

Your answers are shown below:

1. For most vessels, the most significant bodily injury liability exposure is liability for injury to which of the following?

- A. Longshore workers.
- **B. Crew members.**
- C. Harbor pilots.
- D. Persons not on board the vessel.

B is correct. (Obj 1 – Type A).

In addition to crew members, other persons may come on board a vessel, including longshore workers, passengers, and visitors. There can also be liability owed to persons not on board the vessel. For example, a collision that damages a bridge resulting in unsafe conditions for those traveling over the bridge. For most vessels (other than those that carry a large number of passengers), liability for injury or death of crew members is the most significant bodily injury liability exposure.

2. The ability of survivors of deceased crew members to sue for damages resulting from a crew member's death caused by negligence on the high seas is addressed in which of the following?

- A. Vessel Owner's Warranty of Seaworthiness.
- **B. Death on the High Seas Act.**
- C. Jones Act.
- D. Longshore and Harbor Workers' Compensation Act.

B is correct. (Obj 1 – Type A).

A is incorrect. The Vessel Owner's Warranty of Seaworthiness is the vessel owner's promise that the vessel is safe and fit for a sea voyage.

C is incorrect. The Merchant Marine Act of 1920 (commonly called the Jones Act) gives crew members the right to sue their employers for damages for injuries resulting from the employer's negligence.

D is incorrect. The Longshore and Harbor Workers' Compensation Act gives workers who load or discharge cargo and various other maritime employees (excluding crew members of vessels) the right to recover statutory benefits for occupational injuries from their employers.

3. Which one of the following would be most likely to fall into the particular average loss category?

- A. To prevent a cargo vessel from sinking in a storm, several cargo containers are jettisoned by the crew.
- B. A vessel's hold is flooded in order to extinguish a fire and results in water damage to the vessel.
- C. A vessel's engines are overworked and thus damaged in order to get the vessel off a sandbar.
- **D. A vessel arrives into port late because of a storm, and the resulting delay causes a cargo of tomatoes to rot before reaching its destination.**

D is correct. (Obj 1 – Type A).

A is incorrect. This is an example of general average.

B is incorrect. This is an example of general average.

C is incorrect. This is an example of general average.

4. Which one of the following statements is correct regarding common carriers?

- A. Potential liability is the same for both common carriers and contract carriers.
- **B. Common carriage is also known as liner service.**
- C. A common carrier's liability for ocean cargo being transported to or from the U.S. in foreign trade is governed by the Harter Act.
- D. Common carriers typically engage in tramp shipping.

B is correct. (Obj 1 – Type A).

A is incorrect. Potential liability for cargo loss may differ and depends on whether the carrier is a common carrier or a contract carrier.

C is incorrect. A common carrier's liability for ocean cargo being transported to or from the U.S. in foreign trade is governed by the U.S. Carriage of Goods by Sea Act (COGSA). Domestic shipments (such as shipment from one city to another on a navigable river) by common carrier are subject to the Harter Act.

D is incorrect. Contract carriers engage in tramp shipping, which is scheduling each voyage separately to meet the needs of the particular shipper.

5. Which one of the following is true regarding the Oil Pollution Act of 1990 (OPA)?

- A. Acts of God are a permissible defense.
- B. OPA provides for a limitation of liability in most cases, including gross negligence.
- C. OPA decreased the potential liability of vessel owners versus that established in previous federal statutes.
- D. The limits of OPA supersede state laws.

A is correct. (Obj 1 – Type A).

B is incorrect. Although OPA provides for a limitation of liability of a responsible party, the limitation does not apply to cases of gross negligence or willful misconduct nor violations of an applicable federal safety regulation by the responsible party.

C is incorrect. OPA greatly increased the liability of vessel owners beyond that established in previous federal statutes.

D is incorrect. The limits of OPA do not supersede the laws of several U.S. states that impose unlimited liability on polluters.

6. A vessel valued at \$80,000,000 is carrying cargo for two customers:

Customer 1's cargo – \$12,000,000 of smart phones.

Customer 2's cargo – \$8,000,000 of skirts.

During a storm, the crew throws overboard \$3,000,000 in cargo to prevent the vessel from sinking. What is the contribution to general average for the customer who owns the skirts?

- A. \$240,000.
- B. \$680,000.
- C. \$1,200,000.
- D. \$1,500,000.

A is correct. (Obj 1 – Type B).

The contribution to general average for the customer who owns the skirts is calculated as follows:

Contribution to general average = Value of Customer 2's Cargo / Total Value of Vessel and Cargo) x Cargo Lost

Contribution to general average = \$8,000,000 / (\$80,000,000 + \$12,000,000 + \$8,000,000) x \$3,000,000

Contribution to general average = (\$8,000,000 / \$100,000,000) x \$3,000,000

Contribution to general average = 8% x \$3,000,000

Contribution to general average = \$240,000

7. A vessel valued at \$30,000,000 is carrying the following cargo for three customers:

Customer A: \$4,000,000 fireworks.

Customer B: \$6,000,000 produce.

Customer C: \$10,000,000 electronics.

During a fire on the ship at sea, all of the fireworks are thrown overboard to prevent an explosion. What is the contribution to general average for Customer A?

- A. \$0.
- B. \$320,000.
- C. \$800,000.
- D. \$4,000,000.

B is correct. (Obj 1 – Type B).

Each party's share = [Value of each party's property, also known as contributory value] / [Contributory value of all property] x Total Value of the general average

Customer A share = \$4,000,000/\$50,000,000 x \$4,000,000

Customer A share = 0.08 x \$4,000,000

Customer A share = \$320,000

8. Which one of the following represents a type of ocean marine insurance policy?

- A. Watercraft insurance.
- B. Fleet insurance.
- C. Hull insurance.

- D. Carrier insurance.

C is correct. (Obj 2 – Type A).

The three most common types of ocean marine policies are:

- Hull insurance.
- Cargo insurance.
- Protection and indemnity (P&I) insurance.

9. Which one of the following statements is correct regarding marine insurance?

- A. The main providers of protection and indemnity (P&I) insurance for vessels used in international trade are P&I clubs.
- B. Putting-in expenses include the costs to return crew members to their sign-on port because of illness or injury.
- C. The Taylor Hull form is often used for insuring vessels engaged in international trade.
- D. Most hull policies include a loss of use coverage.

A is correct. (Obj 2 – Type A).

B is incorrect. Putting-in expenses are those associated with deviating from a stated route to deliver a sick or an injured crew member or passenger to a port for medical care. Repatriation expenses are those reasonable and necessary expenses incurred by the assured to return (repatriate) crew members to their sign-on port because of illness, injury, or an accident that results in termination of the voyage.

C is incorrect. The Taylor Hull form is often used for insuring vessels used on rivers and coastal waters.

D is incorrect. Hull policies do not include loss of use coverage, as vessels cannot easily be replaced with temporary substitutes. Rather than loss of use coverage, the hull policy applies different procedures for establishing total loss valuations and partial loss valuations.

10. Which one of the following statements is correct regarding protection and indemnity (P&I) insurance?

- A. In general, it parallels auto physical damage coverages.
- B. It typically excludes coverage for the assured's liability for penalties or fines for violating U.S. federal or state laws.
- C. It typically includes defense costs in the limit of insurance.
- D. Wreck removal expenses is a property damage-type coverage that covers only cargo of other vessels due to the insured's negligence.

C is correct. (Obj 2 – Type A).

A is incorrect. In general, P&I insurance parallels auto liability insurance.

B is incorrect. Fines and penalties is a unique coverage offered in a P&I policy. It covers the assured's liability for penalties or fines for violating U.S. federal or state laws.

D is incorrect. Damage to cargo of others is a property damage-type coverage that covers only cargo of other vessels due to the insured's negligence.

11. An ocean marine policy that covers physical damage or destruction to a vessel, as well as its machinery and fuel, is:

- A. Watercraft insurance.
- B. Cargo insurance.
- C. Protection and indemnity insurance.
- D. Hull insurance.

D is correct. (Obj 2 – Type A).

Hull insurance covers physical damage to vessels, including their machinery and fuel, but not their cargo.

12. Hull insurance is used to cover the interests of all of the following, EXCEPT:

- A. Vessel Owners.
- B. Voyage Charterers.
- C. Bareboat Charterers.
- D. Agents who operate or manage vessels on behalf of the owners.

B is correct. (Obj 2 – Type A).

Hull insurance can cover the interests of the following:

- Vessel owners.
- Agents who manage or operate vessels on behalf of the owners.
- Bareboat charterers of vessels, which is a charterer who agrees to be responsible for actually operating and insuring the vessel.

13. Which one of the following statements is correct regarding hull insurance?

- A. Most hull policies include a running down clause, which provides property coverage for cargo on the insured vessel.
- **B. A voyage charterer agrees to be responsible for actually operating and insuring a vessel.**
- C. Assailing thieves is a peril that is generally covered under basic hull insurance forms.
- D. The sue and labor clause requires the insured to purchase war risk coverage on the ship if commercial coverage is suspended.

C is correct. (Obj 2 – Type A).

A is incorrect. Most hull policies include a running down clause, which is also known as a collision liability clause. This clause provides liability coverage, not property coverage.

B is incorrect. A bareboat charterer agrees to be responsible for actually operating and insuring a vessel.

D is incorrect. The sue and labor clause requires the insured to take reasonable measures to protect the vessel from further harm.

14. Which one of the following statements is correct regarding hull insurance?

- A. Most hull policies are automatically renewable.
- **B. Changing the vessel's flag that designates the country in which it is registered will trigger an automatic termination of coverage.**
- C. Coverage for piracy is included in basic hull insurance forms.
- D. The War Risks and Strikes Clauses endorsement provides coverage for acts of terrorism.

B is correct. (Obj 2 – Type A).

A is incorrect. Most hull policies are issued for one year, although some are issued for a specific voyage. Unless the underwriter offers to renew the policy, coverage ceases on the policy's expiration date.

C is incorrect. Basic hull insurance generally excludes coverage for piracy.

D is incorrect. The War Risks and Strikes Clauses endorsement modifies the hull policy to cover loss caused by war, strike, riot, piracy, seizure, or related perils. However, the endorsement does not cover all war risks.

15. Which one of the following statements is correct regarding hull insurance?

- **A. For total losses, the amount payable is based on an agreed value determined at the time the policy was issued.**
- B. A warehouse to warehouse clause covers the cost of reasonable measures that the insured is required to take to protect property from damage at the time of loss.
- C. Hull insurance typically covers the vessel, the cargo on the vessel, and personal effects of the passengers and crew.
- D. Similar to auto policies, hull insurance provides coverage for loss of use.

A is correct. (Obj 2 – Type A).

B is incorrect. A sue and labor clause covers the cost of reasonable measures that the insured is required to take to protect property from damage at the time of loss.

C is incorrect. Although hull insurance does provide coverage for the vessel, it typically excludes coverage for cargo on the vessel and personal effects of the passengers and crew.

D is incorrect. Hull insurance does not provide coverage for loss of use.

16. Which one of the following perils is generally excluded from coverage in basic hull insurance forms?

- A. Jettison.
- B. Lightning.
- C. Barratry.
- **D. Riot.**

D is correct. (Obj 2 – Type A).

The basic perils clause includes coverage for:

- 1 Perils of the seas.

- 2] Fire, lightning, earthquake.
- 3] Assailing thieves.
- 4] Jettison.
- 5] Barratry.
- 6] All other like perils.

Basic hull insurance forms generally exclude coverage for:

- 1] War and its aftereffects.
- 2] Piracy.
- 3] Strikes and labor disturbances.
- 4] Riot.
- 5] Any taking or hindering of the vessel by another party.

17. A correct statement regarding hull insurance is that it covers losses for:

- A. Damages caused by piracy.
- B. Damages to a docking pier struck by the insured vessel.
- C. Injuries to passengers on board a ship into which the insured ship collided.
- D. Damages to a docked ship caused by earthquake.

D is correct. (Obj 2 – Type A).

A is incorrect. Hull insurance excludes coverage for losses caused by war, piracy, and riots.

B is incorrect. Protection and indemnity (P&I) insurance covers losses for damage to a docking pier struck by the insured vessel.

C is incorrect. Protection and indemnity (P&I) insurance covers losses relating to injuries to persons on other vessels.

18. Which one of the following covers damages to another ship if the insured ship collides with that ship?

- A. Cargo insurance.
- B. Collision liability clause.
- C. Warehouse to warehouse clause.
- D. Vessel insurance.

B is correct. (Obj 2 – Type A).

A collision liability clause covers the insured's liability for collision damage to other vessels.

19. Which one of the following marine insurance policies provides bailee coverage for vessels and cargo?

- A. Marine Builders Risk.
- B. Marine Operators Liability.
- C. Terminal Operators Liability.
- D. Boat Dealers.

C is correct. (Obj 3 – Type A).

A is incorrect. Marine Builders Risk policies cover the builder or owner of a vessel under construction against physical loss of or damage to the vessel and related property during the entire course of the vessel's construction.

B is incorrect. Marina Operators Liability policies provide liability coverage for customers' boats in the care, custody, and control of a marina operator.

D is incorrect. Boat Dealers policies provide property coverage for pleasure craft and related merchandise held for sale by a dealer. The liability insurance is usually limited to P&I insurance.

20. Which one of the following statements is correct regarding Boat Dealers policies?

- A. They typically include both hull and P&I insurance.
- B. They provide property coverage for a vessel under construction.
- C. They typically include loss of business income coverage.
- D. They include coverage for merchandise held for sale.

D is correct. (Obj 3 – Type A).

A is incorrect. Boat Dealers policies typically do not include hull insurance.

B is incorrect. Marine Builders Risk policies cover the builder or owner of a vessel under construction against physical loss of or damage to the vessel and related property during the entire course of the vessel's construction.

C is incorrect. Boat Dealers policies do not typically include loss of business income coverage. Loss of business income coverage is most commonly found in marine policies for offshore oil & gas facilities.

21. Which one of the following statements is correct regarding various types of marine insurance policies?

- A. Insurance coverage for offshore oil and gas facilities is usually obtained on a subscription basis.
- B. The main loss exposure covered by a Marina Operators Liability policy is liability for voyage and time charters.
- C. The traditional Terminal Operators Liability policy is primarily designed to cover the damage caused by hurricanes and tsunamis.
- D. A Boat Dealers policy typically provides coverage for vessels under construction.

A is correct. (Obj 3 – Type A).

B is incorrect. The main loss exposure covered by a Marina Operators Liability policy is liability for damage to boats of customers in the care, custody, and control of the marina operator.

C is incorrect. The traditional Terminal Operators Liability policy is primarily designed to cover the bailee liability loss exposures of the insured.

D is incorrect. A Boat Dealers policy typically provides coverage for pleasure craft and other merchandise held for sale by the dealer. It does not provide coverage for vessels under construction.

22. Marine policies used to insure property used in the exploration, development, and production of oil and natural gas can have extremely high limits. As a result, these policies are typically written in which manner?

- A. Subsidy basis.
- B. Shared basis.
- C. Subscription basis.
- D. Scaled basis.

C is correct. (Obj 3 – Type A).

The energy market, which provides these coverages, is even more highly specialized than the regular marine insurance market.

The limits of insurance needed can be so high (over \$1,000,000,000 for a production platform) that no single insurer provides them.

They are typically insured on a subscription basis, in which several insurers each agree to accept a share of the total amount of insurance.

23. Which one of the following statements is correct regarding marine insurance terms and coverages?

- A. A Marine Builders Risk policy covers the builder or owner of a vessel that is under construction.
- B. Stevedores are facilities that provide docking space and services for vessels.
- C. Independent contractors that provide loading and unloading services for vessels are known as wharfingers.
- D. A Boat Dealers policy provides coverage to vessels taken on trial runs after repairs have been made.

A is correct. (Obj 3 – Type A).

B is incorrect. Wharfingers are facilities that provide docking space and services for vessels.

C is incorrect. Stevedores are independent contractors that provide loading and unloading services for vessels.

D is incorrect. Ship Repairers Liability policies provide coverage to vessels taken on trial runs after repairs have been made.

24. S&S Manufacturing needs to ship several containers of their products to a customer in Belize. They found a shipping company who agreed to transport the items across the ocean for them on their container ship. What type of policy would best protect S&S from any liability exposures arising during the voyage?

- A. Boat Dealers.
- B. Charterers Liability.
- C. Marina Operators Liability.
- D. Terminal Operators Liability.

B is correct. (Obj 3 – Type B).

A is incorrect. Boat Dealers policies provide property coverage for pleasure craft and related merchandise held for sale by a dealer.

The liability insurance is usually limited to P&I insurance.

C is incorrect. Marina Operators Liability policies provide liability coverage for customers' boats in the care, custody, and control of a marina operator.

D is incorrect. Terminal Operators Liability provides bailee coverage for vessels and cargo.

25. ABC Shipyard repairs commercial boats for a fee. Once a boat has been repaired, ABC Shipyard will take the boat out on a trial run to ensure the repairs were made correctly. Which one of the following marine policies would be most appropriate for ABC Shipyard?

- A. Marine Builders Risk policy.
- B. Charterers Liability policy.
- C. Marina Operators Liability policy.
- D. **Ship Repairers Liability policy.**

D is correct. (Obj 3 – Type B).

A Ship Repairers Liability policy provides coverage for the liability loss exposure to the organization from the possession and repair of vessels.

26. John Gilligan purchased a sailboat in San Diego. He plans on using the boat for a new business venture, taking passengers out on a three-hour tour. Which one of the following types of marine insurance would be most appropriate for John to purchase to cover the liability for injury to a passenger?

- A. Terminal Operators Liability insurance.
- B. **Protection and Indemnity insurance.**
- C. Marine Builders Risk insurance.
- D. Charterers Liability insurance.

B is correct. (Obj 3 – Type B).

A Charterers Liability policy would generally be used for voyage charters. This policy would cover liability associated with a breach of duty, such as arranging for loading and unloading. However, bareboat charterers are usually required to purchase P&I insurance.

27. In aviation insurance, the only purpose-of-use category that provides insurers with statistics and is the most definitive of all the use categories is:

- A. Commercial use.
- B. Industrial aid.
- C. Business and pleasure.
- D. **Airline.**

D is correct. (Obj 5 – Type A).

The airline class is the most definitive of all the use categories. It is also the only one providing insurers with statistics that allow them to make reasonably accurate loss projections.

28. Which one of the following statements is correct regarding aviation loss exposures?

- A. The Federal Aviation Administration's licensing system fully assures the underwriter of a pilot's competence and qualifications to operate an aircraft.
- B. Of active U.S. civil aircraft, such as charter flights and corporate flying for executives, the majority are included in the airlines sector.
- C. The number of aircraft exposed to loss is small when compared to the number of exposure units covered by other types of insurance.
- D. **Aviation insurers must rely primarily on judgment in determining rates because aircraft accidents are potentially catastrophic.**

C is correct. (Obj 5 – Type A).

A is incorrect. The Federal Aviation Administration's licensing system gives an underwriter some assurance that a pilot is qualified; however, additional underwriting considerations are needed, and include the pilot's age, experience, accident history, and medical fitness.

B is incorrect. Of active U.S. civil aircraft, such as charter flights and corporate flying for executives, the majority are included in the general aviation sector.

D is incorrect. Aviation insurers must rely primarily on judgment in determining rates because the number of exposure units, and thus statistics for actuarial rating formulas, are limited.

29. The aviation purpose-of-use category that is used to insure corporate-owned aircraft that are used for transporting employees, associates, and executives flown by full-time professional pilots is:

- A. Commercial use.
- B. Special use.
- C. Industrial aid.
- D. Airline.

C is correct. (Obj 5 – Type A).

A is incorrect. Operators in the commercial use category transport people and cargo for hire, undertake high-altitude photography, and conduct similar operations.

B is incorrect. The special use category is reserved for uses such as low-altitude photography, flight testing, firefighting, crop dusting, banner towing, law enforcement, pipeline patrol, and hunting. The common denominator among aircraft in this use category is that each represents exposure to some of aviation's most unique hazards.

D is incorrect. The airline category is for international, national, and regional air carriers.

30. The aviation purpose-of-use category used to classify and rate exposures such as charter operators, high-altitude photography, and air taxis is:

- A. Commercial use.
- B. Special use.
- C. Instruction and rental.
- D. Airline.

A is correct. (Obj 5 – Type A).

B is incorrect. The special use category is reserved for uses such as low-altitude photography, flight testing, firefighting, crop dusting, banner towing, law enforcement, pipeline patrol, and hunting. The common denominator among aircraft in this use category is that each represents exposure to some of aviation's most unique hazards.

C is incorrect. The instruction and rental category is used for flight schools.

D is incorrect. The airline category is for international, national, and regional air carriers.

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

- A. Aviation insurers must rely primarily on judgment in determining rates.
- B. As a general rule, the liability of an aircraft owner or operator is determined by federal law.
- C. Commercial use is the only purpose-of-use category that provides insurers with statistics allowing them to make reasonably accurate loss projections.
- D. Because of the rigorous and mandated inspection and maintenance requirements, aircraft are less susceptible to substantial damage or loss than other types of vehicles.

A is correct. (Obj 5 – Type A).

B is incorrect. As a general rule, the liability of an aircraft owner or operator for bodily injury or property damage is determined according to the law of the state where an aircraft accident occurs.

C is incorrect. Airline is the only purpose-of-use category that provides insurers with statistics allowing them to make reasonably accurate loss projections.

D is incorrect. As the value and size of airplanes increases, so does the potential for catastrophic liability and property damage exposure. This stems from an aircraft's specific design, weight, and speed requirements and renders them considerably more susceptible to substantial damage or total loss than any other type of vehicle.

32. A retired military pilot is considering starting a business providing crop dusting services to local farmers in his community.

Which aviation purpose-of-use category would most likely be used to categorize the pilot's business operation?

- A. Business and Pleasure.
- B. Industrial Aid.

- C. Commercial Use.
- D. Special Use.

D is correct. (Obj 5 – Type B).

A is incorrect. The Business and Pleasure category includes individually owned aircraft used for an owner's personal purposes. No charge is made or direct profit derived from this use.

B is incorrect. Industrial Aid is used to insure corporate-owned aircraft that are used for transporting employees, associates, and executives flown by full-time professional pilots.

C is incorrect. Operators in the Commercial Use category transport people and cargo for hire, undertake high-altitude photography, and conduct similar operations.

33. Which one of the following statements is correct regarding aircraft insurance?

- A. Most aircraft policies are provided by a pool of insurers or by underwriters in the London market.
- B. The two most common coverages are "Named Perils – Ground and Flight" and "Named Perils – Not in Motion."
- C. It differs from auto insurance in that aircraft insurance is provided with standard policies.
- D. It is only purchased by individuals who own and operate small aircraft for pleasure.

A is correct. (Obj 6 – Type A).

B is incorrect. The two most common coverages are "All Risks – Ground and Flight" and "All Risks – Not in Motion."

C is incorrect. Aircraft insurance is specialized insurance with no standard policy. It differs from auto insurance in that pilots are required to provide a strict medical certification.

D is incorrect. Aircraft insurance is purchased by individuals owning small aircraft, as well as major airline companies operating a fleet of aircraft.

34. Which one of the following aircraft hull coverages would cover a loss from an aircraft colliding with another aircraft during takeoff, while both aircraft were still on the ground?

- A. "All-risks" – ground and flight.
- B. "All-risks" – not in motion.
- C. "All-risks" – not in flight.
- D. "All-risks" – taxi operations.

A is correct. (Obj 6 – Type A).

The loss would be covered only under "all risks" – ground and flight. "All-risks" not in flight coverage would not apply because taking off is within the definition of "in flight."

35. Which one of the following statements is correct regarding aviation insurance?

- A. A component parts schedule is typically used for a custom or one-of-a-kind aircraft of considerable value.
- B. "All risks" – flight coverage is the broadest and most expensive type of "all risks" coverage.
- C. It is possible for the insured to collect more than the limit of insurance under the actual cash value approach.
- D. Crew members are not included in passenger bodily injury liability coverage.

D is correct. (Obj 6 – Type A).

A is incorrect. A component parts schedule is typically used to insure very old aircraft and those of relatively low value that are difficult or impossible to repair.

B is incorrect. "All risks" – ground and flight coverage is the broadest and most expensive type of "all risks" coverage.

C is incorrect. With the actual cash value approach, the insurer agrees to pay the actual cash value of the damaged or lost property, but for no more than the limit.

36. Which one of the following is true regarding admitted liability coverage in aviation insurance?

- A. It can be extended to include crew members, including those who are covered under workers' compensation law.
- B. It requires the recipient to fully release the insured from liability for all bodily injury.
- C. It requires passengers to use legal action to secure compensation for injury.
- D. It requires the insurer to initiate the settlement offer.

B is correct. (Obj 6 – Type A).

A is incorrect. Admitted liability coverage can be extended in some cases to include crew members in addition to passengers. However, when that is done, coverage does not apply to crew members who are covered under a workers' compensation law.

C is incorrect. Admitted liability is designed to make it unnecessary for passengers to resort to legal action to secure compensation for injury.

D is incorrect. Admitted liability requires the named insured to ask the insurer to offer the settlement.

37. Admitted liability coverage is unique to aircraft insurance and is also referred to as:

- A. No fault coverage.
- B. Medical payments coverage.
- C. **Passenger voluntary settlement coverage.**
- D. Aircraft hull coverage.

C is correct. (Obj 6 – Type A).

Passenger voluntary settlement coverage is unique to aircraft insurance.

38. Which one of the following statements is correct regarding aircraft insurance?

- A. **Aircraft medical payments coverage is similar to the medical payments coverage available in a commercial general liability policy.**
- B. Except for policies covering airlines, aircraft policies cover all aircraft owned by the named insured.
- C. Aircraft physical damage insurance is also referred to as aviation insurance.
- D. Larger multi-engine aircraft are sometimes insured without a deductible because deductibles seldom eliminate claims.

D is correct. (Obj 6 – Type A).

A is incorrect. Aircraft medical payments coverage is similar to the medical payments coverage available in an automobile policy.

B is incorrect. Except for policies covering airlines, aircraft policies cover only the plane or planes specifically described in the policy.

C is incorrect. Aircraft physical damage insurance is also referred to as hull insurance.

39. Which one of the following statements is correct regarding aircraft liability insurance?

- A. **Separate coverage limits always apply to bodily injury and property damage coverages.**
- B. Private aircraft owners often have difficulty obtaining adequate liability limits.
- C. Bodily injury to an employee of the insured is typically covered.
- D. Insurers are prohibited from imposing a sublimit on claims by passengers.

B is correct. (Obj 6 – Type A).

A is incorrect. A combined single limit generally applies to bodily injury and property damage coverages.

C is incorrect. Bodily injury to an employee is excluded from coverage.

D is incorrect. Insurers are permitted to impose a sublimit on claims by passengers.

40. Which one of the following statements is correct regarding deductibles for physical damage in aviation insurance?

- A. **For policies with both ground and flight coverage, the same method must be used to determine the deductible.**
- B. Generally, deductibles for business and pleasure purpose-of-use are higher than those for commercial use.
- C. Industrial aid purpose-of-use insurance may be written with no deductible.
- D. Partial losses caused by vandalism are often subject to higher deductibles than losses from other perils.

C is correct. (Obj 6 – Type A).

A is incorrect. Aircraft physical damage deductibles may be expressed as either a specified dollar amount or as a percentage of the aircraft's insured value. Some insurers apply a dollar deductible with respect to ground losses and a percentage deductible with respect to flight losses.

B is incorrect. Generally, the deductibles for aircraft in the commercial purpose-of-use category are higher than those for aircraft in the business and pleasure category.

D is incorrect. In many policies, deductibles do not apply to partial loss caused by certain perils, such as fire, lightning, explosion, or vandalism.

41. Unmanned aircraft systems that can be equipped with cameras and sensors are also known as:

- A. Lightweight aircraft.
- B. Remote control planes.
- C. Nonpassenger aircraft.
- D. **Drones.**

D is correct. (Obj 7 – Type A).

Drones are also known as unmanned aircraft systems or unmanned aerial vehicles.

42. Which one of the following is a requirement of the Federal Aviation Administration (FAA) Small Unmanned Aircraft Systems (UAS) Regulations (Part 107)?

- A. UAS weighing over 60 pounds must be registered with the FAA.
- B. The ground speed of any UAS may not exceed 65 miles per hour.
- C. Flights in airspace near major airports or other congested areas must be tracked via GPS.
- D. **UAS altitude may not exceed 400 feet above ground level.**

D is correct. (Obj 7 – Type A).

A is incorrect. FAA law Part 107 requires registration of UAS, other than model aircraft, that weight between 0.55 pounds and 55 pounds.

B is incorrect. Ground speed may not exceed 100 mph.

C is incorrect. Flights in airspace near major airports or other congested areas require Air Traffic Services' approval.

43. Which one of the following statements is correct regarding insurance coverage for unmanned aircraft?

- A. Part 107 of the Federal Aviation Regulations requires drone operators to obtain a drone operator's license.
- B. **Some drone insurers include value-added services as part of their drone programs, including training for drone operator exams.**
- C. The greatest risk regarding drone operation is most likely liability concerning the invasion of privacy.
- D. Drone coverages in the aviation insurance market typically fall into the categories of property damage and medical payments to others.

B is correct. (Obj 7 – Type A).

A is incorrect. Part 107 of the Federal Aviation Regulations requires drone operators to obtain FAA security clearance.

C is incorrect. The greatest risk regarding drone operation is most likely an accident involving individuals.

D is incorrect. Drone coverages in the aviation insurance market typically fall into the categories of 1) liability coverage and physical damage coverage for drone owners and operators, and 2) products liability coverage for drone manufacturers.

44. Which one of the following is a difficulty facing insurers in underwriting drones?

- A. Homogenous pool of drone operators.
- B. **Insufficient volume of loss data makes it difficult for insurers to forecast the amount of losses they will incur.**
- C. Most operators come from a commercial or military aviation background.
- D. Risk management solutions are limited and costly to implement.

B is correct. (Obj 7 – Type A).

A is incorrect. There is a wide range of experience of drone operators, or pilots.

C is incorrect. Most operators do not have strong commercial or military aviation backgrounds.

D is incorrect. Some inexpensive and easily attainable risk management solutions are available to help smaller drone users operate safely, including training, safety management, and respect for privacy.

45. Spencer owns a ranch in western Wyoming and he checks on his livestock through the use of a drone that he purchased last year. Spencer's neighbor has complained that Spencer is spying on him with the drone. Which one of the following coverages should Spencer obtain to protect him in the event his neighbor sues him for invasion of privacy?

- A. Liability coverage for nonowned drones.
- B. Premises liability coverage.
- C. **Personal injury coverage.**
- D. Physical damage coverage.

C is correct. (Obj 7 – Type B).

Personal injury coverage protects drone owners and operators against privacy liability claims.

A is incorrect. Liability coverage for nonowned drones protects the insured drone owner or operator against liability arising out of the operation of a drone the insured does not own while it is being used on the insured's behalf.

B is incorrect. Premises liability coverage protects the insured against liability for injury to others resulting from an accident that takes place at the insured's premises.

D is incorrect. Physical damage coverage covers physical damage to the drone.