

DIRECTIONS: Each question is followed by four suggested answers. In each case, select the **one** that best answers the question. **Note:** In some questions, the word “basic” or “standard” appears in front of the name of a policy, floater or other form. In each instance, basic or standard means without endorsements or changes of any kind.

51. The premium charged for a standard Workers' Compensation policy is based primarily on a company's:
- gross sales
 - payroll
 - federal tax
 - employee population
52. Which of the following statements is true about Automatic Assigned Risk program?
- A number of insurance companies share the losses incurred by a specific insured
 - The program designates an insurance company as the insurer of a specific insured
 - An insurance agent designates the insurance company for specific insured.
 - The insured designates a specific insurance company to insure his auto
53. The ABC Contracting Company built a porch on a building for an insured. One year after the porch was completed it collapsed, causing injury to the homeowner. This type of accident would be considered a:
- Premises Loss
 - Products And Completed Operations Liability Loss
 - Contractual Liability Loss
 - Personal Injury Liability Loss
54. If a worker were injured on the job, Workers' Compensation insurance would provide payment for claims in which of the following situations?
- The risk of injury was known to the workers
 - The injury was due to the carelessness of a fellow worker
 - The injured worker was guilty of contributory negligence
- I and II only
 - I and III only
 - II and III only
 - I, II and III
55. Michelle Winters seeks coverage for her manufacturing company to include Premises Liability, Products Liability, Insured Contracts, and Completed Operations. Which of the following policies would cover all of these loss exposures?
- Contractual Liability
 - Products and Completed Operations Liability
 - Commercial General Liability
 - Personal Injury Liability
56. Sue Green has Premises Burglary Form on her restaurant. If an employee steals some equipment by breaking into the premises on a holiday, the policy would:
- cover the loss
 - not cover the loss, since acts by employees are excluded
 - not cover the loss, since daytime burglaries are excluded
 - not cover the loss, since only loss of merchandise is covered
57. As a condition of automobile coverage, the insured is required to do which of the following in the event of an accident?

- a. Notify the insurance company of accident as soon as possible
 - b. Notify the police department of the accident as soon as possible
 - c. Report the accident to the state insurance department
 - d. Report the accident to the state motor vehicle department
58. Which of the following statements is true about an insured who wishes to cancel her insurance policy?
- a. She must give the insurance company five (5) days written notice
 - b. She must give the insurance company legal notice on a pre-approved form
 - c. She may cancel the policy only after it has been in effect for ten (10) days
 - d. She may cancel the policy at any time
59. Which of the following policies would be best suited for a prospective insured who wants coverage against liability assumed by him under specific written agreements?
- a. Products and Completed Operations Liability
 - b. Contractual Liability
 - c. Fidelity Bond
 - d. Premises and Operations Liability
60. In automobile insurance, Additional (Supplementary) Payments refer to which of the following?
- a. Payments made by the insured for damages exceeding his policy limits
 - b. Payments received by the insured directly from the person or persons who caused a loss
 - c. Payments made by the insurance company for the insured's own medical expenses, to supplement any other medical insurance
 - d. Payment of defense and other expenses by the insurance company beyond the limits of liability
61. Under a Premises Burglary Form, loss of merchandise is covered if which of the following is true?
- a. The merchandise is taken while the premises are open for business
 - b. The merchandise is stolen by an employee
 - c. The merchandise is stolen from a truck owned by the insured
 - d. The merchandise is taken during the robbery of a watchman while the premises are closed
62. Risk is best defined as:
- a. an uncertainty of loss
 - b. an undesirable insured
 - c. a hazardous exposure
 - d. a cause of loss
63. A basic commercial general liability policy excludes coverage for which of the following?
- I. A newly acquired business
 - II. A construction contract
 - III. An elevator maintenance agreement
- a. I only
 - b. II only
 - c. III only
 - d. I, II and III
64. Basic benefits available under a typical workers compensation policy include which of the following?
- I. Medical expenses
 - II. Loss of income
 - III. Rehabilitation
- a. I and II only
 - b. I and III only
 - c. II and III only
 - d. I, II and III

65. Actual Cash Value is best defined as:
- a. Replacement Cost minus Physical Depreciation
 - b. Replacement Cost minus Tax Depreciation
 - c. Original Cost minus Physical Depreciation
 - d. Original Cost minus Tax Depreciation
66. Which of the following terms may properly be used when referring to negligence?
- I. Civil wrong
 - II. Legal obligation
 - III. No fault
- a. I and II only
 - b. I and III only
 - c. II and III only
 - d. I, II and III
67. The principle of indemnity is best illustrated by which of the following insurance policy clauses?
- a. Liberalization
 - b. Other Insurance
 - c. Inspection and Audit
 - d. Cancellation
68. An insured whose legally parked car is damaged by a mudslide may collect for damages under which of the following coverages?
- a. Property Damage Liability
 - b. Medical Payments
 - c. Comprehensive (Other than Collision)
 - d. Collision
69. The Chens host a party for close friends. When the guests arrive, they place their coats in the bedroom. Two days later, Mr. Chen discovers that his wristwatch is missing from the dresser. The loss is referred to as a:
- a. burglary
- b. Mysterious Disappearance
 - c. Robbery
 - d. Theft
70. The APEX Corporation purchases widgets from the Holly Company. Each invoice states on the back, "Purchaser shall hold seller harmless from liability arising out of the sale of these widgets." To cover this possible loss exposure, the APEX Corporation should obtain which of the following types of insurance, if any?
- a. Contractual Liability
 - b. Contingent Liability
 - c. Commercial General Liability
 - d. None of the above
71. On an automobile policy application, an applicant states that she has had no accidents in the past 3 years. The statement is known as which of the following, if any?
- a. a Representation
 - b. a Warranty
 - c. a Concealment
 - d. None of the above
72. Jim Johnson has an automobile policy with a combined single limit of \$50,000. He has an at-fault accident and incurs the following expenses:
- \$30,000 bodily injury judgement
 - \$30,000 property damage judgement
 - \$5,000 damage to traffic light
 - \$6,000 attorney's fees for his defense
 - \$300 in premiums for appeal bond
 - \$75 in bail bond premiums for related traffic violations
- Which of the following is the maximum amount his insurance company will pay?

- a. \$50,000
- b. \$56,375
- c. \$65,000
- d. \$71,375

73. Joseph Pinelli, who is insured under a Business (Commercial) Auto policy, is involved in an accident. He and the insurance company disagree on the amount to be paid for the damage to his car. Under the terms of the policy, which of the following statements is true?

- a. Mr. Pinelli must accept the insurance company's estimate
- b. Each party engages an appraiser, and the appraisers will decide the amount
- c. Each party engages an appraiser, and the appraisers will select an umpire
- d. The estimate of both parties will be averaged

74. Benjamin Knight carries an automobile policy with Company A that has limits of \$50,000. He borrows an auto from a neighbor who carries an automobile policy with Company B that has limits of \$100,000. While driving the borrowed auto, Mr. Knight is involved in an at-fault accident in which a judgement of \$125,000 was rendered against him. The loss will be paid in which of the following ways?

	<u>Company A</u>	<u>Company B</u>
a.	\$25,000	\$100,000
b.	\$50,000	\$75,000
c.	\$62,500	\$62,500
d.	\$75,000	\$50,000

75. Which of the following best describes the purpose of Insuring Agreements?

- a. To name the insured
- b. To describe the coverage
- c. To explain the duties of the insured
- d. To set forth conditions and exclusions

76. Cars driven by Sue Trent and Jim Higgins were involved in an automobile accident. Ms. Trent's car was a total loss, and she obtained a settlement of \$25,000 for her injuries. Scott Finley, Ms. Trent's passenger, was injured and incurred \$6,000 in medical expenses. Mr. Higgins, the responsible party, carries Bodily Injury coverage with limits of \$15,000 per person and \$30,000 per accident, and Property Damage coverage of \$5,000. His policy will pay a maximum of which of the following amounts?

- a. \$26,000
- b. \$29,000
- c. \$35,000
- d. \$39,000

77. A deductible usually applies to which of the following automobile policy coverages?

- a. Bodily Injury Liability
- b. Property Damage Liability
- c. Physical Damage
- d. Medical Payments

78. While installing an air-conditioning unit in a building, an ABC Contracting Company employee drops and damages the unit. Which of the following coverages, if any, would protect the company for the loss?

- a. Commercial General Liability
- b. Personal Injury Liability
- c. Products Liability
- d. None of the above

79. Betty Jones claims that the bicycle manufactured last year by Daryl Lanier's firm was the cause of her daughter's accident. Which of the following coverages would have provided protection for Mr. Lanier?

- a. Commercial General Liability
- b. Owners and Contractors Protective Liability
- c. Workers' Compensation
- d. Contractual Liability

80. The purpose of the Declarations section of an insurance policy is to list the:
- duties of the insurance company and the insured
 - persons or property covered
 - perils covered
 - perils not covered
81. While inspecting a recently insured building, an insurance company representative notices a loose handrail on a stairway. When writing to the agent, the company would refer to this situation as which of the following?
- A risk
 - A hazard
 - A liability
 - An occurrence
82. The Fair Credit Reporting Act does which of the following?
- It requires the insurance companies to notify an applicant in advance that inspection report may be ordered.
 - It prevents insurance companies from using information that is disputed by an applicant
 - It requires the insurance companies to send all applicants copies of any reports obtained from an inspection company
 - It makes the disclosure of the source of information illegal
83. If an insured fails to comply with the immediate notice of claim requirement, which of the following may result?
- Her policy may be cancelled
 - Her loss may be only partially paid
 - Her coverage may be denied
 - Her premium may be increased
84. A Commercial General Liability policy provides coverage for exposures to loss arising out of which of the following operations?
- Business and Personal
 - Away from the insured's premises only
 - On the insured's premises only
 - On or away from the insured's premises
85. The definition of bodily injury includes which of the following?
- Death
 - Slander
 - Pain and Suffering
- I and II only
 - I and III only
 - II and III only
 - I, II and III
86. A Pro Rata Liability clause is included in an insurance policy to deal with the problem of:
- excessive policies
 - duplicate policies
 - inadequate coverages
 - conditional coverages
87. Adele Sullivan's car is hit from the rear by Clarence Brown's car. Mrs. Sullivan's insurance company pays her under her Physical Damage coverage and makes a claim against Mr. Brown's insurance company for the same amount. This process called:
- Matriculation
 - Reciprocity
 - Subrogation
 - Arbitration
88. A Products and Completed Operations Liability policy excludes coverage for which of the following?
- Damage caused by a defective product

- b. Damage occurring after possession of the product has been relinquished
- c. A vendor's liability for the products of others
- d. Recall of products
89. Which of the following sections of an insurance policy states who may be insured in addition to the named insured?
- Declarations
 - Definition of the Insured
 - Insuring Agreements
 - Obligation of the Insurance Company
90. The conditions section of an insurance contract sets forth the:
- limits of liability under the contract
 - coverages provided by the contract
 - rules of conduct for the insured and insurance company
 - exclusions of coverage under the contract
91. An insured has an automobile policy with a combined single limit of \$500,000 for Bodily Injury and Property Damage. After an accident, a court awards \$300,000 bodily injury and \$25,000 property damage to claimant #1, and \$200,000 bodily injury and \$25,000 property damage to claimant #2. In this situation, the insurance company's limit for liability is:
- \$300,000
 - \$350,000
 - \$500,000
 - \$550,000
92. In insurance, which of the following terms is defined as "any act of stealing"?
- Mysterious disappearance
 - Burglary
 - Robbery
 - Theft
93. Under an automobile policy with Uninsured Motorist coverage, a disagreement between an insurance company and an insured on the amount of a loss can be settled by:
- Subrogation
 - Elimination
 - Arbitration
 - Declaration
94. Which of the following is not an accident?
- A pedestrian is killed when struck by a power crane excavating at a street intersection
 - An employee is injured when his hand is caught in a power press
 - A home is damaged by flying rocks from a dynamite blast
 - Paint is damaged by dust from trucks going to and from a construction site.
95. Which of the following coverages provides payments to a third party, rather than to the named insured?
- Commercial Property Building
 - Automobile Comprehensive
 - Fidelity Blanket Bond
 - Bodily Injury and Property Damage Liability
96. In liability insurance, which of the following would be considered an occurrence?
- Smoke from a factory discolors the paint on nearby homes
 - An auto strikes and injures a pedestrian
 - A digging machine breaks a water main
 - A customer slips on an oily surface in a store and suffers severe head injuries

97. Someone breaks down the door to a store and steals merchandise. This loss relates to the peril of:

- a. Embezzlement
- b. Barratry
- c. Robbery
- d. Burglary

Directions: The group of questions below consists of four lettered headings followed by a list of numbered sentences. For each numbered sentence, select the one heading that is most closely related. One heading may be used once, more than once or not at all.

QUESTIONS 98-100

- a. Bodily Injury and Property Damage Liability
- b. Comprehensive (Other than Collision)
- c. Collision
- d. Medical Payments
- e. Jean Tyler has the automobile coverage listed above under a Personal (Family) Auto policy. Select the coverage that would apply in each of the following situations.

98. A baseball is hit through Ms. Tyler's windshield. _____

99. Ms. Tyler runs over a log and damages her auto. _____

100. A deer leaps onto Ms. Tyler's car and causes extensive damage. _____