

## Chapter 22

### **Auto insurance**

#### **QUESTION one ( Multiple choice)**

1- Which of the following statements about the liability limits of the PAP is (are) true?

- I- The policy is written with split limits of liability
- II- Prejudgment interest is considered part of the damage award and is subject to the policy limit of liability.

a) I only    b)II only    c)Both I and II    d) Neither I nor II

Answer

2- Which of the following statements about the payment of defense costs by the PAP is (are) true?

- I- They are paid in addition to the policy limits
- II- They are payable even after the limit of liability is exhausted.

a) I only    b)II only    c)Both I and II    d) Neither I nor II

Answer

3- All of the following are covered autos under the liability section of the PAP Except

- a) A nonowned van that is driven by the insured on a regular basis
- b) A trailer owned by the named insured
- c) A borrowed auto used by the insured as a substitute for a covered auto that has been stolen.
- d) A newly acquired auto that replaces a vehicle previously described in the policy.

Answer

4- All of the following are insured persons under the liability coverage of the PAP Except

- a) A friend to whom the named insured loans a covered auto.
- b) The employer of the named insured for actions resulting from the named insured's use of a covered auto

- c) The spouse of the named insured whether or not a member of the same household.
- d) A relative of the named insured if a member of the same household

Answer

5- Which of the following persons is (are) covered for liability insurance under the PAP?

- I- A family member who drives a covered auto
  - II- A family member who drives the auto of a friend
- a) I only    b)II only    c)Both I and II    d) Neither I nor II

Answer

6- All of the following are covered as supplementary payments under the liability section of the PAP Except

- a) The cost of an appeal bond in a lawsuit
- b) The cost of a bail bond for a traffic violation when no accident is involved.
- c) Interest that accrues on a liability judgment covered by the policy
- d) Reasonable expenses incurred by the insured to testify at a trial involving a lawsuit covered by the policy

Answer

7- Which of the following situations would be covered by the liability section of an unendorsed PAP if the insured is legally liable?

- a) The insured injured a pedestrian while “trying out “a friend’s new motorcycle.
- b) The insured backs into and damages the garage door of his rented house.
- c) A friend’s furniture is damaged when the insured has an accident while helping the friend move
- d) The insured damages a parked car while driving a dump truck for his or her employer

Answer

8- In purchasing automobile insurance, which of the following coverages should be considered essential?

- a) Liability coverage
- b) Medical payments coverage

- c) Uninsured motorist coverage
- d) Underinsured motorist coverage
- e) They are all essential.

Answer

9- Comprehensive coverage under the PAP pays for damage to the insured auto caused by all of the following except

- a) Hail
- b) Collision with a bird or animal
- c) Flood
- d) Upset earthquake

Answer

10- The definition of “uninsured motorist” under the Uninsured Motorist coverage of the PAP includes

- a) An automobile being operated without liability insurance
- b) A hit0and-run driver
- c) An automobile insured by a company that becomes insolvent
- d) All of the above
- e) None of the above

Answer

11- What is purpose of the of the extended nonowned liability coverage endorsement to the PAP?

- a) To provide liability coverage for an insured\s employer when an insured uses his or her auto for business purposes.
- b) To provide liability coverage for an insured who occasionally operates a nonowned auto.
- c) To provide liability coverage for anyone who loans a covered auto to another driver
- d) To provide liability coverage for an insured who operates a nonowned auto on a regular basis.

Answer

12- Which of the following situations would be covered under the liability section of PAP?

- a) An attendant at a parking lot is sued by a pedestrian who is injured when the attendant has an accident while parking the covered auto.
- b) The daughter of the named insured is sued after she has an accident when a new friend she just met at a campus hangout lets her drive his car

a) I only    b) II only    c) Both I and II    d) Neither I nor II

Answer

13- John occasionally borrows the car of his friend, Sophie. Sophie has the car insured for \$300,000 of liability insurance under a PAP. John is also a covered person under his mother's PAP which provides \$500,000 of liability insurance. If John has an accident while using Sophie's car and is found to be legally liable in the amount of \$400,000, how much will be paid by each policy?

- a) Sophie's policy will pay \$150,000 and mother's policy will pay \$250,000
- b) Sophie's policy will pay \$300,000 and mother's policy will pay nothing
- c) Sophie's policy will pay \$300,000 and mother's policy will pay \$100,000
- d) The mother's policy will pay the entire judgment.

Answer

14- Which of the following statements about medical payments coverage of the PAP is true?

- a) The amount of the benefit typically is \$100,000
- b) Covered expenses must be incurred within six months of the accident
- c) Covered expenses include the cost of funeral services
- d) The benefit limit in the policy applies on a per-accident basis rather than a per-person basis.

Answer

15- All of the following are covered persons under the medical payments coverage of the PAP Except

- a) A family member of the named insured if struck by an auto while crossing the street
- b) A pedestrian struck by the named insured's auto
- c) the named insured who is injured while occupying a friend's auto
- d) a friend who is injured while occupying a friend's auto

Answer

16- Samir has a PAP, which provides medical payments coverage. Under which of the following circumstances would injured person be eligible for benefits under Samir's policy?

- I- A friend is injured while Samir is driving a nonowned auto
  - II- A hitchhiker riding with Samir's is injured when the son wrecks Samir's auto
- a) I only    b)II only    c)Both I and II    d) Neither I nor II

Answer

17- All of the following are exclusions under the medical payments coverage of the PAP Except

- a) Injuries incurred while riding a motorcycle
- b) Injuries incurred while an auto is being used without the presumption that permission would have been granted to use the auto
- c) Injuries incurred in a private passenger auto while it is used in a share-the-expense car pool.
- d) Injuries incurred during the course of employment if workers compensation benefits are available.

Answer

18- Which the following statements about the uninsured motorist coverage of the PAP is true?

- a) All the coverage applies only to property damage
- b) The coverage applies only if the uninsured motorist is legally liable
- c) Unless higher amounts are purchased , the maximum benefit is normally limited to \$1000
- d) A covered person's only recourse is to sue the insurer if there is a disagreement over the amount of damages

Answer

19- Which the following persons is (are) insured persons under the uninsured motorist coverage of the PAP?

- I- A pedestrian struck by a covered auto if he or she has no insurance to pay medical expenses
- II- The spouse of a named insured who is killed by an uninsured motorist

- a) I only    b)II only    c)Both I and II    d) Neither I nor II

Answer

20- All of the following are considered to be uninsured vehicles for purposes of the uninsured motorists coverage of the PAP Except

- a) A vehicle owned by an individual that is insured ,but for less than the amount required
- b) The state's financial responsibility law
- c) A hit-and-run vehicle ,the ownership of which cannot be determined
- d) An uninsured vehicle owned by another family member
- e) A vehicle insured by a company that becomes insolvent before a claim can be paid

Answer

21-Joyce was seriously injured by an uninsured drunk driver while she has riding in a friend's car. Joyce and her friend each have a PAP with an uninsured motorists limit of \$50,000. How much will be paid by each policy if it is determined that Joyce has bodily injury of \$70,000?

- a) Each policy will pay \$35,000
- b) Joyce's policy will pay \$50,000 and friend's policy will pay nothing.
- c) Joyce's policy will pay \$50,000 and friend's policy will pay 20,000.
- d) The friend's policy will pay \$50,000 and Joyce's policy will pay 20,000.

Answer

22- All of the following statements about part D(coverage for damage to your auto) of the PAP are true Except

- a) Coverage may be purchased with or without collision insurance.
- b) Losses are paid regardless of fault
- c) Coverage applies to a nonowned auto occasionally driven by an insured
- d) A newly acquired auto is covered only if the named insured asks the company to insure it within 48 hours of acquisition.

Answer

23- Which of the following is considered to be a collision loss under part D (coverage of damage to your auto) of PAP?

- a) The covered auto collides with a deer.

- b) The covered auto is wrecked by a thief after it is stolen
- c) The covered auto is damaged when it slid off an icy road and hit a fence.
- d) The covered auto is damaged when struck by a rock thrown by children

Answer

24- Ian has an auto that is covered for collision losses subject to a \$100 deductible. Kate's auto also has collision coverage but her deductible is \$500. Which of the following statements describes how a \$2000 collision loss will be paid if it occurs when Ian borrows Kate's car because his car is in the shop for repairs?

- a) Ian's policy will pay \$1500 and Kat's policy will pay nothing
- b) Ian's policy will pay \$1900 and Kat's policy will pay nothing
- c) Kat's policy will pay \$1900 and Ian's policy will pay nothing
- d) Kat's policy will pay \$1500 and Ian's policy will \$400

Answer

25- All of the following losses are excluded under Part D (coverage for damage to your auto) of an unendorsed PAP Except

- a) Damage by vandals to a portable car telephone
- b) The theft of a compact disk player that was permanently installed in auto
- c) The damage caused to a car's engine by freezing when the named insured forgot to add antifreeze
- d) The damage by fire a radar detector that overheated

Answer

26- The insurance company's options for settling a collision loss to a covered auto under the PAP include which of the following?

- I- Pay the loss in money
- II- Repair or replace the damaged auto
- a) I only    b)II only    c)Both I and II    d) Neither I nor II

Answer

27- Duties of an insured after a collision loss covered under the PAP include which of the following?

- I- Take reasonable steps to protect the vehicle from further damage
  - II- Admit fault if the insured believes he or she caused the collision
- a) I only    b) II only    c) Both I and II    d) Neither I nor II

Answer

28- All of the following statements about the termination provisions of the PAP are true Except

- a) The insured can cancel the policy for any reason.
- b) The insurer can cancel a newly written policy for any reason if it has been in force for less than 60 days.
- c) The insurer can cancel the policy after it has been in force for less than 60 days only if the insured has three or more traffic violations
- d) The insurer can refuse to renew the policy at its annual anniversary date as long as proper notice is given prior to the end of the policy period.

Answer

29- The miscellaneous type Vehicle Endorsement to the PAP can be used to insure all of the following vehicles Except

- a) Motor homes
- b) Golf carts
- c) Snowmobiles
- d) Motorcycles

Answer

30- Which of the following statements about the Miscellaneous Type Vehicle Endorsement to the PAP is (are) true?

- I- It provides bodily injury liability coverage for any vehicle rented by the insured
  - II- To lower premiums when a motorcycle is insured ,bodily injury to passengers can be excluded
- a) I only    b) II only    c) Both I and II    d) Neither I nor II

Answer



31- Aly fell asleep while driving late at night. He crossed the center line and hit a car that was approaching from the other direction. The following losses occurred

- The driver of other car suffered \$30,000 in bodily injuries
- Aly's incurred \$5000 in damages
- Aly's incurred \$5000 in medical expenses
- The car that Aly hit was a total loss

Which of Aly's Personal Auto Policy (PAP) coverage will cover the other driver's medical expenses?

- a) bodily injury liability
- b) collision coverage
- c) medical payments coverage
- d) property damage liability

Answer

32- Aly fell asleep while driving late at night. He crossed the center line and hit a car that was approaching from the other direction. The following losses occurred

- The driver of other car suffered \$30,000 in bodily injuries
- Aly's incurred \$5000 in damages
- Aly's incurred \$5000 in medical expenses
- The car that Aly hit was a total loss

Which of Aly's Personal Auto Policy (PAP) coverage will cover the damage to Aly's car?

- a) Bodily injury liability
- b) Collision coverage
- c) Medical payments coverage
- d) Property damage liability

Answer

33- Aly fell asleep while driving late at night. He crossed the center line and hit a car that was approaching from the other direction. The following losses occurred

- The driver of other car suffered \$30,000 in bodily injuries
- Aly's incurred \$5000 in damages
- Aly's incurred \$5000 in medical expenses
- The car that Aly hit was a total loss

Which of Aly's Personal Auto Policy (PAP) coverage will cover Aly's medical expenses?

- a) bodily injury liability
- b) collision coverage
- c) medical payments coverage
- d) property damage liability

Answer

34- Aly fell asleep while driving late at night. He crossed the center line and hit a car that was approaching from the other direction. The following losses occurred

- The driver of other car suffered \$30,000 in bodily injuries
- Aly's incurred \$5000 in damages
- Aly's incurred \$5000 in medical expenses
- The car that Aly hit was a total loss

Which of Aly's Personal Auto Policy (PAP) coverage will cover the damage to the car that Aly hit?

- a) bodily injury liability
- b) collision coverage
- c) medical payments coverage
- d) property damage liability

Answer

35- Sarah purchased a Personal Auto Policy (PAP) with limits of 50/100/25. Sarah ran a stop sign and hit a van. The van sustained \$15,000 in damages. The following bodily injuries were suffered by passengers in van. Passenger #1, 15,000; Passenger #2, 60,000; and Passenger #3, 10,000. Sarah sustained \$ 5000 in medical expenses, and Sarah's car sustained \$10,000 in damages. How much will Sarah's insurer pay under Part A: liability coverage?

- a) \$90,000

- b) \$100,000
- c) \$115,000
- d) \$125,000

Answer

36- Soher purchased a Personal Auto Policy (PAP). Her car was rear-ended by driver who fled the scene. Soher suffered severe whiplash, migraine headaches, and lower back pain resulting from the accident. She was unable to work. Which of the following coverages will cover Shore's lost work earnings?

- a) Medical payments
- b) Uninsured motorists
- c) Underinsured motorists
- d) Bodily injury liability

Answer

37- Mohamed purchased a Personal Auto Policy (PAP), including collision and other-than-collision coverage. All of the following losses are excluded under this physical damage coverage Except

- a) Mohamed wrecked his car while using it a taxi cab
- b) Thieves took Mohamed's radar detector from his car
- c) A flash flood washed Mohamed's car off the road and damaged it
- d) The new tires Mohamed had on the car were defective and wore out after two months

Answer

38- Angie was injured when her car was struck by a driver who ran a red light. The other driver carried only the minimum amount of liability coverage necessary to be considered financially responsible in the state. Angie's injuries were \$15,000 above the minimum per-person bodily injury limit. There is a coverage that can be added to the PAP that applies when a negligent driver carries at least minimum amount of liability insurance required by state, but the limits carried are less than the insured's actual damages for bodily injury. This coverage is called

- a) Medical payments coverage
- b) Uninsured motorists coverage

- c) Bodily injury liability coverage
- d) Underinsured motorists coverage

Answer

39- Abd Allah was involved in an accident. He believes the damage to his auto is \$6000. His insurer believes the damage is only \$3500. Which PAP is designed to handle disputes between the insurer and insured over the amount of the loss?

- a) Other insurance provision
- b) Agreed amount endorsement
- c) Coinsurance provision
- d) Appraisal provision

Answer

40- Which of the following losses would be paid under the collision coverage of the Personal Auto Policy?

- a) The car is stolen and the thief collides with a bridge
- b) The car collides with a deer
- c) Bricks fall from a truck the insured is following and hit the car
- d) The insured misjudges a curve and "rolls" the car
- e) None of the above

Answer

## **QUESTION Two**

### **TRUE FALSE QUESTIONS**

- 1- Liability coverage under the PAP applies to persons operating the covered automobile with permission

Answer

- 2- The PAP is suspended if the insured intentionally violates the law while operating the covered auto

Answer

- 3- Medical payments coverage of the PAP covers the named insured and relatives if struck by an auto while they are pedestrians

Answer

- 4- While liability coverage of the PAP applies to the named insured while operating a nonowned automobile , resident relatives do not enjoy such coverage.

Answer

- 5- If you borrow a friend's car ,the coverage of your PAP will apply as excess insurance in the event of a loss

Answer

- 6- Trailers owned by the named insured are automatically covered under the liability section of the PAP regardless of whether or not they have been listed

Answer

- 7- Osama's PAP will apply as excess coverage to an auto which his employer furnishes for business use by Osama

Answer

- 8- Although the PAP provides some coverage for the business use of nonowned automobiles, special exclusions apply to automobiles used in the automobile business.

Answer

- 9- Newly acquired replacement automobiles are automatically covered under the PAP without notice to the insurer, except with respect to physical damage coverage on the new auto

Answer

- 10- Trailers are automatically covered under both the liability section and the physical damage section of the PAP regardless of whether or not they are listed in the policy

Answer

- 11- Coverage on motorcycles and motorscooters may be provided under the PAP, but with special endorsement to tailor the coverage to the exposure

Answer

- 12- When the PAP is written to provide coverage on a motorcycle, coverage applies to a temporary substitute vehicle, but not to other nonowned motorcycles

Answer

- 13- The extended Liability Coverage endorsement to the PAP extends coverage to autos furnished for the regular use of a named individual.

Answer

### **QUESTION THREE (DEFINITIONS)**

#### ***ANSWER THE FOLLOWING:-***

- 1- Define PAP policy
- 2- What are Declarations in PAP policy
- 3- What is Liability coverage in PAP policy
- 4- Exclusions to the coverage in part A of PAP policy
- 5- What are the insured persons under Uninsured Motorists coverage in part C of PAP?
- 6- What are The Exclusions to the coverage in part C of PAP policy
- 7- What are Coverage for Damage to Your Automobile if you have PAP policy
- 8- What are Exclusions to the coverage in part D of PAP policy
- 9- What are Obligations that should be done if the insured has an accident or loss? In other words, after an accident, the insured is required to perform certain duties, what are these?
- 10- Explain the General Provisions of PAP policy
- 11- Did PAP policy cover motorcycles, mopeds, motorscooters and similar vehicles?

### **QUESTION FOUR**

#### ***Fill in***

- 1- Automobile insurance coverage is classified into four coverages , they are ----,-----,-----,---,and-----
- 2- PAP is complicated of all insurance contracts because it is ----- where provides a coverage against three types of losses ,they are ----- -,-----,and-----
- 3- PAP is eligible to----- and not eligible to-----
- 4- Autos covered by the PAP policy include---,-----,-----,and-----
- 5- Contents of Personal Automobile Policy(PAP)are -----,-----,----- --,-----and-----
- 6- Uninsured Motorists Coverage in PAP policy means-----



- i- Fred's wife goes shopping at a supermarket. When she returns, she finds that another driver who did not leave a name has damaged the left rear fender. the cost of repairing the car is \$2000
- j- Fred works for a construction company. While driving a large cement truck, he negligently injures another motorist. The injured motorist sues Fred for \$25000
- k- Fred's son drives a family car on a date. He gets drunk, and his girlfriend drives him home. The girlfriend negligently injures another motorist, who has bodily injuries in the amount of \$20,000
- l- Fred's car was damaged when another car in the adjacent lane skidded and collided into it. Fred sustained serious injuries and his car was extensively damaged. Fred's medical bill amounted to \$40,000 and the car's repair cost was \$60,000. The other car's liability coverage was \$25,000/100,000/50,000.

### **Solution**

#### **Second Applied Case**

Patrick has a PAP with liability limits of \$50,000/\$100,000/\$25,000. Patrick failed to stop at a red light and hit a van. The van sustained damages of 415,000. Three passengers in the van were injured and incurred the following bodily injuries:

Passenger A \$15,000

Passenger B \$60,000

Passenger C \$10,000

Patrick was also injured and incurred medical bills of \$10,000. His car sustained damages of \$10,000. Because of his injury, Patrick was unable to work and lost \$5000 in wages. How much will Patrick's insurer pay under the liability coverage (Part A0 section of his PAP)? Explain your answer.

### **Solution**