answer b: **Correct answer.** No, Angèle cannot file a complaint directly with the CSF's disciplinary committee. Only the syndic of the CSF, after first having an investigator look into the complaint, can file a complaint before the CSF's disciplinary committee.

Answer c: **False.** The syndic of the CSF investigates the representative and may possibly file a complaint with the CSF's disciplinary committee.

Answer d: **False.** Angèle must address her complaint to the syndic of the CSF, who will investigate and possibly file a complaint with the CSF's disciplinary committee.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, sections 4.1.2.3 and 4.1.2.4

Evaluated competency sub-component in Curriculum: 3.1 Explain the role of the organizations that protect consumers

Ethics and Professional Practice (Québec)

Question 9

Carlos is an insurance of persons representative. He is furious with his client Juanita, who has just filed a complaint with the syndic because she was not properly informed about the exclusions in the insurance product she purchased. Carlos calls Juanita and gives her the information she wanted and manages to calm her down. Juanita tells him she will withdraw the complaint.

Did Carlos do the right thing under the circumstances?

- a) Yes, because Carlos has not hindered the work of the investigators of the *Chambre de la sécurité financière* (CSF).
- b) No, because in doing so, Carlos has hindered the work of the investigators of the *Autorité des marchés financiers* (AMF).
- c) Yes, because Carlos has fulfilled his duty to act speedily and was able to resolve the complaint himself.
- d) No, because Carlos should not have contacted Juanita knowing that she had filed a complaint against him.

Correct answer: d)

Explanations

Answer a: **False.** Carlos did not do the right thing, since he possibly hindered the work of the CSF investigators and, according to section 46 of the *Code of ethics of the Chambre de la sécurité financière*, he was not supposed to communicate with Juanita, who had filed a complaint against him.

Answer b: **False.** Carlos did not do the right thing, since he possibly hindered the work of the CSF investigators and, according to section 46 of the *Code of ethics of the Chambre de la sécurité financière*, he was not supposed to communicate with Juanita, who had filed a complaint against him.

Answer c: **False.** Carlos did not do the right thing in trying to resolve the complaint against him by himself. Section 46 of the *Code of ethics of the Chambre de la sécurité financière* prohibits him from communicating with Juanita, who has filed a complaint against him.

Answer d: **Correct answer.** A representative who is informed that an inquiry is being conducted about him or who is the subject of a disciplinary complaint under section 132 of the *Professional Code* must not contact the person who requested the inquiry (s. 46 CECSF). Carlos must not communicate with Juanita, knowing that she has filed a complaint against him.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 4.6.2.2

Evaluated competency sub-component in Curriculum: 3.2. Integrate into practice the duties and obligations set out in the *Code of ethics of the Chambre de la sécurité financière*

Ethics and Professional Practice (Québec)

Question 10

Ariane owns her own firm. Joseph, one of her long-standing clients, purchased a universal life policy 10 years ago. Five years ago, this policy was replaced by a whole life policy. Joseph would like to see the needs analysis Ariane prepared when he purchased the universal life policy because he is wondering about the coverage provided by his new policy. Ariane explains that in order to free up storage space she had to destroy some client records. She adds that it's not a good idea to keep everything.

Is Ariane allowed to destroy the needs analysis?

- a) Ariane can destroy any client documents that are more than five years old.
- b) Ariane cannot destroy any document because it may be useful in the event of a complaint.
- c) Ariane can destroy any document pertaining to the purchase of a product that has not been in effect for five years.
- d) Ariane cannot destroy the needs analysis even if the product was replaced because Joseph is still a client.

Correct answer: d)

Explanations

Answer a: **False.** As long as Joseph is her client, Ariane cannot destroy any client document that is more than five years old.

Answer b: **False.** Ariane cannot destroy any client document containing information deemed mandatory under the applicable regulation. The needs analysis is part of the information that must be preserved.

Answer c: **False.** Since Joseph is still Ariane's client, she cannot destroy documents relating to the purchase of a product that has not been in effect for five years.

Answer d: **Correct answer.** Ariane cannot destroy the needs analysis, even if a product replacement is involved, because Joseph is still a client, and the needs analysis is an integral part of the required information in the client record.

References

Relevant sections of exam preparation manual: *Ethics and Professional Practice (Québec)*, 2nd edition, 2015, section 4.3.4.3

Evaluated competency sub-component in Curriculum: 3.3 Integrate into practice the obligations and responsibilities of representatives in insurance of persons