



Chapter 11 Quick Quizzes

Quick Quiz 11.1

Identify and briefly explain the two major coverage sections of the BOP.

1. _____

2. _____

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Quick Quiz 11.2

Identify and briefly explain the five major components of the BOP.

- 1. _____

- 2. _____

- 3. _____

- 4. _____

- 5. _____

Quick Quiz 11.3

Identify four categories of individuals or organizations that may qualify for insured status under the Businessowners Policy.

1. _____
2. _____
3. _____
4. _____

Quick Quiz 11.4

Identify the five categories of property that are covered under Business Personal Property.

1. _____
2. _____
3. _____
4. _____
5. _____

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Quick Quiz 11.5

Match the terms to the example given or their description.

- | | |
|--|--------------------------------|
| ___ Buildings | 1. Sign |
| ___ Business Personal Property | 2. Snowplow |
| ___ Contraband | 3. Free standing stove |
| ___ Fixtures | 4. Improvements made by tenant |
| ___ Permanently installed machinery | 5. Inventory |
| ___ Personal property used as a landlord | 6. Illegal products |
| ___ Personal property used to service premises | 7. Build-in refrigerator |
| ___ Structures | 8. Apartment Building |
| ___ Tenant's improvements and betterments | 9. Intercom system |

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Quick Quiz 11.6

Briefly describe the following coverages of the Businessowners Policy

1. Business Income _____

2. Extra Expense _____

3. Civil Authority _____

4. Business Income from Dependent Properties _____

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Quick Quiz 11.7

Match the additional coverage to their respective time period or limitation.

- | | |
|--|--------------------------|
| _____ Business Income | 1) 12 consecutive months |
| _____ Extra Expense | 2) 3 consecutive weeks |
| _____ Civil Authority | 3) No time deductible |
| _____ Business Income Dependent Properties | 4) \$5,000 |

Quick Quiz 11.8

Explain how to determine if a cause of loss is covered or not covered under a BOP.

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Quick Quiz 11.9

1. Explain the purpose of a policy exclusion.

2. Identify three reasons for property exclusions.

- 1) _____
- 2) _____
- 3) _____

3. What is an exception to an exclusion?

Quick Quiz 11.10

Briefly explain the limits of insurance that apply to each category of property.

1) Attached Outdoor Signs _____

2) Building Limit – Automatic Increase _____

3) Business Personal Property – Seasonal Increase _____

Quick Quiz 11.11

Identify and briefly explain the two types of deductibles found in a BOP.

1. _____

2. _____

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Quick Quiz 11.12

Based upon the limits of insurance indicate above, state the amount that the insurer will pay in the following circumstances.

1. A customer slips and falls and incurs \$3,000 in medical expenses. _____
2. A jury awards a customer \$800,000 due to the businessowners' negligence. _____
3. While renting property, the businessowner negligently damages property in the amount of \$100,000.

4. A jury awards five customers \$1,000,000 each due to the businessowners' negligent installation of a furnace. _____

Quick Quiz 11.13

Match the definition to the type of limit of insurance.

- | | |
|--|-------------------------|
| _____ The most the insurer will pay for each occurrence | 1. Per person limit |
| _____ The most the insurer will pay per person for bodily injury | 2. Aggregate limit |
| _____ The most the insurer will pay during the policy term | 3. Per occurrence limit |

Quick Quiz 11.14

Indicate if the following occurrences or descriptions are Covered (C) or Not Covered (NC)

1. _____ A customer slips on a wet floor at the businessowners premises
2. _____ An employee of the businessowner is injured moving boxes
3. _____ The businessowner fails to file a customer's tax return on time
4. _____ A customer is injured when a display falls over at the businessowners premises

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Quick Quiz 11.15

Match the following Businessowners Common Policy Conditions.

____ Silence

____ Intentional spoken misstatement

____ Lying to collect insurance proceeds

____ Examination of books and records period

____ Services that minimizes losses

____ Subrogation

1. Misrepresentation

2. Concealment

3. Transfers of rights of recovery

4. Inspections and surveys

5. 3 years

6. Fraud

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Quick Quiz Answers

ANSWERS TO QUICK QUIZ 11.1

1. Section I—Property Coverage. Property coverage pays the insured businessowner when covered property is damaged. For example, if a businessowner's building or personal property were damaged by a fire (a covered loss), the policy would pay for the damaged property.

2. Section II – Liability Coverage. Liability coverage protects the insured businessowner and pays a third party (e.g., a customer) the sums the insured businessowner is legally obligated to pay due to his or her negligence. Negligence is a legal standard.

It is when an insured (the businessowner) fails to exercise the reasonable care that a prudent insured (the businessowner) would exercise under similar circumstances.

ANSWERS TO QUICK QUIZ 11.2

1. Declarations Page is used to personalize the policy. It is a computer generated page that indicates the named insured and address, the policy term, the amount of insurance, policy forms, deductible, premium and related information that is specific to the insured businessowner.

2. Definitions are used to clarify terms as used in the policy. For example, the Businessowners Policy defines such terms as “bodily injury”, “coverage territory”, “occurrence”, and “insured contract”. The purpose of the definitions section of a policy is to clearly set forth the meaning of terms as used in the policy. Words that are defined are typically in quotations or are bolded within the policy.

3. Insuring Agreement is the contractual clause of the policy setting forth the agreement between the insured and the insurance company. It provides coverage for the insured in return for the premium and compliance with all applicable policy provisions.

4. Conditions set forth the rules, duties, provisions and obligations of the insured businessowner and the insurance company. Examples include the duty of the insured to pay the premium and to report losses promptly and cooperate in the adjustment process.

5. Exclusions eliminate coverage for specific occurrences that are deemed uninsurable or not calculated in the policy premium. Examples of exclusions include intentional acts, war, flood, nuclear radiation, smog, latent defect, rust, corrosion, wear and tear and deterioration.

ANSWERS TO QUICK QUIZ 11.3

1. Named insured (individual, partnership or corporation) listed in the Declarations Page

2. Named insured's spouse for business activities

3. Named insured's employees for business activities

4. Partners of a business

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ANSWERS TO QUICK QUIZ 11.4

1. Completed additions (new construction added to a building)
2. Fixtures attached to a building. Examples include an intercom system, permanently installed blinds, custom drapes, outdoor lights, mailboxes and signs.
3. Permanently installed machinery and equipment. Examples include built-in scales, pulleys, refrigerated lockers and air conditioning or heating equipment.
4. Personal property owned by the named insured in an apartment, or rooms or common areas furnished by the insured as a landlord. Examples include freestanding stoves and refrigerators as well as furniture and other personal property normally found in an apartment and/or common areas.
5. Other types of personal property owned by the named insured and used to maintain or service the buildings or structures or the premises. Examples include snowplows, lawn tractors, fire extinguishers, outdoor furniture, floor coverings, and appliances used for refrigerating, ventilating, cooking, dishwashing or laundering.

ANSWERS TO QUICK QUIZ 11.5

- # 8 Buildings
- # 5 Business Personal Property
- # 6 Contraband
- # 9 Fixtures
- # 7 Permanently installed machinery
- # 3 Personal property used as a landlord
- # 2 Personal property used to service premises
- # 1 Structures
- # 4 Tenant's improvements and betterments

ANSWERS TO QUICK QUIZ 11.6

Business Income pays loss of business income for up to 12 months if the businessowner cannot continue operations due to a covered cause of loss. This is subject to a 72- hour time deductible. Extra Expense pays additional expenses (e.g. office space, etc.) incurred by a business to continue operations after the business has a loss. Civil Authority pays the business owner if a civil authority prohibits him from using his business premises due to a covered cause of loss. This is subject to a 72-hour time deductible. Business Income from Dependent Properties pays the business owner if a dependent property (e.g., supplier of the business owner has a covered cause of loss) cannot deliver supplies to the business owner.

ANSWERS TO QUICK QUIZ 11.7

Match the additional coverage to their respective time period or limitation.

- Business Income # 1
- Extra Expense # 3
- Civil Authority # 2
- Business Income Dependent Properties # 4

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ANSWERS TO QUICK QUIZ 11.8

The Businessowners Policy provides coverage on a special form or “open peril” basis. This means that any loss that is not excluded is covered. In other words, common perils such as fire, lightning, windstorm, hail, riot or civil commotion, theft, vandalism, etc. are automatically covered under the policy because they are not specifically excluded. When you review a special form or “open peril” policy to determine if a loss is covered, you would look to the policy exclusion section. If the cause of loss is not listed in the exclusions, coverage applies. If, on the other hand, the cause of loss is listed in the exclusions, coverage does not apply.

ANSWERS TO QUICK QUIZ 11.9

1. Exclusions are policy provisions that state what the insurer does not intend to cover. They eliminate coverage for specific occurrences that are deemed uninsurable or not calculated in the policy premium.
- 2) Exclusions are commonly included in policies for the following three reasons:
 - »» 1. To eliminate exposures that are catastrophic in nature (e.g., nuclear hazards, war).
 - »» 2. When the condition of the property is in control and management of the insured (e.g., wear and tear, deterioration, neglect).
 - »» 3. When the property can be better insured under another policy or endorsement (e.g., earthquakes, flood, mechanical breakdown).
- 3) An exclusion may also have an exception. In other words, the exception gives coverage back to the insured under very specific circumstances. A common example of an exception to an exclusion is the “following fire” coverage provided under the earth movement and nuclear hazard exclusions. In other words, coverage does not apply to property damage caused by earth movement or nuclear hazard, but if a fire ensues, coverage applies to the ensuing fire damage.

ANSWERS TO QUICK QUIZ 11.10

1. \$1,000 for outdoor signs attached to the building
2. An automatic increase in the building limit of 8%: For example, if the insured businessowner chose an insurance limit of \$100,000 at policy inception, the limit of insurance would increase on a prorate basis until it reached \$108,000 at the end of the policy term.
3. An automatic increase of 25% of the business personal property: This automatic increase only applies if the insured maintains business personal property insurance limits equal to 100% of the business’s average monthly values during the twelve-month period prior to loss. For example, if the businessowner’s average monthly property values were \$100,000 during the twelve-month period prior to loss, and the businessowner maintained that \$100,000 limit, the policy would automatically provide an addition 25%, or \$125,000 of business personal property insurance.

ANSWERS TO QUICKQUIZ 11.11

The two types of deductibles found in the Businessowners Policy are the (1) dollar deductible and (2) a time deductible. The dollar deductible is the initial amount the insured must absorb (pay out of pocket) before the insurer begins to pay a covered loss. A dollar amount deductible (e.g., \$500, \$1,000) is indicated in the declarations page. The second type of deductible is a time deductible. A time deductible

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is the initial time period the insured must absorb before the insurer begins to pay a covered loss. The Businessowners Policy has a 72-hour time deductible for business income losses.

ANSWERS TO QUICK QUIZ 11.12

- 1) \$3,000
- 2) \$800,000
- 3) \$100,000
- 4) \$2,000,000 (aggregate limit on the policy is \$2,000,000- most paid out in one year for all claims)

ANSWERS TO QUICK QUIZ 11.13

- 3 The most the insurer will pay for each occurrence
- 1 The most the insurer will pay per person for bodily injury
- 2 The most the insurer will pay during the policy term

ANSWERS TO QUICK QUIZ 11.14

Indicate if the following occurrences or descriptions are Covered (C) or Not Covered (NC)

1.C 2.NC 3.NC 4.C

ANSWERS TO QUICK QUIZ 11.15

Match the following Businessowners Common Policy Conditions

1.2 2.1 3.6 4.8 5.4 6.3

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