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**P-and-C**

## **Property-and-Casualty**

*Property and Casualty Insurance*



**Question:** 296

The commercial Common Policy declarations would include all of the following types of information except which one?

- A. The policy period
- B. The coverage parts purchased and their premiums
- C. The exclusions that apply to the coverages
- D. The identity and mailing address of the named insured

**Answer:** C

The Common Policy Declarations contain vital summary information about the contract, such as name and address of the named insured, policy period, coverage parts attached, premiums, and a list of forms attached to the policy. Exclusions are found in the individual coverage parts. Exclusions may be contained in coverage forms, causes of loss forms, or both.

**Question:** 297

Under the loss sustained version of commercial crime coverage forms, the policy will cover losses sustained during the policy period and discovered either during the policy term or no later than which of the following?

- A. Three years after policy expiration
- B. Two years after policy expiration
- C. One year after policy expiration
- D. Six months after policy expiration

**Answer:** C

Crime insurance written under a loss sustained form covers losses sustained during the policy period and discovered either during the policy period or up to one year after the policy expires.

**Question:** 298

Under the NCCI workers compensation and employers liability policy form, the employers liability coverage excludes any claim for which of the following?

- A. Care and loss of service
- B. Liability assumed under contract
- C. Damages to a third party
- D. Consequential injury to a spouse or relative of an injured worker

**Answer:** B

Liability assumed under contract is specifically excluded under the employers liability section of a workers compensation policy. The other answer choices are not excluded and are commonly covered by the policy.

**Question:** 299

Each of the following is true about farm coverages except which one?

- A. Livestock and equipment may be insured.
- B. Property and liability coverages may be included.
- C. The principal residence may be covered by farm or homeowners forms.
- D. Farm coverage may be written as a mono-line policy or part of a package.

**Answer:** C

Farm property, including the principal residence and other structures, may not be covered by homeowner forms. All of the other answer choices reflect exposures that may be covered by farm forms.

**Question:** 300

Because an insurer writes the policy language and the insured has little or no control over the content, any ambiguity in the wording is usually resolved in favor of the insured. Because the design and wording of a policy are in the hands of the insurer, insurance policies are said to be which of the following?

- A. Contracts of indemnity
- B. Unilateral contracts
- C. Contracts of adhesion
- D. Aleatory contracts

**Answer: C**

Insurance policies are contracts of adhesion. The insurer draws up the contract language, and the insured simply adheres to the terms. For this reason, any ambiguity in the wording is usually resolved in favor of the insured by the courts.

**Question: 301**

Which of the commercial property causes of loss forms provide theft coverage?

- A. The basic, broad, and special forms.
- B. The broad and special forms only.
- C. The special form only.
- D. None of the forms provide theft coverage.

**Answer: C**

Only the special causes of loss form provides theft coverage for commercial property.

**Question: 302**

After a homeowners policy has been in effect for at least 60 days, when the insurer cancels for any reason other than nonpayment of premium, it must give the insured advance written notice of at least how many days?

- A. 60 days
- B. 30 days
- C. 20 days
- D. 10 days

**Answer: B**

The insurance company is only required to give notice 10 days in advance when it cancels a policy for any reason during the first 60 days of coverage or for nonpayment of premium at any time during the policy term. However, after a policy has been in effect for 60 days, the insurer must give notice at least 30 days in advance when canceling for any reason other than nonpayment of premium.

**Question: 303**

Under which policy provision is an insured's right to recover for a loss from a third party transferred to the insurance company?

- A. Abandonment
- B. Pair or set clause
- C. Subrogation
- D. Arbitration

**Answer:** C

The Transfer of Rights of Recovery clause, also known as subrogation, gives the insurance company the right to recover from a third party who was at fault for a loss, up to the amount that the insurer has paid the insured for the loss. The abandonment provision merely states that the insured cannot decide to surrender damaged property to the insurer in return for full payment. (The acquisition of damaged property is at the option of the insurance company.) The pair or set clause states that the settlement for damage to one item that is part of a pair or set will be made with recognition of the reduction in value of the pair or set. Arbitration is a means of settling claims disputes when the insured and the insurance company disagree on the value of damaged property.

**Question:** 304

A businessowners policy may provide additional coverage for increased cost of construction when required to comply with an existing ordinance or law. However, this coverage is available only for buildings that are insured on a replacement cost basis and it is limited to which of the following amounts?

- A. \$10,000
- B. \$7,500
- C. \$5,000
- D. \$2,500

**Answer:** A

If a building is insured on a replacement cost basis, a businessowners policy will provide additional coverage for increased cost of construction when required to comply with an existing ordinance or law. This coverage is limited to 10,000.

**Question:** 305

Which of the following is not available as one of the farm liability coverages included in an ISO policy?

- A. Medical payments to others
- B. Bodily injury and property damage
- C. Personal injury and advertising injury
- D. Injury to farm employees

**Answer:** D

Similar to CGL coverage, the farm liability form provides coverage for bodily injury and property damage, personal injury and advertising injury, and medical payments to others. Coverage for injury to farm employees is specifically excluded.

**Question:** 306

Which of the following is not an optional property coverage on homeowners policies?

- A. Personal property replacement cost
- B. Permitted incidental occupancies
- C. Increased limits for jewelry, watches, and furs
- D. Coverage for loss of use of the premises

**Answer:** D

All homeowner policies provide some coverage for loss of use. The other answer choices reflect available optional coverages, but they must be added by endorsement.

**Question:** 307

Which of the following is true about commercial crime coverage written on a discovery policy form?

- A. In order to be covered, losses must be sustained and discovered during the policy period.
- B. Losses may be covered if they are discovered at any time up to 18 months after the policy expires.
- C. No exclusions apply to the types of losses that may be covered by this form.

D. A loss discovered during the policy period will be covered even if it was sustained years earlier.

**Answer:** D

Commercial crime coverage written on a discovery policy form will cover a loss discovered during the policy period even if it was sustained months or years earlier. It will also cover a loss discovered up to 60 days after the policy expires. Exclusions do apply to this coverage.

**Question:** 308

Withholding, rather than misstating, a material fact on an insurance application is an act of which of the following?

- A. Misrepresentation
- B. Concealment
- C. Waiver and estoppel
- D. Fraud

**Answer:** B

Concealment is similar to misrepresentation, except that it involves withholding a material fact where misrepresentation involves misstating a material fact. Fraud has a more extensive definition, which includes the insurance company relying on and being harmed by the misstatement of a material fact. Waiver and estoppel are terms that involve someone giving up a known right.

**Question:** 309

When an insurer cancels a commercial package policy for reasons other than nonpayment of premium, it must give written notice to the first named insured at least how long?

- A. 60 days in advance
- B. 30 days in advance
- C. 20 days in advance
- D. 10 days in advance

**Answer:** B

If the insurer cancels a commercial package policy, it must mail a written notice to the last known address of the first named insured. Ten days' notice is required for cancellation for nonpayment of premium; 30 days notice is required for cancellation for any other reason permitted by the policy.

**Question:** 310

Which of the following coverages may be included in a personal auto policy without the necessity of issuing an endorsement?

- A. Miscellaneous type vehicles
- B. Towing and labor costs
- C. Transportation expenses
- D. Named nonowner coverage

**Answer:** C

Coverage for transportation expenses is included in the physical damage section of a personal auto policy. All of the other answer choices are optional coverages that may be added by endorsement.

**Question:** 311

The commercial building and personal property coverage form provides a number of coverage extensions but only if which of the following is true?

- A. The coverage for buildings is written on a replacement basis.
- B. All coverages are written on a blanket basis.
- C. They are shown in the declarations and an additional premium is paid.
- D. An 80% or higher coinsurance percentage or a value reporting symbol is shown in the declarations.

**Answer:** D

The commercial building and personal property coverage form does provide a number of coverage extensions but only if an 80% or higher coinsurance percentage or a value reporting symbol is shown in the declarations.





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