

**157** **Liability Coverage Exam** **6 Hours** **Instructions**

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## LIABILITY EXAM

1. As a rule, courts consider "custom of use" when determining liability. Custom of use means that a majority of persons engaged in a particular activity \_\_\_\_\_.

- A. Do it weekly
- B. Do it monthly
- C. Do it more than once
- D. Do it a certain way

2. In order for a person to assume or be responsible for a risk causing an injury, which of the following conditions must be present.

- A. He must have known the risk existed
- B. He must have voluntarily assumed the risk
- C. He must have chosen NOT to take an alternative course of action
- D. All of the above

3. The Comprehensive Personal Liability Policy is to an \_\_\_\_\_, what the Comprehensive General Liability Policy is to the \_\_\_\_\_.

- A. Individual / Proprietor of a business
- B. Business / Individual
- C. Estate / Business owner
- D. Owner of a business / Trustee

4. When a harm is called "divisible" and more than one person's negligence is the proximate cause of the harm, the payment for damages can be \_\_\_\_\_.

- A. Relinquished
- B. Apportioned among the parties
- C. Adjusted upward
- D. Doubled

5. Aggregate limit is the limit of a company's liability for a particular hazard group. In the case of a 3 year policy, the aggregate limit is \_\_\_\_\_.

- A. Applied separately to each annual period
- B. Divided by three
- C. Multiplied by three
- D. A percentage of each year

6. A nuisance risk refers to a type of injury which \_\_\_\_\_ has suffered.

- A. Anyone
- B. Only one person
- C. The victim
- D. The group

7. "Host laws" are examples of how \_\_\_\_\_ can be liable for harm caused by someone else.

- A. Injured parties
- B. Third parties
- C. Neighbors
- D. Parents

8. A majority of jurisdictions in the U.S. still use three categories to establish the level of care owed by an owner / tenant to an injured party. They are:

- A. Trespasser, licensee, invitee
- B. Volunteer, invitee, guest
- C. Adverse possession, right to claim, liens
- D. Possession by assumption, licensee, liens

9. Manufacturers stand at the head of the line of those responsible for a product, but \_\_\_\_\_ and other suppliers may also be found negligent.

- A. Attorneys
- B. Shippers
- C. Retailers
- D. Salespersons

10. As a rule, owner / tenants have no duty of care to a person who comes on to the property without \_\_\_\_\_.

- A. The owner's consent
- B. Personal liability coverage
- C. Protective gear
- D. A witness

11. The "objective standard" is how a reasonable person is measured in a court of law. In essence, this standard is considered to be a person who has \_\_\_\_\_.

- A. A personal attorney
- B. Enough money to file a claim
- C. Ordinary prudence
- D. Legitimate reason to error

12. Defamation may be written, in which case it is called libel; if oral, it is called slander. For defamation to be actionable, the statement must be both \_\_\_\_\_ and \_\_\_\_\_ to a person or entity's reputation.

- A. Open and hostile
- B. False and damaging
- C. Applicable and direct
- D. Intentional and harmful

## UNDERSTANDING LIABILITY COVERAGE -- DOI # 13033 -- 6 CE HOURS

13. A person performing an act may not be held liable if the "extraordinary in hindsight" evidence suggest that it is \_\_\_\_\_ that such an act should have caused the harm.

- A. Highly extraordinary
- B. Impossible
- C. Somewhat likely
- D. Likely

14. Care custody and control clauses relate to the premise that liability insurance is intended as a protection against \_\_\_\_\_, not an instrument to take the place of fire or other property damage coverages.

- A. Frivolous lawsuits
- B. Third party exposure
- C. Punitive damages
- D. Involuntary liens

15. Hold harmless agreements allow liability risks to be \_\_\_\_\_.

- A. Retracted
- B. Expanded
- C. Shifted
- D. Dropped

16. An owner does not have to make his property injury proof to a trespassing child, but is required to \_\_\_\_\_.

- A. Provide supervision to prevent harm
- B. Take reasonable steps to prevent harm
- C. Construct protective fencing
- D. Post warning signs

17. The legal basis for liability exposures are \_\_\_\_\_.

- A. Disputes
- B. Venue disagreements
- C. Court sanctions
- D. Torts

18. Where there are natural conditions on a property that could be harmful to children, owners will have no liability if \_\_\_\_\_.

- A. The child should have recognized the risk
- B. It is unreasonable expensive to protect
- C. A 2' X 3' or larger sign is posted
- D. A & B only

19. Business visitors are not required to actually conduct business with the owner of premises they enter for liability to be present. All that is necessary is that they have a \_\_\_\_\_.

- A. Witness
- B. General business relationship
- C. General friendship
- D. Legal reason to enter

20. For anyone to seek relief from harm caused by a public nuisance, several factors are necessary. They are:

- A. Substantial harm must have occurred
- B. The public at large must be a risk
- C. At least two witnesses must be present
- D. A & B only

21. Storekeeper's Liability is designed for retail merchants. The premium for this coverage is usually determined by \_\_\_\_\_.

- A. Premises area
- B. Sales volume
- C. A percentage of expenses
- D. The type of customer

22. Tort claims can result from several actions. By far, most tort claims are based on \_\_\_\_\_.

- A. Armed assaults
- B. Negligence
- C. Misrepresentation
- D. Malpractice

23. The doctrine of "Res IPSA Loquitor" translates to mean "the thing speaks for itself". In other words, if the circumstances of an act causing harm are clearly the negligence of someone behind them, then \_\_\_\_\_ is established.

- A. Liability
- B. Compensatory relief
- C. Negligence
- D. Criminal intent

24. An owner's liability for harm to trespassing children depends on which of the following conditions.

- A. The owner knows or should know that the condition (pool, fountain, trampoline, etc) is situated where children are likely to find it.
- B. The owner knows the condition poses a risk of serious injury to children who use it.
- C. The children using the condition are so young or ignorant that they do not realize the danger.
- D. All of the above

## UNDERSTANDING LIABILITY COVERAGE -- DOI # 13033 -- 6 CE HOURS

25. For years, courts held that lessors (landlords) had no duty to take security precautions for tenants. However, a lessor may be held liable for not attending to a tenant's security if, at the time the tenant moved into the rented premises, the \_\_\_\_\_.

- A. Tenant was over 21 years
- B. Security precautions were in place (a doorman, electronic gate, etc)
- C. Owner was contemplating security measures
- D. Tenant asked for more security

26. Vicarious liability is the liability one person has for \_\_\_\_\_.

- A. His own actions
- B. His children
- C. The act of another
- D. Actions outside his own property

27. The term "hazard group" is used in liability insurance to denote

- A. A specific risk
- B. Exposures covered
- C. Fire hazards
- D. Off-premise exposures

28. When a harm is termed indivisible and more than one person's negligence was the proximate cause, then \_\_\_\_\_ are liable for the entire amount of damages.

- A. The most negligent parties
- B. The wealthiest parties
- C. All parties
- D. The oldest parties

29. Hedging is a risk shifting technique that is accomplished by making a commitment \_\_\_\_\_.

- A. On both sides of a transaction so the risks offset each other
- B. To less risky endeavors
- C. In writing
- D. To follow through completely

30. In establishing negligence, the plaintiff has the burden of production. This means that the plaintiff has to present evidence that the \_\_\_\_\_.

- A. Defendent was indeed negligent
- B. Plaintiff did sustain an injury
- C. The defendent's negligence was the cause of the injury
- D. All of the above

31. In general, most of the liability a lessor-owner has to persons entering premises he owns is passed on to the \_\_\_\_\_.

- A. Insurance company
- B. Tenant
- C. Trespasser
- D. City or county the property is located

32. Proving misrepresentation usually rests with the \_\_\_\_\_ who must demonstrate that the defendent did believe that the statements made were \_\_\_\_\_.

- A. Defendent / True
- B. Defendent / Not the truth
- C. Injured party / True
- D. Injured party / Not the truth

33. While assault sounds like a violent act, it is legally not an act. Rather, it is an \_\_\_\_\_.

- A. Allegation
- B. Operation of violence
- C. Intention
- D. Injury de facto

34. Liability is normally found only when the consequences of a negligent act could be \_\_\_\_\_ at the time of the act.

- A. Witnessed
- B. Perpetrated
- C. Considered illegal
- D. Reasonably foreseen

35. Strict liability for harm resulting from defective products is applied to cases when the defective product is \_\_\_\_\_ to the user or to his property.

- A. Unreasonably dangerous
- B. Threatening
- C. Harmful
- D. Possibly a danger



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