CISR | COMMERCIAL CASUALTY I

STUDY GUIDE

EXAM PREP AND ANSWER KEY

- **Knowledge Checks**
- **Check-Ins**
- **Self-Quizzes**
- **Sample Exam Questions**
- **Glossary of Terms**

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CISR | COMMERCIAL CASUALTY I

STUDY GUIDE

EXAM PREP AND ANSWER KEY

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-in questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but *do not* mistake it for a comprehensive "short-cut" to preparing for the final exam.

Be sure to take a look at the Appendix that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.

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Tools to Assess Your Knowledge

Check-Ins, Knowledge Checks,
and Self-Quizzes by Topic

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Section 1: Essentials of Legal Liability

Sources of Liability

Check-In

Directions: Match each category of liability with its description:

_____ Premises	**A.** Exists as a direct result of possessing another person's property
_____ Operations	**B.** Caused by defects in product design, manufacturing, or the failure to sufficiently warn or explain the safe use of the product to consumers
_____ Products	**C.** Arises out of injury or property damage because of the ownership, maintenance, or use of a specific location
_____ Environmental Impairment	**D.** Arises out of exposures that typically occur away from the premises of the business.
_____ Bailee	**E.** Occurs when the operations or products of a business creates pollutants that may cause harm

Knowledge Check

Directions: Identifying liability exposures is important when selecting the type of liability insurance a business may need. If a customer gets injured at a retail store when a store display falls on them, the store can be held liable. What category of liability exposure is this? Explain your answer.

_____

_____

_____

Types of Legal Liability

Check-In

Directions: Name the four elements that must be present in order for negligence to occur:

1. _____

2. _____

3. _____

4. _____

Knowledge Check

Directions: A business keeps a tiger in a cage on their property as a customer attraction. One day, the tiger escapes its cage and injures several people. Even though the store owner followed the safety regulations for dangerous animals, he could still be held liable. What type of legal liability is this? Explain your answer.

_____

_____

_____

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Types of Damages

Knowledge Check

Luigi's Pizza incentivizes their drivers to complete all deliveries in under 45 minutes. One of their drivers, Jeff, caused an accident by running a red light. The injured party sued Luigi's Pizza and the court has ordered Luigi to pay the following damages:

- $120,000 towards the plaintiff's medical expenses, vehicle replacement, and loss of earnings while they were unable to work
- $80,000 for pain and suffering

During the lawsuit, it was discovered that prior to his employment, Jeff already had a suspended license due to a DUI and leaving the scene of an accident. Luigi failed to run motor vehicle reports on any of their drivers. The court has determined Luigi's business practices to be reckless and has awarded an additional $200,000 to the plaintiff.

Directions: Explain the types of damages that will be covered by Luigi's liability insurance policy.

_____

_____

_____

Section 1 Self-Quiz

Directions: Use the following terms to fill in the blanks:

premises	**operations**	**products**	**completed operations**
autos	**conveyance**	**employing workers**	**liquor**
environmental impairment	**professional liability**	**bailee liability**	**direct liability**
vicarious	**torts**	**statutes**	**contracts**
negligence	**intentional tort**	**strict liability**	**special damages**
general damages	**punitive damages**	**compensatory damages**	

1. _____ liability is caused by ongoing activities such as construction, processing, or servicing things on someone else's property.

2. The relationship that exists between and employer/employee, or between an owner/contractor presents a form of _____ liability.

3. _____ liability is caused by defects in product design, manufacturing, or the failure to sufficiently warn or explain the safe use of the product to consumers.

4. A retail store's mannequin falling onto a customer is an example of _____ liability.

5. Libel, slander, and false arrest are all examples of a(n) _____.

6. _____ liability arises out of the injury and/or damage caused by defective or improper workmanship, after the work has been completed.

7. Losses are compensated to an injured party for by the liable person paying a sum of money to the claimant. _____ are specific dollar amounts that cover the costs of medical bills, lost income, rehabilitation expenses, or the repair or replacement of property.

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8. Anyone who offers specialized services from their unique knowledge and training can be subject to _____.

9. For _____ to occur, four elements must be present: a duty owed to others; a breach of the duty owed; the existence of injury or damages; and a proximate cause.

10. If a tiger were to escape its cage and injure others, it is likely the tiger's owner could be held to a(n) _____ standard based upon the law.

11.

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Section 2: Essentials of Legal Liability

Who Is an Insured Under the CGL Policy?

Check-In

Directions: Match the insured to the scenerio.

A. Volunteer Worker **B.** Named Insured **C.** Automatic Insured **D.** Additional Insured	_____ Used to automatically include persons or organizations to meet written contract requirements without having to request additional insured status on an individual basis _____ A person who is not an employee, and who donates his or her work, and is not paid a fee, salary, or other compensation by the named insured or anyone else for work performed for the named insured _____ A third party with an existing business relationship with the named insured _____ The individual or company designated by name in the policy. May be a sole proprietorship, partnership, corporation or another type of entity

Knowledge Check

Cooper and Wilson Interiors is a partnership insured under an unendorsed CGL policy. Mr. Cooper, spouse of one of the partners, was assisting a client when he accidentally dropped a piece of statuary on the customer's foot. Mr. Cooper was eventually sued by the injured customer.

Directions: Explain whether the CGL will provide any defense to Mr. Cooper in the lawsuit.

_____

_____

Defined Terms in the CGL Policy

Knowledge Check

Acme Timber & Lumber Supply has one receptionist, Linda, who is away on maternity leave for six weeks. During her absence, all receptionist duties are handled by Jessica, who is employed by Man-Power Employee Services. The employee leasing agreement states that Jessica is only to perform reception duties.

Directions: Explain whether Jessica would be considered an employee under the Commercial General Liability Policy.

_____

_____

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Coverage A – Bodily Injury and Property Damage Liability

Knowledge Check

Milano Beauty is a high-end salon that offers makeup and hair styling services for special events. Their primary location is a storefront in the mall that has been converted into a cosmetology studio. They regularly work "off-site" to offer services to bridal parties at various wedding venues within the area.

Directions: Explain how Coverage A – Bodily Injury and Property Damage would respond to the following claims:

1. Milano booked a hotel room for three days while participating in a regional bridal expo. The room was set up to provide hair, makeup, and spray-tanning to the models of the bridal fashion show. The hotel is seeking damages for the stained carpeting and walls, claiming that Milano was negligent for not placing any drop cloths near the tanning station.

   _____

   _____

2. After Milano's last customer left the salon, a stylist left a curling iron plugged in overnight. When the staff returned to the mall the next day, they found that a small fire had damaged the interior walls.

   _____

   _____

3. An employee dropped a bottle of peroxide on the floor, and the mall is holding Milano responsible for the cost to replace the stained flooring.

   _____

   _____

Coverage B – Personal and Advertising Injury

Knowledge Check

Directions: Anna's Appliances has an unendorsed Commercial General Liability policy. Explain whether the following claims will be covered under the policy's Coverage B – Personal and Advertising Injury.

1. A typo in a recent advertisement listed TVs for sale for $10, instead of the intended sale price of $150.

_____

2. The store security guard wrongly detained a customer whom they suspected of stealing laptops.

_____

Coverage C – Medical Payments

Knowledge Check

Elite Feet is an athletic shoe store that caters exclusively to runners. In addition to their retail operations, they have entered into a contract with a local running coach to host group runs around the neighborhood three times per week. How would the CGL's Coverage C – Medical Payments respond if a customer sprained their ankle while participating in a group run?

Directions: Explain your answer below.

_____

_____

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Supplementary Payments – Coverages A and B

Check-In

Directions: Select the item that isn't considered a Supplementary Payment of the CGL Coverage Form.

- ☐ Defense costs for the insured
- ☐ Investigation expenses
- ☐ The insured's loss of earnings up to the policy limit, when assisting the company in the investigation or defense of a claim or suit
- ☐ The cost for bonds for release of attachment

Section 2 Self-Quiz

Directions: Use the following terms to fill in the blanks:

occurrence	**Personal and Advertising Injury**	**leased worker**	**temporary employee**
products	**Completed Operations**	**mobile equipment**	**Sidetrack Agreement**
Elevator Maintenance Agreement	**pollution**	**auto**	**Automatic Insureds**

1. Coverage B – _____, includes coverage for intentional torts such as false arrest, wrongful eviction, libel, and slander.

2. Depending on the type of organization insured on the policy, the _____ may be different.

3. In addition to a one-time accident, a(n) _____ may also include a harmful condition that is continuous or repeated over a long period of time.

4. A(n) _____ is an individual leased to a company by an employee leasing firm, typically on a long-term basis.

5. The agreement between a railroad company and a property owner that addresses the expanse of tracks running through land is referred to as a(n) _____.

6. Vehicles maintained for use solely on or next to premises the named insured owns can be considered _____.

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Directions: Read each statement. Select True or False.

1. Coverage C – Medical Payments will pay for a customer's injury occurring on premises, even if the customer is the sole cause of the injury.

TRUE **FALSE**

2. The CGL coverage territory provides worldwide coverage for any products made or sold in the U.S., its territories and possessions, Puerto Rico, and Canada, but only if the suit is brought in one of the territories listed here.

TRUE **FALSE**

3. The CGL Supplemental Payments will pay the insured for loss of earnings up to the policy limit, when assisting the company in the investigation or defense of a claim or suit.

TRUE **FALSE**

4. Smith Insurance Agency is hosting a holiday party for their staff and other invited guests. Coverage A – Bodily Injury and Property Damage of their CGL policy will provide liability coverage for their defense if they are sued for providing liquor to a guest who later gets involved in an accident while driving home from the party.

TRUE **FALSE**

5. Coverage B – Personal and Advertising Injury will respond to claims involving the physical damage to advertising signs and billboards caused by the insured's negligence.

TRUE **FALSE**

Directions: List five types of insured contracts:

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: List the six limits of liability shown in the Declarations page of the Commercial General Liability policy:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

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Section 3: Additional Insureds and the CGL Policy

Why Provide Additional Insured Status?

Knowledge Check

Directions: A named insured may add another person or organization as an additional insured due to a close business relationship. What is another reason for providing additional insured status to another? Explain your answer below.

_____

_____

_____

Benefits of Additional Insured Status

Knowledge Check

Arctic Musk manufactures perfumes that are to be sold in Gimbels Department Store.

Directions: Explain why Gimbels should request that they be named as an additional insured on Arctic Musk's CGL policy.

_____

_____

Disadvantages of Additional Insured Status

Knowledge Check

Directions: Your client, Stallion Distributing, has requested that you add Mega Outlets as an additional insured to their CGL policy. Describe two problems that may arise for Stallion Distributing when an additional insured is added to their policy

_____

_____

Check-In

Directions: Select the problem that won't arise when adding an additional insured to your CGL Policy.

- ☐ Diminution of policy limits
- ☐ Dependence on someone else's insurance
- ☐ Unintended coverage provided
- ☐ Defense conflicts

Additional Insured Endorsements

Knowledge Check

Directions: Mario's Plumbing has a CGL policy through your agency. They have requested to add Ducky's Contracting as an additional insured through endorsement CG 20 37 Additional Insured – Owners, Lessees, or Contractors. Explain the coverage that is provided to Ducky's Contracting through this endorsement

_____

_____

_____

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Section 3 Self-Quiz

Directions: List four reasons why a business would seek additional insured status on another organization's CGL policy:

1. _____

2. _____

3. _____

4. _____

Directions: Read each statement. Select True or False.

1. When an additional insured is added, the "Who Is An Insured" section of the policy increases the entities that are covered, effectively increasing the policy's liability limits.

   TRUE **FALSE**

2. Additional Insured endorsements provide for the sole negligence of the additional insured regardless of the endorsement's edition date.

   TRUE **FALSE**

3. The CG 20 11 Additional Insured – Managers or Lessors of Premises endorsement modifies the CGL's Who Is An Insured provision to include the person or organization shown in the schedule.

   TRUE **FALSE**

4. The CG 20 37 Additional Insured – Owners, Lessees or Contractors – Completed Operations endorsement provides liability coverage for damages or injury the additional insured caused due to sole negligence, but does not include injury or damage occurring during the named insured's ongoing operations.

   TRUE **FALSE**

5. The purpose of the ISO "Automatic" Additional Insured endorsements is to automatically include all additional insureds, regardless of the requirement to do so.

   TRUE **FALSE**

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Answer Key

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Section 1: Essentials of Legal Liability

Sources of Liability

Check-In

Directions: Match each category of liability with its description:

__C__ Premises	**A.** Exists as a direct result of possessing another person's property
__D__ Operations	**B.** Caused by defects in product design, manufacturing, or the failure to sufficiently warn or explain the safe use of the product to consumers
__B__ Products	**C.** Arises out of injury or property damage because of the ownership, maintenance, or use of a specific location
__E__ Environmental Impairment	**D.** Arises out of exposures that typically occur away from the premises of the business.
__A__ Bailee	**E.** Occurs when the operations or products of a business creates pollutants that may cause harm

Knowledge Check

Directions: Identifying liability exposures is important when selecting the type(s) of liability insurance a business may need. If a customer gets injured at a retail store when a store display falls on them, the store can be held liable. What category of liability exposure is this? Explain your answer.

Sample Answer:

This situation represents a premises liability exposure, as it arises out of the use of the retail store.

Types of Legal Liability

Check-In

Directions: Name the four elements that must be present in order for negligence to occur:

1. A duty owed to others
2. A breach of that duty owed
3. Injury or damages
4. A proximate cause between the breach of duty and the damages

Knowledge Check

Directions: A business keeps a tiger in a cage on their property as a customer attraction. One day, the tiger escapes its cage and injures several people. Even though the store owner followed the safety regulations for dangerous animals, he could still be held liable. What type of legal liability is this? Explain your answer.

Sample Answer:

This situation represents strict/absolute liability, as the tiger an inherently dangerous activity or exposure. Strict liability can be imposed regardless of the degree of negligence or care exercised by the owner.

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Types of Damages

Knowledge Check

Luigi's Pizza incentivizes their drivers to complete all deliveries in under 45 minutes. One of their drivers, Jeff, caused an accident by running a red light. The injured party sued Luigi's Pizza and the court has ordered Luigi to pay the following damages:

- $120,000 towards the plaintiff's medical expenses, vehicle replacement, and loss of earnings while they were unable to work
- $80,000 for pain and suffering

During the lawsuit, it was discovered that prior to his employment, Jeff already had a suspended license due to a DUI and leaving the scene of an accident. Luigi failed to run motor vehicle reports on any of their drivers. The court has determined Luigi's business practices to be reckless and has awarded an additional $200,000 to the plaintiff.

Directions: Explain the types of damages that will be covered by Luigi's liability insurance policy.

Sample Answer:

$120,000 for the plaintiff's medical expenses, vehicle replacement, and loss of earnings would be considered special compensatory damages; and $80,000 for pain and suffering would be general compensatory damages; both of which are payable under the CGL policy.

The additional $200,000 are punitive damages and may not be payable by insurance in all states.

Section 1 Self-Quiz

Directions: Use the following terms to fill in the blanks:

premises	**operations**	**products**	**completed operations**
autos	**conveyance**	**employing workers**	**liquor**
environmental impairment	**professional liability**	**bailee liability**	**direct liability**
vicarious	**torts**	**statutes**	**contracts**
negligence	**intentional tort**	**strict liability**	**special damages**
general damages	**punitive damages**	**compensatory damages**	

1. Operations liability is caused by ongoing activities such as construction, processing, or servicing things on someone else's property.

2. The relationship that exists between and Employer/Employee, or between an Owner/Contractor presents a form of vicarious liability.

3. Products liability is caused by defects in product design, manufacturing, or the failure to sufficiently warn or explain the safe use of the product to consumers.

4. A retail store's mannequin falling onto a customer is an example of premises liability.

5. Libel, slander, and false arrest are all examples of a(n) intentional tort.

6. Completed operations liability arises out of the injury and/or damage caused by defective or improper workmanship, after the work has been completed.

7. Losses are compensated to an injured party for by the liable person paying a sum of money to the claimant. special damages are specific dollar amounts that cover the costs of medical bills, lost income, rehabilitation expenses, or the repair or replacement of property.

8. Anyone who offers specialized services from their unique knowledge and training can be subject to professional liability.

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9. For negligence to occur, four elements must be present: a duty owed to others; a breach of the duty owed; the existence of injury or damages; and a proximate cause.

10. If a tiger were to escape its cage an injure others, it is likely the tiger's owner could be held to a(n) strict liability standard based upon the law.

11.

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Section 2: Essentials of Legal Liability

Who Is an Insured Under the CGL Policy?

Check-In

Directions: Match the insured to the scenerio.

A. Volunteer Worker **B.** Named Insured **C.** Automatic Insured **D.** Additional Insured	__C__ Used to automatically include persons or organizations to meet written contract requirements without having to request additional insured status on an individual basis __A__ A person who is not an employee, and who donates his or her work, and is not paid a fee, salary, or other compensation by the named insured or anyone else for work performed for the named insured __D__ A third party with an existing business relationship with the named insured __B__ The individual or company designated by name in the policy. May be a sole proprietorship, partnership, corporation or another type of entity

Knowledge Check

Cooper and Wilson Interiors is a partnership insured under an unendorsed CGL policy. Mr. Cooper, spouse of one of the partners, was assisting a client when he accidentally dropped a piece of statuary on the customer's foot. Mr. Cooper was eventually sued by the injured customer.

Directions: Explain whether the CGL will provide any defense to Mr. Cooper in the lawsuit.

Sample Answer:

The definition of "insured" includes spouses of partners while acting with respect to the conduct of the named insured's business.

Defined Terms in the CGL Policy

Knowledge Check

Acme Timber & Lumber Supply has one receptionist, Linda, who is away on maternity leave for six weeks. During her absence, all receptionist duties are handled by Jessica, who is employed by Man-Power Employee Services. The employee leasing agreement states that Jessica is only to perform reception duties.

Directions: Explain whether Jessica would be considered an employee under the Commercial General Liability Policy.

Sample Answer:

Because the leasing agreement limits Jessica's job duties specifically to reception, and because she is filling in for only a specified period of time, Jessica is a "temporary worker" and does not meet the definition of an employee under the policy.

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Coverage A – Bodily Injury and Property Damage Liability

Knowledge Check

Milano Beauty is a high-end salon that offers makeup and hair styling services for special events. Their primary location is a storefront in the mall that has been converted into a cosmetology studio. They regularly work "off-site" to offer services to bridal parties at various wedding venues within the area.

Directions: Explain how Coverage A – Bodily Injury and Property Damage would respond to the following claims:

1. Milano booked a hotel room for three days while participating in a regional bridal expo. The room was set up to provide hair, makeup, and spray-tanning to the models of the bridal fashion show. The hotel is seeking damages for the stained carpeting and walls, claiming that Milano was negligent for not placing any drop cloths near the tanning station.

Sample Answer:

Since the room was occupied for less than seven days, the CGL would provide coverage up to the Damage to Premises Rented to You limit.

2. After Milano's last customer left the salon, a stylist left a curling iron plugged in overnight. When the staff returned to the mall the next day, they found that a small fire had damaged the interior walls.

Sample Answer:

While the CGL excludes coverage to property that is occupied by the insured, there is an exception for damages caused by fire if the insured is negligent, and it is subject to the Damage to Premises Rented to You limit.

3. An employee dropped a bottle of peroxide on the floor, and the mall is holding Milano responsible for the cost to replace the stained flooring.

Sample Answer:

This would not be covered, as the CGL excludes coverage for damage to property occupied by the insured.

Coverage B – Personal and Advertising Injury

Knowledge Check

Directions: Anna's Appliances has an unendorsed Commercial General Liability policy. Explain whether the following claims will be covered under the policy's Coverage B – Personal and Advertising Injury.

1. A typo in a recent advertisement listed TVs for sale for $10, instead of the intended sale price of $150.

Sample Answer:

There is no coverage provided due to wrong description of prices.

2. The store security guard wrongly detained a customer whom they suspected of stealing laptops.

Sample Answer:

False arrest is a covered offense.

Coverage C – Medical Payments

Knowledge Check

Elite Feet is an athletic shoe store that caters exclusively to runners. In addition to their retail operations, they have entered into a contract with a local running coach to host group runs around the neighborhood three times per week. How would the CGL's Coverage C – Medical Payments respond if a customer sprained their ankle while participating in a group run?

Directions: Explain your answer below.

Sample Answer:

Coverage is excluded for anyone injured while practicing, instructing, or participating in any physical exercise or games, sports, or athletic contests.

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Supplementary Payments – Coverages A and B

Check-In

Directions: Select the item that is NOT considered a Supplementary Payment of the CGL Coverage Form.

- ☐ Defense costs for the insured
- ☐ Investigation expenses
- ☑ The insured's loss of earnings up to the policy limit, when assisting the company in the investigation or defense of a claim or suit
- ☐ The cost for bonds for release of attachment

Section 2 Self-Quiz

Directions: Use the following terms to fill in the blanks:

occurrence	**Personal and Advertising Injury**	**leased worker**	**temporary employee**
products	**Completed Operations**	**mobile equipment**	**Sidetrack Agreement**
Elevator Maintenance Agreement	**pollution**	**auto**	**Automatic Insureds**

1. Coverage B – Personal and Advertising Injury, includes coverage for intentional torts such as false arrest, wrongful eviction, libel, and slander.

2. Depending on the type of organization insured on the policy, the automatic insureds may be different.

3. In addition to a one-time accident, a(n) occurrence may also include a harmful condition that is continuous or repeated over a long period of time.

4. A(n) leased worker is an individual leased to a company by an employee leasing firm, typically on a long-term basis.

5. The agreement between a railroad company and a property owner that addresses the expanse of tracks running through land is referred to as a(n) sidetrack agreement.

6. Vehicles maintained for use solely on or next to premises the named insured owns can be considered mobile equipment.

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Directions: Read each statement. Select True or False.

1. Coverage C – Medical Payments will pay for a customer's injury occurring on premises, even if the customer is the sole cause of the injury.

TRUE **FALSE**

2. The CGL coverage territory provides worldwide coverage for any products made or sold in the U.S., its territories and possessions, Puerto Rico, and Canada, but only if the suit is brought in one of the territories listed here.

TRUE **FALSE**

3. The CGL Supplemental Payments will pay the insured for loss of earnings up to the policy limit, when assisting the company in the investigation or defense of a claim or suit.

TRUE **FALSE**

4. Smith Insurance Agency is hosting a holiday party for their staff and other invited guests. Coverage A – Bodily Injury and Property Damage of their CGL policy will provide liability coverage for their defense if they are sued for providing liquor to a guest who later gets involved in an accident while driving home from the party.

TRUE **FALSE**

5. Coverage B – Personal and Advertising Injury will respond to claims involving the physical damage to advertising signs and billboards caused by the insured's negligence.

TRUE **FALSE**

Directions: List five types of insured contracts:

1. Lease of premises
2. Sidetrack Agreement
3. Easement/License Agreement
4. An obligation required by ordinance
5. Elevator Maintenance Agreement

Directions: List the six limits of liability shown in the Declarations page of the Commercial General Liability policy:

1. Each Occurrence Limit
2. Damage to Premises Rented to You Limit
3. Medical Expense Limit
4. Personal and Advertising Injury Limit
5. General Aggregate Limit
6. Products-Completed Operations Aggregate Limit

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Section 3: Additional Insureds and the CGL Policy

Why Provide Additional Insured Status?

Knowledge Check

Directions: A named insured may add another person or organization as an additional insured due to a close business relationship. What is another reason for providing additional insured status to another? Explain your answer below.

1. The named insured wants to provide coverage to a newly formed organization.
2. The named insured has a business relationship in which there is a contractual requirement to add the other party as an additional insured.
3. The named insured wants to provide insured status to his employees.
4. The named insured wants to comply with a hold harmless agreement.

Benefits of Additional Insured Status

Knowledge Check

Arctic Musk manufactures perfumes that are to be sold in Gimbels Department Store.

Directions: Explain why Gimbels should request that they be named as an additional insured on Arctic Musk's CGL policy.

Sample Answer:

Gimbels should request additional insured status on Arctic Musk's CGL policy in order to transfer the risk of liability claims to Arctic Musk; to obtain rights under the Arctic Musk policy; to be protected from subrogation in potential claims; and, as a long-term benefit, to reduce their own costs.

Disadvantages of Additional Insured Status

Knowledge Check

Directions: Your client, Stallion Distributing, has requested that you add Mega Outlets as an additional insured to their CGL policy. Describe two problems that may arise for Stallion Distributing when an additional insured is added to their policy.

Sample Answer:

Stallion would be sharing their liability limits with Mega Outlets, and unintended coverage may be provided to Mega. Stallion Distributing will have no control over Mega Outlet's operations. There may also be conflicts surrounding the legal defense.

Check-In

Directions: Select the problem that won't arise when adding an additional insured to your CGL Policy.

- ☐ Diminution of policy limits
- ☑ Dependence on someone else's insurance
- ☐ Unintended coverage provided
- ☐ Defense conflicts

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Additional Insured Endorsements

Knowledge Check

Directions: Mario's Plumbing has a CGL policy through your agency. They have requested to add Ducky's Contracting as an additional insured through endorsement CG 20 37 Additional Insured – Owners, Lessees, or Contractors. Explain the coverage that is provided to Ducky's Contracting through this endorsement

Sample Answer:

CG 20 37 will provide liability coverage and defense to Ducky's Construction for any injury or damages that occur due to Mario's completed operations. This form does not provide any coverage for ongoing operations.

Section 3 Self-Quiz

Directions: List four reasons why a business would seek additional insured status on another organization's CGL policy:

5. Transfer of risk
6. To receive the direct rights of defense granted by the named insured's policy
7. Protection from subrogation.
8. To reduce their own insurance costs

Directions: Read each statement. Select True or False.

1. When an additional insured is added, the "Who Is An Insured" section of the policy increases the entities that are covered, effectively increasing the policy's liability limits.

TRUE **FALSE**

2. Additional Insured endorsements provide for the sole negligence of the additional insured regardless of the endorsement's edition date.

TRUE **FALSE**

3. The CG 20 11 Additional Insured – Managers or Lessors of Premises endorsement modifies the CGL's Who Is An Insured provision to include the person or organization shown in the schedule.

TRUE **FALSE**

4. The CG 20 37 Additional Insured – Owners, Lessees or Contractors – Completed Operations endorsement provides liability coverage for damages or injury the additional insured caused due to sole negligence, but does not include injury or damage occurring during the named insured's ongoing operations.

TRUE **FALSE**

5. The purpose of the ISO "Automatic" Additional Insured endorsements is to automatically include all additional insureds, regardless of the requirement to do so.

TRUE **FALSE**

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Appendix

Preparing for the Final Exam

For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is one hour long. The test itself is composed of 50 multiple-choice questions that ask you to demonstrate what you know. Each question is worth two points. To pass, you are required to earn a minimum of 70 out of 100 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your learning guide.

1. Review the Section Goal.

2. Review each Learning Objective.

3. Change each header and subhead into a question. Then answer the question. For example,

   Header: Characteristics of Whole Life Insurance

   Question: What are some characteristics of Whole life insurance?

4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific Learning Objective.

5. Check your answers to each Check-in. Correct your original answers, if necessary.

6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.

7. Re-read the summary at the end of each section.

8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.

9. Review any comments, highlights, or notes you made in each section.

10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.

11. Make flash cards to help you review important vocabulary.

Sample Test Question

The end-of-course test has a variety of questions similar to the ones you see below.

1. Your insured manufactures screws used in medical devices for joint replacement. A bad batch of screws does not work. The CGL Policy excludes coverage for all of the following, except:
   - **A)** Recall of products, work or impaired property
   - **B)** Property damage to the named insured's product arising out of it or any part of it
   - **C)** Damage to impaired property or property not physically injured
   - **D)** Bodily injury resulting from use of the defective product.

2. A contractor, operating a bulldozer to clear some land, accidentally damages some underground pipes. The damage is a result of what type of liability exposure?
   - **A)** Completed Operations
   - **B)** Ownership, maintenance, or use of autos
   - **C)** Ownership, maintenance, or use of other conveyances such as mobile equipment
   - **D)** Premises

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Glossary of Terms

Advertisement – a notice that is broadcast or published to the general public or specific market segments about your goods, products, or services for the purpose of attracting customers or supporters

Aggregate limit – the most an insurer will pay during the policy period; once paid, the insurer has no further obligations to defend the insured against future claims

"Auto" – A land motor vehicle, trailer, or semitrailer designed for travel on public roads, including any attached machinery or equipment; or any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged

Bailee – the party to whom personal property is delivered and entrusted (without transfer of ownership) for a specific purpose

Bodily injury – bodily injury, sickness, or disease sustained by a person, including death resulting from any of these, at any time

Common law – the set of legal rules used in the U.S. to resolve civil—not criminal—disputes in courts

Completed operations – when all of the work called for in a contract has been completed

Contract – a legally binding agreement between two or more parties that creates mutual obligations involving specific activities and transactions

Contractual liability – arises out of the legally binding agreements between two or more parties involving specific activities and transactions; these agreements may create a situation where one part assumes the financial consequences of certain liabilities that may otherwise be borne by the other party

Copyright and trademark infringement – a type of intentional tort which occurs when one party uses intellectual property that belongs to another party without permission

Coverage territory – the geographical area within which insurance coverage applies

Direct liability – a liability trigger that occurs as a result of one's own conduct

Employee – a person hired to do work on a regular, continuing basis

Executive officer – a person holding any of the officer positions created by an organization's charter, constitution, bylaws, or any other similar governing document

General damages – subjective dollar amounts that compensate an injured party for intangible losses such as pain and suffering

Hold harmless/indemnification agreement – where one person/entity agrees to assume the liability of another for damages or injury to others

Hostile fire – a fire which becomes uncontrollable or breaks out from where it was intended to be

Impaired property – tangible property of others that cannot be used or is less useful because it incorporates your product or work that is known or thought to be defective, deficient, inadequate or dangerous; or because you have failed to fulfill the terms of a contract or agreement

Indemnitee – the person who, in a contract of indemnity, is to be indemnified or protected by the other party

Indemnitor – the person who is bound, by an indemnity contract, to indemnify or protect the other party

Intentional tort – a voluntary act which results in injury or loss to another; examples include libel, slander, wrongful entry or eviction, assault and/or battery, wrongful detention, false arrest, and copyright or trademark infringement

Leased worker – a person leased to you by a labor leasing firm, under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business; "leased worker" does not include a "temporary worker"

Liability – the state of being bound or obliged in law or justice to do, pay, or make good something; a legal responsibility

Liability trigger – an occurrence or accident that cases a tort or civil wrong; an event in which someone is either injured or property is damaged because of the actions or inactions of another party

Libel – the act of writing and publishing untrue and damaging information about another person or business

Limit of insurance – the most an insurance company will pay based on a particular coverage

Mobile equipment – any land vehicles that cannot be registered as an automobile or used on public roads

Named insured – the entity named on the commercial insurance policy

Negligence – the omission to do something which a reasonable person, guided by those considerations which ordinarily regulate the conduct of human affairs, would do; or doing something which a prudent and reasonable person would not do; negligence is determined in all cases by reference to the situation and knowledge of the parties and all the attendant circumstances

Occurrence – a one-time accident OR exposure to a harmful condition that is either repeated over a long period of time or is continuous

Offense – an intentional act causing damages or injury to another

Personal and advertising injury – injury, including consequential "bodily injury," arising out of one or more intentional torts

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Pollutant – any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste

Products – any goods or products, other than real property, manufactured, sold, handled, distributed, or disposed of by you

Property Damage – physical injury to tangible property, including all resulting loss of use of that property

Punitive damages – the costs awarded to an aggrieved person due to negligence that exceeds the cost of special or general damages and is levied against the plaintiff as punishment for reckless behavior

Risk – the possibility of gain or loss that accompanies a set of possible events

Slander – an intentional tort delivered in a spoken form; something stated that is untrue

Special damages – specific dollar amounts that cover the costs of medical bills, lost income, rehabilitation expenses, or the repair or replacement of property

Statutes – laws written by legislative bodies; laws which modify common law

Statutory liability – based on state laws and may govern business activities around the sale or service of liquor, employment-related regulations, and workers' compensation claims

Subrogation – where the insurance company attempts to recover from a responsible party money that it has paid out for a claim

Suit – a civil proceeding in which damages due to "bodily injury," "property damage," or "personal and advertising injury" to which the insurance applies are alleged.

Temporary Worker – a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short- term workload conditions.

Third-party action-over claim – where an employee is suing a third party who is being indemnified by his employer

Tort – a wrongful act or infringement of a right (other than under contract) leading to civil liability

Tort law – the law of wrongful injures; law that protects and compensates individuals who have been injured by the negligence, recklessness, or intentional acts of others

Vicarious liability – the liability of one party based upon the liability of another; can commonly result from employer/employee, principal/agent, owner/manager, and owner/contractor or contractor/subcontractor relationships

Volunteer worker – a person who is not your "employee" and who donates his or her work and acts at the direction of and within the scope of duties determined by you, and is not paid a fee, salary, or other compensation by you or anyone else for their work performed for you

Waiver of subrogation – an agreement between two parties in which one party agrees to give up their subrogation rights against the other

Your product – any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by you or those entities operating under your control

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