

How to use this test

This test is designed to help member agents assess job applicants' technical insurance knowledge. It is one of many tools that can be used to determine which candidate to hire. This test was prepared by IIAT staff and validated in agents' offices. It is intended only as a guide to technical knowledge. The results should be confirmed through personal interviews with the candidates and discussions with their previous employers. During validation, we found no correlation between test scores and the test-takers' years of experience.

This test can also be used to assess additional training needs for office staff. When used this way, individual questions are more important than overall test results.

How to give this test

Separate this instructions cover page from the rest of the test, retain, and give the test to the applicant. The applicant should mark the best response to each question on the sheet. Explain to the applicant that the test time will be limited to 40 minutes, and any unanswered questions will be counted as wrong. Be sure the applicant has a quiet, roomy place to take the test. Questions about the test itself should not be answered during the testing time.

Scoring this test

An answer key is provided below. To obtain a percentage score, total the number of correct responses, divide that number by the total number of questions on the test (50), and multiply by 100.

Score below 70%

Question the applicant thoroughly to determine where he or she encountered problems on the test. If incorrect answers are grouped together, the applicant may be unfamiliar with a particular policy. Some applicants have difficulty demonstrating their knowledge on a multiple choice test, and may be better able to prove their experience and knowledge by oral responses in an interview. You should expect to provide some additional training for this candidate if hired.

Score above 70%

This person probably has the knowledge to begin work immediately, with minimal orientation to the agency's accounts. However, discuss missed questions with the candidate and look for patterns that would indicate the need for additional training.

Score above 80%

This candidate displays above-average knowledge of insurance policies and coverages, but discuss areas where the candidate would like additional training if hired.

Hiring the applicant

There is no better time to consider the training needs of staff than when they are first hired. Be sure to discuss the test results with the person hired and search for areas where additional training would be beneficial. For more information, or to discuss individual test results, call Paul Martin at IIAT, 800/880-7428.

Commercial Lines

Answer Key



1. d	6. a	11. d	16. a	21. c	26. b	31. c	36. c	41. c	46. b
2. b	7. d	12. c	17. b	22. b	27. d	32. b	37. a	42. b	47. b
3. b	8. c	13. d	18. c	23. b	28. d	33. a	38. b	43. d	48. c
4. a	9. a	14. b	19. d	24. d	29. d	34. c	39. d	44. d	49. d
5. b	10. c	15. a	20. c	25. a	30. a	35. d	40. c	45. b	50. b

**Note
to applicant**

You have 40 minutes to complete this test. All questions relate to commercial insurance written in Texas. Clearly mark the best response to each question. It is to your advantage to provide an answer to each question, even if you have to guess.

1. Which of the following properties cannot be insured on a standard property insurance policy?
 - a. Buildings
 - b. Improvements and betterments
 - c. Property of others in the insured's care
 - d. Money
2. Which of the following valuation methods is likely to pay an insured the most for the total loss of relatively new property?
 - a. Actual cash value
 - b. Replacement cost
 - c. Functional valuation
 - d. Original cost new
3. The most common coinsurance percentage used for specific building insurance is:
 - a. 50%
 - b. 80%
 - c. 90%
 - d. 100%
4. Which of the following situations is best addressed with "blanket" property insurance?
 - a. Personal property, with a stable total value, spread over several locations
 - b. A large office building, with many offices on each floor
 - c. Property frequently found in trucks owned or operated by the insured
 - d. Property exposed to both fire and windstorm loss at the same location
5. "Improvements and betterments" to rented office space installed by the tenant are usually insured by the tenant as:
 - a. Building property.
 - b. Business personal property.
 - c. Property of others.
 - d. This property cannot be insured by the tenant.
6. The insured has a property policy with a per occurrence deductible of \$250. A windstorm damages the insured building, personal property and some property of others on the insured's premises. What total deductible amount will be taken from the claim payment?
 - a. \$250
 - b. \$500
 - c. \$750
 - d. There is no deductible applying to wind losses.
7. The Mortgage Clause in the commercial property policy guarantees certain rights for the mortgage holder. Which of the following is not a right granted by the clause?
 - a. The right to collect part of the loss proceeds
 - b. The right to receive notice of cancellation
 - c. The right to collect for a loss even if the insured violates policy conditions
 - d. The right to set the policy limit
8. In which of the following situations would "reporting" coverage be most advantageous?
 - a. The insured owns several buildings in different parts of the city.
 - b. The insured's furniture and fixtures are of above-average value.
 - c. The insured has fluctuating values of stock on the premises.
 - d. The insured has large amounts of money to insure.
9. Following insured damage to a building, local fire officials require the addition of a new sprinkler system during reconstruction. Under what insurance coverage would the building owner be reimbursed for this additional expense?
 - a. Ordinance or law coverage
 - b. Additional extended coverage
 - c. Consequential loss coverage
 - d. fire legal liability coverage

10. Which of the following businesses probably has the greatest need for loss of income coverage?
 - a. Building contractor
 - b. Insurance agency
 - c. Restaurant
 - d. Bank
11. Which of the following properties are eligible for some form of "boiler and machinery" coverage?
 - a. Air conditioning equipment
 - b. Pressure vessels
 - c. Manufacturing production equipment
 - d. All of the above are eligible
12. Which of the following damages to computer equipment will not be fully covered by a standard property insurance policy?
 - a. The cost to replace software disks
 - b. Damage to modems and other connecting equipment
 - c. The cost of reconstructing data
 - d. Damage to computer supplies
13. Which of the following liabilities is usually not covered in a general liability policy?
 - a. Liability arising out of the activities of an independent contractor hired by an insured.
 - b. Liability arising out of products sold by an insured.
 - c. Liability arising out of an insured's activities off premises.
 - d. Liability arising out of the professional activities of an insured.
14. The insured has a general liability policy with a limit of \$500,000. The insured is found liable for \$800,000 of damages covered by the policy, and the insurance company pays \$50,000 to defend the insured. How much will the insurance company pay out in total for the loss, including defense?
 - a. \$800,000
 - b. \$550,000
 - c. \$850,000
 - d. \$500,000
15. Which of the following premium bases is normally used to calculate a premium for products liability coverage?
 - a. Gross sales
 - b. Net profit
 - c. Payroll
 - d. Square footage of retail sales area
16. Liability arising out of the operation of mobile equipment by an insured is usually covered by what policy?
 - a. CGL
 - b. BAP
 - c. Both CGL and BAP
 - d. Neither policy. Special mobile equipment liability coverage is required.
17. A customer is injured on the insured's premises and a bodily injury claim of \$400,000 is paid. Which of the policy's limits, if any, will be reduced by the payment of this claim?
 - a. Occurrence limit
 - b. General aggregate limit
 - c. Products aggregate limit
 - d. None
18. Which of the following liability claims would **not** be defended by the Personal Injury coverage (Coverage B) provided in the CGL?
 - a. Slander
 - b. Wrongful detention
 - c. Discrimination
 - d. All of the above are covered by Personal Injury.
19. Which of the following statements regarding Medical Payments (Coverage C) in the CGL is correct?
 - a. Med pay applies to accidents on and off premises.
 - b. Participants in athletic events are not covered for benefits.
 - c. Med pay benefits are paid without regard to the insured's liability.
 - d. All of the above are correct statements.
20. The CGL is an "occurrence" liability policy. The insured manufactures a product that injures a customer, according to the following schedule:

1990: Product manufactured
1991: Product purchased by customer
1992: Customer injured by product
1993: Customer makes claim against insured

If the insured has separate CGL policies in each of these years, which policy will respond to the claim?
 - a. 1990
 - b. 1991
 - c. 1992
 - d. 1993

21. Which of the following losses would **not** be covered by the CGL?
- The insured is sued for injuries caused by the insured's product.
 - The insured is sued for injuries a customer sustains while the customer is parking his auto on the insured's premises.
 - The insured is sued for injuries he causes to one of his employees.
 - None of the above would be covered by the CGL.
22. In the CGL, how can bodily injury liability be covered for officers of a corporation acting within the scope of their duties?
- Add them with an additional insured endorsement.
 - They are automatically covered in the CGL.
 - They must be named on the Declarations Page.
 - Individual officers cannot be protected by the CGL.
23. The Owners & Contractors Protective liability form is usually written to cover the liability of:
- A contractor working on several jobs at once.
 - The owner of a construction project.
 - An independent contractor needing a certificate of insurance.
 - A landlord of a premises occupied by tenants.
24. Which of the following statements is true regarding Employee Dishonesty coverage?
- The form covers loss of property and money.
 - Dishonesty of partners and officers is not covered.
 - Coverage can be written to apply to specific employment positions.
 - All of the above are true.
25. The Theft, Disappearance and Destruction form (Form C) covers loss of which of the following properties?
- Money and securities only
 - Property other than money and securities
 - Money and securities and other property
 - None of the above
26. In order for a crime loss to be considered a "burglary" there must be:
- Evidence of employee involvement.
 - Visible signs of forcible entry or exit.
 - Use of a weapon or threat of a weapon.
 - Evidence that the loss occurred after business hours.
27. Which of the following is a good reason to write an inland marine coverage form?
- Coverage may be broader than a standard property policy.
 - Property normally located off premises can be insured.
 - High valued property can be specifically insured.
 - All of the above are good reasons.
28. Which of the following types of property are normally written on an inland marine form?
- Buildings
 - Office furnishings
 - Automobiles
 - Valuable papers
29. The insured has a Business Auto Policy (BAP) with a combined single limit of \$500,000. If the insured is found liable in an auto accident for bodily injuries of \$200,000 and punitive damages of \$100,000, how much insurance remains under the policy to cover future accidents?
- \$200,000
 - \$300,000
 - \$400,000
 - \$500,000
30. Which of the following covered auto symbols provides the broadest liability protection?
- Symbol 1
 - Symbol 2
 - Symbols 8 and 9
 - Symbol 10
31. Which of the following is not a factor used to determine the liability premium on a commercial truck?
- Radius of operation
 - Business use
 - Number of axles
 - Weight of vehicle

32. The Individual Named Insured endorsement is attached to a BAP when:
- A lessor requires protection under the policy.
 - The named insured is a sole proprietor.
 - Employees use their own cars in the business frequently
 - An employee is furnished a business car.
33. Which of the following claims would not be covered by the BAP (assume all claims involve a covered auto)?
- An employee sues his employer for injuries sustained in an auto accident.
 - An employee is sued for injuries he causes while operating an auto owned by his employer.
 - A business is sued for injuries caused by an employee operating his own car on behalf of the business.
 - None of the above claims are covered.
34. Which of the following damages would not be covered by BAP Specified Causes of Loss physical damage?
- Theft of the auto
 - Vandalism damage
 - Glass breakage
 - None of the above is covered
35. Which of the following properties can be insured for physical damage on the BAP only by endorsement?
- Permanently installed stereo system
 - Camper top on a pickup
 - Radar detection equipment
 - Mobile telephone
36. How many days' notice of intent not to renew a BAP must the insurance company provide to the insured?
- 10 days
 - 30 days
 - 60 days
 - None
37. The coverage territory of the BAP includes the United States, its possessions and territories and:
- Puerto Rico and Canada
 - Puerto Rico, Canada and Mexico
 - Canada and Mexico
 - Puerto Rico only
38. Uninsured/Underinsured Motorists coverage can be purchased in limits up to:
- financial responsibility limit requirements.
 - The limits of liability purchased by the insured.
 - \$1,000,000.
 - \$100,000.
39. Garagekeepers insurance will pay for:
- Damage to a garage building caused by a customer's vehicle.
 - Injuries caused by the sale of automotive products.
 - The cost of improperly done auto repair work.
 - Damage to a customer's car in the care of the insured.
40. Which of the following statements best describes workers' compensation in Texas?
- Employers must purchase coverage by state law.
 - Employers are under no obligation to purchase coverage.
 - Employers do not have to purchase coverage, but if they do not, they lose substantial legal protections in suits brought by employees.
 - Employers do not have to purchase coverage, as long as they provide some form of accident insurance on the job.
41. Which of the following is a true statement regarding the medical expense benefits paid under workers' compensation?
- Medical benefits are payable only until the policy expires.
 - Medical benefits are payable for a maximum of 460 weeks.
 - Medical benefits are payable for the life of the injured employee.
 - Medical benefits are not paid under workers' compensation insurance.
42. Which of the following persons are automatically covered for benefits by the workers' compensation policy?
- Domestic employees
 - Partners in a partnership
 - Independent contractors hired by the insured
 - All of the above are automatically covered

43. What is the purpose of a Certificate of Insurance?
- To amend coverage to comply with the requirements of contractors
 - To certify that benefits will be paid to independent contractors
 - To guarantee that benefits will be paid
 - To certify that coverage is in effect on a given date
44. Separate limits of employers' liability coverage apply to:
- Accidents on and off the job.
 - Accidents in and outside Texas.
 - Accidents and intentional injuries.
 - Accidents and occupational diseases.
45. Other States Insurance coverage (Part III of the workers' compensation policy) will pay for:
- Workers injured in other states and claiming Texas benefits.
 - Benefits required by other states' workers' compensation laws.
 - The defense of liability suits brought by injured workers in other states.
 - All of the above.
46. Federal benefits under the Longshore and Harbor Workers Compensation Act are payable under an employer's workers' compensation policy only if:
- The employee is injured in international waters, outside any state's jurisdiction.
 - The policy is endorsed to provide such benefits.
 - The employee is registered as a federal employee under the Act.
 - All of the above requirements are met.
47. When an employer requests a waiver of subrogation for workers' compensation insurance, the best response is to:
- Advise the employer to have legal counsel prepare the waiver.
 - Request a waiver endorsement from the carrier.
 - Advise the employer that waivers are not permitted in workers' comp.
 - Cancel the policy.
48. The premium base used to determine the standard workers' compensation premium is:
- Each worker.
 - Each job classification.
 - Each \$100 of payroll.
 - Each \$1,000 of payroll.
49. The workers' compensation experience rating modifier of an employer is based on:
- A projection of future losses the employer might have.
 - The losses that occur during the policy period.
 - A two-year period of prior losses of the employer.
 - A three-year period of prior losses of the employer.
50. Which of the following statements best describes the self-insured retention of a commercial umbrella?
- It is like a deductible applied to all losses under the policy.
 - It is an amount the insured must pay in a loss covered only by the umbrella.
 - It is an amount the insured must pay only in a loss covered by underlying insurance.
 - It is like a disappearing deductible that is not applied in large losses.