

DIRECTIONS: Each question is followed by four suggested answers. In each case, select the **one** that best answers the question. **Note:** In some questions, the word “basic” or “standard” appears in front of the name of a policy, floater, or other form. In each instance, basic or standard means without endorsements or changes of any kind.

1. Homeowner’s policies provide liability coverage for which of the following?
 - a. Bodily Injury Only
 - b. Property Damage Only
 - c. Bodily Injury and Personal Injury
 - d. Property Damage and Bodily Injury
2. The Declarations’ section of an insurance policy provides which of the following?
 - a. The conditions and exclusions
 - b. The insured’s statement about the condition of the property
 - c. Specifications for the payment of a loss
 - d. The insured’s name and address and the time duration of the policy
3. Extra Expense insurance covers which of the following?
 - a. The additional cost of taking safety measures before a loss
 - b. The additional cost of continuing a business after a loss
 - c. The extra money needed to cover a firm’s loss of earnings
 - d. The extra money needed to cover landlord’s loss of rental income
4. One purpose of a deductible is to:
 - a. prevent underinsurance
 - b. eliminate small claims
 - c. prevent catastrophic claims
 - d. allow the insured to ignore physical hazards
5. Which of the following statements is true about additional coverages?
 - a. They are automatically included only if Medical Payments coverage is purchased
 - b. They are included for a minimum premium
 - c. They are included at no extra cost
 - d. They are optional on the part of the insured
6. All of the following coverages are found in all Homeowners Policies, but not Unendorsed Dwelling Forms?
 - a. Fire
 - b. Wind
 - c. Vandalism
 - d. Theft
7. Which of the following best describes the concept of risk?
 - a. result of loss
 - b. amount of loss
 - c. uncertainty of loss
 - d. cause of loss
8. An insurance policy’s Appraisal clause is used to determine the:
 - a. person who is liable for damages
 - b. amount of liability
 - c. existing coverage
 - d. facts so the case can be heard in court

9. A Scheduled Personal Property Endorsement is usually issued on which of the following bases?
- Open Perils (All-Risk)
 - Blanket
 - Replacement Cost
 - Valued
10. Ten years ago, an insured purchased a building for \$50,000 that would cost \$100,000 to rebuild today. If the physical value of the building has depreciated \$2,000 each year, the building's present actual cash value is:
- \$100,000
 - \$80,000
 - \$50,000
 - \$30,000
11. A Building and Personal Property Coverage Form automatically provides for which of the following extensions of coverage?
- Outdoor Signs
 - Replacement Cost
 - Newly Acquired Property
 - Rental Value
12. A sudden unintended and unexpected event is known as:
- Negligence
 - a Warranty
 - an Accident
 - an Occurrence
13. The purpose of the coinsurance clause is to:
- require the insurance company to pay all losses in full
 - encourage the insured to insure property to full value
 - allow the insured to choose any amount of coverage
 - permit other insurance on the same property
14. Which of the following is an excluded peril under a Homeowner's policy?
- Lightning
 - Civil Commotion
 - Nuclear Contamination
 - Smoke
15. Additional Coverages in a Homeowner's policy would cover:
- the dwelling
 - materials and supplies
 - other structures
 - debris removal
16. Which of the following conditions of a property policy, if any, describes the procedure for an insured to use in a disagreement with the insurance company about the amount of a loss?
- Pro Rata Liability
 - Subrogation
 - Audit
 - None of the above
17. Which of the following would be automatically covered under an HO-3 Form?
- Personal property of the insured's daughter who is away at college
 - The insured's driveway, if damaged by a falling object
 - The insured's pedigreed collie valued at \$2,000
- I and II only
 - I and III only
 - II and III only
 - I, II, and III

18. The insured carries \$250,000 Fire Insurance with 80% Coinsurance on a building worth \$400,000. How much would she collect in the event of a total loss?
- \$200,000
 - \$250,000
 - \$320,000
 - \$400,000
19. A person may be considered negligent if he or she:
- fails to do what a reasonable and prudent person would do
 - commits a deliberate act that injures another
 - injures another person even though he acted prudently
 - assists to the best of his ability another person who is in distress
20. In property insurance, insurable interest must exist at the:
- inception of the policy
 - time of premium payment
 - time of application
 - time of loss
21. Exclusions exist in insurance policies for which of the following reasons?
- To eliminate duplicate coverage
 - To eliminate coverage for certain types of loss
 - To eliminate coverage for uninsurable perils
- I only
 - I and II only
 - II and III only
 - I, II and III
22. Which of the following must an insured do after suffering a property loss?
- Have the damaged property appraised
 - Take steps to reduce any further loss
 - Hire an outside claims adjuster
 - Increase his coverage
23. Which of the following types of property would be included under Coverage A of a Building and Personal Property Coverage Form?
- A central air-conditioning system
 - Wall-to-wall carpeting
 - A permanently installed intercom system
- II only
 - I and III only
 - II and III only
 - I, II and III
24. A homeowner whose house suffered a \$50,000 total loss was insured for \$60,000. What principle would be violated if her insurance company paid him \$60,000?
- Indemnity
 - Negligence
 - Liability
 - Insurable interest
25. Which of the following events would require a change on an insured's homeowner's policy?
- The birth of a child
 - The purchase of a second car
 - A change in mailing address
 - A change in occupation
26. The ABC Office Supply Corporation carries \$100,000 insurance on a storage building held under a \$50,000 mortgage acknowledged in the policy. ABC stores dynamite in the building without informing the insurance company. There is an explosion, and the building is destroyed.

- Which of the following amounts is the maximum that the mortgagee can recover?
- \$0
 - \$25,000
 - \$50,000
 - \$100,000
27. Which of the following formulas is used to calculate a claim payment when a policy contains a coinsurance clause?
- $\frac{\text{insurance carried}}{\text{insurance required}} \times \text{loss} = \text{amt. paid}$
 - $\frac{\text{insurance carried}}{\text{insurance required}} \times \text{total value} = \text{amt. paid}$
 - $\frac{\text{insurance required}}{\text{insurance required}} \times \text{loss} = \text{amt. paid}$
80% of cash value
 - $\frac{\text{insurance required}}{\text{insurance required}} \times \text{total value} = \text{amt. paid}$
80% of replacement cost
28. Under a basic Building and Personal Property Coverage Form, loss valuation is based on which of the following?
- Market value
 - Actual cash value
 - Original cost
 - Replacement cost
29. The Conditions section of an insurance contract specifies which of the following?
- The property location
 - The insurance co. responsibilities
 - The insured's responsibilities
 - The policy duration
- I and II only
 - I and IV only
 - II and III only
 - I, II, III and IV
30. An application for Homeowner's insurance is denied based on a consumer report furnished to the insurance company. Under the provisions of the Fair Credit Reporting Act, the applicant has the right to do which of the following?
- Be advised of the name of reporting agency
 - Examine his file by furnishing proper identification to the reporting agency
 - Require the insurance company to send him a copy of his report from the reporting agency
- I and II only
 - I and III only
 - II and III only
 - I, II and III
31. A newspaper is interested in protecting against additional costs of continuing to print the newspaper in the event its buildings were destroyed. Which of the following coverages should the newspaper purchase?
- Open Perils (All-Risk)
 - Extra Expense
 - Loss of Rents
 - Contingent Gross Earnings
32. Brian Gabriel insures his television repair shop under a Building and Personal Property Coverage Form with limits of \$100,000 on the building and \$50,000 on the contents. A fire causes \$10,000 in damage to the building and \$20,000 in losses to the contents. Mr. Gabriel also must pay \$1,000 for debris removal. If the policy has a deductible of \$100.00, Mr. Gabriel will receive a maximum of which of the following amounts from his insurance company?
- \$29,900
 - \$30,000
 - \$30,900
 - \$31,000

33. Under a Personal Articles Floater, a pair of antique salt and pepper shakers is insured for \$1,000. When one of the shakers is broken, the remaining shaker is worth only \$200. How much will the insured receive for the loss before the deductible is applied?
- \$1,000
 - \$800
 - \$500
 - \$500
34. A Boatowner's Policy would pay for which of the following losses?
- A boat's motor is stolen before the insured reports its acquisition to his insurance company
 - A boat's motor is damaged while being serviced
 - A boat that sank in 40 feet of water is refloated at a cost of \$700.
 - II only
 - III only
 - I and II only
 - I, II and III
35. When a Homeowner's policy is issued with \$75,000 coverage on a dwelling, what is the automatic amount of insurance on Personal Property?
- \$7,500
 - \$15,000
 - \$37,500
 - \$45,000
36. Subrogation may follow which of the following events?
- An insured collects from her insurance company for damage caused by a third party
 - An insured causes damage to her own goods
 - Forces of nature damage the insured's property
 - Firefighters damage the insured's property while putting out a fire
37. The home of Mr. And Mrs. Grant is insured by an HO-3 Form with \$50,000 coverage. Which of the following losses would be covered under the policy?
- Mrs. Grant's \$800 shotgun is stolen out of a motel room while she is attending a national skeet-shooting match
 - Mr. Grant loses his wallet containing his credit cards, and the finder demands a \$400 reward
 - The Grants' lawn mover is destroyed when their garage burns down
 - I and II only
 - I and III only
 - II and III only
 - I, II and III
38. The Personal Liability section of a Homeowner's policy covers which of the following?
- Damage to an insured's property caused by a visitor
 - Bodily injury to a resident caused by a neighbor's dog
 - Bodily injury or property damage caused by war
 - Bodily injury or property damage caused by the personal activities of an insured
39. Under the terms of Property Policy, an insurance company is obligated to:
- pay covered losses
 - ensure that the covered property is safe
 - keep records of the covered property
 - ensure that the hazard remains the same
40. Brain Hendricks is adequately insured with a Homeowner's policy containing 80% replacement cost coverage. If he suffered a

- partial loss to his dwelling structure, he would be able to collect which of the following percentage of loss?
- 20%
 - 80%
 - 90%
 - 100%
41. Which of the following should an insurance agent recommend to a prospective insured that owns silverware, jewelry and furs valued in excess of \$50,000?
- Homeowner's Policy
 - Personal Articles Floater
 - Personal Effects Floater
 - Extended Coverage Endorsement
42. Mary Kent has insured her home under a \$100,000 HO-3 Form. If she has a fire loss of \$15,000 to her unattached garage, her Homeowner's policy will reimburse her for which of the following amounts?
- \$5,000
 - \$7,500
 - \$10,000
 - \$15,000
43. A dead tree beside a home is best described as which of the following types of hazard?
- Physical
 - Proximate
 - Moral
 - Morale
44. Losses caused by all of the following are covered under a National Flood Insurance Program, **except**:
- overflow of tidal waters
 - mudslides and mudflows
 - rapid accumulation of runoff of surface water
 - sewer backup
45. An HO-2 Form sets special coverage limits on all of the following items, **except**:
- money
 - television sets
 - jewelry
 - boats
46. A Building and Personal Property Coverage Form provides coverage for all the following types of property, **except**:
- growing crops and lawns
 - tenants' improvements and betterments
 - yard fixtures
 - business personal property
47. All the following make a property insurance policy an indemnity contract, **except**:
- Liberalization
 - Insurable interest
 - Actual cash value
 - Subrogation
48. The plumbing in Mrs. Sander's home suddenly burst and the ceilings were damaged by water. All the following Homeowner's forms would cover the loss, **except**:
- an HO-1 Form (HO-8)
 - an HO-2 Form
 - an HO-3 Form
 - an HO-5 Form

Directions: The group of questions below consists of four lettered headings followed by a list of numbered sentences. For each numbered sentence, select the one heading that is most closely related. One heading may be used once, more than once or not at all.

QUESTIONS 49-50

- a. Coinsurance
- b. Actual Cash Value
- c. Replacement Cost
- d. Excess Loss Coverage

Select the concept listed above that is best illustrated by each of the following.

49. An insured's loss payment is reduced by depreciation. _____
50. An insured is reimbursed by his insurance company for cost of a new chair after a 10-year-old one is destroyed by fire. _____