

Your answers are shown below:

1. Which one of the following statements is correct regarding the legal foundations for environmental liability?

- **A. Statutory liability is liability that is imposed without common-law defenses.**
- B. Trespass represents the interference with another party's peaceful enjoyment of their property.
- C. Concerning environmental liability, any organization can cause an intentional tort by making loud noises.
- D. Tort liability for pollution is based on contract between the named insured and another party.

C is correct. (Obj 1 – Type A).

A is incorrect. Strict liability is liability that is imposed without common-law defenses.

B is incorrect. Nuisance represents the interference with another party's peaceful enjoyment of their property.

D is incorrect. Tort liability for pollution is based on negligence, intentional acts, or strict liability.

2. Which one of the following statements is correct regarding trespass and nuisance?

- A. Both are forms of negligence.
- B. Nuisance involves the physical deposition of pollutants on the property of the claimant.
- C. For trespass to apply, the material that is deposited must be toxic.
- **D. Nuisance is the interfering with a property owner's peaceful enjoyment of his or her property.**

D is correct. (Obj 1 – Type A).

A is incorrect. Trespass and nuisance are the most commonly alleged intentional torts in environmental claims. Negligence applies to unintentional torts.

B is incorrect. Trespass involves the physical deposition of pollutants on the property of the claimant.

C is incorrect. For trespass to apply, the material that is deposited need not be a toxic substance. Claims have resulted from releases or deposits of water, sand, and clean soil. As long as the deposits are objectionable to the property owner, a trespass claim can be brought.

3. Which one of the following situations is an example of an intentional tort?

- A. Inadequate emergency response procedures.
- B. Incompetent environmental consulting.
- **C. Bright lights.**
- D. Disposing of hazardous waste improperly.

C is correct. (Obj 1 – Type A).

A is incorrect. This is an example of negligence (unintentional tort).

B is incorrect. This is an example of negligence (unintentional tort).

D is incorrect. This is an example of negligence (unintentional tort).

Other examples of intentional torts in environmental law include noxious odors, loud noises, fog generation, electrical waves, and electromagnetic fields.

4. All of the following statements are correct regarding environmental liability, EXCEPT:

- **A. Extensive regulation at the federal level has created standards that are fairly uniform across different geographic regions.**
- B. An organization can incur environmental liability under tort, contract, or statutory law.
- C. Tort liability for pollution can be based on negligence, intentional torts, or strict liability.
- D. An organization can assume liability for environmental losses under a contract that contains a hold-harmless agreement.

A is correct. (Obj 1 – Type A).

Federal statutes provide a baseline standard; however, local governments may establish standards that are more restrictive than the federal standard.

5. As part of their day-to-day operations, Scott's Sandblasting, Inc. regularly releases dust and sand particles into the air. They take precautions to control these releases; however, air quality on a neighboring restaurant has become so poor, they are

unable to use their outdoor patio for customer dining on most days. The restaurant could sue Scott's Sandblasting for damages based on which of the following?

- A. Trespass.
- B. Nuisance.
- C. Negligence.
- D. Strict Liability.

A is correct. (Obj 1 – Type B).

This is an example of trespass. Examples of environmental claims for trespass include the release of dust or particulate matter into the air, the discharge of chemicals into a stream, the runoff of pesticides onto a neighbor's property, or thermal emissions into a river.

6. A government contractor was hired to dismantle a cache of nuclear warheads and dispose of the resulting radioactive materials. The contractor used the legally required level of care; however, some radioactive material was released into the surrounding area, resulting in the contamination of a nearby stream. The contractor could face claims for environmental liability based on which of the following?

- A. Negligence.
- B. Trespass.
- C. Nuisance.
- D. **Strict liability.**

D is correct. (Obj 1 – Type B).

When a company's operations use inherently hazardous materials or processes, the courts may impose strict liability, which eliminates the common law defenses generally available to the defendant in a negligence suit. No degree of care is considered to be adequate for ultra-hazardous materials or activities. Examples include nuclear materials, explosives, pesticides, highly toxic chemicals, and hazardous waste.

7. Which one of the following Acts regulates the chemical manufacturing industry?

- A. Clean Water Act.
- **B. Toxic Substance Control Act.**
- C. Motor Carrier Act of 1980.
- D. Oil Pollution Act of 1990.

B is correct. (Obj 2 – Type A).

A is incorrect. The purpose of the Clean Water Act is to improve the quality of surface waters by prohibiting or regulating the discharge of pollutants into navigable waters and restoring them to fishable or swimmable quality.

C is incorrect. The purpose of the Motor Carrier Act of 1980 is to protect the environment from releases of harmful materials during transportation of such materials by motor carriers in interstate or intrastate commerce.

D is incorrect. The purpose of the Oil Pollution Act of 1990 is to reduce the risk of spills of petroleum or hazardous materials into U.S. coastal or navigable waters by mandating technical standards and requiring proof of financial responsibility for facilities and vessels operating in or near such waters.

8. The MCS 90 Endorsement can be used to meet the requirements of which of the following?

- A. Clean Water Act.
- B. Clean Air Act.
- **C. Motor Carrier Act.**
- D. Toxic Substance Control Act.

C is correct. (Obj 2 – Type A).

The Motor Carrier Act of 1980 established minimum levels of financial responsibility for both carriers of hazardous materials. The MCS 90 Endorsement is attached to a commercial auto policy.

9. Which one of the following statements is correct regarding environmental statutes?

- A. The Resource Conservation and Recovery Act facilitates the cleanup of abandoned or uncontrolled sites containing hazardous waste.

- **B. The Toxic Substance Control Act regulates the chemical manufacturing industry and prevents manufacture of dangerous chemicals without adequate safeguards.**
- C. The Oil Pollution Act protects the environment from releases of hazardous materials during transportation of these materials by motor carriers.
- D. The Motor Carrier Act seeks to improve the quality of air by regulating emissions from sources of air pollution.

B is correct. (Obj 2 – Type A).

A is incorrect. The Resource Conservation and Recovery Act provides cradle-to-grave regulation of hazardous waste.

C is incorrect. The Oil Pollution Act imposes a requirement on vessel owners to pay for the costs of inadvertent discharges of hazardous materials into U.S. coastal waters.

D is incorrect. The Motor Carrier Act established minimum levels of financial responsibility for carriers of hazardous materials.

10. Which one of the following correctly summarizes the purpose of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)?

- A. To improve the quality of surface waters by prohibiting or regulating the discharge of pollutants into navigable waters and restoring them to fishable or swimmable quality.
- B. To regulate the chemical manufacturing industry and prevent the importation or manufacture of dangerous chemical substances without adequate safeguards.
- C. To provide "cradle-to-grave" regulation of hazardous waste.
- **D. To facilitate the cleanup of any abandoned or uncontrolled sites containing hazardous substances, and to impose strict liability on potentially responsible parties.**

D is correct. (Obj 2 – Type A).

A is incorrect. The purpose of the Clean Water Act is to improve the quality of surface waters by prohibiting or regulating the discharge of pollutants into navigable waters and restoring them to fishable or swimmable quality.

B is incorrect. The purpose of the Toxic Substance Control Act is to regulate the chemical manufacturing industry and prevent the importation or manufacture of dangerous chemical substances without adequate safeguards.

C is incorrect. The purpose of the Resource Conservation and Recovery Act (RCRA) is to provide "cradle-to-grave" regulation of hazardous waste. It imposes strict waste management requirements on generators and transporters of hazardous wastes and on hazardous waste treatment, storage, and disposal facilities. It also regulates underground storage tanks, medical wastes, and nonhazardous solid wastes. The act also includes proof of financial responsibility requirements for permit holders.

11. Which one of the following statements is correct regarding the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)?

- **A. Even bankrupt parties may incur liability under the Act.**
- B. It established minimum levels of financial responsibility for motor carriers.
- C. It describes anyone who enjoys an economic benefit from waste disposal activities as a third-party facilitator.
- D. It imposes vicarious liability on corporate polluters for the actions of their employees.

A is correct. (Obj 2 – Type A).

B is incorrect. The Motor Carrier Act of 1980 established minimum levels of financial responsibility for motor carriers.

C is incorrect. The Act describes anyone who enjoys an economic benefit from waste disposal activities as a potentially responsible party.

D is incorrect. The Act imposes strict liability on responsible parties.

12. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) indicates that all of the following would be considered a potentially responsible party (PRP), EXCEPT:

- **A. Property owners of property next to a Superfund site.**
- B. Transporters who hauled waste to the site.
- C. Anyone who arranged for the disposal of materials at the site.
- D. Prior owners of the site who may have been involved with the site during the disposal of hazardous materials.

A is correct. (Obj 2 – Type A).

Property owners of property next to a Superfund site would not be considered a PRP.

13. Superfund liability can best be described as:

- A. Strict and prospective; allocable.
- B. Vicarious and retroactive; joint and several.
- **C. Strict and retroactive; joint and several.**
- D. Vicarious and prospective; allocable.

C is correct. (Obj 2 – Type A).

Superfund liability can be characterized as follows:

Strict – imposed without regard to fault.

Retroactive – may be imposed even on parties that no longer own the property.

Joint and several – any liable party may be responsible for entire loss.

14. Orange Lines Trucking company ships chemical solvents across the Midwestern United States. They ask their insurance agent to tell them more about the MCS 90 endorsement. The insurance agent should tell them the endorsement:

- **A. Is essentially a surety bond.**
- B. Requires GPS tracking devices to be installed on the company's trucks.
- C. Will lower the premium if the trucking company mandates a risk management program, including mandatory drug screening of its drivers.
- D. Applies only to trucks that are less than 10 years old.

A is correct. (Obj 2 – Type B).

The MCS 90 Endorsement requires the insured to reimburse the insurer for any payments made that would not have been paid under the insurance policy without the endorsement. As a result, the endorsement is essentially a surety bond.

15. Identifying Environmental Loss Exposures has a three-step process that can be used as part of an effective environmental risk management strategy. Which of the following is the correct sequence of the below steps?

1. Identify the target populations of living entities that could be affected if the identified materials followed the potential routes.

2. Identify what materials are present, the quantities of those materials, and the potentially harmful properties of the materials at the locations in question.

3. Identify the potential routes those materials could take if they were released from or within the facility.

- A. 1, 2, 3.
- **B. 2, 3, 1.**
- C. 2, 1, 3.
- D. 3, 2, 1.

B is correct. (Obj 3 – Type A).

Identifying Environmental Loss Exposures has a three-step process that can be used as part of an effective environmental risk management strategy:

Identify what materials are present, the quantities of those materials, and the potentially harmful properties of the materials at the locations in question.

Identify the potential routes those materials could take if they were released from or within the facility. Air, groundwater, surface water, sewers, and air ducts are examples of routes that contaminants can follow.

Identify the target populations of living entities that could be affected if the identified materials followed the potential routes.

16. Which one of the following statements is correct regarding the management of environmental loss exposures?

- **A. It is important to quantify environmental loss exposures so an adequate reserve fund can be established.**
- B. Additional risk management options are available if the activity that created the loss exposure has already been conducted.
- C. Environmental liability claims may result from a perceived exposure.
- D. New technologies aid in eliminating potential loss exposures.

C is correct. (Obj 3 – Type A).

A is incorrect. Environmental loss exposures can be very severe and hard to quantify because the precise severity is difficult to determine.

B is incorrect. Fewer risk management options are available if the activity that created the loss exposure has already been conducted.

D is incorrect. Advances in technology can increase potential loss exposures as detection equipment is developed that can measure smaller quantities of contaminants.

17. Which one of the following statements is correct regarding environmental risk management?

- A. The best person to identify emerging environmental loss exposures in an organization is the organization's chief information officer.
- B. The rise in the incidence of mold-related environmental liability claims in the year 2000 has been directly linked to the enforcement of the Resource Conservation and Recovery Act.
- C. There is typically a noticeable cause-and-effect relationship between the exposure to a substance and actual injury that occurs.
- **D. A change in measuring technology could dramatically alter the costs of cleanup.**

D is correct. (Obj 3 – Type A).

A is incorrect. The best person to identify emerging environmental loss exposures in an organization is the organization's risk manager.

B is incorrect. The rise in the incidence of mold-related environmental liability claims in the year 2000 has been directly linked to scientific studies citing mold as a cause of bodily injury.

C is incorrect. Often, no cause-and-effect relationship is apparent between the exposure to a substance and resulting injury.

18. Stacey is the CFO of a fast-growing logistics company headquartered in California. She recently attended an industry trade show where one of the speakers spoke on environmental liability. Which of the following would be the best place for her start in attempting to identify potential environmental loss exposures of her company?

- **A. Chief Risk Officer.**
- B. Chief Legal Officer.
- C. Chief Executive Officer.
- D. Chief Operations Office.

A is correct. (Obj 3 – Type B).

The risk management officer of a company can develop methods and procedures to control the adverse effects of the loss exposure and develop strategies to finance losses.

19. Derek has recently joined Mira Bella Development Company as their Chief Risk Officer. Mira Bella is a developer for senior living communities in the Florida panhandle. Derek quickly identified several potential environment liability issues with one of the company's new communities. Which one of the following would be the best strategy for Derek to implement to control environmental losses?

- A. Avoid building new structures near water management districts.
- B. Instruct their insurance agent to add an MCS 90 endorsement to their policy.
- C. Put a contingency plan in place.
- **D. Join a Superfund group to reduce their risk.**

C is correct. (Obj 3 – Type B).

A is incorrect. Avoidance, while an ideal risk management strategy, is not practical. In this case, avoiding building near a water management district is impractical for a development company based in the Florida panhandle.

B is incorrect. An MCS 90 endorsement is essentially a surety bond and would increase the insured's potential risk exposure.

D is incorrect. Superfunds do not reduce risk. Superfund liability is strict, retroactive, as well as joint and several.

20. Which one of the following is a type of site-specific environmental insurance policy?

- A. Contractors pollution liability.
- B. Asbestos and lead abatement contractors general liability.
- C. Environmental professional errors and omissions liability.
- **D. Remediation stop-loss.**

D is correct. (Obj 4 – Type A).

A is incorrect. Contractors pollution liability policies are a type of operations-specific policy.

B is incorrect. Asbestos and lead abatement contractors general liability policies are a type of operations-specific policy.

C is incorrect. Environmental professional errors and omissions liability policies are a type of professional liability policy.

21. Which of the following are types of site-specific environmental insurance policies?

- **A. Underground storage tank (UST) compliance policies and remediation stop-loss policies.**
- B. Secured creditor policies and asbestos and lead abatement contractors general liability policies.
- C. Environmental professional errors and omissions liability policies and property transfer policies.
- D. CGL/EIL combination policies and CGL/CPL combination policies.

A is correct. (Obj 4 – Type A).

B is incorrect. Secured creditor policies are a type of site-specific policy; however, asbestos and lead abatement contractors general liability policies are a type of operations-specific policy.

C is incorrect. Property transfer policies are a type of site-specific policy; however, environmental professional errors and omissions liability policies are a type of professional liability policy.

D is incorrect. CGL/EIL combination policies are a type of site-specific policy; however, CGL/CPL combination policies are a type of operations-specific policy.

22. Which one of the following statements is correct regarding the difference of the claims-made trigger in a site-specific environmental impairment liability (EIL) policy versus other forms of claims-made insurance?

- **A. Site-specific EIL policies contain extended reporting period provisions.**
- B. Site specific EIL policies usually have a retroactive date.
- C. Site specific EIL policies can have multiple deductibles.
- D. Site specific EIL policies have multiple sub-limits for liability.

A is correct. (Obj 4 – Type A).

B is incorrect. Site-specific EIL policies often have no retroactive date.

C is incorrect. All claims arising from a pollution incident are treated as a single loss subject to one deductible.

D is incorrect. All claims arising from a pollution incident are treated as a single loss subject to one limit of liability.

23. Which one of the following statements is correct regarding a site-specific environmental impairment liability policy?

- A. It provides coverage on an occurrence basis.
- B. It typically only covers property damage, and not bodily injury.
- **C. It is typically subject to a per-loss limit of liability.**
- D. It contains a standard definition of the term "cleanup costs."

C is correct. (Obj 4 – Type A).

A is incorrect. A site-specific environmental impairment liability policy provides coverage on a claims-made basis.

B is incorrect. A site-specific environmental impairment liability policy covers bodily injury, property damage, cleanup costs, and defense expenses.

D is incorrect. Policies sold by different insurers may contain differing definitions of cleanup costs.

24. Which one of the following statements is correct regarding a site-specific environmental impairment liability policy?

- A. Damages resulting from acid rain, war, and terrorism are typically covered.
- **B. Losses are typically covered only if they arise from conditions beyond the policy site listed in the declarations.**
- C. Defense costs are typically excluded from coverage to lower the policy premiums.
- D. It is typically used to prove an owner's ability to pay claims resulting from the release of fuels from an underground storage tank.

B is correct. (Obj 4 – Type A).

A is incorrect. Damages resulting from acid rain, war, and terrorism are excluded from coverage.

C is incorrect. Defense costs are included in the coverage.

D is incorrect. An underground storage tank compliance policy is used to prove an owner's ability to pay claims resulting from the release of fuels from an underground storage tank.

25. Which one of the following statements is correct regarding the definition of pollutant in site-specific environmental impairment liability policies?

- A. It includes the term "hazardous waste."
- B. It includes the term "hazardous material."
- C. It addresses mold.
- **D. It follows the definition found in general liability and auto liability policies.**

D is correct. (Obj 4 – Type A).

A is incorrect. The definition of pollutants does not include the term "hazardous waste." The definition is much broader than hazardous waste.

B is incorrect. The definition of pollutants does not include the term "hazardous material." The definition is much broader than hazardous material.

C is incorrect. The definition of pollutant does not address a naturally occurring substance like mold.

26. Site-specific environmental impairment liability (EIL) policies contain an exclusion for which of the following?

- A. Bodily injury.
- B. Cleanup costs.
- C. Defense expenses.
- **D. Punitive damages.**

D is correct. (Obj 4 – Type A).

Site-specific environmental impairment liability policies obligates the insurer to pay, on behalf of the insured:

-Bodily injury.

-Property damage.

-Cleanup costs.

-Defense expenses.

Punitive damages are not covered.

27. Which one of the following policies would be most appropriate when a property is known to be contaminated, but the cost of cleanup is uncertain?

- A. Property transfer policy.
- B. CGL/CPL combination policy.
- **C. Remediation stop-loss policy.**
- D. Secured creditor policy.

C is correct. (Obj 4 – Type A).

A is incorrect. A property transfer policy is an insurance policy purchased in connection with a sale of property in order to transfer the potential pollutant cleanup liability and third-party damages to an insurer.

B is incorrect. A CGL/CPL combination policy combines a CGL policy with a claims-made or an occurrence-based CPL policy.

D is incorrect. A secured creditor policy in an insurance policy that protects a lender's security interest in property having environmental loss exposures that are not severe enough to require true EIL insurance.

28. Which one of the following environmental insurance policies would be most appropriate for an environmental services vendor concerned about liability relating to his or her services?

- A. Site-specific environmental impairment liability policy.
- **B. Contractors pollution liability policy.**
- C. Environmental professional E&O liability policy.
- D. Remediation stop-loss policy.

C is correct. (Obj 4 – Type A).

Environmental professional E&O liability policy covers a wide range of environmental services vendors facing liability from professional errors or omissions.

29. Which one of the following statements is correct regarding a contractors pollution liability (CPL) policy?

- A. Failure to accurately describe the insured operations in the application will automatically void coverage.
- **B. It excludes coverage for radioactive matter, unless an endorsement has been purchased.**
- C. It covers property damage and defense costs, but does not cover bodily injury.
- D. It provides coverage only on a claims-made basis.

B is correct. (Obj 4 – Type A).

A is incorrect. Failure to accurately describe the insured operations in the application may result in deficient coverage.

C is incorrect. CPL policies cover bodily injury, property damage, cleanup costs, and defense costs.

D is incorrect. Contractors pollution liability policies are available with an occurrence coverage or claims-made trigger.

30. Which one of the following statements is correct regarding environmental insurance?

- A. An underground storage tank compliance policy is typically sold to factories to provide protection against claims arising from pre-existing pollution.
- B. The named insured in a property transfer policy is narrowly defined so as to preclude coverage for the party purchasing the insured property.
- C. A CGL/EIL combination policy is purchased in connection with a sale of property in order to transfer the potential pollutant cleanup liability and third-party damages to an insurer.
- **D. Underground Storage Tank (UST) policies have a separate limit for defense costs, usually equal to 25% of the policy limit.**

D is correct. (Obj 4 – Type A).

A is incorrect. A site-specific environmental impairment liability policy is typically sold to factories to provide protection against claims arising from pre-existing pollution.

B is incorrect. Property transfer policies are usually assignable to subsequent owners of the insured property.

C is incorrect. A property transfer policy is purchased in connection with a sale of property in order to transfer the potential pollutant cleanup liability and third-party damages to an insurer.

31. Which one of the following statements is correct regarding environmental insurance policies?

- A. Remediation stop-loss policies are typically written on standardized forms and contain many exclusions.
- B. Underground storage tank compliance policies are used to insure actual clean-up costs that exceed the original projected costs.
- C. Contractors pollution liability policies are only available with an occurrence coverage trigger.
- **D. Environmental professional E&O liability policies are usually subject to a retroactive date and high deductible.**

D is correct. (Obj 4 – Type A).

A is incorrect. Remediation stop-loss policies are typically written as manuscript forms, without standard terms or conditions. In addition, these policies typically contain few exclusions.

B is incorrect. Remediation stop-loss policies are used to insure remediation costs that exceed the projected costs of performing an environmental cleanup of a specific location being sold.

C is incorrect. Contractors pollution liability policies are available with an occurrence coverage or claims-made trigger.

32. C&C Factories has a factory that is adjacent to a fuel storage facility. They are concerned about potential liability from any pollution that may occur from the underground storage tanks on the adjacent property. Which of the following would be the most appropriate policy to mitigate this loss exposure?

- A. Remediation stop-loss policy.
- B. Site-specific environmental impairment liability policy.
- C. Property transfer policy.
- **D. Underground storage tank (UST) compliance policies.**

B is correct. (Obj 4 – Type B).

A is incorrect. A remediation stop-loss policy is an insurance policy purchased to insure remediation costs that exceed the projected or anticipated costs of performing an environmental cleanup of a specific location that is being sold.

C is incorrect. A property transfer policy is an insurance policy purchased in connection with a sale of property in order to transfer the potential pollutant cleanup liability and third-party damages to an insurer.

D is incorrect. Underground storage tank (UST) compliance policies are used to provide proof of financial responsibility under governmental regulations that apply to the owners and operators of underground storage tanks containing fuels or other hazardous materials.

33. ABC Company is considering the purchase of a large tract of land in Texas. ABC Company has been made aware of the need for some environmental clean-up of the property after the purchase. The cost of the clean-up is unknown and cannot be precisely estimated at this time. Which of the following policies would be most appropriate for ABC Company to purchase to cover clean-up costs in excess of preliminary estimates?

- A. Contractors pollution liability policy.
- B. Excess liability policy.
- C. Site-specific environmental impairment liability policy.
- **D. Remediation stop-loss policy.**

D is correct. (Obj 4 – Type B).

A remediation stop-loss policy is used to insure remediation costs that exceed the projected costs of performing an environmental cleanup of a specific location being sold.