

Your answers are shown below:

**1. The Insurance Services Offices, Inc. (ISO) form that provides coverage to meet the unique needs of auto dealers in a single coverage form is the:**

- A. Auto Dealers Coverage Form.
- B. Business Auto Coverage Form.
- C. Commercial General Liability Coverage Form.
- D. Auto Hazards Coverage Form.

**A is correct. (Obj 1 – Type A).**

The ISO coverage form designed to meet the insurance needs of auto dealers is the Auto Dealers Coverage Form.

**2. Under the customer limitation provision of the ISO Auto Dealers Coverage Form, customers may qualify as insureds while driving the auto dealer's covered autos if they:**

- A. Only drive the replacement auto within a 100-mile radius.
- B. Do not have another vehicle available to them on a regular basis.
- C. Will be using the replacement vehicle for less than three days.
- D. Have insurance that is less than the compulsory state limits.

**D is correct. (Obj 1 – Type A).**

The Customer Limitation provision excludes customers from insured status unless they have no other insurance, or their insurance is less than the compulsory law limits for the state.

**3. For an auto dealer to be covered for damage to a customer's auto that occurs while the auto is in the dealer's custody, or control, the dealer should obtain:**

- A. Garagekeepers Coverage.
- B. Overnight Coverage.
- C. Auto Service Coverage.
- D. Custodial Coverage.

**A is correct. (Obj 1 – Type A).**

Under Garagekeepers Coverage, the insurer will pay for damages to a customer's auto left in the insured's care.

**4. Which one of the following represents a type of coverage under the Auto Dealers Coverage Form (ADCF) that is not provided under the Business Auto Coverage Form (BACF)?**

- A. Physical damage coverage for dealers' autos.
- B. Owned Private Passenger Autos Only.
- C. Hired Autos Only.
- D. Owned Autos Subject to No-Fault.

**A is correct. (Obj 1 – Type A).**

B is incorrect. Owned Private Passenger Autos Only coverage exists in both the ADCF and the BACF.

C is incorrect. Hired Autos Only coverage exists in both the ADCF and the BACF.

D is incorrect. Owned Autos Subject to No-Fault coverage exists in both the ADCF and the BACF.

**5. Which one of the following represents an exclusion under the Auto Dealers Coverage Form (ADCF) that is not contained in the Business Auto Coverage Form (BACF)?**

- A. Completed operations.
- B. Defective products.
- C. Racing.
- D. Workers' compensation.

**B is correct. (Obj 1 – Type A).**

The following exclusions appear in the ADCF but do not appear in the BACF:

-Defective products.

- Leased autos.
- Work you performed.
- Products recall.
- Damage to impaired property.

**6. Garagekeepers Direct Coverage options modify Garagekeepers Coverage so that coverage will apply:**

- A. Regardless of whether the insured is legally liable for a loss.
- B. Only if the insured is not found liable for a loss.
- C. Retroactively.
- D. Even if the auto is not in the insured's care at the time of the damage.

**A is correct. (Obj 1 – Type A).**

Garagekeepers Direct Coverage options modify Garagekeepers Coverage so that it will apply regardless of whether the insured is legally liable for a loss.

**7. Which one of the following statements is correct regarding physical damage coverage under the Auto Dealers Coverage Form (ACDF)?**

- A. Collision coverage is subject to a maximum deductible for all loss in any one event.
- B. Under the reporting approach, reports of auto values serve as the basis for determining coverage limits.
- C. The nonreporting approach causes problems for dealers whose inventory values fluctuate significantly during the policy period.
- D. Coverage is typically arranged by adding symbol 21 in Item Two of the policy declarations.

**C is correct. (Obj 1 – Type A).**

A is incorrect. Collision coverage is subject to a per auto deductible.

B is incorrect. Under the reporting approach, reports of auto values serve as the basis for charging premiums.

D is incorrect. Coverage is typically arranged by adding symbol 31 in Item Two of the policy declarations.

**8. The Auto Dealers Coverage Form physical damage exclusions include all of the physical damage exclusions under the BACF, as well as an exclusion for:**

- A. Electronic equipment.
- B. Autos Leased or Rented to Others.
- C. Uninsured and Underinsured Drivers.
- D. Earthquake.

**B is correct. (Obj 1 – Type A).**

A is incorrect. The electronic equipment exclusion is not unique to the ADCF, as this is also an exclusion under the BACF.

C is incorrect. There is no Uninsured and Underinsured Driver Exclusion under the ADCF.

1 Is incorrect. Earthquake is not an exclusion under the ADCF or BACF.

**9. Susie left her car at the dealership for service. While her car was being brought around for her to pick it up, an employee drove too close to the garage wall and knocked off one of the auto's side-view mirrors. The dealership agrees to repair the damage. Which coverage will apply to this claim?**

- A. Auto Dealers General Liability Coverage.
- B. Physical Damage Coverage.
- C. Garagekeepers Coverage.
- D. Covered Autos Liability Coverage.

**C is correct. (Obj 1 – Type B).**

Under Garagekeepers Coverage, the insurer will pay for damages to a customer's auto left in the insured's care.

**10. A dealership located in Tornado Alley wants to be covered in the event that customers' autos left in their care are damaged by overnight hailstorms. What type of coverage would the dealership need to cover their customers' autos in that event?**

- A. Covered Autos Liability Coverage.
- B. Garagekeepers Coverage only.

- C. Garagekeepers coverage with one of the Garagekeepers Direct Coverage options.
- D. Physical Damage Coverage.

**C is correct. (Obj 1 – Type B).**

The dealership would need Garagekeepers Coverage to cover the autos in their care, as well as one of the Garagekeepers Direct Coverage options so that the insurer will pay for damage to the customers' autos when the insured is not legally liable.

**11. The Auto Dealers Coverage Form (ADCF) for Abe's Auto Dealership includes the following coverage limits:**

**Garagekeepers Comprehensive Coverage (Symbol 30) – \$500,000 limit – \$500 deductible/\$1,500 maximum each event**

**Comprehensive Physical Damage Coverage (Symbol 31) – \$10,000,000 limit – \$1,000 deductible/\$5,000 maximum each event**

A severe storm damaged 30 of the dealer's autos. Each damaged auto suffered \$1,000 in damage due to the storm, for a total of \$30,000 in damage. In the dealer's most recent report, the reported values of covered autos were correct, but have since increased by \$250,000. What damages would the insurer pay to Abe's Auto Dealership?

- A. \$0.
- B. \$25,000.
- C. \$28,500.
- D. \$30,000.

**B is correct. (Obj 1 – Type B).**

The Comprehensive Physical Damage Coverage would cover the loss. The maximum deductible of \$5,000 would apply because 30 vehicles were involved. There is no penalty under the full reporting clause if the reported value of covered autos matches the actual value on the date of the dealer's last report. Since the autos belong to the auto dealer and not to its customers, the Garagekeepers Coverage does not apply.

Therefore, the covered loss would be \$30,000 - \$5,000 = \$25,000.

**12. Gerald's car was being stored at Abe's Auto Dealership when it was damaged by a hailstorm. Gerald did not have any auto physical damage coverage for his car. The damage cost \$1,550 to repair. Abe's Auto Dealership had an Auto Dealers Coverage Form (ADCF) with Garagekeepers Coverage provided on a direct excess basis with a \$500 deductible. How much will the ADCF pay with respect to the loss?**

- A. \$0.
- B. \$500.
- C. \$1,050.
- D. \$1,550.

**C is correct. (Obj 1 – Type B).**

Garagekeepers Coverage under the ADCF covers damage to customers' autos in the care, custody, or control of a covered auto dealer. The direct coverage option causes the ADCF to apply regardless of whether the insured is legally liable for a loss. Excess coverage applies on an excess basis over any other collectible insurance. Since Gerald did not have any physical damage coverage for his car, the ADCF will pay the full amount of the loss, less the deductible.

**13. Super Autos has a standard Auto Dealers Coverage Form (ADCF) policy with the following coverages:**

**Liability limits – \$1,000,000.**

**Direct Primary Garagekeepers Coverage (Symbol 30) – \$50,000 limit – \$500 deductible.**

**Comprehensive Physical Damage Coverage (Symbol 31) – no coverage.**

A mechanic in the dealership's shop caused \$1,500 in damage to a customer's car, and two days later, a storm caused \$20,000 damage to the 20 dealer's cars on the lot. What amount would be paid by the ADCF?

- A. \$1,000.
- B. \$1,500.
- C. \$21,000.
- D. \$21,500.

**A is correct. (Obj 1 – Type B).**

The damage caused to a customer's car by a mechanic employed by the dealership is covered under the Garagekeepers Coverage, so the policy will pay for the \$1,500 damage minus the deductible of \$500, for a total of \$1,000. The storm damage is not covered because the dealership does not have physical damage coverage for its autos.

**14. Johnny's Autos has an Auto Dealers Coverage Form (ADCF). The Physical Damage Coverage section is written on a monthly basis. Following a severe storm on May 9, Johnny's Autos reported \$150,000 worth of damage to the autos in its inventory. In the process of reviewing the dealership's claim, the insurer discovered the actual inventory of the dealership was underreported in the most recent report at the end of April. The dealership reported \$4,000,000 in inventory, but the actual inventory at the time of the report was \$6,000,000. Ignoring deductibles, how much of the dealer's claim will be covered by the insurer?**

- A. \$0.
- B. \$150,000.
- C. \$50,000.
- D. \$100,000.

**D is correct. (Obj 1 – Type B).**

The physical damage coverage includes a full reporting clause that states if, on the date of the dealer's last report, the actual value of covered autos exceeds the reported value, the insurer will pay only the proportion of the loss that the reported value bears to the actual value. Because the reported value was 2/3 of the actual value of the covered autos at the time of the most recent report, the insurer will pay 2/3 of \$150,000, which is \$100,000.

**15. Lakeside Jet-Ski Sales and Repair has an Auto Dealers Coverage Form with the following coverages:**

- Garagekeepers Comprehensive Coverage (Symbol 30) – \$250,000 limit; deductible – \$250 per vehicle/\$1,000 maximum per event.
- Physical Damage Coverage (Symbol 31) – \$10,000,000 limit; deductible – \$1,000 per vehicle/\$5,000 maximum per event.

**During a severe wind storm, watercraft belonging to customers, as well as those belonging to the dealer, were damaged.**

**Seven customers' watercraft sustained a total of \$5,000 in damage, and 12 of the dealer's watercraft for sale sustained a total of \$100,000 in damage. How much will the insurer pay for this loss?**

- A. \$4,000.
- B. \$95,000.
- C. \$99,000.
- D. \$105,000.

**C is correct. (Obj 1 – Type B).**

The total paid by the insurer would be \$99,000. Garagekeepers Coverage would cover the damage to the customers' autos minus the maximum \$1,000 deductible. Physical Damage Coverage would cover the dealership's autos at \$100,000 minus the maximum deductible of \$5,000. Because the per vehicle deductible in both cases is larger than the maximum, the maximum per event deductible would apply.

$$\text{Garagekeepers coverage} = \$5,000 - \$1,000 = \$4,000$$

$$\text{Physical Damage coverage} = \$100,000 - \$5,000 = \$95,000$$

$$\text{Total coverage} = \$4,000 + \$95,000 = \$99,000$$

**16. Martha left her car to be worked on at a franchised auto dealership. The dealership has an Auto Dealers Coverage Form which includes Garagekeepers Collision Coverage (subject to a \$1,000 deductible) and Garagekeepers Comprehensive Coverage (subject to a \$500 deductible). The policy does not include either of the direct coverage options. A mechanic at the dealership caused \$3,000 in damage to Martha's car by hitting a post when he was moving into a parking space. Martha does not have Physical Damage Coverage for her car with her own insurance policy. What is the net amount that the dealership's insurer will pay for the dealership's claim for damage to Martha's car?**

- A. \$0.
- B. \$2,000.
- C. \$2,500.
- D. \$3,000.

**B is correct. (Obj 1 – Type B).**

The claim would be covered under the dealership's Garagekeepers Collision Coverage, which has a deductible of \$1,000. Therefore, the insurer will pay for the loss of \$3,000 minus the deductible, which comes to \$2,000.

**17. Section II of the Auto Dealers Coverage Form (ADCF) would provide coverage for:**

- A. Expenses related to autos recalled due to faulty transmissions.
- B. Losses resulting from hail damage to new autos on the dealer's lot.
- C. Damage to a customer's auto occurring after it hit a tree as a result of improper brake repair by the dealer.
- D. Pollution losses resulting from the improper disposal of fluids used in servicing autos.

**C is correct. (Obj 2 – Type A).**

A is incorrect. Products recall is an exclusion under Section II.

B is incorrect. Hail damage is excluded from coverage.

D is incorrect. Pollution is an exclusion under Section II.

**18. Which one of the following statements is correct regarding Section II Medical Payments coverage under the Auto Dealers Coverage Form?**

- A. It will provide coverage for medical expenses only if the insured is at fault.
- B. Workers' compensation claims will be covered automatically if losses are less than \$5,000.
- C. First aid, dental, and ambulance costs are covered.
- D. The medical expenses must be reported to the insurer within three months of the accident.

**C is correct. (Obj 2 – Type A).**

A is incorrect. Medical payments coverage allows payment for minor medical expenses regardless of whether the insured is at fault.

B is incorrect. Injuries covered by workers' compensation are excluded.

D is incorrect. The medical expenses must be reported to the insurer within one year of the accident.

**19. Which coverage under the Auto Dealers Coverage Form would apply if an auto is damaged in an accident due to faulty repair work performed at a covered dealership?**

- A. General Liability.
- B. Acts, Errors or Omissions Liability Coverage.
- C. Physical Damage Coverage.
- D. Dealers Driveaway Collision Coverage.

**A is correct. (Obj 2 – Type A).**

The claim would be paid under Section II—General Liability Coverage of the ADCF.

**20. Damage that an insured must legally pay for their failure to comply with federal regulations regarding the disclosure of credit terms in connection with the sale of an auto would be covered under:**

- A. General Liability Coverage.
- B. Physical Damage Coverage.
- C. False Pretense Coverage.
- D. Acts, Errors or Omissions Liability Coverages.

**D is correct. (Obj 2 – Type A).**

A is incorrect. General Liability Coverages include bodily injury and property damage liability, personal and advertising injury liability, and locations and operations medical payments.

B is incorrect. Physical Damage Coverage is similar to the physical damage section of the BACF.

C is incorrect. False Pretense Coverage is an endorsement that eliminates the False Pretense Exclusion.

**21. Which one of the following would be covered Under Section III—Acts, Errors or Omissions Liability Coverage of the Auto Dealers Coverage Form (ADCF)?**

- A. Damages arising directly out of any act that violates a person's civil rights.
- B. An alleged error resulting from a defect in title in connection with the sale of an auto.

- C. Intentional criminal acts personally committed by an insured.
- D. Damages related to false advertising.

**B is correct. (Obj 2 – Type A).**

A is incorrect. Damages arising directly or indirectly out of any act, error, or omission that violates a person's civil rights is excluded under the Acts, Errors or Omissions Liability Coverage.

C is incorrect. The coverages under Section III exclude criminal, fraudulent, malicious, dishonest, or intentional acts by an insured.

D is incorrect. Coverage under Section II and Section III excludes the failure of goods to conform to statements about their quality.

**22. An auto is left at a dealer for brake service. As the customer drives the auto away after the service, the brakes fail due to improper repair, resulting in damage to the auto's front bumper after the auto struck a tree. The dealer is covered under an Auto Dealers Coverage Form (ADCF). Coverage will be provided under the policy:**

- A. For the costs of repairing both the brakes and the bumper.
- B. Only for the cost of repairing the brakes.
- C. Only for the cost of repairing the bumper.
- D. For neither damage to the bumper nor the cost of repairing the brakes.

**C is correct. (Obj 2 – Type B).**

Under the bodily injury and property damage liability portion of Section II, the exclusion for defective products and work performed apply only to the defective part or work itself, not to damage caused as a result of the work.

**23. Ashley sees an advertisement from a dealer for a used car with 48,000 miles on the odometer. The advertisement claims the car is in great condition. After visiting the dealership, Ashley decides to go ahead and purchase the car. Less than a week later, the car's starter and timing belt both fail. Ashley's attorney discovers from the Department of Motor Vehicles that the vehicle's actual mileage is close to 125,000. Ashley files a lawsuit claiming that the vehicle's condition was falsely advertised and that the dealership failed to accurately report the auto's odometer mileage. Under the dealership's Auto Dealers Coverage Form (ADCF), what would be covered for this claim?**

- A. Both the false advertising description and the failure to disclose accurate odometer mileage.
- B. Neither the false advertising description nor the failure to disclose accurate odometer mileage.
- C. Only the false advertising description.
- D. Only the failure to disclose accurate odometer mileage.

**D is correct. (Obj 2 – Type B).**

Only the odometer claim would be covered. Acts, Errors or Omissions Liability Coverage provides coverage for damages relating to an insured's failure to comply with any local, state, or federal law or regulation regarding disclosure of accurate odometer mileage to consumers. False advertising is not covered.

**24. A technician employed by an auto dealer is injured when she drops a heavy tool, breaking her foot. She must go to the emergency room for an X-ray, and is unable to work for several days. The dealer has coverage under an Auto Dealers Coverage Form (ADCF). However, the employee is not covered under Medical Payments coverage because:**

- A. Covered medical expenses do not include X-rays or hospital services.
- B. Injuries to an employee of the insured are excluded under the medical payments coverage.
- C. Medical payments coverage only applies when the insured is at fault.
- D. Medical expenses related to bodily injury caused by an accident are not covered.

**B is correct. (Obj 2 – Type B).**

Exclusions to the medical payments coverage eliminate coverage for any person hired to perform work for any insured.

A is incorrect. Covered medical expenses under the medical payments coverage include X-rays and hospital services.

C is incorrect. Medical payments coverage applies regardless of whether the insured was at fault.

D is incorrect. Section II of the ADCF provides medical payments coverage for medical expenses related to bodily injury caused by an accident on the auto dealer's premises and resulting from the insured's auto dealer operations.

**25. A customer is filing a lawsuit against a dealer because the advertised price and interest rate were not made available to him when he purchased his truck from them. The suit alleges false advertisement and failure to comply with the Truth in Lending act. Which of these claims could be covered under the Auto Dealers Coverage Form (ADCF)?**

- A. Failure to comply with the Truth in Lending Act.
- B. Both failure to comply with the Truth in Lending Act and false advertising.
- C. False advertising only.
- D. Neither failure to comply with the Truth in Lending Act nor false advertising.

**A is correct. (Obj 2 – Type B).**

Section III excludes false advertising, but does cover an insured's failure to apply with any local, state, or federal regulation regarding the disclosure of credit or lease terms in connection with sale or lease of an auto.

**26. Harriet was interested in buying a used car from Alvin's Autos. The car was advertised as being in mint condition and priced at \$10,000. After seeing the car, Harriet was informed by Alvin that the price was actually \$15,000. Harriet decided to go ahead and purchase the car. Two weeks later, Harriet discovered that the car's timing belt was loose and the car needed a new clutch. She filed a lawsuit against Alvin's Autos. Will the claim be covered under Alvin's Auto Dealers Coverage Form (ADCF)?**

- A. The mechanical problems will be covered, but the wrong description of price will not.
- B. Neither the wrong description of price nor the mechanical problems will be covered.
- C. The wrong description of price will be covered, but the mechanical problems will not.
- D. Both the wrong description of price and the mechanical problems will be covered.

**B is correct. (Obj 2 – Type B).**

The insuring agreement in the ADCF includes two exclusions for advertising injury liability:

- Advertising injury resulting from the goods failing to conform with any statement of quality.
- Advertising injury resulting from an incorrect statement of prices.

**27. A named insured acquired an auto from a seller that did not have legal title to the auto at the time of the sale. Losses resulting from this circumstance would be covered if the insured purchased which endorsement to an Auto Dealers Coverage Form (ADCF)?**

- A. Broad Form Products Coverage.
- B. Dealers Driveaway Collision Coverage.
- C. False Pretense Coverage.
- D. Customer Complaint Legal Defense Coverage.

**C is correct. (Obj 3 – Type A).**

The False Pretense endorsement states that the insurer will pay for loss of any covered auto if the named insured acquires an auto from a seller who did not have legal title.

**28. A patron took a vehicle off the dealer's lot for a test drive, but the patron failed to return the vehicle. Losses resulting from this circumstance would be covered if the insured purchased which endorsement to an Auto Dealers Coverage Form (ADCF)?**

- A. Broad Form Products Coverage.
- B. Dealers Driveaway Collision Coverage.
- C. False Pretense Coverage.
- D. Customer Complaint Legal Defense Coverage.

**C is correct. (Obj 3 – Type A).**

The False Pretense Coverage endorsement indicates the insurer will pay for losses when someone causes the dealer to voluntarily part with the auto by false pretenses.

**29. In order to determine the premiums for the Dealers Driveaway Collision Coverage endorsement under the ADCF, dealers are required to submit a monthly or quarterly report of values. To encourage accurate reporting, the endorsement includes:**

- A. A clause stating that reported values can increase the limit in the declarations.
- B. A false reporting exclusion.
- C. A full reporting clause.
- D. A nonreporting approach option.

**C is correct. (Obj 3 – Type A).**

The Dealers Driveaway Collision Coverage endorsement contains a full reporting clause similar to the clause that applies to the dealer's physical damage reporting provisions.

**30. Which one of the following statements is correct regarding the Broad Form Products Coverage endorsement under the Auto Dealers Coverage Form (ADCF)?**

- A. This approach is unavailable through standard endorsements to the Commercial General Liability (CGL) coverage form.
- B. It excludes coverage for any loss that results from the failure of a bank to pay funds for any reason.
- C. Insurers often agree to provide this endorsement to auto dealers because an insurer is rarely able to obtain a subrogation recovery for defective products from the manufacturer.
- D. It can be used to delete the Work You Performed exclusion normally contained in the policy.

**A is correct. (Obj 3 – Type A).**

B is incorrect. The False Pretense coverage endorsement excludes coverage for any loss that results from the failure of a bank to pay funds for any reason.

C is incorrect. Insurers often agree to provide this endorsement because many auto parts sold or supplied by dealers are inexpensive and fall within the \$500 deductible.

D is incorrect. The Broad Form Products Coverage endorsement can be used to delete the Defective Products exclusion.

**31. Which of the following statements is correct regarding the Customer Complaint Legal Defense Coverage endorsement under the Auto Dealers Coverage Form (ADCF)?**

- A. Coverage is not subject to the limits of insurance shown in the declarations.
- B. It covers damages awarded to a customer as a result of a complaint or suit against a dealer.
- C. In order for a claim to be covered, it must be made within 90 days of the customer complaint occurring.
- D. **Coverage provided is excess over any other collectible insurance covering defense expenses for customer complaints.**

**D is correct. (Obj 3 – Type A).**

A is incorrect. Coverage for legal defense expenses is subject to the limits of insurance shown in the declarations. There is a per-customer-complaint legal defense limit and a customer complaint legal defense aggregate limit.

B is incorrect. The Customer Complaint and Legal Defense Coverage endorsement provides coverage for complaints or suits related to the sale, service, or repair of an auto that occurred in the operations of the named insured. This endorsement does not provide coverage for damages or awards.

C is incorrect. For a claim to be covered under the Customer Complaint Legal Defense Coverage endorsement, the claim must be made within the policy period. An extension of up to 30 days after the end of the policy period will be provided if there is no subsequent coverage available.

**32. Which one of the following represents an endorsement that covers an auto dealer for collision damage to any covered auto while being transported from a point of purchase to its destination if such points are more than 50 miles apart?**

- A. Broad Form Products Coverage endorsement.
- B. Customer Complaint Legal Defense Coverage endorsement.
- C. **Dealers Driveaway Collision Coverage endorsement.**
- D. False Pretense Coverage endorsement.

**C is correct. (Obj 3 – Type A).**

The Dealers Driveaway Collision Coverage endorsement deletes the driveaway collision exclusion from the physical damage section of the ADCF.

A is incorrect. The Broad Form Products Coverage endorsement deletes the defective products exclusion in the ADCF.

B is incorrect. The Customer Complaint Legal Defense Coverage endorsement adds coverage for legal defense costs related to complaints or lawsuits filed by an auto dealer's customers.

D is incorrect. The False Pretense Coverage endorsement deletes the false pretense exclusion in the ADCF.

**33. Sunshine Auto Sales accepts a trade-in from a customer buying a truck. The auto dealer later discovers that the customer did not have legal title to the trade-in auto. Which of the following endorsements would provide the auto dealer with coverage for this loss?**

- A. Customer Complaint Legal Defense Coverage endorsement.
- **B. False Pretense Coverage endorsement.**
- C. Broad Forms Coverage endorsement.
- D. Dealers Driveaway Collision Coverage endorsement.

**B is correct. (Obj 3 – Type B).**

The False Pretense Coverage endorsement provides coverage for losses when the named insured acquires an auto from a seller who did not have legal title.

A is incorrect. The Customer Complaint Legal Defense Coverage endorsement provides coverage for legal defense costs related to complaints or lawsuits filed by an auto dealer's customers.

C is incorrect. The Broad Forms Coverage endorsement provides coverage for losses related to defective products.

D is incorrect. The Dealers Driveaway Collision Coverage endorsement provides coverage for collision damage while an auto is being driven or transported from a point of purchase or distribution to its destination if such points are more than 50 road miles apart.

**34. Harold's Used Auto Sales sold a vehicle to Aaron for \$8,500. The dealer accepted a check from Aaron as payment, but the check was returned by the bank because Aaron didn't have enough money in his account to cover the amount. Will this be covered under the dealer's False Pretense Coverage endorsement?**

- A. Yes, the False Pretense Coverage endorsement would cover this claim.
- **B. No, this claim would not be covered because the endorsement excludes losses that result from the failure of a bank to pay funds.**
- C. No, this claim would not be covered because the dealer was tricked into parting with an auto by false pretenses.
- D. No, this claim would not be covered because the seller did not have legal title to the auto after the sale.

**B is correct. (Obj 3 – Type B).**

The False Pretense Coverage endorsement excludes any loss that results from the failure of a bank or another drawee to pay funds for any reason.

**35. Alice brought her truck into the dealer for a repair that is covered under the vehicle's warranty agreement. When the work was completed, Alice claimed that the repair work damaged the truck's leather seats. She filed a lawsuit against the dealer. Will the dealer's defense expenses be covered under the dealer's Customer Complaint Legal Defense Coverage endorsement to their Auto Dealers Coverage Form (ADCF)?**

- A. Yes, this will be covered as all defense costs relating to customer complaints are covered.
- B. No, because only damages awarded to a plaintiff are covered under the endorsement.
- C. No, because the endorsement excludes defense expenses for complaints arising from warranty obligations.
- D. Yes, provided the dealer can prove Alice's claim is false.

**C is correct. (Obj 3 – Type B).**

The Customer Complaint Legal Defense Coverage endorsement excludes defense expenses incurred as a result of customer complaints arising out of any obligation under a warranty agreement.

**36. Axis Autos has an Auto Dealers Coverage Form. Because the dealership is in a rural area, it offers a service where the dealership delivers autos to its customers if they are within a delivery zone extending as far as 200 miles from the lot. Axis can provide physical damage protection when the cars are being transported to customers by adding a:**

- A. Dealers Driveaway Collision Coverage endorsement.
- B. Legal Liability Coverage endorsement.
- C. Symbol 31 Physical Damage endorsement.
- D. Broad Form Products Coverage endorsement.

**A is correct. (Obj 3 – Type B).**

The Dealers Driveaway Collision Coverage endorsement modifies the Auto Dealers Coverage Form by deleting the Driveaway Collision Exclusion. With the endorsement, an auto dealer will be covered for collision damage to any covered auto while being driven or transported from the point of purchase or distribution to its destination if such points are more than 50 road miles apart.

**37. Gary is buying a car from a dealership that has purchased an Auto Dealers Coverage Form (ADCF) with a False Pretense Coverage endorsement. He trades in two vehicles worth a total of \$35,000, and drives away with a new car worth \$48,000. The dealership discovers two days later that Gary did not have legal title to either of the trade-in vehicles. The dealership therefore cannot sell the two vehicles. How much will the ADCF pay toward the loss?**

- A. \$0.
- B. \$13,000.
- C. \$25,000.
- D. \$35,000.

**C is correct. (Obj 3 – Type B).**

The limit for False Pretense Coverage is \$25,000 per loss caused by any one person. Therefore, the insurer would pay \$25,000 toward this loss.

**38. An auto dealer has an unendorsed Auto Dealers Coverage Form (ADCF) policy with a \$2,500 deductible for physical damage coverage. The dealer sells a vehicle and agrees to deliver it to the customer 150 miles away. While in transit, the auto sustains \$5,500 in damage from a collision. How much would the ADCF pay with respect to the loss?**

- A. \$0.
- B. \$2,500.
- C. \$3,000.
- D. \$5,500.

**A is correct. (Obj 3 – Type B).**

Physical Damage Coverage under the ADCF includes a driveaway collision exclusion, which excludes collision damage to any auto while being driven from a point of purchase to its destination if the two points are more than 50 miles apart.

**39. Because motor carriers require alternate coverage for exposure to loss not covered by the Business Auto Coverage Form, ISO developed the:**

- A. Motor Carrier Coverage Form.
- B. Auto Dealers Coverage Form.
- C. Truckers Coverage Form.
- D. Owner-Operator Coverage Endorsement.

**A is correct. (Obj 5 – Type A).**

The Motor Carrier Coverage Form (MCCF) was developed by the ISO for insuring motor carriers.

B is incorrect. The Auto Dealers Coverage Form (ADCF) was developed for insuring auto dealers.

C is incorrect. The Truckers Coverage Form was withdrawn and replaced by the Motor Carrier Coverage Form because of changes in motor carrier regulation.

D is incorrect. The Motor Carrier Coverage Form automatically covers owners and lessors of autos hired by the named insured.

**40. Which one of the following statements is correct regarding motor carriers?**

- A. Motor carriers seldom utilize independent contractors to perform hauling operations due to liability issues.
- B. A motor carrier is defined as any person or organization that uses autos to transport their own property.
- C. Owner-operators typically furnish their own trailers to haul cargo using tractors provided by the motor carrier.
- D. **The Motor Carrier Coverage Form automatically covers owners and lessors of autos hired by the insured.**

**D is correct. (Obj 5 – Type A).**

A is incorrect. Motor carriers frequently use independent contractors to do some or all of their hauling.

B is incorrect. A motor carrier is defined as any person or company that provides transportation by auto in the furtherance of a commercial enterprise.

C is incorrect. Owner-operators provide their own truck-tractors to haul cargo in trailers that are often owned by the motor carrier.

**41. Which one of the following statements is correct regarding the Motor Carrier Coverage Form?**

- A. It can be modified to provide coverage for the transport of hazardous cargo by adding a pollution endorsement.
- B. It differs from the Business Auto Coverage Form in terms of Trailer interchange coverage.
- C. It does not provide coverage for losses incurred when the insured is transporting their own property.
- D. **It covers damage to borrowed trailers in the carrier's care, custody, or control.**

**B is correct. (Obj 5 – Type A).**

A is incorrect. The Motor Carrier Coverage form can be modified to provide coverage for the transport of hazardous cargo by adding the MCS go endorsement.

C is incorrect. Under the Motor Carrier Coverage form, a motor carrier includes companies that use autos to transport their own property.

D is incorrect. The Motor Carrier Coverage form generally excludes coverage for damage to borrowed trailers in the carrier's care, custody, or control.

**42. A contract between two motor carriers in which both agree to swap trailers and to indemnify each other for any damage that occurs to the other's trailer while it is in the possession of the borrowing motor carrier is called a(n):**

- A. Owner-operator contract.
- B. MCS go endorsement.
- C. **Trailer interchange agreement.**
- D. Motor Carrier Coverage Form.

**C is correct. (Obj 5 – Type A).**

A is incorrect. Owner-operators are individuals who lease themselves and their owned trucks to motor carriers to transport property for the motor carrier.

B is incorrect. The MCS go endorsement is the commercial auto endorsement under which the insurer agrees to pay damages that the insured becomes legally obligated to pay for liability resulting from negligence in the operation, maintenance, or use of any motor vehicle subject to the Motor Carrier Act of 1980.

D is incorrect. The Motor Carrier Coverage Form is the coverage form that can be used to insure a person or an organization providing transportation by auto in the furtherance of a commercial enterprise.

**43. Which one of the following represents a difference between the Motor Carrier Coverage Form (MCCF) and the Business Auto Coverage Form (BACF)?**

- A. The BACF provides liability and property damage coverage, while the MCCF only provides liability coverage.
- B. The BACF contains a trailer interchange exclusion that is not found in the MCCF.
- C. **The MCCF automatically covers owners and lessors of autos hired by the insured, while this is not the case with the BACF.**
- D. The MCS go endorsement is available for the BACF, but is not available for the MCCF.

**C is correct. (Obj 5 – Type A).**

A is incorrect. The MCCF also provides coverage for property damage.

B is incorrect. The MCCF contains the trailer interchange exclusion.

D is incorrect. The MCS go endorsement is only available for the BACF.

**44. The MCS go endorsement can be added to the Motor Carrier Coverage Form to provide coverage for which of the following?**

- A. Liability for damage to trailers in its possession.
- B. The use of owner-operators to operate the vehicles of motor carriers.
- C. **Transport of hazardous cargo.**
- D. Uninsured and Underinsured Motorists.

**C is correct. (Obj 5 – Type A).**

A is incorrect. The MCCF also provides coverage for property damage.

B is incorrect. The MCCF contains the trailer interchange exclusion.

D is incorrect. The MCS 90 endorsement is only available for the MCF.

**45. The Motor Carrier Act of 1980 requires that certain minimum liability insurance limits be maintained on all trucks of:**

- A. 5,000 pounds or greater gross weight, used to transport any type of cargo.
- B. 5,000 pounds or greater gross weight, used to transport certain hazardous cargoes.
- C. **10,000 pounds or greater gross weight, used to transport any type of cargo.**
- D. 10,000 pounds or greater gross weight, used to transport certain hazardous cargoes.

**D is correct. (Obj 5 – Type A).**

The Motor Carrier Act of 1980 requires that certain minimum liability insurance limits be maintained on vehicles meeting certain requirements, such as trucks of 10,000 pounds or more gross weight used to transport hazardous cargoes.

**46. Which one of the following statements is correct regarding the Rental Reimbursement Coverage endorsement under the Business Auto Coverage Form?**

- A. **It automatically discontinues payments to the insured on the policy expiration date.**
- B. It covers costs associated with repairs resulting from mechanical breakdowns.
- C. It limits the amount of payment to the lesser of actual expenses incurred or a monetary limit.
- D. It begins coverage 72 hours after the auto is damaged.

**C is correct. (Obj 6 – Type A).**

A is incorrect. The Rental Reimbursement Coverage endorsement can cover rental reimbursement expenses incurred even after the policy expiration date.

B is incorrect. In order for coverage under the Rental Reimbursement Coverage endorsement to apply, the auto must be damaged by a covered cause of loss.

D is incorrect. The Rental Reimbursement Coverage endorsement begins coverage 24 hours after the auto is damaged.

**47. If the Stated Amount Insurance endorsement is attached to a vehicle under the Business Auto Coverage Form (BACF), the insurer's liability for physical damage to that vehicle in the case of a loss would be the:**

- A. Greater of the cost to replace the vehicle or the policy limit, less the deductible.
- B. Cost to repair or replace the vehicle, less a stated amount contained in the endorsement's schedule.
- C. **Lesser of the amount stated as the limit of insurance in the endorsement's schedule, or the salvage value of the vehicle.**
- D. Least of the actual cash value, the cost to repair or replace the vehicle, or the limit of insurance shown in the schedule.

**D is correct. (Obj 6 – Type A).**

When the Stated Amount Insurance endorsement is attached to the policy, the insurer's liability for physical damage loss is the least of:

The actual cash value of the damaged vehicle at the time of the loss.

The cost to repair or replace the damaged vehicle.

The limit of insurance shown for the covered vehicle in the endorsement's schedule.

**48. Which one of the following statements is correct regarding the Personal Injury Protection (PIP) endorsement of the Business Auto Coverage Form (BACF)?**

- A. It excludes coverage for funeral costs.
- B. **It pays regardless of which party was at fault in the accident.**
- C. It is uniform between the various states.
- D. It typically provides third-party benefits for medical expenses and loss of income.

**B is correct. (Obj 6 – Type A).**

A is incorrect. Funeral costs are covered under the PIP endorsement.

C is incorrect. The PIP endorsement varies from state to state.

D is incorrect. The PIP endorsement typically provides first-party benefits for medical expenses and loss of income.

**49. Which one of the following coverages is provided under the Business Auto Coverage Form (BACF) Employees as Insureds endorsement?**

- A. Coverage for family members of a sole proprietor when they use an auto covered under the BACF.
- B. Coverage for employees driving a company-owned vehicle.
- C. Coverage for employees renting autos in their own names in order to conduct business on the insured's behalf.
- D. **Coverage for employees using their personal auto on the named insured's behalf.**

**D is correct. (Obj 6 – Type A).**

A is incorrect. This coverage can be added with the Individual Named Insured endorsement.

B is incorrect. As long as the car is a covered auto under the employer's business auto insurance, the insurance will cover the employee while driving the company car.

C is incorrect. This coverage can be added Employee Hired Autos endorsement.

**50. Which one of the following statements is correct regarding various endorsements available under the Business Auto Coverage Form (BACF)?**

- A. The Drive Other Car endorsement covers the loss of business income when a vehicle suffers damage as a result of a covered cause of loss.
- B. The Employees as Insureds endorsement covers employees when renting vehicles in their own names to conduct their employer's business.
- C. **The Individual Named Insured endorsement removes the fellow employee exclusion regarding bodily injury to fellow employees.**
- D. The Stated Amount Insurance endorsement provides a quick source of medical expense reimbursement on a no-fault basis.

**C is correct. (Obj 6 – Type A).**

A is incorrect. The Business Interruption Coverage endorsement covers the loss of business income when a vehicle suffers damage as a result of a covered cause of loss.

B is incorrect. The Employee Hired Autos endorsement covers employees when renting vehicles in their own names to conduct their employer's business.

D is incorrect. The Auto Medical Payments Coverage endorsement provides a quick source of medical expense reimbursement on a no-fault basis.

**51. Which one of the following statements is correct regarding Uninsured Motorists (UM) and Underinsured (UIM) Motorists Coverages?**

- A. Businesses usually do not need this coverage because workers' compensation pays for all of an injured employee's damages.
- B. **All states require coverage for both Uninsured Motorists and Underinsured Motorists.**
- C. This coverage applies before workers' compensation is applied to any damages.
- D. This coverage only applies when the uninsured motorist is legally liable for the covered person's damages.

**D is correct. (Obj 6 – Type A).**

UM or UIM coverage applies only if the uninsured or underinsured motorist is legally liable for the covered person's damages.

A is incorrect. Even when workers' compensation benefits are payable, they do not always pay all of an injured employee's damages. Also, employees would not be covered by workers' compensation if they are driving a company auto for personal use.

B is incorrect. Some states require both coverages, while some states require only Uninsured Motorists coverage.

C is incorrect. Typically, Uninsured Motorists and Underinsured Motorists coverage applies in excess of what the injured person can collect under a workers' compensation law.

**52. Xavier is provided with a company car by Klass Corporation, where he is a top executive. Since he does not own a car of his own big enough for his extended family, he would like to borrow his neighbor's SUV for a family vacation. Klass Corporation can provide coverage for Xavier and his family when he borrows his neighbor's SUV by adding which of the following endorsements to their Business Auto Coverage Form (BACF)?**

- A. Uninsured Motorists Coverage.
- B. Employee Hired Autos.
- C. Employees as Insureds.
- D. **Drive Other Car—Broadened Coverage for Named Individuals.**

**A is correct. (Obj 6 – Type B).**

The Drive Other Car—Broadened Coverage for Named Individuals could be added to provide coverage for an employee who typically drives a company car but would like coverage for himself and his family when they use vehicles other than the company car.

**53. Tanya is a top executive at an investing firm and is provided with a company car by her employer. She is allowed to use it for business and personal use. One day, as she is driving to brunch with friends, she is struck by another vehicle, which drives away without stopping. The company car is totaled, and Tanya suffers injuries and must be hospitalized for several days.**

**Which of the following coverages will apply to the car's damage and Tanya's medical expenses?**

- A. Uninsured Motorists Coverage endorsement.
- B. Workers' Compensation.
- C. Driver Other Car—Broadened Coverage for Named Individuals endorsement.
- D. Employees as Insureds endorsement.

**A is correct. (Obj 6 – Type B).**

Injuries to occupants of a covered auto and (in some states) property damage to a covered auto that are caused by hit-and-run driver are covered under the Uninsured Motorist endorsement. Workers' compensation would not apply because Tanya was not on company business at the time of the accident. Therefore, the damage to the company car and the medical expenses would be covered by the Uninsured Motorist endorsement.

**54. The Stated Amount Insurance endorsement for the highly specialized Storm Intercept Vehicle used by Foremost Forecasting, Inc. contains a scheduled limit of \$30,000. The actual cash value of the vehicle is \$20,000. The vehicle is in an accident and suffers \$26,000 worth of damage. What amount will the insurer pay?**

- A. \$0.
- B. \$20,000.
- C. \$26,000.
- D. \$30,000.

**B is correct. (Obj 6 – Type B).**

Stated Amount Insurance coverage will pay least of:

actual cash value of damaged property at time of the loss.

cost of repairing or replacing the damaged property with like kind and quality.

the limit of insurance shown in the schedule.

Since the ACV (\$20,000) is the least of these values, it is the amount the insurer will pay.

**55. Drury Dry-Cleaning's van requires repairs after suffering damage in an accident. The van will be in the shop for six days. Drury Dry-Cleaning needs a rental vehicle to deliver clothes to its customers. The company has a Rental Reimbursement Coverage endorsement added to its Business Auto Coverage Form (BACF) with the following terms:**

**Daily limit – \$50.**

**Maximum payable limit – \$500.**

**Maximum number of days per period of disablement – 10 days.**

**The rental costs \$70 per day, for a total charge of \$420. How much will the insurer pay for this rental reimbursement?**

- A. \$250.
- B. \$300.
- C. \$420.
- D. \$500.

**A is correct. (Obj 6 – Type B).**

The amount of payment under Rental Reimbursement Coverage is limited to the lesser of the necessary expenses actually incurred, or the monetary limit. Therefore, the insurer will pay a maximum of \$50 per day. Coverage begins 24 hours after the auto is damaged, and therefore the insurer will pay for five days at \$50 per day, for a total of \$250.

