

E&O INSURANCE EXAM

1. Joint and several liability is the practice of assigning liability for damages based on _____.
 - A. An ability to pay
 - B. Who is more wrong
 - C. History of the victim
 - D. Local ordinances
2. Which of the following might be considered fiduciary responsibilities?
 - A. Loyalty
 - B. Obedience
 - C. Disclosure
 - D. All of the above
3. What are some claims expenses typically related to liability insurance?
 - A. Defense expenses
 - B. Payment of bail bonds
 - C. Bonds to release attachments
 - D. All of the above
4. Two of the greatest liability risks for insurance agents are
 - A. Inadequate coverage & agent misrepresentation
 - B. Premium overcharge & lack of detail
 - C. Lack of notes & coverage mistakes
 - D. Poor claim response & premium overcharge
5. The difference between an act which is a tort and one which is a crime is that the tort is a _____ against a party or property while a crime violates _____.
 - A. Legal violation / statutes
 - B. Private wrong / a public right
 - C. Small offense / major rights
 - D. Crime under \$5,000 / property rights
6. The term "moral hazard" means that there is an increased likelihood that an insured will intentionally
 - A. Cause a loss
 - B. Overstate a loss
 - C. Increase a loss
 - D. All of the above
7. Most professional liability policies issued today are claims made policies where both the damage or injury and the claim must be made _____.
 - A. Within 30 days after the policy expires
 - B. During the policy period
 - C. While you are still an agent
 - D. Within 1 year of any incident
8. Fiduciary liability insurance provides coverage for _____ of employee benefit plans.
 - A. Trustees
 - B. Administrators
 - C. Participants
 - D. A & B only
9. A contract of adhesion is one where one party creates the terms of the contract and the other party _____.
 - A. Refutes them
 - B. Challenges them in court
 - C. Adheres to them
 - D. Ignores them
10. One of the defenses against negligence is called "last clear chance". Here the _____, it is argued, caused the loss or damage, not the breach of duty on the part of the defendant.
 - A. Defendant's lack of money
 - B. Attorney's lack of experience
 - C. Plaintiff's failure to act
 - D. Insurer's failure to document
11. An individual's response to risk generally falls in five categories:
 - A. Avoiding, preventing, retaining, reducing, transferring
 - B. Capturing, listening, action, avoiding, conforming
 - C. Promoting, assigning, delegating, avoidance, preventing
 - D. Shifting, assigning, delegating, action, prevention
12. The business owners liability form does not recognize coverage for _____.
 - A. Negligence damages
 - B. Specific claims
 - C. Economic damages
 - D. Punitive damages
13. Bodily injury in a business owner's policy is defined as _____ that occurs during the policy period.
 - A. Bodily injury
 - B. Sickness
 - C. Disease or death
 - D. All of the above
14. On-call coverage is physician liability insurance that allows a physician to _____.
 - A. Use a relief physician after hours
 - B. Perform risky surgeries
 - C. Hire untrained staff members
 - D. Give patients their diagnosis by phone
15. Negligence is the failure to use
 - A. Written contracts
 - B. Witnesses
 - C. Due and reasonable care
 - D. A tape recorder

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16. A professional should practice due diligence whenever a _____ is contemplated.
- A. Lawsuit
 - B. Problem
 - C. Professional relationship
 - D. Commission
17. Some E&O policies provide license protection which includes reimbursement for expenses related to _____ from licensing boards.
- A. Disciplinary hearings
 - B. Dues
 - C. Late fees
 - D. Complaint letters
18. Subrogation is the legal term for the process through which an insurer is able to _____ once an insurer has paid an insured or other claimant.
- A. Talk to the claimant
 - B. Sue the insured
 - C. Recover damages from the liable party
 - D. Publicize the claim
19. An employer's vicarious liability is his liability for acts of _____.
- A. God or nature
 - B. Any other party, not just his employees
 - C. Random violence on his property
 - D. Product malfunction
20. Under the parol evidence rule, courts will _____ the terms of a written contract and _____ prior oral agreements.
- A. Accept / confirm
 - B. Reject / accept
 - C. Uphold / ignore
 - D. Litigate / quash
21. Negligence is established by proximate cause. Proximate cause states that the breach of duty must _____ results in the damage or injury for liability to be found.
- A. Launch an unbroken chain of events that
 - B. Start litigation that
 - C. Be continuous for 30 days and
 - D. Be have witnesses and
22. Record keeping is important to reducing liability. Which of the following are important considerations regarding record keeping.
- A. Be consistent
 - B. Use standardized forms
 - C. Keep records confidential and in a safe place
 - D. All of the above
23. A "floater risk" is a risk that _____.
- A. Rises above all others
 - B. Stays with the property
 - C. Starts out small, then rises to bigger proportions
 - D. May or may not be covered
24. Strict liability is a form of liability which arises from _____.
- A. Professional negligence
 - B. The actions of a parent corporation
 - C. Product defect
 - D. Regulatory non-compliance
25. To determine insurability, liability underwriters look at which of the following issues:
- A. Prior history of claims
 - B. Prior license board complaints
 - C. Prior cancellation or denial of coverage
 - D. All of the above
26. In order for an insurer to cancel a policy, notice of _____ days is normally required.
- A. 10
 - B. 30 to 60
 - C. 90 to 120
 - D. 0
27. A liberalization clause allows any broadening of coverage, that does not require _____, to also apply to an existing insured as though the endorsement were part of the policy.
- A. Additional premium
 - B. The insured's signature
 - C. State approval
 - D. Written proof
28. Advertising injury is excluded from the business owner's form if it arises out of:
- A. Breach of contract
 - B. The failure of goods & services to meet advertised quality
 - C. A wrong description of the price of goods or services
 - D. All of the above
29. "Locum tenens" is one of the benefits of a dentist's policy. Locum tenens is a doctor who _____. The locum tenens is covered for a specified number of days and must be approved by the insurer.
- A. Specializes
 - B. Takes the place of the insured doctor while he is on vacation
 - C. Has more knowledge than the insured doctor
 - D. Buys the insured doctor's practice

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30. Which of the following are reasons why lawsuits have increased today?
- A. The attitude of society toward bringing legal action
 - B. The complexity of services and products offered
 - C. Increase competition leading to pressure to perform
 - D. All of the above
31. Comparative negligence rules weigh the _____ in a damage suit.
- A. Proportionate amounts of negligence contributed by all parties
 - B. Amount of the total claim divided by the number of claimants
 - C. Negligence and experience of the defendant
 - D. Degree of negligence
32. A pure risk is one which cannot result in the possibility of gain. A risk that includes the possibility of gain is called a _____ risk.
- A. Gainful
 - B. Accelerated
 - C. Speculative
 - D. Profitable
33. Intentional wrongs are not covered by any insurance policy because insurance is considered an instrument intended to pay for loss which is _____, or beyond the control of the insured.
- A. Fortuitous
 - B. Planned
 - C. Claimed
 - D. Circumstantial
34. Under the “assumption of risk” defense, a defendant must prove that the _____ and yet allowed the act to occur.
- A. Insured knew nothing
 - B. Plaintiff understood the risks
 - C. Insurer failed to notify the insured
 - D. Witness was able to help
35. Nominal damages may be charged in order to show that the _____.
- A. Court is compassionate
 - B. Defendant was in the clear
 - C. Liable party was responsible
 - D. System works



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