

The Complete Mentor  
TEST FOR CHAPTER 8 – OTHER COVERAGES AND OPTIONS

1. All of the following are true of the Professional Liability Policies **except**:
  - a. Protects the insured against legal liability resulting from negligence, errors and omissions
  - b. It excludes coverage for fraud, dishonesty, or criminal acts
  - c. Similar coverage is also provided under the Commercial Liability Coverage Part
  - d. It is also referred to as malpractice insurance or errors and omissions insurance
  
2. All of the following are true of Commercial Umbrella Policies **except**:
  - a. It provides excess coverage over underlying liability coverage
  - b. A Self-Insured Retention is typically higher than a Personal Umbrella
  - c. It provides coverage only at the insured location as indicated in the declaration
  - d. It provides excess coverage for business related exposures
  
3. All of the following are true of Ocean Marine Coverage **except**:
  - a. It provides coverage for ocean going vessels
  - b. The underwriting of ocean marine coverage is relatively new
  - c. The four major coverage's are Hull Coverage, Cargo Coverage, Freight Insurance and Protection and Indemnity
  - d. Hull and Cargo coverage can be written on either a named peril or all risk basis
  
4. Which of the following Ocean Marine coverage's provides Marine Legal Liability Insurance?
  - a. Hull Coverage
  - b. Cargo Coverage
  - c. Freight Insurance
  - d. Protection and Indemnity (P&I)
  
5. Which of the following is true in determining a loss in an Ocean Marine Policy?
  - a. General average loss means a partial loss resulting from the voluntary jettison of cargo. All parties share the loss
  - b. Particular average loss means a partial loss where there is no requirement to share the loss
  - c. Constructive total loss means a partial loss that is so extensive that repair costs exceed the value of the property
  - d. All of the above
  
6. All of the following are true of Aviation Insurance **except**:
  - a. Policies can be compared in coverage's to Auto and Ocean Marine policies
  - b. Aviation insurance is not a specialized field
  - c. The most common aviation coverage's are property damage and Bodily Injury Liability, medical payments and hull coverage's
  - d. Aviation Liability coverage is typically written by an aviation pool

7. All of the following are true of Surplus Lines Insurance **except**:
- Standard coverage's are typically written in the Surplus Lines market
  - A diligent effort must be made to place the business with an admitted company
  - To act as a surplus lines agent, an individual must possess an agent's license, broker's license and a surplus lines license
  - Business written in a surplus lines company is subject to a 3% state premium tax
8. Which of the following best defines Surplus Lines?
- Coverage that are not available or cannot be procured from authorized insurers within a state
  - Business that cannot be placed with an agent's primary companies
  - Business that is in excess of an agent's binding authority
  - Lines of business they are not licensed to write
9. All of the following are true of Different in Conditions (DIC) Policies **except**:
- DIC Insurance may be used to fill gaps in coverage's
  - DIC Insurance is produced by admitted carriers and local agents
  - It typically provides coverage for earthquake and may act as excess over limited flood insurance
  - It typically excludes coverage provided under other property policies
10. All of the following are true of a Surety Bond **except**:
- Surety Bonds guarantee that specific obligations will be fulfilled
  - Surety Bonds are typically made up of two parties
  - Surety Bonds contrast insurance in that losses are not expected
  - Surety Bonds are typically made up of three parties
11. All of the following are parties to a Surety Bond **except**:
- Insured
  - Principal
  - Obligee
  - Surety
12. All of the following are true of the Fair Access to Insurance Requirements Plans **except**:
- Typically distressed property is written in the FAIR Plans
  - The property must be located in a high crime area
  - FAIR Plans are state supervised insurance pools
  - The applicant must first attempt to secure coverage in the standard market
13. Mr. Smith recently voted on a corporate merger and was subsequently sued for the decision. Which of the following policies would protect against this exposure?
- Personal Umbrella Policy
  - Director and Offices Policy
  - Declarations and Omissions Policy
  - Commercial Umbrella Policy

14. An attorney, performing work out of his home, makes a mistake preparing a client's will and is then sued due to this. Which of the following protects against this exposure?
- L & O Policy
  - Director and Officers Liability
  - Personal Liability
  - Lawyer's Professional Liability
15. The party of the Surety Bond required to fulfill an obligation is the:
- Principle
  - Obligee
  - Insured
  - Guarantor
16. All of the following are true of Personal Umbrella Policies **except**:
- May require the payment of a self-insured retention
  - Provides errors and omissions coverage for business
  - Provides excess liability coverage over underlying personal liability
  - May cover certain exposures not provided under the primary layer
17. Which of the following statements would be true if an insured failed to maintain the underlying liability limits as required by the Personal Umbrella Policy?
- The insured would be responsible for the difference between the underlying amount and the amount required by the umbrella
  - The insured would have to pay the self-insured retention
  - All coverage's would be voided
  - It would have no effect upon the umbrella coverage
18. Watercraft physical damage and liability coverage is provided under all of the following policies **except**:
- Homeowner's Policy
  - Boat Owner's Policy
  - Personal Articles Floater
  - Yacht Policy
19. All of the following would be covered property under the Boat Owner's Policy **except**:
- Motors
  - Hull
  - A trailer
  - Water skis
20. All of the following are true of the Personal Articles Floaters **except**:
- Coverage may be provided under a separate Personal Articles Policy
  - Coverage may be provided under a Homeowner's Policy
  - Provides coverage for valued articles regardless of the ACV
  - Coverage is provided for direct physical loss unless specifically excluded

21. The National Flood Insurance program is administered under what government department?
- Department of Insurance
  - Department of Health, Education and Welfare
  - Department of Education
  - Flood Insurance Administration
22. All of the following are true of Flood Insurance **except**:
- Flood Insurance provides coverage that is excluded from personal and commercial policies
  - Implementation of a food program promotes socio-economic goals
  - Maximum limits are available to communities immediately
  - Participating communities must agree to implement certain land uses
23. What is the waiting period for Flood Insurance?
- 3 days
  - 30 days if not in conjunction with a loan
  - 90 days
  - There is never a waiting period
24. All of the following are excluded property under a Flood Insurance Policy **except**:
- Education books
  - Motor vehicles
  - Accounts, bills and currency
  - Lawns, trees and shrubs
25. The standard deductible under the Flood Insurance Policy is:
- \$750.00
  - \$500.00
  - \$250.00
  - \$100.00
26. Flood Insurance is available through:
- Only directly through the Flood Insurance Administration
  - Only Brokers
  - Only Agents
  - Agents and Brokers
27. In a Personal Umbrella, the amount paid by the insured for certain losses not covered under the primary coverage is called:
- The deductible
  - Security Insured Retention
  - Self-insured Retention
  - Sole Insurable Retention

28. All of the following are reasons for the use of Alternative Funding Mechanisms except:
- Opportunity to secure difficult to place risks
  - Inability to place coverage with standard insurance carriers
  - Opportunity to save on insurance expenses
  - Ability to secure coverage in standard markets
29. The maximum available limit for a single family home under the National Flood program is:
- \$500,000
  - \$250,000
  - \$150,000
  - \$100,000
30. Under the National Flood Policy, deductibles apply:
- Separately to both building and contents portions of the loss
  - Only to the contents portion of the loss
  - Only to the building portion of the loss
  - Only to the residential portions of the loss
31. The maximum available limit for residential contents coverage under the National Flood Program is:
- \$100,000
  - \$75,000
  - \$50,000
  - \$35,000
32. Under a Personal Umbrella Policy, the Self-insured Retention:
- Only applies to excess watercraft losses
  - Only applies to excess auto liability losses
  - Applies to certain losses which are not covered under the underlying primary policies
  - Only applies to excess homeowners premises liability losses
33. All of the following are covered perils under the National Flood Policy **except**:
- Water spray
  - Mudslides caused by flooding
  - The rapid accumulation of runoff surface water
  - The overflow of tidal waters
34. Which of the following risks would be eligible for the FAIR Plan?
- Fire damaged property which is not repaired
  - Property in violation of building codes
  - Property vacant and open to trespass
  - Property with potential environmental hazards

35. Under the “Write Your Own” flood program:
- Agents are paid an expense allowance
  - Limits are different under the “Write Your Own” program
  - Participating insurers have no underwriting exposure
  - Agents and Brokers must make application through a local carrier
36. The Penalty of Bond is:
- Its limit of coverage
  - The Self-insured Retention
  - The premium tax required
  - The deductible
37. All of the following are true of Risk Retention Groups **except**:
- Risk retention groups grew out of the need for affordable product liability insurance
  - All kinds of commercial liability coverage, except Worker’s Compensation may be insured by the group
  - The group buys coverage for its members at a premium savings
  - Similar type businesses may join together as a Risk Retention Group
38. The type of Surety Bond which guarantees the lender that a contractor will use borrowed funds to complete the project free of liens is a:
- Fiduciary Bond
  - Completion Bond
  - Lien Bond
  - Bid Bond
39. A person who is responsible for the administration of a decedent’s estate would have a need for a:
- Fiduciary Bond
  - Attachment Bond
  - Decedent’s Bond
  - Completion Bond
40. The term “Free On Board” (FOB) means:
- The seller is responsible for loss or damage until the time the goods have delivered along side the vessel
  - The seller is responsible for the goods until the goods enter the custody of the carrier
  - The seller is responsible for loss or damage until the time the goods enter the custody of the ocean carrier
  - The seller is responsible for loss or damage until the time the goods have been placed on board the vessel

41. All of the following are characteristics of Ocean Marine Hull Coverage **except**:
- Coverage includes collision liability
  - Coverage may be written on a single vessel basis or on a fleet basis
  - Coverage is provided for fixtures permanently attached to the ship
  - Coverage is provided for damage to piers, wharves, other structures or loss of life
42. Which of the following watercraft would generally be covered under a Boat Owner's Policy?
- A row boat powered by a 35 horsepower motor
  - A canoe
  - A wind ski
  - A boat with an inboard motor
43. The primary purpose of a Surety Bond is:
- To pay employer losses
  - To make sure obligations are fulfilled
  - To increase the contractor's credit line
  - To eliminate loss possibilities
44. Surplus Lines agents place coverage with:
- non-admitted companies
  - Admitted companies only
  - Foreign companies
  - Domestic companies only
45. Which of the following is covered under a Flood Policy?
- A pier or dock
  - A motor vehicle
  - A printing company located within 100 feet of a river
  - A finished basement which is below ground level
46. Under a flood policy, which of the following would not be covered?
- Flood damage to living room
  - Flood damage to property in a basement bedroom
  - Flood damage to a property within 100 feet of a river
  - Flood damage to a dwelling located near a lake
47. Under the National Flood Insurance Program, the maximum available limit for non-residential or small business building coverage is:
- \$100,000
  - \$200,000
  - \$250,000
  - \$500,000

48. All of the following are true of the National Flood Insurance Program **except**:
- a. Maximum limits are available to the communities immediately
  - b. Participating communities must agree to implement flood control procedures
  - c. It covers a peril which is excluded from most personal and commercial property policies
  - d. Implementation of the flood program promotes socio-economic goals
49. Under the National Flood Insurance Program:
- a. A 5 day waiting period applies
  - b. A 10 day waiting period applies
  - c. A 30 day waiting period applies
  - d. A 30 day waiting period applies to new applications unless in conjunction with a loan
50. All of the following are true in Difference in Conditions (DIC) Policy except:
- a. DIC insurance may be used to fill gaps in policies
  - b. It typically provides coverage for earthquake and acts as excess over limited flood insurance
  - c. It typically excludes coverage under other property coverage's
  - d. DIC insurance is produced by admitted carriers and local agents
51. A standard deductible under the National Flood Insurance Program is:
- a. \$250
  - b. \$500
  - c. \$500 separately applied to the dwelling and contents
  - d. The deductible is waived
52. Which of the following perils is covered under the National Flood Program?
- a. Mudslides
  - b. Water spray
  - c. Rain
  - d. Snow
53. All of the following are true about the National Flood Insurance Program **except**:
- a. It is for private dwellings only
  - b. It provides coverage for one to four family dwellings
  - c. The U.S. Government is the reinsurer of the insurer
  - d. It must be adopted by the entire community
54. Which of the following types of property is insured under a Hull Policy?
- a. Specified cargo
  - b. Crews property
  - c. Fitting and machinery on the vessel
  - d. Cargo containers

55. Under the National Flood Insurance Program, all of the following losses are covered **except**:

- a. Water damage resulting from a source on the insured's property
- b. Mudslide caused by the accumulation of underground water
- c. Rapid and unusual run off of surface water
- d. Overflow of tidal water

56. Aircraft Hull Insurance covers which of the following?

- a. Bodily injury to the passengers or crew while in flight or on the ground
- b. Loss by a pilot whether a pilot is specified in the policy or not
- c. Losses on a worldwide basis
- d. Physical damage to the aircraft