

Your answers are shown below:

**1. Which one of the following statements is correct regarding commercial auto loss exposures?**

- A. Borrowed auto exposure is created if a company allows its employees to use their own autos while on company business.
- **B. An organization can become liable for injury to others that results from the use of autos it does not own.**
- C. Commercial auto insurance excludes coverage for liability assumed by the insured under contracts.
- D. Liability arises primarily from the loss of use of an owned automobile.

**B is correct. (Obj 1 – Type A).**

A is incorrect. Employer's nonownership liability exposure is created if a company allows its employees to use their own autos while on company business.

C is incorrect. Commercial auto insurance covers liability assumed by the insured under contracts, subject to restrictions.

D is incorrect. Liability can arise from the use of owned, hired, or borrowed autos or from employees' operation of their own autos on behalf of a business.

**2. Which one of the following doctrines, which is the basis for vicarious liability of an employer, places liability on the employer for acts committed by an employee acting on behalf of the employer at the time of the loss?**

- **A. Respondeat superior.**
- B. Common liability.
- C. Res ipsa loquitur.
- D. Habeas Corpus.

**A is correct. (Obj 1 – Type A).**

The doctrine of respondeat superior indicates an employer may be liable for acts committed by an employee acting on behalf of the employer at the time of the loss.

**3. Which one of the following property loss exposures would an automobile be less susceptible to than property at a fixed location?**

- A. Theft.
- B. Collision.
- **C. Flood.**
- D. Overturn.

**C is correct. (Obj 1 – Type A).**

An automobile, which is mobile, could potentially be moved in the event of rising floodwaters.

A is incorrect. Because autos are mobile, they are more susceptible to theft than property at a fixed location.

B is incorrect. Because autos are mobile, they are more susceptible to collision than property at a fixed location.

D is incorrect. Because autos are mobile, they are more susceptible to overturn than property at a fixed location.

**4. Which one of the following statements is correct regarding loss exposures?**

- **A. Liability loss exposure describes the possibility of financial loss resulting from sickness or death.**
- B. A bailee is strictly liable for damage to a customer's property.
- C. The main consequences of destruction to an auto are loss of life and high defense costs.
- D. Businesses that service or repair customers' autos cannot become liable for damage to autos left in its custody.

**B is correct. (Obj 1 – Type A).**

A is incorrect. Personal loss exposures describes the possibility of financial loss resulting from sickness or death.

C is incorrect. The main consequences of destruction to an auto are loss of value and loss of use of the auto.

D is incorrect. Businesses that service or repair customers' autos can become liable for damage to autos left in its custody.

**5. Coverage for damage to a customer's auto being serviced by the insured while in the insured's care is referred to as:**

- A. Motor carrier coverage.
- B. Personal property coverage.
- C. Bailee's coverage.
- **D. Garagekeepers coverage.**

**D is correct. (Obj 1 – Type A).**

Garagekeepers coverage provides coverage for damage to customers' autos left in the named insured's care while the insured is attending, servicing, repairing, parking, or storing them.

**6. Which one of the following statements is correct regarding Symbol 9 – Nonowned Autos Only of the Business Auto Coverage Form?**

- A. It is used only for signaling liability coverage.
- B. It requires that the insured notify the insurance company within 30 days of acquiring a new auto of the same type.
- C. It indicates personal injury protection (PIP) coverage is provided for those autos that are required by law to have it.
- D. It prescribes that coverage is provided only for autos that are required by law to have uninsured motorist coverage.

**A is correct. (Obj 2 – Type A).**

B is incorrect. Symbol 7 – Specifically Described Autos requires that the insured notify the insurance company within 30 days of acquiring a new auto of the same type.

C is incorrect. Symbol 5 – Owned Autos Subject to No-Fault indicates personal injury protection (PIP) coverage is provided for those autos that are required by law to have it.

D is incorrect. Symbol 6 – Owned Autos Subject to Compulsory Uninsured Motorists Law prescribes that coverage is provided only for autos that are required by law to have uninsured motorist coverage.

**7. Which one of the following auto coverage symbols under the Business Auto Coverage Form (BACF) would cover injuries caused when an insured's business automobile is struck by a hit-and-run driver?**

- A. Symbol 5 – Owned Autos Subject to No-Fault.
- B. Symbol 6 – Owned Autos Subject to Compulsory Uninsured Motorists Law.
- C. Symbol 7 – Specifically Described Autos.
- D. Symbol 8 – Hired Autos Only.

**B is correct. (Obj 2 – Type A).**

Symbol 6 – Owned Autos Subject to Compulsory Uninsured Motorists Law is used for uninsured motorists coverage only.

**8. The combination of the following three symbols: Symbol 2 – Owned Autos Only Symbol 8 – Hired Autos Only Symbol 9 – Nonowned Autos Only is the equivalent of which one of the following symbols under the Business Auto Coverage Form?**

- A. Symbol 3 – Owned Private Passenger Autos Only.
- B. Symbol 1 – Any Auto.
- C. Symbol 5 – Owned Autos Subject to No-Fault.
- D. Symbol 4 – Owned Autos Other than Private Passenger Autos Only.

**B is correct. (Obj 2 – Type A).**

Symbol 1 – Any Auto provides coverage for any auto, including autos owned by the named insured, autos hired or borrowed by the named insured, and nonowned autos.

**9. 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. (Obj 2 – Type A).**

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.

**10. Venky is an employee of a manufacturing company. Venky rented an auto while on a business trip, and was in an accident. Which one of the following symbols on the company's Business Auto Coverage Form (BACF) would provide coverage for the company?**

- A. Symbol 2 – Owned Autos Only.
- B. Symbol 3 – Owned Private Passenger Autos Only.
- **C. Symbol 9 – Nonowned Autos Only.**
- D. Symbol 19 – Mobile Equipment Subject to Compulsory or Financial Responsibility or Other Motor Vehicle Insurance Law Only.

**C is correct. (Obj 2 – Type B).**

Symbol 9 – Nonowned Autos Only would cover autos not owned by the insured, but used in connection with the named insured's business.

**11. Which one of the following statements is correct regarding the liability coverage under a Business Auto Coverage Form?**

- A. The insurer is only required to defend the insured against legitimate claims or suits.
- B. Separate coverage limits apply for bodily injury, property damage, and pollution costs.
- C. Supplementary payments reduce the limit of insurance under the form.
- **D. Coverage is excluded for any liability under workers' compensation laws.**

**D is correct. (Obj 3 – Type A).**

A is incorrect. The insurer is required to defend the insured claims or suits, even if the claim or suit is false or fraudulent.

B is incorrect. The BACF liability coverage is subject to a combined single limit applicable to all bodily injury, property damage, and pollution costs associated with a single accident.

C is incorrect. Supplementary payments are paid in addition to the limit of insurance.

**12. In the liability coverage agreement of the business auto policy, the insurer has all of the following duties, EXCEPT:**

- A. A duty to pay covered pollution costs or expenses.
- B. A duty to pay covered damages.
- C. A duty to defend the insured.
- **D. A duty to renew the policy.**

**D is correct. (Obj 3 – Type A).**

The insurer has all of the following duties under the business auto policy:

-A duty to pay covered pollution costs or expenses.

-A duty to pay covered damages.

-A duty to defend the insured.

The insurer is under no obligation to renew the policy.

**13. The Business Auto Coverage Form (BACF) excludes coverage for bodily injury and property damage resulting from movement of property by a mechanical device, unless the mechanical device:**

- **A. Is attached to the covered auto.**
- B. Weighs less than 1,000 pounds.
- C. Is scheduled in the policy.
- D. Has a replacement cost of less than \$1,500.

**A is correct. (Obj 3 – Type A).**

The Business Auto Coverage Form (BACF) excludes coverage for bodily injury and property damage resulting from movement of property by a mechanical device, unless the mechanical device is attached to the covered auto or is a hand truck.

**14. Charles is covered under a Business Auto Coverage Form (BACF). He has an accident in a covered auto, resulting in the following losses:**

**Property damage to a third-party – \$3,000**

**Bodily injury to a third party – \$2,000**

**Pollution clean-up due to oil spilled from the covered auto – \$7,000**

**Ignoring any policy deductibles, how much is covered under the BACF?**

- A. \$2,000.
- B. \$5,000.
- C. \$9,000.
- D. **\$12,000.**

**D is correct. (Obj 3 – Type B).**

The BACF would cover the property damage and bodily injury to a third party. Although pollution-related damages are usually excluded, these damages are covered if the pollution damages are related to the escape of fuels, fluids, or other similar pollutants needed for the functioning of the covered auto.

All of the damages would be covered, resulting in \$12,000 of coverage (\$3,000 + \$2,000 + \$7,000).

**15. Paul was delivering \$2,000 of property as a favor for his friend Dianne, when he was in an auto accident. The property was destroyed in the accident, and Dianne filed a third-party claim against the insurance company. Assuming Paul was covered under a Business Auto Coverage Form, how much of the damage will be covered?**

- A. **\$0.**
- B. \$500.
- C. \$1,000.
- D. \$2,000.

**A is correct. (Obj 3 – Type B).**

No coverage exists for property in the care, custody, or control of the insured. Paul would need inland marine coverage, such as motor truck cargo insurance, to have coverage for property of others that is in his care.

**16. Jane was in an auto accident involving her business automobile, which is covered under a Business Auto Coverage Form (BACF) with a \$200,000 policy limit. The claim resulted in a court award against Jane in the amount of \$175,000. In addition, there were \$30,000 of expenses associated with defending the claim. How much of these charges will be covered by the BACF?**

- A. \$30,000.
- B. \$175,000.
- C. \$200,000.
- D. **\$205,000.**

**D is correct. (Obj 3 – Type B).**

Under a BACF, the costs to defend a claim are payable by the insurer in addition to the limit of insurance. Therefore, the entire \$205,000 (\$175,000 + \$30,000) will be covered under the BACF.

**17. Roy is the named insured under a Business Auto Coverage Form (BACF). The BACF has symbol 1 shown for liability coverage. If Roy is in an accident in the course of business, which one of the following statements is correct?**

- A. Liability coverage will only be provided if the auto Roy was driving was a specifically described auto.
- B. If Roy was driving outside the state in which the auto is licensed, coverage will be excluded.
- C. Roy will be considered an insured only if he owned the auto he was driving.
- D. **Coverage will be provided, even if Roy was driving a rental car.**

**D is correct. (Obj 3 – Type B).**

A is incorrect. Under symbol 1, any auto is covered (both owned and nonowned).

B is incorrect. Under the BACF, if a covered auto is outside the state in which it is licensed, the limit of insurance will be increased (if necessary) to the minimum required by the outside jurisdiction in which the auto is being operated.

C is incorrect. Since symbol 1 is shown for liability coverage, Roy is considered an insured for any auto.

**18. Candace, who is insured under a Business Auto Coverage Form (BACF) in the state of Texas, was driving the covered auto in Oklahoma. Candace's BACF has uninsured motorist coverage of \$25,000, but does not include underinsured motorists**

coverage. Oklahoma requires a \$35,000 limit for underinsured motorists coverage. If Candace is in an accident in Oklahoma with an underinsured motorist, and the claim was \$40,000, how much would be covered under Candace's BACF?

- A. \$0.
- B. \$25,000.
- **C. \$35,000.**
- D. \$40,000.

**C is correct. (Obj 3 – Type B).**

Under the BACF, if a covered auto is outside the state in which it is licensed, the limit of insurance will be increased (if necessary) to the minimum required by the outside jurisdiction in which the auto is being operated. Therefore, Candace's BACF will provide her with \$35,000 of underinsured motorists coverage in Oklahoma.

**19. Two employees of Ultimate Appliance Store damage a hallway wall while moving a dishwasher from their delivery truck to a second-floor apartment unit. The dishwasher was also damaged. Ultimate Appliance is covered under a Business Auto Coverage Form (BACF). What will the BACF cover?**

- A. The BACF will provide no coverage as a result of the Handling of Property exclusion.
- **B. The BACF will cover the damage to the wall, but not the dishwasher.**
- C. The BACF will cover the damage to the dishwasher, but not the wall.
- D. The BACF will cover the damage to the wall and the dishwasher.

**B is correct. (Obj 3 – Type B).**

The Handling of Property exclusion does not apply to accidents that occur while property is being moved from a covered auto to the location where the property is finally delivered. However, damage to the actual dishwasher will not be covered.

**20. Which one of the following statements is correct regarding Section III – Physical Damage Coverage of the Business Auto Coverage Form (BACF)?**

- A. Most insureds carry lower deductibles on Comprehensive Coverage than on Collision Coverage.
- **B. Collision is specifically defined as upset to a vehicle due to violent impact with a moving or inanimate object.**
- C. Specified Causes of Loss Coverage is typically purchased in conjunction with Comprehensive Coverage.
- D. The primary purpose of the coverage is to insure damages to a third-party's car caused by the named insured.

**A is correct. (Obj 4 – Type A).**

B is incorrect. The BACF does not specifically define Collision.

C is incorrect. Since Collision Coverage covers the same (plus additional) perils as Specified Causes of Loss Coverage, these coverages would not be purchased together.

D is incorrect. The primary purpose of the coverage is to insure loss or damages to a business automobile owned by the insured.

**21. Which one of the following statements is correct regarding Section III – Physical Damage Coverage of the Business Auto Coverage Form (BACF)?**

- A. Substitute transportation costs are only covered if the insured auto is disabled due to a collision.
- **B. Although there is no specific definition of Collision, it is generally understood to mean any incident in which a vehicle is rendered inoperable.**
- C. The Overturn of a business auto would be covered by Specified Causes of Loss Coverage under the policy.
- D. If glass breakage is caused by collision, it can be covered under either Collision or Comprehensive at the option of the insured.

**D is correct. (Obj 4 – Type A).**

A is incorrect. Transportation expenses are only covered if the auto is a private passenger type auto and theft is involved.

B is incorrect. Although there is no specific definition of Collision, it is generally understood to mean a striking together with violent impact.

C is incorrect. The Overturn of a business auto would be covered by Collision Coverage under the policy.

**22. Which one of the following losses would be covered by Collision Coverage under Section III – Physical Damage Coverage of the Business Auto Coverage Form (BACF)?**

- A. A covered auto is damaged by a falling tree.

- **B. A covered auto is damaged when the driver ran a red light and struck another vehicle in the intersection.**
- C. A covered auto is damaged when it collided with a moose.
- D. A covered auto is damaged by a falling rock in a mountainous area.

**B is correct. (Obj 4 – Type A).**

A is incorrect. Damage caused by falling objects is covered by Comprehensive Coverage.

C is incorrect. Damage caused collision with an animal is covered by Comprehensive Coverage.

D is incorrect. Damage caused by falling objects is covered by Comprehensive Coverage.

**23. Which one of the following losses would be covered under Section III – Physical Damage Coverage of the Business Auto Coverage Form (BACF) if the insured has Collision and Comprehensive coverage?**

- **A. A covered auto suffered a flat tire when it ran over a nail in the road.**
- B. The engine of a covered auto was damaged because it froze during the winter.
- C. The interior of a covered auto was damaged by a squirrel because the insured left the windows down after parking the car.
- D. A CD player was stolen from a covered auto while the covered auto was out on a service call.

**C is correct. (Obj 4 – Type A).**

This would be covered by comprehensive coverage.

A is incorrect. Road damage to tires is excluded from coverage under the BACF.

B is incorrect. Freezing is excluded from coverage under the BACF.

D is incorrect. Most electronic equipment is excluded from coverage under the BACF.

**24. Which one of the following is covered under the Business Auto Coverage Form?**

- A. Nuclear hazards.
- B. War.
- **C. Earthquake.**
- D. Electrical failure.

**C is correct. (Obj 4 – Type A).**

Earthquake and flood are both covered under the Business Auto Coverage Form.

**25. Which one of the following statements is correct regarding Section III – Physical Damage Coverage of the Business Auto Coverage Form (BACF)?**

- A. The Specified Causes of Loss Coverage includes coverage for collision of a conveyance transporting the insured vehicle.
- B. The BACF is subject to many exclusions.
- C. The insurer will pay for damages to the vehicle based upon the agreed upon amount in the BACF.
- **D. The deductible applicable to comprehensive coverage applies to losses caused by all covered perils, including fire.**

**A is correct. (Obj 4 – Type A).**

B is incorrect. The BACF is subject to very few exclusions.

C is incorrect. The insurer will pay damages equal to the lesser of: 1) the actual cash value at the time of the loss or 2) the cost to repair or replace the property.

D is incorrect. The deductible applicable to comprehensive coverage does not apply to loss by fire or lightning.

**26. Arcube Company is insured under a commercial package policy that includes a Business Auto Coverage Form (BACF). Two of Arcube's vehicles, a delivery truck and a Honda Accord driven by the company's CEO, were stolen from the parking lot where the company has its office and warehouse. Both of the vehicles were covered under the Comprehensive Coverage of the BACF. The company rented substitute vehicles until it could permanently replace the stolen vehicles. Rental costs were as follows:**

**Rented substitute delivery truck – \$75 per day for 10 days = \$750 total cost**

**Rented substitute passenger auto for CEO – \$50 per day for 7 days = \$350 total cost**

**How much of the rental expenses will be covered under the Transportation Expenses extension in the company's BACF?**

- **A. \$100.**

- B. \$350.
- C. \$600.
- D. \$1,100.

**A is correct. (Obj 4 – Type B).**

Under the Transportation Expenses extension, only private-passenger-type autos are covered. Therefore, the rental expenses associated with the substitute delivery truck are not covered.

The rental expenses associated with the substitute passenger auto are covered, but only up to \$20 per day. The costs of the first 48 hours are not covered, resulting in 5 days of coverage for Arcube.

The total covered expenses are \$100 (\$20 x 5 days).

**27. Which one of the following statements is correct regarding conditions contained in the Business Auto Coverage Form?**

- A. The Duties in the Event of Loss condition prevents the named insured from bringing action against the insurer if the insured has failed to comply with the policy provisions.
- **B. The Bankruptcy condition states that the bankruptcy or insolvency of the insured will not relieve the insurer of any of its obligations under the policy.**
- C. The Transfer of Rights Against Others condition states that the insured must cooperate with the insurer in its investigation and defense of the loss.
- D. The Liberalization condition indicates that coverage will be void if the named insured commits a fraud related to the coverage.

**B is correct. (Obj 5 – Type A).**

A is incorrect. The Legal Action Against the Insurer condition prevents the named insured from bringing action against the insurer if the insured has failed to comply with the policy provisions.

C is incorrect. The Duties in the Event of Accident, Claim, Suit, or Loss condition states that the insured must cooperate with the insurer in its investigation and defense of the loss.

D is incorrect. The Concealment, Misrepresentation, or Fraud condition indicates that coverage will be void if the named insured commits a fraud related to the coverage.

**28. Which one of the following statements is correct regarding the Appraisal for Physical Damage Losses condition contained in the Business Auto Coverage Form?**

- A. An umpire is only appointed if the appraisers are hired by the insurance company.
- B. The insurer is responsible for paying the cost of the umpire.
- C. Both appraisers and the umpire must agree to a settlement amount before a settlement will be binding on the insured and insurer.
- **D. The appraisal procedure applies only to disagreements about the amount of loss, not coverage disagreements.**

**D is correct. (Obj 5 – Type A).**

A is incorrect. An umpire is selected by the appraisers. One appraiser will represent the insurer and one appraiser will represent the insured.

B is incorrect. The cost of the umpire is shared between the insured and the insurer.

C is incorrect. As long as two of the three parties agree, the settlement will be binding on the insured and the insurer.

**29. Which one of the following statements is correct regarding conditions contained in the Business Auto Coverage Form?**

- **A. The Transfer of Rights Against Others provision allows an insurer to recover a loss from the party causing the loss.**
- B. The Bankruptcy provision is similar to a subrogation clause typically found in other types of insurance policies.
- C. Under the Policy Period, Coverage Territory provision, the coverage territory includes the United States and Mexico.
- D. The Loss Payment – Physical Damage Coverages provision requires an insurer to pay to repair or replace the damaged property.

**A is correct. (Obj 5 – Type A).**

B is incorrect. The Transfer of Rights Against Others provision (not the Bankruptcy provision) is a subrogation clause, allowing an insurer to recover a loss from the party causing the loss.

C is incorrect. Under the Policy Period, Coverage Territory provision, the coverage territory includes the United States, its territories, Canada, and Puerto Rico.

D is incorrect. The Loss Payment – Physical Damage Coverages provision provides the insurer with three options regarding damaged or stolen property: 1) pay to repair or replace the damaged property, 2) return the property at the expense of the insurer and repair any damage caused by the theft, or 3) keep all of the property and pay an agreed or appraised value.

**30. Chuck owns an automobile used in his business, which is insured under an unendorsed business auto policy. A vandal shattered one of the windows in the car with a baseball bat. Chuck notified the insurance company, but he did not put a tarp over the broken window. Before the insurer appraised the claim, rain and snow entered Chuck's automobile through the broken window. Which of the following statements is correct regarding the coverage provided by the business auto policy?**

- **A. The policy will not provide any coverage because the policy was voided when Chuck failed to preserve the property from further loss.**
- B. The policy will cover the damage caused by the rain and snow, but will not cover the vandalism as vandalism is an excluded cause of loss.
- C. The policy will cover the vandalism damage, but will not cover the damage caused by the rain and snow because Chuck failed to preserve the property from further loss.
- D. The policy will cover both the vandalism damage and the damage caused by the rain and snow.

**C is correct. (Obj 5 – Type B).**

If a claim is filed for damage to a covered automobile, the insured has a duty to do what is reasonably necessary to preserve the property from further loss. Therefore, the damage caused by rain and snow would not be covered. The policy will cover the vandalism damage.

**31. ABC Company is covered under two business auto policies, each one providing primary coverage with the following limits:**

**Policy 1 – \$200,000 limit**

**Policy 2 – \$50,000 limit**

**If ABC Company incurs a \$30,000 covered loss, how much will be covered under Policy 1 under the Other Insurance provision of the Business Auto Coverage Form?**

- A. \$5,000.
- B. \$6,000.
- **C. \$24,000.**
- D. \$30,000.

**C is correct. (Obj 5 – Type B).**

If two or more policies provide primary coverage on the same claim, each policy contributes proportionately to the loss.

Policy 1 Contribution = (Policy 1 Limit / Total Limit of Two Policies) \* Covered Loss

Policy 1 Contribution = (\$200,000 / \$250,000) \* \$30,000

Policy 1 Contribution = 80% \* \$30,000

Policy 1 Contribution = \$24,000

**32. Dallas Company is covered under a business auto policy with a \$200,000 limit. Tanya, an employee of Dallas Company, has a personal auto policy with a limit of \$300,000. She was driving her own car on company business, when she had an accident. The accident resulted in \$350,000 of covered damages. Of this amount, Dallas Company's business auto policy would pay:**

- A. \$0.
- **B. \$50,000.**
- C. \$200,000.
- D. \$350,000.

**B is correct. (Obj 5 – Type B).**

Under the Other Insurance provision of a business auto policy, if a covered auto is not owned by the named insured, the coverage provided by the business auto policy is excess coverage. Since Tanya owns the vehicle, her personal auto policy would provide primary coverage up to the coverage limit, which is \$300,000. The additional \$50,000 (\$350,000 - \$300,000) of damages will be covered by the business auto policy.



**33. Michael is covered under a business auto policy. He suffered a covered loss to his insured truck. However, he is in a dispute with insurer regarding the amount of the loss. Michael and the insurer both hired an appraiser to value the loss, and the two appraisers selected an umpire. Assume the following:**

**Original amount offered to Michael by the insurer – \$50,000**

**Michael's initial estimate of his loss – \$80,000**

**Value of loss determined by Michael's appraiser – \$70,000**

**Value of loss determined by the insurer's appraiser – \$55,000**

**Cost of Michael's appraiser – \$1,000**

**Cost of insurer's appraiser – \$1,500**

**Cost of umpire – \$700**

**If the umpire agreed with Michael's appraiser, how much will the insurance company pay in total with respect to this loss?**

- A. \$50,000.
- B. \$56,500.
- **C. \$71,850.**
- D. \$83,200.

**C is correct. (Obj 5 – Type B).**

Since the umpire agreed with Michael's appraiser, the insurer will be required to pay \$70,000 to Michael for the loss. In addition, the insurer will be required to pay for their appraiser (\$1,500), plus one-half of the cost of the umpire (\$350). The total cost to the insurer will be \$71,850 (\$70,000 + \$1,500 + \$350).

**34. Which one of the following statements is correct regarding the rating of commercial auto insurance?**

- A. A vehicle is "zone rated" if it operates within 50 miles from its principal garaging location.
- B. The methodology for rating trucks, tractors, and trailers depends on whether the vehicle is scheduled in the policy.
- C. Premiums for private passenger autos insured under a business auto policy are obtained from public rating organizations.
- **D. Commercial autos can be rated using rules found in the automobile division of the ISO CLM.**

**D is correct. (Obj 7 – Type A).**

A is incorrect. A vehicle is "zone rated" if it operates more than 200 miles from its principal garaging location.

B is incorrect. The methodology for rating trucks, tractors, and trailers depends on whether the vehicle must be zone rated or not.

C is incorrect. Premiums for private passenger autos insured under a business auto policy are obtained from private passenger premium tables.

**35. Commercial auto liability premium tables list premiums for private passenger autos by:**

- A. Deductible and age of driver.
- B. Vehicle weight and gender of driver.
- **C. Rating territory and policy limit.**
- D. Age of driver and the vehicle's original cost new.

**C is correct. (Obj 7 – Type A).**

Commercial auto liability premium tables list premiums for private passenger autos by rating territory and policy limit.

**36. Commercial auto physical damage premium tables list comprehensive and collision premiums by:**

- A. Deductible, gender of driver, and age of driver.
- B. Vehicle weight, rating territory, and gender of driver.
- **C. Rating territory, the vehicle's original cost new, and the deductible.**
- D. Age of driver, condition of the vehicle, and the vehicle's original cost new.

**C is correct. (Obj 7 – Type A).**

Commercial auto physical damage premium tables list comprehensive and collision premiums by rating territory, the vehicle's original cost new, and the deductible.

**37. In determining commercial auto base premiums for zone rated autos, insurers consider all of the following, EXCEPT:**

- **A. Geographical zone.**
- B. Type of vehicle.
- C. Vehicle's cost new.
- D. Age and gender of the driver.

**D is correct. (Obj 7 – Type A).**

In determining commercial auto base premiums for zone rated autos, insurers consider all of the following:

- Geographical zone.
- Type of vehicle.
- Vehicle's cost new.
- Deductible.
- Current age of the vehicle.

**38. Which one of the following statements is correct regarding the rating of commercial auto insurance?**

- **A. The first step in rating a vehicle is to determine the primary factor, which is based on the vehicle's size, business use, and radius class.**
- B. The methodology for rating trucks, tractors, and trailers depends on whether the vehicle is scheduled in the policy.
- C. A large truck operating beyond 200 miles of its principal garaging location would be considered a non-zone rated vehicle.
- D. Physical damage and liability premiums are calculated for zone related vehicles by subtracting the secondary factor from the primary factor.

**A is correct. (Obj 7 – Type A).**

B is incorrect. The methodology for rating trucks, tractors, and trailers depends on whether the vehicle must be zone rated or not.

C is incorrect. A large truck operating beyond 200 miles of its principal garaging location would be considered a zone rated vehicle.

D is incorrect. Physical damage and liability premiums are calculated for zone related vehicles by applying the primary factor to base premiums. Secondary factors are not used for zone rated vehicles.