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Canadian
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Actuaries

Exam GIINT

Introduction to General Insurance

GIINT

February 10, 2014

8:30 am–10:00 am

DIRECTIONS

1. DO NOT BREAK THE SEAL OF THE BOOKLET UNTIL THE SUPERVISOR TELLS YOU TO DO SO.
2. This test consists of 60 multiple-choice test questions. You will have a total of one and a half hours in which to answer them and record your answers on the answer sheet. NO ADDITIONAL TIME WILL BE ALLOWED FOR CODING YOUR ANSWER SHEET. Failure to stop writing or coding your answer sheet after time is called will result in the disqualification of your answer sheet and possible further disciplinary action.
3. There are five answer choices for each question, lettered (A) through (E). Answer choices for some questions have been rounded. For each question, choose the best answer. On your answer sheet, find the row of circles with the same number as the question. Then find the circle in that row with the same letter as your answer. Use a soft lead pencil and blacken the circle completely. INDICATE ALL YOUR ANSWERS ON THE ANSWER SHEET. No credit will be given for anything written in the booklet.
4. Answer sheets are mechanically scored. BE SURE THAT EACH MARK IS BLACK AND COMPLETELY FILLS ONLY THE INTENDED ANSWER CIRCLE. Make no stray marks on the answer sheet. Choose only one answer for each question. If you change an answer, erase your first mark completely and mark your new choice.
5. Use the blank portions of booklet pages and the tablet of paper provided for your scratch work.
6. Do not spend too much time on any question. If a question seems too difficult, go on to the next question. You may return to unanswered questions if you finish before time is called.
7. Your score will be based on the number of questions that you answer correctly. There will be no deduction for wrong answers. Therefore, it is to your advantage to answer every question.
8. After time is called, the supervisor will collect the booklet and your answer sheet separately. DO NOT ENCLOSE THE ANSWER SHEET IN THE BOOKLET. All booklets and answer sheets must be returned. THE QUESTIONS ARE CONFIDENTIAL AND MAY NOT BE TAKEN FROM THE EXAMINATION ROOM.

Example

Calculate the value of x in the equation $x + 6 = -3$.

- (A) -9
- (B) -3
- (C) -2
- (D) 3
- (E) 9

Sample Answer

● (B) (C) (D) (E)

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**** BEGINNING OF EXAMINATION ****
INTRODUCTION TO GENERAL INSURANCE

NOTE concerning this sample exam – The order in which the questions appeared on a particular CBT administration of the exam is different from this sample.

- 1.** Which of the following is NOT an operating goal of an insurer?
 - (A) Comply with legal requirements.
 - (B) Concentrate risk.
 - (C) Meet customer needs.
 - (D) Earn a profit.
 - (E) Fulfill its duty to society.

- 2.** What are the three core functions that exist within a typical insurer?
 - (A) Accounting, actuarial, and underwriting.
 - (B) Actuarial, claims, and underwriting.
 - (C) Accounting, marketing and distribution, and sales.
 - (D) Claims, marketing and distribution, and underwriting.
 - (E) Actuarial, marketing and distribution, and sales.

3. Which of the following errors is the most significant problem in measuring insurer profitability?

- (A) Errors in setting adequate rates.
- (B) Errors in estimating future investment returns.
- (C) Errors in estimating loss reserves.
- (D) Errors in estimating sales growth.
- (E) Errors in classification of loss exposure units.

4. Which of the following is NOT a reason insurers are subject to governmental regulation?

- (A) Protect consumers against fraud.
- (B) Guarantee insurer profit.
- (C) Maintain insurer solvency.
- (D) Prevent unfair discrimination.
- (E) Protect consumers against unethical marketing behavior.

- 5.** Which of the following is the primary reason insurer solvency is monitored by regulators?
- (A) Insurers hold large sums of money for the benefit of consumers.
 - (B) Insurers are inherently financially unstable.
 - (C) The cost of insurer insolvencies is shifted to taxpayers.
 - (D) Solvency of insurers is easily measured without much cost.
 - (E) The claims-paying ability of insurers can be analyzed by most consumers and businesses.

- 6.** Which of the following are the three major goals of insurance rate regulation?
- (A) Ensure that rates are adequate, are not excessive, and are unfairly discriminatory.
 - (B) Ensure that rates guarantee insurance company solvency, are affordable, and are not overly complex.
 - (C) Ensure that rates do not allow insurers excessive or unreasonable profits, are high enough to pay all claims and expenses, and result in fair, consistent, and equitable charges among all insured groups.
 - (D) Ensure that rates are not affected by competition, are not excessive, and are not discriminatory.
 - (E) Ensure that rates are actuarially sound, are affordable to all, and are equitable.

7. Which of the following types of insurance customer is most likely to have the broadest choice of risk financing alternatives?

- (A) Individual.
- (B) Professional partnership.
- (C) Small business.
- (D) Middle market account.
- (E) National account.

8. Which of the following are advantages of allowing qualified producers to handle certain types of claims?

- I. Lower loss adjustment expenses.
- II. Larger payments to claimants.
- III. Quicker service to policyholders.

- (A) I only.
- (B) I and II only.
- (C) I and III only.
- (D) II and III only.
- (E) I, II, and III.

- 9.** Which of the following is the principal method of determining a prospect's insurance needs?
- (A) Having a conversation to determine what insurance coverage the prospect wants to purchase.
 - (B) Performing a thorough risk management review of the prospect's loss exposures.
 - (C) Selling the prospect as much coverage as it can afford, given its insurance purchasing budget.
 - (D) Determining if the prospect's insurance needs can be placed in the standard market or placed in the residual market.
 - (E) Determining which insurer offers the most attractive contingent commission arrangement for the prospect's desired coverage.

- 10.** Which of the following does NOT determine the underwriting capacity of an insurer?
- (A) The volume of premiums written relative to the insurer's policyholders' surplus.
 - (B) Availability and cost of adequate reinsurance.
 - (C) Regulatory guidelines.
 - (D) Ability to generate an acceptable return on equity.
 - (E) Standardized methods used to organize underwriting activities.

11. Which of the following actions must be taken by a line underwriter if policy limits on an application exceed the line underwriter's binding authority?

- (A) Seek approval from supervisory personnel within the underwriting department.
- (B) Accept the application but reclassify the loss exposure.
- (C) Accept the application and ignore binding authority restrictions.
- (D) Accept the application as a favor to the producing agent or broker.
- (E) Decline the application.

12. Numerous factors help shape an insurer's underwriting policy. Which of the following is NOT a constraint that would cause certain types of insurance or classes of business to be avoided?

- (A) Reinsurance treaties exclude the business.
- (B) The insurer's personnel lack needed marketing and underwriting expertise.
- (C) Intense competition in the line of business would result in insufficient profit opportunities.
- (D) The underwriter is experiencing a high hit ratio on policies quoted.
- (E) Policy forms, rates, and rating plans are not available to the insurer at a reasonable cost.

- 13.** COPE is an acronym describing a common tool used in underwriting the fire peril and other causes of loss to property. What does COPE stand for?
- (A) Conditions, Omissions, Perils, and Exclusions.
 - (B) Construction, Occupancy, Protection, and External exposure.
 - (C) Commercial, Operations, Production, and Entertainment.
 - (D) Concealment, Omissions, Protection, and Exclusions.
 - (E) Construction, Occupancy, Perils, and External exposure.
- 14.** Which of the following policy provisions does NOT affect the determination of the amount an insurer is obligated to pay at the time of a covered loss to property?
- (A) The policy's coverage limit.
 - (B) The insurable interest of all persons insured at policy inception.
 - (C) The policy's deductible provisions.
 - (D) The policy's coinsurance provisions.
 - (E) The policy's provisions for establishing the value of the insured property.

- 15.** Which of the following is NOT a characteristic of umbrella and excess liability insurance?
- (A) Each requires the insured to pay for losses equal to the self-insured retention or the deductible.
 - (B) Each provides liability coverage in excess of the underlying policy limits.
 - (C) Umbrella liability insurance provides coverage for gaps in the underlying policies but excess liability insurance does not.
 - (D) Both umbrella and excess liability insurers must assume defense of a claim if the underlying insurer cannot due to its insolvency.
 - (E) Loss frequency rather than loss severity is the primary concern in underwriting umbrella and excess liability insurance.

- 16.** Which of the following is an ethical obligation insurers have with regard to using their superior knowledge of loss control and prevention?
- (A) Earn a profit.
 - (B) Provide funds for government sponsored disaster relief programs.
 - (C) Decline coverage for exposures that may have a loss.
 - (D) Assist in preventing or reducing accidental losses.
 - (E) Discourage risk-taking in business and personal activities.

- 17.** Which of the following statements about premium auditing is true?
- (A) Premium auditing is verification of premium information included on an insurer's financial statements.
 - (B) Premium auditing is a methodical examination of the insured's operations, records, and books of account to determine the actual exposure units and premiums for insurance to be provided in the next policy period.
 - (C) Premium auditing is a regulatory function that determines if the insurer has paid the correct amount of premium taxes to the states in which it operates.
 - (D) Premium auditing is a methodical examination of the insured's operations, records, and books of account to assist in underwriting decision-making.
 - (E) Premium auditing is a methodical examination of the insured's operations, records, and books of account to determine the actual exposure units and premiums for insurance already provided.

- 18.** Which of the following is NOT a reason why accurate premium audits are important to the insurer?
- (A) Undetected premium audit errors may allow the insurer to retain premium overcharges and boost profits.
 - (B) Incomplete or inaccurate premium audits cause costly extra work and a loss of efficiency.
 - (C) Accurate premium audits assure equity in prices charged insured customers that present similar loss exposures.
 - (D) Premium developed from premium audits is fully earned.
 - (E) The insurer's cash flow depends on timely and accurate billing of auditable commercial insurance.

19. Which of the following is NOT included among an insurer's claim representatives?

- (A) Insurance agents and brokers.
- (B) Independent claim adjusters.
- (C) Public claim adjusters.
- (D) Managing general agents (MGAs).
- (E) Staff claim representatives.

20. Which of the following is NOT a reason that a court of law may find an insurer to be guilty of bad faith claim settlement practices if it has denied payment of a claim?

- (A) Failing, without legal cause, to fulfill a contractual promise.
- (B) Mishandling the claim resulting in financial detriment to the insured or third party claimant.
- (C) Failing to comply with the implied duty of good faith claim settlement.
- (D) Denying a claim for which coverage was neither provided nor intended in the contract of insurance.
- (E) Failing to deal with the claimant fairly and in good faith.

- 21.** Which of the following should a claim representative do when deciding how thoroughly to investigate a claim?
- (A) Be sure the investigation has been thorough enough to satisfy a judge and jury that good faith claim handling procedures have been followed.
 - (B) Comply with requirements of the Fair Credit Reporting Act by avoiding any access to the claimant's financial information.
 - (C) Collect enough evidence to support denial of the claim.
 - (D) Be sure to spend no more time on settling the claim than is considered standard by claim department guidelines.
 - (E) Refer most claims to the insurer's special investigations unit (SIU).
-
- 22.** Which of the following potential claimants does NOT have an insurable interest in property damaged or destroyed by a covered cause of loss?
- (A) An unsecured creditor of the property owner.
 - (B) A person who leases the property from the owner.
 - (C) Warehouse operators acting as custodians of the property.
 - (D) Common carriers transporting the property.
 - (E) Business partners holding property as owners in common.

- 23.** Which of the following causes of loss are common carriers liable for when a shipper's goods are damaged?
- (A) By an act of God.
 - (B) By theft while the property is in the care, custody, and control of the carrier.
 - (C) By negligence of the shipper.
 - (D) By some inherent defect or vice of the goods.
 - (E) By exercise of public authority.
-
- 24.** Betty Smith is an avid golfer. While teeing off at her golf club recently, she sliced her shot and hit her golfing partner, Susan Jones, in the face causing Susan to suffer a laceration, severe pain, and temporary loss of vision in one eye. Betty immediately contacted her insurance agent, reported the mishap, and inquired about coverage under her homeowners' insurance policy. The agent in turn reported the claim to the insurance company. In settling the claim, which step would NOT be followed by the insurer's representative?
- (A) Identify the insurance policy covering Betty Smith.
 - (B) Acknowledge receipt of the claim to the agent.
 - (C) Advise Susan not to contact an attorney.
 - (D) Determine if the loss occurred during the policy period.
 - (E) Document and file all information concerning the claim.

25. Which of the following is NOT a reason why reinsurance is purchased?

- (A) Reinsurance increases underwriting capacity.
- (B) Reinsurance reduces the number of claims incurred.
- (C) Reinsurance stabilizes loss experience.
- (D) Reinsurance may provide underwriting guidance.
- (E) Reinsurance provides catastrophe protection.

26. Which of the following is true regarding a facultative reinsurance contract?

- (A) The reinsurer is obligated to accept all loss exposures underwritten by the primary insurer.
- (B) The primary insurer must negotiate a separate agreement for each loss exposure it wants to reinsure.
- (C) The reinsurer agrees in advance to accept a set proportion of all loss exposures underwritten by the primary insurer.
- (D) Both the primary insurer and the reinsurer may cancel the contract at any time with sufficient notice.
- (E) Reinsurance protection continues as long as the primary insurer renews the insured's coverage.

27. Which of the following reinsurance programs is best suited for a primary insurer experiencing rapid premium growth in its personal auto insurance line of business?

- (A) Finite risk reinsurance.
- (B) Excess of loss treaty reinsurance.
- (C) Pro rata facultative reinsurance.
- (D) Quota share treaty reinsurance.
- (E) Per occurrence excess of loss treaty reinsurance.

28. Which of the following is the traditional and most commonly used system for compensating victims of auto accidents?

- (A) Pure no-fault system.
- (B) Absolute liability system.
- (C) Tort liability system.
- (D) Vicarious liability system.
- (E) Modified no-fault system.

29. Which of the following is the basic argument in favor of no-fault auto insurance systems currently used in the United States?

- (A) No-fault systems eliminate fraudulent claims.
- (B) No-fault systems offer rich benefits at lower overall cost.
- (C) No-fault systems offer unlimited medical benefits.
- (D) No-fault systems settle auto claims more quickly at lower cost.
- (E) No-fault systems eliminate all attorney involvement in auto injury cases.

30. Under which type of auto insurance arrangement are all auto insurers in a state required to issue policies and service their proportionate share of high-risk drivers based on the insurer's auto insurance premium written in the state?

- (A) Joint underwriting association.
- (B) Automobile insurance plan.
- (C) Unsatisfied judgment fund.
- (D) Reinsurance facility.
- (E) Specialty automobile plan.

31. Which of the following is NOT contained in the Declarations page of the Personal Auto Policy (PAP)?

- (A) Policy period.
- (B) Insuring agreement.
- (C) Policy number.
- (D) Name of the insurer.
- (E) Limits of insurance for each coverage provided.

32. Liability coverage – Part A is the most common part of the Personal Auto Policy (PAP). Which of the following is NOT covered under the liability section of the PAP?

- (A) A newly acquired auto that replaces a vehicle previously described in the policy.
- (B) A trailer owned by the named insured.
- (C) A borrowed auto used by the insured as a temporary substitute during servicing of the insured's primary vehicle.
- (D) A nonowned van that the insured drives to the grocery store each week.
- (E) A pickup truck owned by the named insured and shown in the policy's Declarations.

- 33.** Which of the following is NOT considered to be an uninsured motor vehicle by the Uninsured Motorists Coverage – Part C of the Personal Auto Policy (PAP)?
- (A) A vehicle for which no bodily injury liability insurance or bond applies at the time of the accident.
 - (B) A hit-and-run vehicle whose operator cannot be identified.
 - (C) An uninsured vehicle furnished for regular use by a family member.
 - (D) A vehicle insured with an insurer that denies coverage due to the insurer's insolvency.
 - (E) A vehicle insured for less than the minimum liability limit required by the state's financial responsibility law.

- 34.** Which of the following is NOT a duty of an insured after an auto accident covered under the Personal Auto Policy (PAP)?
- (A) Submit proof of loss.
 - (B) Submit to a physical examination if requested.
 - (C) Agree to an examination under oath.
 - (D) Admit negligence to the police if at fault.
 - (E) Provide prompt notice to the insurer.

35. Which of the following is NOT a common endorsement added to the Personal Auto Policy (PAP)?

- (A) Snowmobile endorsement.
- (B) Limited Mexico coverage endorsement.
- (C) Auto loan/lease (Guaranteed Auto Protection – GAP) coverage.
- (D) Towing and labor cost coverage.
- (E) Garage Business endorsement.

36. Which of the following is true regarding tenants of rented apartment units?

- (A) Tenants have no need for Homeowners insurance.
- (B) Tenants must insure both the apartment building and their personal property.
- (C) Tenants are eligible for Homeowners insurance using HO-3 (the Special Form).
- (D) Tenants are eligible for Homeowners insurance using HO-4 (the Contents Broad Form).
- (E) Tenants are eligible for Homeowners insurance using HO-8 (the Modified Coverage Form).

37. One of the Conditions in Homeowners HO-3 (the Special Form) lists the insured's duties after a property loss. Which of the following statements concerning this condition is true?

- (A) The insured's claim representative might not require that all of these duties be performed.
- (B) The insurer is prevented from denying a claim even if the insured fails to perform required duties.
- (C) All listed duties always must be performed prior to final claim settlement.
- (D) Claim representatives usually waive most or all duties expected of the insured.
- (E) As long as the insured gives prompt notice of the loss, the insurer cannot require other duties to be performed.

38. Spencer has a Homeowners HO-3 policy that provides \$320,000 of insurance on his dwelling, which has a current replacement value of \$500,000. Ignoring any deductible, how much will Spencer collect if his kitchen with a replacement value of \$30,000 but an actual cash value of \$26,000 is destroyed in a fire?

- (A) \$20,800
- (B) \$24,000
- (C) \$26,000
- (D) \$28,000
- (E) \$30,000

- 39.** Which of the following is NOT an exclusion in Section II of the Homeowners HO-3 policy?
- (A) Intentional injuries.
 - (B) Business activities.
 - (C) Transmission of a communicable disease.
 - (D) The gradual yet accidental seepage of pollutants from the insured's septic system into the neighborhood water supply.
 - (E) Injuries caused by operation of a motor vehicle registered for use on public roads.

- 40.** Which of the following statements regarding the "severability of insurance" condition in the HO-3 Special Form insurance policy is true?

- I. The condition applies insurance separately to each insured.
 - II. The condition does not increase the insurer's limit of liability for any one occurrence.
 - III. The condition allows the policy to cover a claim brought by one insured against another insured.
- (A) I only.
 - (B) I and II only.
 - (C) I and III only.
 - (D) II and III only.
 - (E) I, II, and III.

- 41.** Which of the following motor vehicles is NOT covered under Section II – Liability coverage in the ISO HO-3 policy?
- (A) Motor vehicle in dead storage on an insured location.
 - (B) Motor vehicle powered by one or more batteries that cannot exceed five miles per hour on level ground that is designed as a toy for use by children under the age of seven.
 - (C) Motor vehicle used solely to service a residence.
 - (D) Motor vehicle used for snow removal on public roads within one mile of an insured location.
 - (E) Motor vehicle designed for assisting people who are handicapped.

- 42.** Which of the following statements about Fair Access to Insurance Requirements (FAIR) plans is true?
- I. FAIR plans make property insurance coverage available for exposures located in areas underserved by the voluntary market.
 - II. FAIR plans are uniform in methods of operation and products offered in all states.
 - III. FAIR plans require covered property to meet inspection criteria established by the plan.
- (A) I only.
 - (B) I and II only.
 - (C) I and III only.
 - (D) II and III only.
 - (E) I, II, and III.

- 43.** Which of the following is NOT typically contained in the declarations page of a Commercial Package Policy?
- (A) The description of the covered property.
 - (B) The list of mortgagees, if any.
 - (C) The list of optional coverages, if any.
 - (D) The cancellation provisions.
 - (E) The policy period.
-
- 44.** What is the fundamental difference between the three commercial property insurance covered causes of loss forms – Basic Form, Broad Form, and Special Form?
- (A) The type(s) of property covered.
 - (B) Only the Special Form offers additional coverage for fungus and collapse.
 - (C) The number of perils listed in each causes of loss form.
 - (D) The Basic Form names the perils covered while the Broad and Special Forms cover all perils that are not specifically excluded.
 - (E) Both the Basic and Broad Forms are written on a named perils basis while the Special Form provides coverage for all direct causes of loss not specifically excluded.

- 45.** ABC Corporation is insured under a Business and Personal Property Coverage Form that specifies a \$4 million limit of insurance on the building and a \$500,000 limit on business personal property at the building's address. The policy has a \$10,000 deductible. A \$4.4 million loss to the building and a \$400,000 loss to business personal property result from a covered cause of loss. Two trees also are destroyed, resulting in a \$1,000 loss fully covered by BPP Coverage Form's Outdoor Property coverage extension. Assuming no coinsurance penalty applies, what is the amount payable after consideration of the deductible and policy limits?
- (A) \$3,901,000.
 - (B) \$3,910,000.
 - (C) \$4,391,000.
 - (D) \$4,401,000.
 - (E) \$4.791,000.
-
- 46.** Which of the following is true regarding the "No Benefit to Bailee" condition used in commercial property forms?
- (A) Limits a bailee's liability for damages to the property of others in the bailee's care, custody, and control.
 - (B) Is intended to defeat a bailee's attempts to limit its liability for damages to property insured by the bailor.
 - (C) Makes the bailee's insurance secondary to insurance of the bailor.
 - (D) Defeats the insurer's right of subrogation against the bailee.
 - (E) Requires the insured to hold harmless any bailee who has temporary custody of the insured's property.

- 47.** Which of the following statements concerning the Agreed Value optional coverage available for purchasers of the Business and Personal Property Coverage Form is NOT true?
- (A) This option removes any uncertainty regarding compliance with the coinsurance clause.
 - (B) Insurers typically require proof of value before providing agreed value coverage.
 - (C) Agreed values of property are shown on the policy's declarations page.
 - (D) If the limit of insurance is less than the agreed value, the full agreed value of property destroyed by a covered cause of loss will be paid.
 - (E) If this coverage option is not renewed, the Coinsurance condition is reinstated.
-
- 48.** Which of the following factors does NOT result in higher premiums on commercial property insurance?
- (A) Larger limits of insurance.
 - (B) Smaller deductible amounts.
 - (C) Broader covered causes of loss.
 - (D) Higher coinsurance requirements.
 - (E) Additional optional coverages.

- 49.** The most widely used general liability insurance form is the Insurance Services Office, Inc. (ISO) Commercial General Liability (CGL) policy. Which of the following statements about the CGL are true?
- I. It can be written to cover the insured's legal liability arising from premises and operations.
 - II. It can be written to cover the insured's legal liability arising from products and completed operations.
 - III. It can be included in a Commercial Package Policy that provides coverage for both property and liability losses.
- (A) I only.
 - (B) II only.
 - (C) III only.
 - (D) I and II only.
 - (E) I, II, and III.

- 50.** The most widely used general liability insurance form is the Insurance Services Office, Inc. (ISO) Commercial General Liability (CGL) policy. Which of the following is NOT covered by the CGL with respect to the insured's legal liability?
- (A) Bodily injury.
 - (B) Property damage.
 - (C) Personal injury.
 - (D) Intentional injury.
 - (E) Advertising injury.

51. Which of the following are paid by the Commercial General Liability form's Coverage C – Medical Payments?

- I. Only medical expenses for which the insured is legally liable.
- II. Medical expenses arising from injuries resulting from an accident occurring on the insured's premises.
- III. Medical expenses from injuries arising out of the insured's completed operations.

- (A) I only.
- (B) II only.
- (C) I and II only.
- (D) II and III only.
- (E) I, II, and III.

52. Which of the following statements regarding certain supplementary payments under Coverages A and B of the Commercial General Liability policy are true?

- I. Such payments are in addition to the policy limits.
- II. Such payments are used to pay for court costs.
- III. Such payments are used to pay for prejudgment interest on amounts awarded to the plaintiff.

- (A) I only.
- (B) II only.
- (C) I and II only.
- (D) II and III only.
- (E) I, II, and III.

- 53.** Chip is a volunteer worker at his church's mid-week adult day care facility. He accidentally spilled hot coffee on one of the elderly participants, Mary. After being treated for third-degree burns, Mary sued both the church and Chip for damages resulting from her injury. The church is insured under the Commercial General Liability (CGL) policy. Which one of the following statements is true?
- (A) The church cannot be sued because it operates the adult day care facility as a charity at no charge to participants.
 - (B) Mary cannot sue the church because she voluntarily participated in the adult day care program.
 - (C) No coverage applies because the CGL only covers commercial businesses.
 - (D) Only the church would be covered by the CGL as a named insured.
 - (E) Both the church and Chip would be covered as insureds under the CGL policy.
-
- 54.** The owner, who also is the landlord, of an office building has Premises and Operations coverage under a Commercial General Liability (CGL) policy with a general aggregate limit of \$5 million. The policy does not contain a Products and Completed Operations aggregate limit. Which of the following is true regarding any damages caused by products and completed operations for which the insured is liable?
- (A) The damages will not be covered by the CGL.
 - (B) The damages will be paid without regard to fault.
 - (C) The damages will be paid without regard to limit.
 - (D) The damages will be applied to the policy's general aggregate limit.
 - (E) The damages will be paid up to \$5 million in excess of the policy's general aggregate limit.

- 55.** In the United States, which of the following is true regarding workers compensation?
- (A) Workers Compensation is governed by a system of laws that vary from state to state.
 - (B) A federal system that assures uniformity across the country governs workers compensation insurance.
 - (C) Workers Compensation is an exclusive remedy that effectively shields employers from all liability suits for work-related injuries.
 - (D) Workers Compensation statutes require employers to purchase insurance as the exclusive way to demonstrate financial responsibility to pay claims for work-related injuries to their employees.
 - (E) Employers that cannot meet workers compensation insurers' underwriting criteria are left to rely on their Employers Liability insurance policy.
-
- 56.** Workers compensation statutes apply to virtually all industrial workers and to most other kinds of private employment. However, there are a few exceptions to the requirement to have workers compensation coverage. Which of the following is NOT an exception?
- (A) Casual employees only hired for a short period of time.
 - (B) Employees in certain states that do not require coverage in firms with few employees.
 - (C) Full-time employees who are paid without formal acknowledgment of employment status.
 - (D) Domestic workers in states that exempt their employers from obtaining coverage.
 - (E) Farm laborers in states that exempt their employers from obtaining coverage.

57. Which of the following are true regarding the Voluntary Compensation and Employers Liability endorsement to the Workers Compensation and Employers Liability (WC & EL) insurance policy?

- I. It extends workers compensation coverage for types of employment typically exempt from statutorily mandated coverage.
- II. It allows the employer to have the insurer pay benefits in excess of those required by statute in cases of severe work-related injuries.
- III. It extends coverage to employees who are residents or citizens of the United States or Canada but temporarily outside those countries for business purposes.

- (A) I only.
- (B) II only.
- (C) I and II only.
- (D) I and III only.
- (E) I, II, and III.

58. Which of the following is true regarding “drop-down” coverage that pays claims for which the underlying commercial liability policies do not provide coverage, regardless of aggregate limits?

- I. It is provided by commercial excess liability insurance.
- II. It is provided by commercial umbrella insurance.
- III. It is typically subject to a self-insured retention.

- (A) I only.
- (B) II only.
- (C) I and III only.
- (D) II and III only.
- (E) I, II, and III.

59. Which of the following is NOT a way that aircraft insurance resembles auto insurance?

- (A) Both are divided into liability and physical damage sections.
- (B) Both require strict qualification and licensing of drivers or pilots.
- (C) Both exclude obligations of the insured under workers compensation laws.
- (D) Both exclude loss due to wear and tear, mechanical breakdown, or tire damage.
- (E) Both may contain non-liability payment of medical expenses for occupants.

60. Which of the following is an important difference between coverage provided by commercial general liability (CGL) insurance and coverage provided by professional liability and management liability insurance?

- (A) Costs of legal defense often are paid within (not in addition to) policy limits in CGL policies while these costs are paid in addition to policy limits in professional liability and management liability policies.
- (B) Unlike CGL policies, legal liability must be admitted by the insured for coverage to apply under professional liability and management liability policies.
- (C) Professional liability and management liability policies are written with a claims-made trigger less frequently than are CGL policies.
- (D) The CGL often has large limits of liability coverage while professional liability and management liability policies have smaller limits.
- (E) Unlike CGL policies, professional liability and management liability policies often give the insured the right to participate in the decision regarding whether or not a claim should be settled or contested.

Answers to February 10, 2014 Introduction to General Insurance Exam

Question	Answer	Question	Answer	Question	Answer
1	B	21	A	41	D
2	D	22	A	42	C
3	C	23	B	43	D
4	B	24	C	44	E
5	A	25	B	45	C
6	C	26	B	46	B
7	E	27	D	47	D
8	C	28	C	48	D
9	B	29	D	49	E
10	E	30	B	50	D
11	A	31	B	51	B
12	D	32	D	52	E
13	B	33	C	53	E
14	B	34	D	54	D
15	E	35	E	55	A
16	D	36	D	56	C
17	E	37	A	57	A
18	A	38	C	58	D
19	C	39	D	59	B
20	D	40	E	60	E