

Your answers are shown below:

**1. All of the following are considered an insured under a Commercial General Liability (CGL) policy, EXCEPT:**

- A. An individual currently working as a real estate manager for the named insured.
- **B. A subsidiary of the named insured in existence before the policy, but not listed in the declarations.**
- C. A partnership or joint venture specifically named in the declarations.
- D. The trustees of a trust that is listed as the named insured.

**B is correct. (Obj 1 – Type A).**

A subsidiary of the named insured in existence before the inception of the CGL policy will be considered an insured, as long as the subsidiary is reflected in the declarations.

**2. Which one of the following statements is correct regarding the insured under a Commercial General Liability (CGL) policy?**

- A. If the named insured forms a new organization, the new organization qualifies as a named insured for up to 60 days after formation.
- B. If the named insured dies, the policy will not provide coverage until a legal representative of the insured's estate is appointed.
- **C. If a trust is the named insured, the trustees will be covered under the policy with respect to their duties as trustees.**
- D. A named insured and his or her spouse are covered under the policy for business and nonbusiness activities.

**C is correct. (Obj 1 – Type A).**

A is incorrect. If the named insured forms a new organization, the new organization qualifies as a named insured for up to 90 days after formation.

B is incorrect. If the named insured dies, any person or organization having temporary custody over the insured's property will be considered the insured.

D is incorrect. The spouse of the named insured is also considered an insured. However, they are only covered for business activities, not nonbusiness activities.

**3. Which one of the following statements is correct regarding the insured under a Commercial General Liability (CGL) policy?**

- **A. If a named insured is an individual, his or her spouse is also an insured with respect to the named insured's business.**
- B. The named insured's employees are insured for losses relating to bodily injury suffered by the insured.
- C. If a named insured dies, coverage for a temporary custodian applies only to liability arising out of contractual obligations.
- D. Only individuals, corporations, and partnerships can be named insureds.

**A is correct. (Obj 1 – Type A).**

B is incorrect. An employee of the named insured is considered an insured for liability claims arising from their duties as an employee. However, employees are not insured with respect to bodily injury or personal and advertising injury to the named insured.

C is incorrect. If a named insured dies, coverage for a temporary custodian applies only to liability arising out of the maintenance or use of the deceased insured's property.

D is incorrect. Named insureds can also include trusts, LLCs, joint ventures, etc.

**4. Rachel, an employee of ABC Company, was injured when Tom, another employee of ABC Company, accidentally spilled hot tea all over her in the break room. ABC Company was covered by a Commercial General Liability (CGL) policy. Rachel sued Tom for costs associated with her injury. Is Tom considered an insured under the CGL policy?**

- A. Yes, because employees of the named insured are considered insureds under the policy.
- B. Yes, because the injury occurred on the company premises.
- C. No, because employees are not considered insureds if the injury occurred on the employer's premises.
- **D. No, because the policy does not cover employees causing bodily injury to co-employees.**

**D is correct. (Obj 1 – Type B).**

Employees of the named insured are generally considered insureds under the CGL policy; however, no employee is an insured for bodily injury to a co-employee while in the course of his or her employment.

**5. Dana is the 100% owner of a bakery that she holds within a Limited Liability Company (LLC). The LLC purchased a Commercial General Liability (CGL) Coverage Form. Dana was at the local shopping center, where she made some disparaging and untrue remarks about a local politician. The politician was informed about the remarks, and subsequently sued Dana for slander. Will the CGL policy provide coverage?**

- A. Yes, because all members of an LLC are considered insured under the policy.
- B. Yes, because Dana was the sole owner of the LLC.
- C. No, because slander is not a covered cause of loss under the policy.
- D. No, because the slander did not involve the bakery business.

**D is correct. (Obj 1 – Type B).**

For a CGL policy to cover damages, the damages must arise in the course of business.

**6. Limits of insurance in the Commercial General Liability coverage form cap the amount payable by the insurer. Which one of the following typically has the lowest limit?**

- A. General Aggregate Limit.
- B. Each Occurrence Limit.
- C. Personal and Advertising Injury Limit.
- D. Medical Expense Limit.

**D is correct. (Obj 2 – Type A).**

The Medical Expense Limit is typically very low, such as \$5,000.

A is incorrect. A typical General Aggregate Limit is \$2,000,000.

B is incorrect. A typical Each Occurrence Limit is \$1,000,000.

C is incorrect. Typically, the Personal and Advertising Injury Limit is set at the same amount as the policy's Each Occurrence Limit.

**7. Which one of the following statements is correct regarding various limits of insurance found in the Commercial General Liability (CGL) Coverage Form?**

- A. The purpose of the aggregate limit is to establish the largest amount of defense costs the insurer is willing to pay in defending a lawsuit.
- B. The medical expense limit is the most an insurer will pay under Coverage B.
- C. In addition to a general aggregate limit, the CGL often contains a second aggregate limit that applies to property damage.
- D. The general aggregate limit includes any payments made for Part C medical expenses.

**D is correct. (Obj 2 – Type A).**

A is incorrect. The purpose of the aggregate limit is to put a ceiling on the total amount of damages (other than defense costs) the insurer will pay for the entire policy period.

B is incorrect. The medical expense limit applies to damages under Coverage C.

C is incorrect. In addition to a general aggregate limit, the CGL often contains a second aggregate limit that applies to products and completed operations.

**8. Which one of the following statements is correct regarding limits applicable to the Commercial General Liability (CGL) policy?**

- A. The "damage to premises rented to you" limit is the most the insurer will pay under Coverage A for premises liability.
- B. The "personal and advertising injury" limit is the most the insurer will pay for all personal and advertising injury to one person or organization.
- C. The "medical expense" limit is the most the insurer will pay under Coverage C per occurrence.
- D. The "each occurrence" limit is the most the insurer will pay for the sum of products-completed operations liability and damage to premises rented to you.

**B is correct. (Obj 2 – Type A).**

A is incorrect. The "damage to premises rented to you" limit is the most the insurer will pay under Coverage A for damage caused by fire.

C is incorrect. The "medical expense" limit is the most the insurer will pay under Coverage C per person.

D is incorrect. The "each occurrence" limit is the most the insurer will pay for the sum of bodily injury and property damage liability under Coverage A and medical expenses under Coverage C.

**9. Which one of the following statements is correct regarding limits applicable to the Commercial General Liability (CGL) policy?**

- A. Amounts paid under the medical expense limit are subject to a 70% coinsurance payment.
- B. Defense costs paid by the insurer reduce the aggregate limits of the policy.
- C. All policies have products-completed operations aggregate limits.
- D. The dollar amounts of coverage are shown in the policy declarations.

**D is correct. (Obj 2 – Type A).**

A is incorrect. Amounts paid under the medical expense limit are subject to the each occurrence limit.

B is incorrect. Defense costs paid by the insurer do not reduce the aggregate limits of the policy.

C is incorrect. Not all insureds have products-completed operations aggregate limits in their policies.

**10. Under the Commercial General Liability (CGL) policy, the "products-completed operations hazard" is defined to include:**

- A. Bodily injury, but not property damage, occurring on the premises owned or rented by the named insured.
- B. Bodily injury and medical expenses occurring on the premises owned or rented by the named insured.
- C. Both property damage and bodily injury occurring away from the premises owned or rented by the named insured.
- D. Property damage, but not bodily injury, occurring away from the premises owned or rented by the named insured.

**C is correct. (Obj 2 – Type A).**

Under the Commercial General Liability (CGL) policy, the "products completed operations hazard" is defined to include both property damage and bodily injury occurring away from the premises owned or rented by the named insured and arising out of the named insured's product or work.

**11. Field and Stream Outfitters (FSO) is a retail store that sells camping, hunting, and fishing gear. They have a Commercial General Liability (CGL) policy with the following limits:**

**General Aggregate \$4,000,000**

**Each Occurrence \$2,000,000**

**Damage to Premises**

**Rented to You \$1,000,000**

**Medical Expenses \$10,000**

A seasonal display collapsed as a result of negligent construction by an FSO employee. Ten customers were injured with medical bills of \$3,000 each and a customer sued FSO for \$500,000. Legal defense costs of \$50,000 were incurred, and the customer was awarded \$100,000 by the court. What is the amount the insurer will pay under Coverage C?

- A. \$10,000.
- B. **\$30,000.**
- C. \$500,000.
- D. \$550,000.

**B is correct. (Obj 2 – Type B).**

Coverage C is medical payments. The medical expense limit applies per person, not per occurrence. Coverage A covers bodily injury and property damage liability. Also, Coverage A would include applicable defense costs in addition to any legal awards.

Coverage C will provide \$30,000 of coverage (10 customers injured x \$3,000 coverage per customer).

**12. Jim purchased a chainsaw from Tools R Us. He was using the chainsaw to cut down a tree, when it malfunctioned, and caused injury. Tools R US has an unendorsed Commercial General Liability (CGL) policy. Which of the following limits will apply if damages are awarded to Jim?**

- A. Each occurrence limit and products-completed operations aggregate limit.
- B. Damage to premises rented to you limit and medical expense limit.
- C. Each occurrence limit and damage to premises rented to you limit.
- D. Personal and advertising injury limit and medical expense limit.

**A is correct. (Obj 2 – Type B).**

The each occurrence limit and products-completed operations aggregate limit will apply.

**13. 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. (Obj 2 – Type B).**

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

**14. Which one of the following statements is correct regarding commercial general liability conditions?**

- **A. The purpose of the representation condition is to encourage the named insured to read the policy and ensure the representations made are correct.**
- B. Conditions are typically unilateral, obligating only the insured to perform certain duties in the event of a loss.
- C. The bankruptcy provision establishes that the bankruptcy or insolvency of the insurer will not relieve the insurer of any of its policy obligations.
- D. If an insurer opts not to renew a policy, the insurer must allow the insured to obtain other coverage at least 90 days before the expiration date of the policy.

**A is correct. (Obj 3 – Type A).**

B is incorrect. Besides obligating the insured to perform certain duties in the event of a loss, the conditions also contain several provisions that govern insurer conduct.

C is incorrect. The bankruptcy provision establishes that the bankruptcy or insolvency of an insured will not relieve the insurer of any of its policy obligations.

D is incorrect. If an insurer opts not to renew the policy, written notice of non-renewal must be given to the first named insured at least 30 days before the policy expiration date.

**15. Which one of the following statements is correct regarding the premium audit condition of a commercial general liability (CGL) policy?**

- A. The premium base for retail or mercantile stores is typically based on payroll.
- B. If a policy is issued with an estimated premium, the final premium is determined 60 days after the inception of the policy.
- **C. The insured must provide adequate records to the insurer any time they are requested.**

- D. If a premium audit shows the earned premium to be less than the original estimate, the insurer is obligated to place the excess in escrow as a credit to future billing periods.

**C is correct. (Obj 3 – Type A).**

A is incorrect. The premium base for retail and mercantile stores is typically based on gross sales, while the premium base for service companies may be based on payroll.

B is incorrect. If a policy is issued with an estimated premium, the final premium is determined after the policy has expired.

D is incorrect. If the audit shows the earned premium to be less than the original estimate, the insurer is obligated to return the excess to the named insured, subject to any policy minimum premium.

**16. Which one of the following statements is correct regarding conditions contained in a Commercial General Liability (CGL) policy?**

- A. When a named insured becomes aware of an occurrence, the named insured must provide written notice to the insurer within 90 days.
- B. The failure of an insured to satisfy the conditions in the policy can render the policy voidable by the insurer.
- C. No insured is permitted to make voluntary payments without the insurer's consent, unless those expenses are for first aid at the time of the occurrence.**
- D. Although conditions govern insurer conduct, they do not address how coverage is determined if more than one policy applies to a claim.

**C is correct. (Obj 3 – Type A).**

A is incorrect. When a named insured becomes aware of an occurrence, the insured can provide either written or oral notice. The notice must be provided as soon as practicable.

B is incorrect. The failure of an insured to satisfy the conditions in the policy can result in non-coverage for a claim that otherwise would have been covered had the conditions been satisfied.

D is incorrect. Although Conditions govern insurer/insured conduct, and also address how coverage is determined if more than one policy applies to a claim.

**17. The Commercial General Liability (CGL) Coverage Form contains an Other Insurance condition that determines how much an insurer is required to pay when the insured has other insurance covering the claim. Under this condition, the applicable coverages are classified as:**

- A. Primary or excess insurance.**
- B. Reinsurance or secondary insurance.
- C. Excess or surplus insurance.
- D. Primary or secondary insurance.

**A is correct. (Obj 3 – Type A).**

Under the Other Insurance condition, the applicable coverages are classified as primary or excess insurance.

**18. Which one of the following statements is correct regarding conditions contained in a Commercial General Liability (CGL) policy?**

- A. The purpose of the Representations condition is to allow the insured to obtain legal representation of the insured's choosing when policy interpretation is required.
- B. The When We Do Not Renew condition requires an insurer to give the first named insured 30 days' written notice if the insurer decides not to renew the policy.**
- C. The Separation of Insureds condition is used to certify the authenticity of the statements of both the insured and the insurer.
- D. The Bankruptcy condition indicates that the insurer is relieved of their policy obligations if the insured declares bankruptcy or become insolvent.

**B is correct. (Obj 3 – Type A).**

A is incorrect. The purpose of the Representations condition is to encourage the insured to read the policy declarations and ensure the representations are accurate.

C is incorrect. The Separation of Insureds condition states that the insurance provided by the policy applies separately to each person insured.

D is incorrect. The Bankruptcy condition indicates that the insurer is not relieved of their policy obligations if the insured declares bankruptcy or become insolvent.

**19. Which one of the Commercial General Liability (CGL) Coverage Form conditions indicates that no person is allowed to include the insurer in a lawsuit seeking damages from an insured?**

- A. Separation of Insureds condition.
- **B. Legal Action Against Us condition.**
- C. Representations condition.
- D. Transfer of Rights of Recovery Against Us to Others.

**B is correct. (Obj 3 – Type A).**

A is incorrect. Separation of Insureds condition states that the insurance provided by the policy applies separately to each person insured.

C is incorrect. The Representations condition states that the named insured agrees the statements in the declarations are complete and accurate.

D is incorrect. The Transfer of Rights of Recovery Against Us to Others condition indicates that when an insured has rights to recover from a third party a claim paid by the insurer, those rights of recovery are transferred to the insurer.

**20. Double R Enterprises is insured under two CGL policies. Policy A has a limit of \$2,000,000 for each occurrence and Policy B has a limit of \$3,000,000 for each occurrence. Both policies are considered primary. Under the contribution by equal shares method, how much would each policy pay on a \$1,000,000 claim?**

- A. Policy A – \$0, Policy B – \$1,000,000.
- **B. Policy A – \$500,000, Policy B – \$500,000.**
- C. Policy A – \$400,000, Policy B – \$600,000.
- D. Policy A – \$1,000,000, Policy B – \$0.

**B is correct. (Obj 3 – Type B).**

Under the contribution by equal shares method, each insurer pays an equal amount until the claim is fully paid or until one insurer exhausts its limit. Therefore, each insurer in this case would pay half of the \$1,000,000 claim, or \$500,000.

**21. JDI Resources is insured under two CGL policies. Policy A has a limit of \$500,000 for each occurrence, and Policy B has a limit of \$2,000,000 for each occurrence. Both policies are considered primary. Under the contribution by equal shares method, how much would Policy B pay for a \$1,200,000 claim?**

- A. \$500,000.
- B. \$600,000.
- **C. \$700,000.**
- D. \$960,000.

**C is correct. (Obj 3 – Type B).**

Under the contribution by equal shares method, each insurer pays an equal amount until the claim is fully paid or until one insurer exhausts its limit. Therefore, each insurer in this case would pay equal shares until the \$500,000 limit of Policy A was reached (\$1,000,000 total paid between the two policies). Policy B would then pay the remaining claim up to its applicable limit. In this case, it would be an additional \$200,000 (\$1,200,000 - \$1,000,000). Policy A would pay \$500,000 and Policy B would pay \$700,000.

**22. JDI Resources is insured under two CGL policies. Policy A has a limit of \$500,000 for each occurrence, and Policy B has a limit of \$2,000,000 for each occurrence. Both policies are considered primary. Under the contribution by limits method, how much would Policy B pay for a \$1,200,000 claim?**

- A. \$500,000.
- B. \$600,000.
- C. \$700,000.
- **D. \$960,000.**

**D is correct. (Obj 3 – Type B).**

Under the contribution by limits method, each insurer pays the proportion of the claim that the insurer's limit bears to the total of all applicable insurance. The total of all applicable insurance is \$2,500,000, the sum of the two limits. Policy B's limit of \$2,000,000 is 80% of the total limit of \$2,500,000. Therefore, Policy B will pay 80% of the claim, up to its limit of \$2,000,000.

Policy B Payment =  $80\% \times \$1,200,000 = \$960,000$  (which is less than the Policy B limit).

**23. 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

Tara has her own business insurance policy that would pay 80% of the damages to her business personal property, with a \$2,000 deductible. How much of the damages will be paid by Sergio's insurer for Tara's business personal property?

- A. \$0.
- B. \$71,000.
- C. \$72,000.
- D. \$90,000.

**D is correct. (Obj 3 – Type B).**

Since Sergio is responsible for the damages, his CGL policy will cover the full damages to Tara's business personal property.

**24. ABC Company is insured under two Commercial General Liability (CGL) policies: Policy 1 and Policy 2. The each occurrence limit under Policy 1 is \$500,000 and the each occurrence limit under Policy 2 is \$2,000,000. ABC Company was found to be liable for \$1,000,000 of damages arising from one occurrence. How much would each insurer pay under the contribution by limits method of loss sharing?**

- A. Policy 1 – \$0, Policy 2 – \$1,000,000.
- B. Policy 1 – \$200,000, Policy 2 – \$800,000.
- C. Policy 1 – \$500,000, Policy 2 – \$500,000.
- D. Policy 1 – \$800,000, Policy 2 – \$200,000.

**B is correct. (Obj 3 – Type B).**

Under the contribution by limits method of loss sharing, each insurer pays the proportion of the claim based on the ratio of the insurer's limit of coverage to the total limit of coverage. The total coverage for ABC Company under both policies is \$2,500,000 ( $\$500,000 + \$2,000,000$ ).

The amount covered by each policy is determined using the following formula:

Coverage Under Policy = (Coverage Limit For Individual Policy / Total Coverage Limit) x Loss

Coverage Under Policy 1 =  $(\$500,000 / \$2,500,000) \times \$1,000,000$

Coverage Under Policy 1 =  $20\% \times \$1,000,000$

Coverage Under Policy 1 = \$200,000

Coverage Under Policy 2 =  $(\$2,000,000 / \$2,500,000) \times \$1,000,000$

Coverage Under Policy 2 =  $80\% \times \$1,000,000$

Coverage Under Policy 2 = \$800,000

**25. ABC Company is insured under two Commercial General Liability (CGL) policies: Policy 1 and Policy 2. The each occurrence limit under Policy 1 is \$500,000 and the each occurrence limit under Policy 2 is \$2,000,000. ABC Company was found to be**

**liable for \$1,200,000 of damages arising from one occurrence. How much would each insurer pay under the contribution by equal shares method of loss sharing?**

- A. Policy 1 – \$0, Policy 2 – \$1,200,000.
- **B. Policy 1 – \$500,000, Policy 2 – \$700,000.**
- C. Policy 1 – \$600,000, Policy 2 – \$600,000.
- D. Policy 1 – \$240,000, Policy 2 – \$960,000.

**B is correct. (Obj 3 – Type B).**

Under the contribution by equal shares method of loss sharing, each insurer pays an equal portion of the loss, up to the respective policy limit. Since the loss was \$1,200,000, each policy would normally be required to pay \$600,000. However, the limit for Policy 1 is \$500,000, and therefore, Policy 1 will only pay \$500,000 of the loss. The remaining loss of \$700,000 (\$1,200,000 - \$500,000) will be paid by Policy 2.

**26. When determining the premium base under a Commercial General Liability (CGL) policy, contracting businesses are rated on the basis of:**

- A. Admissions.
- **B. Payroll.**
- C. Number of units.
- D. Gross sales.

**B is correct. (Obj 4 – Type A).**

A is incorrect. Admissions are typically used for special events, such as concerts.

C is incorrect. Number of units are typically used for building or premises risks.

D is incorrect. Gross sales are typically used for retail stores and other mercantile businesses.

**27. The exposure in Commercial General Liability insurance is primarily concerned with which of the following?**

- A. Type of loss.
- B. Severity of loss.
- C. Frequency of loss.
- **D. Size of business operations.**

**D is correct. (Obj 4 – Type A).**

The exposure is a measure of the size of the business operations to be insured, not the type of losses to which the business is susceptible. For example, a manufacturing firm that produces 10,000,000 units per year is more likely to be sued for product liability than one that manufactures 1,000,000 units per year.

**28. Which one of the following is the formula used to determine the premium under a Commercial General Liability (CGL) policy?**

- A. Loss Frequency x Severity = Premium
- B. Exposure + Load = Premium
- C. Base x Coverage Limit = Premium
- **D. Rate x Exposure = Premium**

**D is correct. (Obj 4 – Type A).**

The premium under a Commercial General Liability (CGL) policy is determined using the following basic formula: Rate x Exposure = Premium.

**29. Which one of the following statements is correct regarding the rating of coverage under a Commercial General Liability (CGL) policy?**

- **A. The two rates that apply for most classifications are the bodily injury rate and the personal injury rate.**
- B. The class code is assigned according to the premium for non-filed lines of business.
- C. The exposure is a measure of the type of losses to which the business is susceptible.
- D. The insurer develops a rate for each insured under the policy.

**C is correct. (Obj 4 – Type A).**

A is incorrect. The two rates that apply for most classifications are the premises-operations rate and the products-completed operations rate.

B is incorrect. The class code is assigned according to the description in the classifications table that best fits the operations of the organization.

D is incorrect. The insurer develops a rate for each business classification the insurer is willing to write.

**30. An insurer that writes Commercial General Liability (CGL) insurance develops a rate for each business classification that it is willing to insure. Which one of the following rates apply for most classifications?**

- A. Liability and property damage.
- B. Premises-operations and products-completed.
- C. Retail and wholesale.
- D. Owners and contractors protective liability and construction project management liability.

**B is correct. (Obj 4 – Type A).**

A premises-operations rate and products-completed operations rate are the two CGL rates that apply for most classifications in CGL policies.

**31. Which one of the following statements is correct regarding ISO Claims-Made Provisions?**

- A. If the policy has a retroactive date, it can be found in the policy conditions.
- B. If the policy has a retroactive date, it will cover claims first made during the policy period, regardless of when the injury, damage, or other insured event occurred.
- C. If the policy has no retroactive date, it will cover claims first made during the policy period only if the injury, damage, or other insured event occurred on or after the retroactive date.
- D. **If a retroactive date is advanced in a new or renewal policy, the new policy will not cover claims made during the new policy period if the injury occurred before the retroactive date shown in the new policy.**

**D is correct. (Obj 5 – Type A).**

A is incorrect. If a policy has a retroactive date, it can be found in the policy declarations.

B is incorrect. If the policy has a retroactive date, it will cover claims first made during the policy period only if the injury, damage, or other insured event occurred on or after the retroactive date.

C is incorrect. If the policy has no retroactive date, it will cover claims first made during the policy period regardless of when the injury, damage, or other insured event occurred.

**32. A claim that is characterized by an extended delay between the claim's triggering event and the reporting of the event to the insurer is known as a(n):**

- A. Extended claim.
- B. Delayed claim.
- C. Retroactive claim.
- D. **Long-tail claim.**

**D is correct. (Obj 5 – Type A).**

A claim that is characterized by an extended delay between the claim's triggering event and the reporting of the event to the insurer is known as a long-tail claim.

**33. Which one of the following ISO coverage forms provides both occurrence and claims-made versions?**

- A. Pollution Liability.
- B. Underground Storage Tank.
- C. Liquor Liability.
- D. Electronic Data Liability Coverage Form.

**C is correct. (Obj 5 – Type A).**

A is incorrect. The Pollution Liability Coverage Form (CG 00 39) and Pollution Liability Limited Coverage Form (CG 00 40) provide only claims-made versions.

B is incorrect. The Underground Storage Tank Coverage Form (CG 00 42) provides only a claims-made version.

D is incorrect. The Electronic Data Liability Coverage Form (CG 00 65) provides only a claims-made version.

**34. Which one of the following ISO coverage forms provides only a claims-made version?**

- A. Commercial General Liability.
- B. Liquor Liability.
- C. Products/Completed Operations Liability.
- D. Employee Benefits Liability.

**D is correct. (Obj 5 – Type A).**

A is incorrect. The Commercial General Liability Coverage Form (CG 00 02) provide both occurrence and claims-made versions.

B is incorrect. The Liquor Liability Coverage Form (CG 00 34) provides both occurrence and claims-made versions.

C is incorrect. The Product/Completed Operations Liability Coverage Form (CG 00 38) provides both occurrence and claims-made versions.

**35. Which one of the following statements is correct regarding a Certificate of Insurance (COI)?**

- A. It is usually provided to an organization that asks to be named as additional insureds.
- B. It can be used to amend, extend, or alter the coverage on the listed policies.
- C. It can impose a liability on the issuing insurer if a certificate holder is not notified of a policy cancellation.
- D. It confers certain rights to the certificate holder.

**A is correct. (Obj 6 – Type A).**

B is incorrect. A COI does not amend, extend, or alter the coverage afforded by the listed policies.

C is incorrect. A COI typically includes a statement that the issuing insurer will endeavor to notify certificate holders of policy cancellations, but that failure to do so will not impose any obligation or liability.

D is incorrect. A COI will usually contain a disclaimer that it confers no rights upon the certificate holder.

**36. Which one of the following statements is correct regarding the Employee Benefits Liability Coverage Form?**

- A. It covers negligence and intentional torts.
- B. Defense costs are paid in addition to the applicable limit.
- C. It is usually written with an occurrence coverage trigger.
- D. The limit of insurance is reduced by an each-employee deductible.

**B is correct. (Obj 6 – Type A).**

A is incorrect. The Employee Benefits Liability Coverage Form covers negligent acts committed in the administration of the named insured's employee benefits program. However, intentional torts or breach of contract are not covered.

C is incorrect. While it can be offered with an occurrence coverage trigger, it usually has a claims-made coverage trigger.

D is incorrect. An each-employee deductible applies that does not reduce the limits of insurance.

**37. Which one of the following endorsements to the Commercial General Liability (CGL) Coverage Form provides coverage for damages resulting from errors or omissions in administering an insured's benefits program?**

- A. Employment-Related Practices Exclusion endorsement.
- B. Employee Benefits Liability Coverage endorsement.
- C. Additional Insured – Owners, Lessees, or Contractors endorsement.
- D. Exclusion – Financial Services endorsement.

**B is correct. (Obj 6 – Type A).**

The Employee Benefits Liability Coverage Form covers negligent acts committed in the administration of the named insured's employee benefits program. Intentional torts or breach of contract are not covered.

**38. All of the following represent endorsements that can be used to amend the limits of insurance under the commercial general liability (CGL) coverage form, EXCEPT:**

- A. Amendment of Limits of Insurance endorsement.
- B. Designated Construction Projects General Aggregate Limit endorsement.
- C. Designated Persons General Aggregate Limit endorsement.
- D. Designated Location(s) General Aggregate Limit endorsement.

**C is correct. (Obj 6 – Type A).**

The Endorsements for Amending Limits category includes three endorsements for amending the limits of insurance under the CGL coverage form:

Amendment of Limits of Insurance (CG 25 02) – replaces the limits shown in the policy declarations.

Designated Construction Project(s) General Aggregate Limit (CG 25 03) – provides a separate general aggregate limit for each construction project designated in the endorsement's schedule.

Designated Location(s) General Aggregate Limit (CG 25 04) – provides a separate general aggregate limit for each location designated in the endorsement's schedule.

**39. An endorsement that expands the coverage territory to provide worldwide coverage is an example of which type of endorsement?**

- A. Additional coverage endorsement.
- B. Endorsement for amending limits.
- **C. Miscellaneous coverage amendment endorsement.**
- D. Classification endorsement.

**C is correct. (Obj 6 – Type A).**

The Miscellaneous coverage amendment endorsements category contains several endorsements, including an endorsement that expands the coverage territory to provide worldwide coverage, except for any country subject to trade sanction by the U.S.

**40. Which one of the following statements is correct regarding Unmanned Aircraft Coverage Endorsements for the commercial general liability (CGL) coverage form?**

- A. The Limited Coverage for Designated Unmanned Aircraft endorsement modifies the CGL to provide coverage to any drones under the insured's control.
- **B. The Unmanned Aircraft (Coverage B Only) exclusion and the Limited Coverage for Designated Unmanned Aircraft (Coverage B Only) endorsement parallel one another in that they both may modify Coverage B limits, but those modifications do not apply to Coverage A.**
- C. They narrow the CGL's coverage by restricting the types of craft covered.
- D. The Unmanned Aircraft Liability Aggregate Limit is added to the CGL's general aggregate limit for any covered claims involving unmanned aircraft.

**B is correct. (Obj 7 – Type A).**

A is incorrect. The Limited Coverage for Designated Unmanned Aircraft endorsement includes an exception that specifies that the Unmanned Aircraft exclusion does not apply to an unmanned aircraft described in the exclusion's schedule, but only with respect to operations or projects described in the endorsement's schedule.

C is incorrect. ISO's Unmanned Aircraft Coverage endorsements broaden the CGL's coverage by replacing the CGL's Aircraft, Auto, or Watercraft exclusion with an exclusion that includes an exception that provides limited coverage for drone-related loss exposures.

D is incorrect. When an Unmanned Aircraft Liability Aggregate Limit is shown, it takes the place of the CGL's general aggregate limit and products/completed operations aggregate limit for any covered claims involving unmanned aircraft.

**41. Which one of the following statements is correct regarding CGL coverage of unmanned aircraft?**

- A. The unmanned aircraft coverage endorsements indicate that no coverage will be provided under the CGL for drones.
- B. The Limited Coverage for Designated Unmanned Aircraft (Coverage B Only) endorsement modifies Coverage A to exclude coverage for drones.
- C. The Exclusion – Unmanned Aircraft (Coverage A) endorsement is the most expansive of the endorsements.
- **D. The definition of Aircraft in the CGL coverage form makes no specific reference to drones.**

**D is correct. (Obj 7 – Type A).**

A is incorrect. The unmanned aircraft coverage endorsements provide limited coverage for drone-related loss exposures.

B is incorrect. The Limited Coverage for Designated Unmanned Aircraft (Coverage B Only) endorsement does not modify Coverage A.

C is incorrect. The Unmanned Aircraft exclusion is the most expansive of the endorsements.

**42. Which one of the following statements is correct regarding the Owners and Contractors Protective (OCP) Liability Cover form?**

- A. ISO has developed forms that cover both on an occurrence and claims-made basis.
- **B. The named insured is the project owner or contractor for whom the contractor has purchased the insurance.**
- C. The OCP provides coverage for the named insured's day-to-day business operations.
- D. It provides coverage for completed operations for up to three years after a project is finished.

**B is correct. (Obj 8 – Type A).**

A is incorrect. The OCP form has an occurrence coverage trigger. ISO has not developed a claims-made version of the form.  
C is incorrect. The OCP form covers bodily injury or property damage liability arising out of either: [1] operations performed for the named insured by the designated contractor at the location specified in the policy; [2] the named insured's own acts or omissions in connection with the "general supervision" of such operations. It does not cover the named insured for liability arising out of any other operations, act, or omissions other than those listed previously. Therefore, an OCP policy would not cover the named insured's day-to-day business operations.  
D is incorrect. The OCP form does not provide completed operations coverage.

**43. Which one of the following is a statute that holds establishments that serve alcoholic beverages responsible for harm that results from serving patrons alcohol in violation of the statute?**

- A. Alcohol impairment act.
- B. Engle's law.
- **C. Dram shop act.**
- D. McCarran-Ferguson act.

**C is correct. (Obj 8 – Type A).**

A dram shop act is a statute that holds establishments that serve alcoholic beverages responsible for harm that results from serving patrons alcohol in violation of the statute.

**44. Which one of the following statements is correct regarding the Liquor Liability Coverage form?**

- A. It covers liability arising out of the use of an auto, aircraft, watercraft, or mobile equipment.
- B. It covers losses even when an injury arises when a required liquor license is not in effect.
- C. It is only available in an occurrence version of the form.
- **D. It provides coverage for injury arising out of the named insured's products.**

**A is correct. (Obj 8 – Type A).**

B is incorrect. The Liquor Liability Coverage form excludes losses when a liquor license is not in effect.  
C is incorrect. The Liquor Liability Coverage form is available in either an occurrence version (CG 00 33) or a claims-made version (CG 00 34).  
D is incorrect. An exclusion in the Liquor Liability Coverage form eliminates coverage for injury arising out of the named insured's products. For example, it is not intended to cover bodily injury resulting from choking on a foreign object found in a beer bottle.

**45. Chisholm Construction is building a toll road with an overpass that will span across an existing railroad yard owned by S&S Rails. Chisholm was required to purchase a Railroad Protective Liability (RPL) Coverage form in order to begin the project. During the construction, a large beam fell from the overpass, damaging the railroad tracks below and injuring a bystander who had stopped to observe the progress. The injured person sued both Chisholm and S&S. Which one of the following statements is correct regarding the RPL policy?**

- **A. Coverage A will provide coverage to Chisholm for liability arising from the bystander's lawsuit.**
- B. Coverage A will provide coverage to Chisholm for damage to the railroad tracks.
- C. Coverage B will provide coverage to Chisholm for damage to the railroad tracks.
- D. It will not provide any coverage for Chisholm.

**D is correct. (Obj 8 – Type B).**

Coverage A, Bodily Injury and Property Damage Liability, of the RPL form would provide S&S with defense coverage against the bystander's suit and pay damages for which S&S might be held liable. Coverage B, Physical Damage to Property, would pay S&S for the damage to the railroad tracks. The RPL form would not provide any coverage for Chisholm, because Chisholm is not an insured under the policy even though it paid for the policy.

**46.** The Roadhouse is a bar covered under a Liquor Liability Coverage (LLC) form. One night, one of their bouncers gets into an argument with an excessively intoxicated woman. When the woman's boyfriend tries to intervene, the bouncer hits the woman's boyfriend, causing him to fall and break his collarbone. Additionally, the bouncer breaks one of his fingers from striking the boyfriend. The intoxicated woman then leaves the bar and, as a result of her impaired state, crashes her car while driving out of the parking lot. The car crashed into the sign of a neighboring business, as well as a power transformer, resulting in loss of electrical power to The Roadhouse for the next two nights. Which of the following is covered under The Roadhouse's LLC form?

- A. Liability resulting from the bouncer breaking the boyfriend's collarbone.
- B. Lost wages to the bouncer resulting from the broken finger.
- C. Damage to the sign caused by the intoxicated woman.
- D. Lost revenue resulting from the loss of power to the Roadhouse.

**C is correct. (Obj 8 – Type B).**

The Liquor Liability Coverage form provides coverage arising out of bodily injury or property damage resulting from the selling, serving, or furnishing of any alcoholic beverage. Therefore, only the damage to the sign caused by the intoxicated woman would be covered.