

Your answers are shown below:

1. Which one of the following losses would be covered under a Commercial General Liability (CGL) policy?

- A. Sharon, an employee of Anderson Company, caused damage to the company car when she ran into a tree while driving the car to deliver goods to a customer.
- **B. Dave, a volunteer worker for Ultimate Food Bank, accidentally damaged a donor's car when the forklift that Dave was operating ran into the car in the parking lot of Ultimate's warehouse.**
- C. Gabe, a nurse employed by Systemic Manufacturing Company, provides improper medical treatment to a guest visiting Systemic Manufacturing Company's office.
- D. Sandra, an employee of JustWin Company, received second-degree burns at work when another employee, Val, spilled coffee on Sandra's leg in the company's break room.

B is correct. (Module 2 – Obj 7).

A is incorrect. Property damage to the insured's property is not covered under the CGL policy.

C is incorrect. Bodily injury resulting from the employee's failure to provide professional healthcare services is not covered under the CGL policy.

D is incorrect. Bodily injury to a co-employee while in the course of their duties is not covered under the CGL policy.

2. Which one of the following best represents the Premium Audit condition of a Commercial General Liability (CGL) Coverage Form?

- A. It specifies the premium calculation will be made separately for premises-operations coverage and products-completed operations coverage.
- B. It indicates the insurer shall provide the insured with at least 30 days written notice if the insurer plans to cancel the policy for nonpayment of premiums.
- C. It requires the insured to permit the insurer to inspect the insured's premises on a periodic basis.
- **D. It requires the insured to keep adequate records and to make such records available to the insurer upon request.**

D is correct. (Module 3 – Obj 2).

The Premium Audit condition of a Commercial General Liability (CGL) Coverage Form requires the insured to keep adequate records to permit correct calculation of the premium and to make such records available to the insurer upon request.

3. Which one of the following statements is correct regarding auto coverage symbols under the Business Auto Coverage Form (BACF)?

- A. Symbol 8 – Hired Autos Only provides coverage for autos borrowed from the named insured's employees.
- B. Symbol 1 – Any Auto is typically used for Comprehensive and Collision coverage.
- **C. Symbol 5 – Owned Autos Subject to No-Fault provides PIP coverage only to autos required by law to have it.**
- D. Symbol 2 – Owned Autos Only provides coverage for autos borrowed by the insured.

C is correct. (Module 4 – Obj 2).

A is incorrect. Symbol 8 – Hired Autos Only does not provide coverage for autos borrowed from the named insured's employees or family members.

B is incorrect. Symbol 1 – Any Auto is typically used only for liability coverage.

D is incorrect. Symbol 2 – Owned Autos Only does not provide coverage for autos hired or borrowed by the insured.

4. Workers' compensation statutes often contain extraterritorial provisions, which are primarily used to address situations in which:

- A. The employer is incorporated in a monopolistic state.
- B. The employer is a member of the state's assigned risk plan.
- **C. An employee is injured outside his or her state of normal employment.**
- D. An employee is on a permanent assignment outside the U.S.

C is correct. (Module 6 – Obj 2).

Extraterritorial provisions address situations involving an employee travelling into another state and suffering an injury. While extraterritorial provisions can also address employees working outside the country, these provisions only address employees temporarily outside the U.S.

5. Which one of the following represents expenses of deviating from a stated route to deliver an injured passenger to a port for medical care?

- A. Quarantine expenses.
- **B. Putting-in expenses.**
- C. Repatriation expenses.
- D. Defense expenses.

B is correct. (Module 10 – Obj 2).

A is incorrect. Quarantine expenses are expenses incurred when authorities place a vessel in isolation to prevent the spread of disease.

C is incorrect. Repatriation expenses are expenses to return crew members to their sign-on port because of illness or injury.

D is incorrect. Defense costs are costs incurred in defending against covered claims.

6. Which one of the following statements is correct regarding umbrella liability coverage?

- A. It typically provides no coverage for the defense costs of the insured.
- B. It provides primary coverage if underlying limits have not been maintained.
- C. It must be purchased from the same insurer that provided the primary coverage.
- **D. It typically requires a self-insured retention when the primary insurance policy does not cover the claim.**

D is correct. (Module 11 – Obj 2).

A is incorrect. Umbrella liability insurance typically provides defense coverage.

B is incorrect. Umbrella liability insurance does not provide primary insurance coverage.

C is incorrect. Umbrella liability insurance can be purchased from a different insurer than the insurer providing the primary coverage.

7. The Owners and Contractors Protective Liability Coverage Form provides coverage for liability arising from:

- A. A railroad owner's construction equipment and rolling stock.
- B. A principal's failure to properly supervise the work of their contractor.
- **C. State statutes known as dram shop acts.**
- D. Loss of electronic data caused by an electronic data incident.

B is correct. (Module 3 – Obj 2).

A is incorrect. A railroad protective liability coverage form covers liability related to railroad owners.

C is incorrect. A liquor liability coverage form covers liability arising from state statutes known as dram shop acts.

D is incorrect. An electronic data liability coverage form covers liability resulting from loss of electronic data caused by an electronic data incident.

8. Under the disclosure provisions of the Terrorism Risk Insurance Act (TRIA), insurers are required to inform policyholders:

- A. The federal share of losses is 50% of the total losses attributed to certified acts of terrorism, up to the program cap.
- B. If the program cap of \$25 billion is exceeded, the amount of coverage for certified losses may be reduced at the discretion of the state insurance commissioner.
- C. The portion of the premium that is attributed to certified acts of terrorism, and a list of coverages to which the premium applies.
- **D. The insurer's responsibility to pay losses for certified acts of terrorism will end if the program cap is reached.**

C is correct. (Module 12 – Obj 4).

A is incorrect. The federal share of losses is 85% of the total losses attributed to certified acts of terrorism, up to the program cap.

B is incorrect. If the program cap of \$100 billion is exceeded, the amount of coverage for certified losses may be reduced at the discretion of the Secretary of the Treasury.

D is incorrect. Although it is correct that the insurer's responsibility to pay losses for certified acts of terrorism will end if the program cap is reached, this is not part of the TRIA disclosure requirements.

9. In most states, Uninsured Motorists coverage provides coverage for:

- **A. Bodily injury only.**
- B. Property damage only.

- C. Both bodily injury and property damage.
- D. Neither bodily injury nor property damage.

A is correct. (Module 5 – Obj 6).

In most states, Uninsured Motorists coverage provides coverage for bodily injury resulting from an accident caused by an uninsured motorist. In some states, property damage is also covered, but not in most states.

10. Which one of the following statements is correct regarding benefits provided under workers' compensation statutes?

- A. It is irrelevant where or when the injury occurs.
- **B. Absolute liability is typically imposed on employers.**
- C. The common cold is typically a covered disease.
- D. Occupational disease is rarely covered.

B is correct. (Module 6 – Obj 1).

A is incorrect. The injury or disease must generally arise out of and in the course of employment.

C is incorrect. Although occupational disease is covered under workers' compensation statutes, the common cold is usually not a covered disease.

D is incorrect. All workers' compensation laws cover occupational diseases. Many states even provide extended periods of time for the discovery of the disease, since some diseases may be latent for a long time.

11. Which one of the following statements is correct regarding endorsements to the commercial general liability (CGL) coverage form?

- **A. The Liquor Liability Coverage endorsement provides coverage for organizations in the business of selling alcoholic beverages.**
- B. The Nuclear Energy Liability endorsement cannot be added to any policy containing a commercial liability coverage part.
- C. The Supplemental Extended Reporting Period endorsement can be used to amend the limits of a commercial general liability coverage form.
- D. The Deductible Liability Insurance endorsement eliminates the deductible on standard CGL coverage forms.

A is correct. (Module 3 – Obj 5).

B is incorrect. The Nuclear Energy Liability endorsement must be added to any policy containing a commercial liability coverage part.

C is incorrect. The Supplemental Extended Reporting Period endorsement cannot be used to amend the limits of a commercial general liability coverage form.

D is incorrect. The CGL coverage form does not provide for a deductible. However, the Deductible Liability Insurance endorsement can be used to add deductibles for bodily injury liability, property damage liability, or both.

12. Under the Business Auto Coverage Form (BACF), Coverage Symbol 19 is used to provide:

- A. Coverage for mobile equipment that is subject to financial responsibility laws.
- B. Medical expense coverage for autos not owned by the insured.
- C. Liability coverage for owned autos, other than private passenger autos.
- D. Personal injury protection for those automobiles required by law to have it.

A is correct. (Module 4 – Obj 2).

B is incorrect. Symbol 9 provides coverage for non-owned autos.

C is incorrect. Symbol 4 provides coverage for owned autos, other than private passenger autos.

D is incorrect. Symbol 5 provides personal injury protection for those automobiles required by law to have it.

13. A correct statement regarding a monopolistic state is that:

- A. Private insurers are not permitted to sell workers' compensation insurance in the state.
- B. The federal government administers the workers' compensation program in the state.
- C. Employers must purchase a surety bond with the state's workers' compensation administrative agency.
- D. Coverage for workers' compensation is automatically provided to employers with maritime workers.

A is correct. (Module 6 – Obj 2).

Monopolistic states require all workers' compensation insurance to be purchased from the state or territorial fund. These states do not permit other insurers to sell workers' compensation insurance in the state.

14. Which one of the following statements is correct regarding employment practices liability (EPL) insurance?

- A. Policies typically provide coverage for obligations under workers' compensation laws.
- **B. Wrongful acts can be defined using either the "broad form" approach or the "named perils" approach.**
- C. Some stand-alone EPL policies exclude the named employer as an insured.
- D. Policies specifically exclude coverage for independent contractors.

B is correct. (Module 7 – Obj 5).

A is incorrect. Policies typically exclude coverage for obligations under workers' compensation laws.

C is incorrect. All stand-alone EPL policies include the named employer as an insured.

D is incorrect. EPL policies treat independent contractors in different ways. Some policies do specifically exclude coverage for independent contractors. However, other policies provide coverage for independent contractors.

15. Which of the following would be covered under a False Pretense Coverage endorsement to an Auto Dealers Coverage Form?

- A. The named insured receives complaints from a customer related to the repair of the customer's auto.
- B. The named insured has a vehicle forcibly taken from them.
- **C. The named insured acquires a vehicle from a seller who did not have legal title.**
- D. The named insured accepts a worthless check from a customer.

C is correct. (Module 5 – Obj 3).

A is incorrect. The Customer Complaint Legal Defense Coverage endorsement would cover defense costs associated with complaints or suits filed by a customer.

B is incorrect. The False Pretense Coverage endorsement would only cover losses when someone causes the named insured to voluntarily (not forcibly) part with a covered auto.

D is incorrect. The False Pretense Coverage endorsement excludes coverage for losses resulting from the failure of a bank to pay funds for any reason.

16. The distinction between excess and umbrella liability insurance coverage is often unclear because:

- **A. Many insurers use their own customized policies with varying coverage.**
- B. Insureds purchasing the coverage are generally unsophisticated.
- C. Both types of insurance replace underlying commercial coverage.
- D. These types of insurance have only existed for roughly 20 years.

A is correct. (Module 11 – Obj 3).

Many insurers use their own customized forms, rather than standardized forms, with respect to excess and umbrella liability insurance coverage. These custom policies vary considerably in the coverage offered, and that has tended to blur the lines between excess and umbrella liability coverage.

17. If an employee is using his or her own automobile while performing job duties, the employer can become exposed to liability, which is referred to as:

- A. Bailee liability.
- B. Res Ipsa Loquitur.
- **C. Employers nonownership liability.**
- D. Strict liability.

C is correct. (Module 4 – Obj 1).

Employers nonownership liability is an employer's liability for its employees' operation of their autos in the employer's business.

18. Which one of the following employees would fall into the disability classification of temporary total disability?

- A. Jay, an employee of ABC Company, is blinded in one eye as a result of an accident, and he returns to work immediately in a lower-paid position.
- **B. Chuck, an employee of XYZ Company, lost both of his arms as a result of an accident, rendering him unable to work.**

- C. Valerie, an employee of QRS Company, injured her back as a result of an accident, causing her to miss 30 days of work before she was able to return to her existing job.
- D. Marybeth, an employee of DEF Company, breaks her leg as a result of an accident, causing her to miss work for six weeks.**

D is correct. (Module 6 – Obj 1).

- A is incorrect. Blindness in one eye is an example of permanent partial disability.
- B is incorrect. Loss of both arms is an example of permanent total disability.
- C is incorrect. Back injury causing someone to miss work is an example of temporary partial disability.

19. The two most common aircraft hull coverages are "all risks – ground and flight" and:

- A. Named perils – flight.
- B. Specified risks – taxing and towing.
- C. All risks – not in motion.**
- D. Specified risks – ground and flight.

C is correct. (Module 10 – Obj 6).

The two most common aircraft hull coverages are:

- All risks – ground and flight
- All risks – not in motion

20. Commercial General Liability (CGL) Coverage Form Coverage C – Medical Payments coverage applies to which one of the following categories of persons?

- A. An individual injured on that part of the insured's premises that the individual normally occupies.
- B. An individual injured while taking part in any physical exercises.
- C. An individual hired to do work for an insured.
- D. An individual performing volunteer work for the insured.**

D is correct. (Module 2 – Obj 5).

Commercial General Liability (CGL) Coverage Form Coverage C – Medical Payments coverage does not apply to:

- The insured (other than a volunteer worker).
- An individual hired to do work for an insured.
- An individual injured on that part of the insured's premises that the individual normally occupies.
- An individual entitled to workers' compensation benefits for their injury.
- An individual injured while taking part in any physical exercises, games, sports, or athletic contests.

21. Which one of the following statements is correct regarding Part One of the Workers' Compensation and Employers Liability Policy?

- A. The employer is only covered for locations listed on the Information Page.
- B. Dependents of a deceased employee have no right of action against the insurer.
- C. No exclusions are contained under Part One of the policy.**
- D. If Part One conflicts with the applicable workers' compensation law, Part One will take precedence over the law.

C is correct. (Module 6 – Obj 3).

A is incorrect. Under the policy, the employer automatically receives coverage for all benefits required for all locations, operations, and employees designated by the law.

B is incorrect. The policy is primarily intended to benefit employees and their dependents. Therefore, these individuals have a direct right of action against the insurer.

D is incorrect. If Part One of the policy conflicts with the applicable workers' compensation law, the policy will conform to the law automatically (the law takes precedence).

22. In a directors and officers liability insurance policy, which one of the following provides coverage for the corporation for the amounts it is required to pay to defend claims against the directors or officers?

- A. Coverage A.
- B. Coverage B.**

- C. Coverage C.
- D. Coverage D.

B is correct. (Module 7 – Obj 2).

A is incorrect. Coverage A indemnifies the directors and officers for covered claims when indemnification by the corporation is not required or permitted by law.

C is incorrect. Coverage C makes the corporation itself an insured for claims made against it.

D is incorrect. Coverage D is not an available coverage in a directors and officers liability insurance policy.

23. Which one of the following events would be covered under an unendorsed Business Auto Coverage Form (BACF)?

- A. Televisions the insured has delivered are damaged by rain after the insured leaves them in an open area after delivery.
- **B. An employee of a bottling company runs over a subcontractor's equipment with an auto owned by the bottling company.**
- C. An employee of a trucking company accidentally injures another employee when he strikes her with one of the company's trucks.
- D. An insured auto breaks down on the road due to overheating of the engine.

B is correct. (Module 4 – Obj 3).

A is incorrect. The Handling of Property exclusion provides an exclusion for property damage after it has been moved from a covered auto to the place where it is finally delivered by the insured.

C is incorrect. The Fellow Employee exclusion eliminates coverage for bodily injury to a fellow employee of any insured if the bodily injury arises in the course of employment.

D is incorrect. Normal engine breakdowns and flat tires are excluded from coverage.

24. A civil law claim alleging a tort would most likely be based on:

- A. Criminal acts.
- **B. Negligence.**
- C. Statute.
- D. Breach of contract.

B is correct. (Module 1 – Obj 1).

A is incorrect. A tort claim is based on civil law, not criminal law.

C is incorrect. Legal liability imposed by statute includes workers' compensation. Torts include negligence and strict liability.

D is incorrect. Breach of contract is a basis for legal liability, but it is a different basis than tort liability.

25. Insurers generally use seven purpose-of-use categories in rating aircraft loss exposures. Which one of the following would be included in the commercial use category?

- A. National air carriers.
- B. Flight schools.
- C. Banner towing.
- **D. Charter operators.**

D is correct. (Module 10 – Obj 5).

A is incorrect. National air carriers are included in the airline category.

B is incorrect. Flight schools are included in the instruction and rental category.

C is incorrect. Banner towing is included in the special use category.

26. Which one of the following represents an exclusion that applies to Coverage A – Bodily Injury and Property Damage Liability of the Commercial General Liability (CGL) Coverage Form?

- A. Criminal acts.
- B. Wrong description of prices.
- **C. Expected or intended injury.**
- D. Knowing violation of rights of another.

C is correct. (Module 2 – Obj 3).

A is incorrect. Criminal acts is an exclusion that applies to Coverage B of the CGL.

B is incorrect. Wrong description of prices is an exclusion that applies to Coverage B of the CGL.

D is incorrect. Knowing violation of rights of another is an exclusion that applies to Coverage B of the CGL.

27. A lawsuit brought about by one or more shareholders in the name of the corporation, in which any damages awarded are paid directly to the corporation, is referred to as a:

- A. Class action suit.
- **B. Derivative suit.**
- C. Nonderivative suit.
- D. Fiduciary suit.

B is correct. (Module 7 – Obj 1).

A is incorrect. A class action suit is not brought about in the name of the corporation.

C is incorrect. A nonderivative suit is not brought about in the name of the corporation.

D is incorrect. A fiduciary suit is not a type of lawsuit.

28. If an insured purchases a Motor Carrier Coverage Form with coverage symbol 62 (Owned "Autos" Only), which one of the following would most likely be covered under the policy?

- A. Non-owned trailers.
- B. Borrowed autos.
- **C. Owned trailers.**
- D. Leased autos.

A is correct. (Module 5 – Obj 3).

Owned "Autos" Only covers autos that are owned by the insured, as well as trailers that the insured does not own, provided they are connected to a power unit that is owned by the insured.

29. Which one of the following statements is correct regarding medical benefits provided under most workers' compensation statutes?

- A. A limit on benefits often applies, similar to those found in a major medical insurance policy.
- B. Deductibles apply based on services received.
- **C. First-dollar benefits are typically provided.**
- D. A coinsurance percentage is often imposed.

C is correct. (Module 6 – Obj 1).

A is incorrect. Under most workers' compensation statutes, full and unlimited benefits are offered.

B is incorrect. Under most workers' compensation statutes, medical benefits are not subject to a deductible.

D is incorrect. Under most workers' compensation statutes, medical benefits are not subject to a coinsurance percentage.

30. Because of the difficulty in estimating the maximum possible loss for liability claims, many insureds should consider:

- A. Purchasing an excess or umbrella liability coverage.
- B. Increasing their commercial general liability policy deductible.
- C. Creation of separate business entities for each service offering.
- **D. Implementing a risk management program designed to eliminate hazardous conditions.**

A is correct. (Module 11 – Obj 1).

Although most property loss exposure have a maximum possible loss that can be determined, this is not the case for most liability loss exposures. As a result, insureds should consider the purchase of an excess or umbrella liability policy to cover potentially large liability losses.

31. The roof of a new building collapsed due to lack of structural support. It was determined that the building was constructed in accordance with the architect's blueprint. In an attempt to recover their losses, the building owner could assert:

- A. Negligent supervision of construction.
- B. Conflict of interest.
- **C. Negligent preparation of plans or designs.**

- D. Breach of contract.

C is correct. (Module 8 – Obj 6).

If a blueprint fails to provide for adequate structural support for the building's roof, this would be indicative of negligence. Although an architect's work does not guarantee a perfect plan, a client suffering losses due to negligence could recover those losses.

32. A remediation company was hired to incinerate hazardous chemicals. Even though the company exercised a very high degree of care, an accidental release of the chemicals caused injuries to a third party. Under this scenario, courts could impose:

- A. Strict liability.
- B. Nuisance liability.
- C. Fiduciary liability.
- D. Contractual liability.

A is correct. (Module 9 – Obj 1).

Strict liability is a standard of liability under which a party is legally responsible for the consequences resulting from an activity even in the absence of negligence. When engaging in abnormally dangerous activities, courts can impose strict liability.

33. Ronald owns and operates a contracting business. If Ronald purchased a Commercial General Liability (CGL) policy for the business, the premium bases would most likely be rated on the basis of:

- A. Gross sales.
- B. Payroll.
- C. Inventory.
- D. Number of floors in the building.

B is correct. (Module 3 – Obj 8).

For a Commercial General Liability (CGL) policy, the premiums would most likely be based on payroll for a contracting business.

34. With respect to a commercial umbrella liability policy, a self-insured retention would apply when:

- A. Supplementary payments are incurred under the claim.
- B. The claim is covered under the umbrella policy but not covered under the primary policy.
- C. The primary policy provides inadequate coverage to satisfy the claim.
- D. The insured has not satisfied the coinsurance requirement of the primary policy.

B is correct. (Module 11 – Obj 4).

A self-insured retention would apply when the claim is covered under the umbrella policy but not covered under the primary policy.

35. Which one of the following statements is correct regarding cyber risk loss exposures?

- A. Net income exposed to cyber risk loss can be evaluated in terms of loss of operating systems and website functionality.
- B. Cyber risk intellectual property loss exposures can affect a company's trademarks.
- C. Bodily injury losses are not a concern with respect to cyber risk loss exposures.
- D. Cyber risk property loss exposures only apply to tangible property.

B is correct. (Module 12 – Obj 1).

A is incorrect. Net income exposed to cyber risk loss can be evaluated in terms of loss of business income and extra expenses.

C is incorrect. Even bodily injury losses can occur with respect to cyber losses. For example, a software that is developed for physicians may contain a programming error that causes an incorrect diagnosis for a patient.

D is incorrect. Cyber risk property loss exposures apply to both tangible and intangible property.

36. Which one of the following Acts was enacted to facilitate the cleanup of abandoned or uncontrolled sites containing hazardous substances?

- A. Clean Air Act.
- B. Resource Conservation and Recovery Act.

- C. Comprehensive Environmental Response, Compensation, and Liability Act.
- D. Toxic Substance Control Act.

C is correct. (Module 9 – Obj 2).

The Comprehensive Environmental Response, Compensation, and Liability Act was enacted to facilitate the cleanup of abandoned or uncontrolled sites containing hazardous substances. It imposes strict liability for cleanup costs.

A is incorrect. The Clean Air Act was enacted to improve the quality of surface waters by regulating the discharge of pollutants into water.

B is incorrect. The Resource Conservation and Recovery Act was enacted to provide regulation of hazardous waste.

D is incorrect. The Toxic Substance Control Act was enacted to regulate the chemical manufacturing industry.

37. Which one of the following statements is correct regarding the limits of liability applicable to the employer's liability coverage in a Workers' Compensation & Employers Liability (WC&EL) policy?

- A. Supplementary payments are only covered up to the limits of liability.
- B. The insurer has no duty to pay defense costs after it has paid damages equaling the applicable limit of insurance.
- C. Punitive damages are covered, even if the injury occurred to an illegally employed person.
- D. The bodily injury by disease policy limit is the most the insurer will pay for bodily injury by disease to any one employee.

B is correct. (Module 6 – Obj 4).

A is incorrect. Supplementary payments are covered in addition to the limits of liability.

C is incorrect. Punitive damages are not covered for injury or death of any illegally employed person.

D is incorrect. The bodily injury by disease policy limit is the most the insurer will pay for bodily injury by disease, regardless of the number of employees who sustain disease.

38. Which one of the following statements is correct regarding responsibilities and duties of corporate directors?

- A. Directors have a duty to obey the shareholders of the corporation.
- B. Directors owe a duty of loyalty to the corporation, but not the shareholders.
- C. Directors have the authority to act as spokespersons for the corporation.
- D. Directors are responsible for approving changes in the corporation's assets.

D is correct. (Module 7 – Obj 1).

A is incorrect. Directors have a duty of obedience regarding federal and state law.

B is incorrect. Directors owe a duty of loyalty to both the corporation and its shareholders.

C is incorrect. Directors do not have the authority to act as spokespersons for the corporation.

39. Which one of the following scenarios would cause an insurer to exclude coverage for terrorism losses under the Other Acts Exclusion Endorsements?

- A. The act of terrorism involves the release of nuclear materials.
- B. The total of all damages to all types of property does not exceed \$10 million.
- C. 100 or more people sustain serious injury or death.
- D. The insured has declined the insurer's offer of TRIA coverage.

A is correct. (Module 12 – Obj 4).

B is incorrect. For an insurer to exclude coverage for terrorism losses under the Other Acts Exclusion Endorsements, the total of all damages to all types of property must exceed \$25 million.

C is incorrect. For an insurer to exclude coverage for terrorism losses under the Other Acts Exclusion Endorsements, 50 or more people must sustain serious injury or death.

D is incorrect. If the insured has declined the insurer's offer of TRIA coverage, the insurer may exclude coverage under the Certified Acts Exclusion Endorsements, not the Other Acts Exclusion Endorsements.

40. A restaurant adds markings to its glass doors so patrons will not accidentally walk into the glass. This is an example of:

- A. Loss prevention.
- B. Loss reduction.
- C. Avoidance.

- D. Non-insurance risk transfer.

A is correct. (Module 1 – Obj 3).

Loss prevention is a risk control technique. It reduces the frequency of a particular loss. Adding markings to glass doors would be an example of loss prevention.

41. Which one of the following types of policies is typically used when a property is known to be contaminated, but the cleanup costs are uncertain?

- A. Environmental professional errors and omissions liability policy.
- B. Site-specific environmental impairment liability policy.
- **C. Remediation stop-loss policy.**
- D. Contractors pollution liability policy.

C is correct. (Module 9 – Obj 4).

A remediation stop-loss policy is used to facilitate real estate sales. It is designed for situations where a property is known to have contamination, but the cost of cleanup is uncertain.

42. Which one of the following statements is correct regarding marine loss exposures?

- **A. A vessel owner may be held liable for injury to persons not aboard the owner's vessel.**
- B. From the standpoint of the vessel owner, freight represents inventory that can be resold.
- C. Because of particular average, a vessel owner can become legally liable to pay the losses of another party.
- D. The contract of carriage used for tramp shipping is known as a voyage contract.

A is correct. (Module 10 – Obj 1).

B is incorrect. From the standpoint of the vessel owner, freight represents the compensation a carrier receives for transporting cargo.

C is incorrect. Because of general average, a vessel owner can become legally liable to pay the losses of another party.

D is incorrect. The contract of carriage used for tramp shipping is known as a charter party.

43. Which one of the following statements is correct regarding the conditions applicable to the Commercial General Liability (CGL) Coverage Form?

- **A. No insured may make voluntary payments without the insurer's consent, except for first aid expenses at the time of the occurrence.**
- B. Third-party claimants are required to include the insurer as a defendant in any suit seeking damages from the insured.
- C. The insured's bankruptcy relieves the insurer of its obligations under the policy.
- D. Written notice must be provided to an insurer as soon as practicable after an insured becomes aware of an occurrence that may result in a claim.

A is correct. (Module 3 – Obj 2).

B is incorrect. No person or organization can bring the insurer into any suit seeking damages from an insured.

C is incorrect. The insured's bankruptcy does not relieve the insurer of any of its obligations under the policy.

D is correct. Although notice must be provided, the notice can be oral or written.

44. Which one of the following represents the best risk control practice for products and completed operations loss exposures?

- A. Hold-harmless agreement.
- B. Training of staff.
- **C. Quality control of materials.**
- D. Occasional inspections.

C is correct. (Module 1 – Obj 4).

Quality control of the raw materials used in production is the best risk control practice for products and completed operations loss exposures.

A is incorrect. A hold-harmless agreement is not an appropriate tool in limiting products and completed operations loss exposures.

B is incorrect. Training of staff is useful in limiting motor vehicle liability loss exposures.

D is incorrect. Regular inspections is an integral risk control practice for premises liability loss exposures.

45. Which two broad categories of loss exposures are covered by a Commercial General Liability (CGL) Coverage Form?

- A. Medical expenses and contractual liability.
- B. Advertising injury and copyright infringement.
- C. Property damage and criminal acts.
- D. Bodily injury and personal injury.

D is correct. (Module 2 – Obj 1).

Commercial General Liability (CGL) Coverage Forms provide coverage for the following broad categories of liability loss:

- Bodily Injury and Property Damage.
- Personal and Advertising Injury.

46. Which one of the following businesses would most likely have professional liability excluded from coverage in its commercial general liability (CGL) policy?

- A. Flower shop.
- B. Insurance agency.
- C. Jewelry store.
- D. Shoe store.

B is correct. (Module 8 – Obj 2).

Certain organizations have significant professional liability loss exposures, and they require professional service exclusions in their CGL policies. Engineers, architects, insurance agents, and web site designers would all be considered organizations with significant professional liability loss exposures.

47. Under the Business Auto Coverage Form (BACF), which of the following factors are used in determining the physical damage base premium for zone-rated autos?

- A. Vehicle's cost new.
- B. Geographical zones in which the vehicle is operated.
- C. Age of the vehicle.
- D. All of the above.

D is correct. (Module 4 – Obj 7).

The following factors are used in determining the physical damage base premium for zone-rated autos:

- Geographical zones in which the vehicle is operated.
- Vehicle's cost new.
- Current age of the vehicle.
- Type of vehicle.
- Deductible.

48. Which one of the following statements is correct regarding the ISO Auto Dealers Coverage Form?

- A. All physical damage coverage for leased or rented autos is excluded from coverage.
- B. Garagekeepers coverage is signaled under the form by Symbol 31.
- C. The definition of auto includes both automobiles and mobile equipment.
- D. The only organizations eligible for coverage are auto repair shops and service stations.

C is correct. (Module 5 – Obj 1).

A is incorrect. Physical damage coverage for leased or rented autos is excluded unless the auto is rented to a customer whose auto is being repaired.

B is incorrect. Physical damage coverage for dealers' autos is signaled by Symbol 31.

D is incorrect. The only organizations eligible for coverage are franchised and nonfranchised auto and trailer dealers.

49. Which one of the following types of insurance policies covers an employer against liability claims alleging improper advice or other errors occurring during the administration of the employer's benefit plans?

- A. Fiduciary liability insurance.
- B. Professional liability insurance.
- C. Employment practices liability insurance.
- D. Directors and officers liability insurance.

A is correct. (Module 7 – Obj 7).

B is incorrect. Professional liability insurance covers losses arising from the rendering (or failure to render) services.

C is incorrect. Employment practices liability insurance covers wrongful employment practices, such as discrimination and sexual harassment.

D is incorrect. Directors and officers liability insurance covers the wrongful acts of an organization's directors and officers.

50. Which of the following represents one of the types of damages recoverable under professional liability coverage for breach of contract?

- A. Statutory damages.
- B. Special damages.
- C. Punitive damages.
- D. Nominal damages.

D is correct. (Module 8 – Obj 1).

Breach of contract damages include:

- Compensatory damages.
- Consequential damages.
- Liquidated damages.
- Nominal damages.

51. Which one of the following statements is correct regarding Commercial General Liability (CGL) Coverage Form Coverage A – Bodily Injury and Property Damage?

- A. Coverage for most claims exists for claims in the U.S. and Mexico.
- B. The insurer has no duty to defend the insured if the lawsuit is proven to be groundless.
- C. Damages for pain and suffering are covered as part of bodily injury.
- D. Mobile equipment is almost never covered under the policy.

C is correct. (Module 2 – Obj 3).

A is incorrect. The coverage territory applicable to most claims is the U.S., Puerto Rico, and Canada.

B is incorrect. Even if the suit is later proven to be groundless or fraudulent, the insurer still has a duty to defend the insured.

D is incorrect. Although there is an exception for coverage to mobile equipment, the exception only applies in limited situations.

Most mobile equipment is covered under the policy.

52. The Each Occurrence limit in the Commercial General Liability (CGL) Coverage Form is equivalent to which one of the following Auto Dealers Coverage Form (ADCF) General Liability limits?

- A. General Liability Aggregate.
- B. Locations and Operations Medical Payments.
- C. Personal and Advertising Injury Liability.
- D. General Liability Bodily Injury and Property Damage Liability.

D is correct. (Module 5 – Obj 2).

A is incorrect. The ADCF General Liability Aggregate limit is comparable to the CGL Coverage Form General Aggregate limit.

B is incorrect. The ADCF Locations and Operations Medical Payments limit is comparable to the CGL Coverage Form Medical Expense Limit.

C is incorrect. The ADCF Personal and Advertising Injury Liability limit is comparable to the CGL Coverage Form Personal and Advertising Injury limit.

53. Most professional liability policies have a claims-made coverage trigger, with a retroactive date. The retroactive date is:

- A. An amount of time for which medical expenses must be reported for coverage to apply.
- B. The date after the policy period expires for which damages will be still be covered.
- C. **The date on or after which an injury must occur in order to be covered.**
- D. A 30-day window in which claims will be covered even if the insured has failed to pay the policy premium.

C is correct. (Module 8 – Obj 3).

The retroactive date is the date on or after which an injury, damages, or other insured event must occur in order to be covered in the claims-made policy.

54. Which one of the following would be include in the Commercial General Liability (CGL) Coverage Form Coverage B definition of "personal and advertising injury?"

- A. False arrest.
- B. Product recall.
- C. Liquor liability.
- D. Pain and suffering.

A is correct. (Module 2 – Obj 1).

The definition of personal and advertising injury includes:

- False arrest.
- Slander.
- Libel.
- Wrongful eviction.
- Copyright infringement (in advertising).

55. Site-specific environmental impairment liability policies obligates the insurer to pay, on behalf of the insured, all of the following losses EXCEPT:

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

D is correct. (Module 9 – Obj 4).

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.

56. Under the Business Auto Coverage Form (BACF) Section III – Physical Damage Coverage, which one of the following causes of loss would be covered under Specified Causes of Loss Coverage?

- A. Flat tire.
- B. **Collision with an animal.**
- C. Mechanical breakdown.
- D. Windstorm.

D is correct. (Module 4 – Obj 4).

Specified Causes of Loss Coverage includes coverage for:

- Fire.
- Lightning.
- Explosion.
- Theft.

- Windstorm.
- Hail.
- Earthquake.
- Flood.
- Mischief, Vandalism.
- Loss resulting from the sinking, burning, collision, or derailment of a conveyance transporting the covered auto.

57. Specialized coverages for foreign loss exposures are an important part of any business with foreign operations because:

- A. Coverage for most companies domiciled inside the U.S. only extend to losses suffered in Mexico and Europe.
- B. Standard commercial insurance policies sold in the U.S. leave insureds with foreign operations exposed to potentially serious coverage gaps.**
- C. Terrorism coverage is not available in any commercial insurance policy sold within the U.S.
- D. Standard commercial insurance policies sold in the U.S. generally limit the amount of foreign loss coverage to \$25,000,000.

B is correct. (Module 12 – Obj 5).

Commercial policies sold within the U.S. generally restrict coverage to the U.S., Canada, and Puerto Rico. Therefore, insureds with foreign operations are exposed to potentially serious coverage gaps.

58. Which one of the following statements is correct regarding commercial liability loss exposures?

- A. Under the contractor's hold-harmless doctrine, a contractor cannot be held liable for negligence once the property owner has accepted the work.
- B. In terms of premises and operations liability loss exposures, many legal jurisdictions have abandoned common law rules in favor of strict liability.
- C. The premises and operations liability loss exposure includes bodily injury or property damage claims arising out of the use of automobiles.
- D. In negligence claims for products liability, the plaintiff must prove the product was defective when it left the manufacturer's or supplier's control.**

D is correct. (Module 1 – Obj 2).

A is incorrect. Under the common law accepted work doctrine, a contractor cannot be held liable for negligence once the property owner has accepted the work.

B is incorrect. In terms of premises and operations liability loss exposures, many legal jurisdictions have abandoned common law rules in favor of a reasonable care standard.

C is incorrect. The premises and operations liability loss exposure includes bodily injury or property damage claims arising out of the use of mobile equipment, but not the use of airplanes, automobiles, or watercraft.

59. Which one of the following statements is correct regarding professional liability insurance policies?

- A. They typically limit coverage to those acts committed in the U.S. or Canada.
- B. They prohibit the insurer from appointing their own defense counsel.
- C. They all provide for the same coverage territories and policy exclusions.
- D. They often limit their coverage to negligent acts, errors, or omissions.**

D is correct. (Module 8 – Obj 3).

A is incorrect. Most policies provide coverage for acts committed anywhere in the world, as long as the suit is brought in the U.S. or Canada.

B is incorrect. Under the policy, an insurer may assume the right and duty to defend a claim. This provision would allow the insurer to appoint defense counsel.

C is incorrect. Professional liability insurance policies all provide for coverage for rendering or failing to render professional services. However, coverage territories and policy exclusions differ among the policies.

60. Which one of the following represents an endorsement to the Business Auto Coverage Form (BACF)?

- A. Concealment, misrepresentation, or fraud.
- B. Uninsured motorists coverage.**
- C. Appraisal for physical damage losses.
- D. Collision coverage.

B is correct. (Module 5 – Obj 6).

A is incorrect. Concealment, misrepresentation, or fraud is a general condition under the BACF.

C is incorrect. Appraisal for physical damage losses is a loss condition under the BACF.

D is incorrect. Collision coverage is a physical damage coverage available under the BACF.

61. Which one of the following statements is correct regarding the Other Insurance condition of the Business Auto Coverage Form (BACF)?

- A. For any covered vehicle not owned by the named insured, the BACF and the insurance carried by the owner of the auto are both primary.
- B. For any covered vehicle not owned by the named insured, the BACF coverage is primary.
- C. For any covered vehicle not owned by the named insured, the BACF coverage is excess.**
- D. For any covered vehicle not owned by the named insured, BACF coverage does not apply.

C is correct. (Module 4 – Obj 5).

For any covered vehicle not owned by the named insured, the BACF coverage is excess, and the insurance, if any, carried by the owner of the auto is primary.

62. Which one of the following statements is correct regarding cyber risk insurance?

- A. A technology errors and omissions insuring agreement covers liability resulting from a negligent act relating to an insured's services to others.**
- B. Copyright infringement claims may be protected through the purchase of an electronic media liability insuring agreement.
- C. A cyber crime insuring agreement covers the theft of tangible property.
- D. An electronic data protection insuring agreement is appropriate for covering expenses related to computer network kidnap.

A is correct. (Module 12 – Obj 3).

B is incorrect. Copyright infringement claims may be protected through the purchase of an intellectual property liability insuring agreement.

C is incorrect. A cyber crime insuring agreement covers the theft of money and securities, and may even cover intangible (not tangible) property.

D is incorrect. A cyber extortion insuring agreement is appropriate for covering expenses related to computer network kidnap.

63. The most comprehensive overhaul of financial regulation in the U.S. since the Great Depression is:

- A. Securities Exchange Act of 1934.
- B. Uniform Securities Act.
- C. Investment Advisers Act of 1940.
- D. Dodd-Frank Wall Street Reform and Consumer Protection Act.**

D is correct. (Module 8 – Obj 5).

The Dodd-Frank Wall Street Reform and Consumer Protection Act was the most comprehensive overhaul of financial regulation in the U.S. since the Great Depression. The Act made changes in the U.S. financial regulatory environment, affecting all federal financial regulatory agencies and almost every part of the financial services industry in the U.S.

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

- A. A cause-and-effect relationship always exists between exposure to a substance and injury.
- B. Loss exposures are difficult to identify.**
- C. As contaminant detection equipment is developed, the loss exposure decreases.
- D. Many laws are funded in accordance with a "let the government pay" concept.

B is correct. (Module 9 – Obj 3).

A is incorrect. Often, a cause-and-effect relationship does not exist between exposure to a substance and measurable injury.

C is incorrect. As contaminant detection equipment is developed, the loss exposure increases because smaller quantities of contaminants can be measured.

D is incorrect. Many laws are funded in accordance with a "let the polluter pay" concept.

65. Which one of the following statements is correct regarding Commercial General Liability (CGL) Coverage Form Coverage C

- Medical Payments?

- A. To be covered, the medical expenses must be reported to the insurer within three months after the date of the accident.
- **B. Coverage applies for accidents away from the insured's business if related to the insured's operations.**
- C. Coverage applies to bodily injury included within the products-completed operations.
- D. Coverage is provided only if the insured is found to be legally liable.

B is correct. (Module 2 – Obj 5).

A is incorrect. To be covered, the medical expenses must be reported to the insurer within one year after the date of the accident.

C is incorrect. Medical payments coverage does not apply to bodily injury included within the products-completed operations hazard.

D is incorrect. Medical expense coverage is provided regardless of whether the insured is legally liable.

66. Which one of the following endorsements to the Commercial General Liability (CGL) Coverage Form would provide coverage for bodily injury caused to an individual by a drone?

- **A. Limited Coverage for Designated Unmanned Aircraft (Coverage A Only).**
- B. Limited Coverage for Designated Unmanned Aircraft (Coverage B Only).
- C. Exclusion – Unmanned Aircraft.
- D. Exclusion – Unmanned Aircraft (Coverage A Only).

A is correct. (Module 3 – Obj 3).

Limited Coverage for Designated Unmanned Aircraft (Coverage A Only) endorsement would provide coverage for drones that are listed in the endorsement's schedule. All of the other endorsements listed would not provide coverage for bodily injury resulting from drones.

67. Which one of the following statements is correct regarding Section II – Covered Autos Liability Coverage of the Business Auto Coverage Form (BACF)?

- A. Coverage is only provided for bodily injury, but not property damage under this section.
- B. The insurer is not obligated to defend the insured if the claim is false or fraudulent.
- C. If the employee owns the covered auto, the employee would be considered an insured under the policy.
- **D. Certain pollution costs are covered, such as those resulting from the escape of fuel.**

D is correct. (Module 4 – Obj 3).

A is incorrect. Under the insuring agreement for Section II, coverage is provided for both bodily injury and property damage.

B is incorrect. The insurer must defend the insured against even false or fraudulent claims.

C is incorrect. An employee of the named insured is NOT an insured if the covered auto is owned by the employee or a member of the employee's household.

68. Barry's Builders is a construction company headquartered in Texas. A crane they were using on a construction site in Mexico accidentally dropped a steel beam on a parked car, causing significant damage. Although there were no injuries, the owner of the car sued Barry's Builders, resulting in a judgment against the company. Assuming Barry's Builders is insured under a Commercial General Liability policy, and the accident took place during the policy period, will the policy provide coverage?

- A. No, because accidents are not considered "occurrences" under the policy.
- **B. No, because the accident occurred in Mexico.**
- C. Yes, because bodily injury and property damage are covered.
- D. Yes, because the insured was found legally liable for the damages.

B is correct. (Module 2 – Obj 2).

The claim failed to meet the condition requiring the occurrence to take place in the coverage territory. The coverage territory of a Commercial General Liability policy is the United States, Canada, and Puerto Rico.

69. A retired Navy SEAL is starting a company that will build boats for sale to the general public. He is considering risk management options for the business, and would like to find a policy that would provide coverage for losses incurred during any point during the course of the boats' construction, including launch. The most appropriate policy for the business would be a:

- A. Hull liability policy.
- B. Ship repairers liability policy.
- C. **Marine builders risk policy.**
- D. Boat manufacturers policy.

C is correct. (Module 10 – Obj 3).

A marine builders risk policy covers the builder during the entire course of a vessel's construction, including the launching of the vessel.

70. A physician who is employed by MuchPain hospital was injured when a ceiling tile fell from the ceiling of the hospital and struck him on the head while he was performing surgery. The physician missed three weeks of work as a result of the injury.

Would the injury be covered by the hospital's professional liability insurance?

- A. No, because workers' compensation losses are not covered by most professional liability insurance policies.
- B. No, because the Good Samaritan law will preclude the physician from recovering any damages.
- C. Yes, because the physician is an employee of the hospital.
- D. Yes, because the physician was unable to work and therefore suffered a significant loss of income.

A is correct. (Module 8 – Obj 4).

Workers' compensation losses are not covered by most professional liability insurance policies. This injury would probably be covered by workers' compensation insurance, since the physician was an employee of the hospital.

71. A manufacturing company purchased an unendorsed Commercial General Liability (CGL) policy. Information on the policy is as follows:

Policy inception date – January 1, 20x5

Date company was notified it was being sued for slander arising out of one of its advertising brochures – March 15, 20x5

Date brochures were mailed out – November 12, 20x4

Will the CGL policy cover losses arising from the slander lawsuit?

- A. No, because slander is excluded from coverage under the CGL.
- B. **No, because the brochures were published prior to the policy period.**
- C. Yes, because the lawsuit was filed after the policy was in force.
- D. Yes, because all acts of slander are covered under the CGL.

B is correct. (Module 2 – Obj 4).

The Material Published Prior to the Policy Period exclusion under Coverage B of the CGL policy excludes coverage for any injury arising out of releasing of material whose first publication took place before the beginning of the policy period.

72. Amaco Inc. was concerned that its health insurance premiums were increasing, so they instituted a wellness program for their employees. The wellness program provided that an employee would receive a bonus if their body fat percentage dropped below 20%. A group of women filed a lawsuit against Amaco, asserting that the provision penalized women. This is an example of:

- A. Intentional discrimination.
- B. Overt discrimination.
- C. **Disparate treatment.**
- D. Disparate impact.

D is correct. (Module 7 – Obj 4).

A is incorrect. Intentional discrimination is an intentional, specific act of discrimination, such as the refusal to interview individuals of a certain religion.

B is incorrect. Overt discrimination is an intentional, specific act of discrimination, such as the refusal to interview individuals of a certain religion.

C is incorrect. Disparate treatment is differential treatment of one or more persons in comparison to others, such as reprimanding women for being late to work but not men who are also late.

73. Jay, the owner of Jay's Industrial Services, was driving a vehicle insured by an unendorsed Business Auto Coverage Form (BACF). He was using the vehicle to pull a trailer with a 1,000-load capacity, when he had an accident. Will the BACF provide liability coverage for this accident?

- A. No, because the policy was unendorsed.
- B. No, because trailers are specifically excluded from coverage.
- C. Yes, because the trailer is covered automatically.
- D. Yes, because Jay was driving the vehicle.

C is correct. (Module 4 – Obj 2).

The BACF provides automatic liability coverage for trailers with a load capacity of 2,000 pounds or less.

74. Charlie lives on a farm in Texas. He employs several farm workers, as well as a housekeeper. Charlie is in the process of purchasing a Workers' Compensation & Employers Liability (WC&EL) policy. Which one of the following would be the best endorsement to the WC&EL policy for Charlie to purchase?

- A. Voluntary Compensation and Employers Liability Endorsement.
- B. Employment Practices Endorsement.
- C. Qualified Self-Insurance Endorsement.
- D. United States Longshore and Harbor Workers' Compensation Act Endorsement.

A is correct. (Module 6 – Obj 6).

A Voluntary Compensation and Employers Liability Endorsement is an endorsement that amends the WC&EL policy to cover employees who are not subject to a workers' compensation statute, such as farm laborers and domestic employees.

75. A customer purchased an automobile from a dealer. The dealer was driving the automobile from the dealership to the customer's home 75 miles away, when a collision occurred, causing damage to the automobile. Which one of the following statements is correct regarding insurance coverage for the damage resulting from the collision?

- A. This would be covered under a standard Auto Dealers Coverage Form.
- B. This would be covered if the dealer purchased a Dealers Driveaway Collision Coverage endorsement.
- C. This would be covered if the dealer purchased a Broad Form Products Coverage endorsement.
- D. This would be covered if the dealer purchased a Transportation Coverage endorsement.

B is correct. (Module 5 – Obj 3).

The ADCF's Dealers Driveaway Collision Coverage endorsement provides coverage for an auto that is being transported more than 50 miles from a point of purchase to its destination.

76. Daniel's Bonsai Trees plants, grows, and delivers bonsai trees and other greenery. Their delivery vehicles are insured under a Business Auto Coverage Form (BACF). Bodily injury or property damage would be covered under the liability coverage of the BACF if an accident occurred during which of the following events?

- A. A bonsai tree is dug up from the ground at Daniel's premises.
- B. A bonsai tree is being moved within Daniel's premises to a delivery vehicle after being sold.
- C. A bonsai tree is being planted in the ground at the customer's site.
- D. A bonsai tree is being transported from Daniel's Bonsai Trees to a customer's site.

B is correct. (Module 4 – Obj 3).

The BACF provides coverage for accidents that occur while the property is being moved into a covered auto from the place where the property has been accepted.

A is incorrect. The BACF excludes coverage relating to the handling of property before it is moved from the place where it is accepted by the insured for movement into a covered auto.

C is incorrect. After property has been moved from a covered auto to its final delivery place, coverage under the BACF no longer applies.

D is incorrect. Cargo that is being transported would not be covered under the BACF; it would be covered under a policy such as motor truck cargo insurance.

77. Sergio owns a bakery that is located on the bottom floor of a three-story building in North Carolina. The building is owned by Tara, who uses the second floor of the building to run a dance studio. The third floor of the building is rented to Maria, who uses the space for her accounting practice. While baking cookies, Sergio accidentally caused a fire that engulfed the building.

The damage from the fire was:

Bodily injury to a client of the accounting firm – \$400,000

Second and third floors of the building – \$200,000

Tara's business personal property – \$90,000

Bakery building space rented to Sergio – \$260,000

Sergio's business personal property – \$100,000

Sergio's bakery is insured by an unendorsed Commercial General Liability policy (occurrence version). The policy does not have a deductible. Sergio has been found to be legally liable for the damages caused by the fire. The policy has the following limits:

General aggregate limit – \$2,000,000

Each occurrence limit – \$1,000,000

Damage to the premises rented to you limit – \$100,000

How much of the damages will be paid by the insurer?

- A. \$700,000.
- B. \$790,000.
- C. \$1,000,000.
- D. \$1,050,000.

B is correct. (Module 3 – Obj 1).

The following coverage will be provided:

Bodily injury to a client of the accounting firm – \$400,000

Second and third floors of the building – \$200,000

Tara's business personal property – \$90,000

Bakery building space rented to Sergio – \$100,000 (although the actual damage was higher, the limit in the policy was \$100,000)

Sergio's business personal property – \$0 (not covered under the policy)

Total coverage – \$790,000

78. Malibu Warehouse is currently insured under a Workers' Compensation and Employers Liability Insurance Policy. Item 3.A of the policy Information Page lists the following states:

California

Oregon

Utah

Item 3.C reads as follows: "All states except those listed in Item 3.A and ND, OH, WA, WV, and WY." Malibu purchased a new warehouse in Texas, and the next day, sent a letter to the insurer informing them of the expanded operations. An employee of Malibu is injured in the Texas warehouse the day prior to the insurer receiving the letter. How will the insurer respond to the injury?

- A. No coverage would be provided because the letter was not received by the insurer until after the injury.
- B. No coverage would be provided because Texas is not listed in Item 3.A of the Information Page.
- C. Coverage would be provided based on workers' compensation law in Texas.
- D. Coverage would be provided based on the average limits of coverage in California, Oregon, and Utah.

C is correct. (Module 6 – Obj 5).

Since Item 3.C contains the statement "All states except those listed in Item 3.A and ND, OH, WA, WV, and WY", coverage will apply in Texas. The requirement of the employer is to notify the insurer immediately of expanded operations.

79. Geraldo is an employee and salesman of Vitamins-R-Us. Vitamins-R-Us is covered under a Commercial General Liability (CGL) Coverage Form, and Geraldo is covered under a Personal Auto Policy (PAP). Geraldo was driving his own car, making sales calls for the company, when he accidentally crashed into a customer's building. The accident injured two people and caused damage to the customer's building and business personal property. The CGL policy would be considered:

- A. Strict.
- B. Vicarious.
- C. Excess.
- D. Primary.

C is correct. (Module 3 – Obj 2).

The Other Insurance condition of the CGL indicates the CGL policy will provide excess coverage when the other insurance coverage is auto coverage.

80. John is a Director for ABC Corporation. He is not an officer and has no preexisting business relationship with the corporation. ABC Corporation purchased a directors and officers liability insurance policy to cover liability for wrongful acts or omissions by a director. However, John is concerned that ABC has not purchased enough insurance, and he is also concerned that the existing insurance limits will be diluted by claims against other directors or the corporation. John expresses his concerns to ABC. What can ABC do to alleviate John's concerns?

- A. Increase Coverage A of the directors and officers liability insurance policy.
- B. Increase Coverage B of the directors and officers liability insurance policy.
- C. Increase Coverage C of the directors and officers liability insurance policy.
- D. Purchase an independent directors liability policy.

D is correct. (Module 7 – Obj 3).

An independent directors liability policy insures only independent directors that are specifically named in the policy. It would provide coverage for an independent director that would not be diluted by claims against other corporate directors.

81. Stacy is a wholesaler who was insured under a Commercial General Liability (CGL) Coverage Form. She was sued by a former customer, and as a result, was found liable for bodily injury losses sustained by the customer. In addition to the damages awarded, the following supplementary payments were incurred by Stacy:

Attorney fees – \$15,000

Court costs – \$1,500

Loss of earnings (missed work for four days while testifying) – \$2,000

What amount of these supplementary payments will be covered by Stacy's CGL policy?

- A. \$16,500.
- B. \$17,000.
- C. **\$17,500.**
- D. \$18,500.

C is correct. (Module 2 – Obj 6).

Although loss of earnings are covered under the supplementary payments section, they are limited to \$250 per day). Therefore, the total amount covered is:

Attorney fees – \$15,000

Court costs – \$1,500

Loss of earnings – \$1,000 (4 days x \$250 per day)

Total covered – \$17,500

82. Aaron owns a manufacturing business in West Virginia. The business is insured by an unendorsed Commercial General Liability policy (occurrence version). The policy has the following limits:

General aggregate limit – \$2,000,000

Products-Completed Operations Aggregate Limit – \$2,000,000

Each Occurrence Limit – \$1,000,000

Personal and Advertising Injury Limit – \$1,000,000

Damage to the Premises Rented to You Limit – \$100,000

Medical Expense Limit – \$5,000

Deductible – \$0

Aaron was found liable for the following liability losses during the policy period, each resulting from a separate occurrence.

August – Personal Injury – \$800,000

September – Personal Injury – \$900,000

October – Product Liability – \$600,000

November – Product Liability – \$300,000

How much of the total loss will be paid by the insurer?

- A. \$1,700,000.
- B. \$2,000,000.
- C. \$2,300,000.
- D. **\$2,600,000.**

D is correct. (Module 3 – Obj 1).

The following coverage will be provided:

August – \$800,000 (this is within the general aggregate limit and within the Personal and Advertising Injury Limit; the general aggregate limit will be reduced to \$1,200,000 after this loss)

September – \$900,000 (this is within the remaining general aggregate limit of \$1,200,000 and within the Personal and Advertising Injury Limit limit; the general aggregate limit will be reduced to \$300,000 after this loss)

October – \$600,000 (this loss is applied against the Products-Completed Operations aggregate limit, not the general aggregate limit, and is within the each occurrence limit; the Products-Completed Operations aggregate limit will be reduced to \$1,400,000)

November – \$300,000 (this loss is applied against the remaining Products-Completed Operations aggregate limit of \$1,400,000, not the general aggregate limit, and is within the each occurrence limit; the Products-Completed Operations aggregate limit will be reduced to \$1,100,000)

The total loss paid by the insurer will be \$2,600,000

83. At an amusement park in Florida, guests who exit the park often desire to return to the park later in the day. Upon returning to the park, the guests are asked to insert their finger into an electronic reader at the time of reentry so the park can ensure that a ticket is used by the same person from day to day. This is an example of which type of risk control measure?

- A. Telematics.
- B. Fintech.
- C. **Biometrics.**
- D. Procedural control.

C is correct. (Module 12 – Obj 1).

A is incorrect. Telematics is a method of monitoring an asset (car, truck, heavy equipment, or even ship) by using GPS and onboard diagnostics to record movements on a computerized map.

B is incorrect. Fintech describes technology that improves and automates the delivery and use of financial services.

D is incorrect. This is an example of a physical control, not a procedural control.

84. Coverage A – Bodily Injury and Property Damage Liability of the Commercial General Liability (CGL) Coverage Form contains a pollution exclusion. Which one of the following events would be considered an exception to the pollution exclusion, and would therefore be covered under the CGL if the event resulted in bodily injury or property damage?

- A. Soot escapes from the insured's smoke stack.
- B. **Equipment owned and used by the insured accidentally leaks diesel fuel.**
- C. The insured discharges wastewater into a stream.
- D. The ground adjacent to the insured's premises becomes contaminated.

B is correct. (Module 2 – Obj 3).

Coverage A – Bodily Injury and Property Damage Liability of the Commercial General Liability (CGL) Coverage Form contains a pollution exclusion. One of the exceptions to the pollution exclusion is for bodily injury or property damage caused by the escape of fuels or other fluids from equipment.

85. Raphael is a wedding photographer in California and has recently acquired a drone to use while photographing weddings.

He wants to make sure his risk exposures are properly covered, so he calls his insurance agent, Susan, and inquires about obtaining \$5,000,000 of liability coverage for his drone. Which one of the following scenarios is most likely to occur?

- A. The insurer will write the policy with no further requirements.
- B. The insurer will write the policy after Raphael passes a background check with the Federal Aviation Administration.
- C. **The insurer will require Raphael to provide evidence of completion of a drone operator's safety course.**
- D. Susan will tell Raphael that the insurer will not sell him a policy with a \$5,000,000 limit.

D is correct. (Module 10 – Obj 7).

Very few insurers will write an unmanned aircraft policy with limits greater than \$1 million, as their basic safety requirements might exceed those of Part 107 of the Federal Aviation Regulations.