



## **Part II : Reading comprehension**

**Read this passage and answer the following questions: (out of 10pts)**

The simplest definition for “contract” is probably: a *legally enforceable agreement*. There are a large variety of agreements, but not all are intended to have legal consequences. A *social arrangement* between two persons, such as a lunch appointment for example, is an agreement, but where either of them unilaterally cancels the appointment, there is no suggestion that the disappointed party should be able to take legal action against the other party, because the agreement is not legally recognised as valid.

**Contracts** comprise promises or undertakings, usually given in exchange for a promise or undertaking from the other side. In legal terminology, contracts are something intangible. Therefore, an insurance policy in itself is not a contract; instead it is the most commonly used evidence of an insurance contract. An insured who has been affected by a fire will not expect the insurer to deny his insurance claim on the grounds that the insurance contract no longer exists after the insurance policy has been destroyed in the fire.

**Answer these questions:**

1- What does this passage describe? **This passage describes the role and importance of a contract between parties whether between informal environment and official ones**

2- **Re-order the following sentence in order to make sense :**

**Both Parties have agreed to sign a twelve -month contract where they will remain committed to it until termination.**

*Abstract from : Principles and Practice of Insurance Examination  
Fifth Edition: July 2013© Office of the Commissioner of Insurance, 2013*