Property & Casualty Insurance Exam Practice Questions & Answers

270 multiple-choice questions with the answer key and full explanations

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Edition: July 2026

How to use this question bank

- Work in sets of 20-30 questions. Mark your answers on paper before checking the key.
- The answer key at the back explains every correct answer - read the explanation even for questions you got right.
- Note the topic of every question you miss, then focus your handbook reading on those topics.
- For timed, exam-style practice, use the free interactive mock exams for your state at https://insuranceexampractice.com/free-mock-tests - no registration required.
- These questions cover the national content outline. Your state's exam also includes a state-law section - study it from your state's official candidate handbook.

Questions

1. What is property insurance?

A. Life insurance on property owners
B. Insurance that protects physical property against damage or loss
C. Insurance on investment properties only
D. Insurance for property management companies

2. What is casualty insurance?

A. Insurance for military casualties
B. Insurance covering legal liability for injuries or damage caused to others
C. Temporary insurance coverage
D. Insurance for casual workers

3. What is 'actual cash value' (ACV)?

A. The full cost to replace an item new
B. Replacement cost minus depreciation
C. The market value of stocks
D. The policy's face value

4. What is 'replacement cost' coverage?

A. Coverage that replaces the old policy
B. Coverage for replacement workers
C. Coverage for replacing the policyholder
D. Coverage that pays to replace damaged property with new items of like kind and quality

5. What is a 'peril' in insurance?

A. A type of policy
B. A dangerous activity
C. A coverage exclusion
D. A specific cause of loss that may trigger a claim

6. What is a 'named perils' policy?

A. A policy for famous people
B. A policy that covers only specifically listed perils
C. A policy naming the insured
D. A policy with the agent's name

7. What is an 'open perils' (all-risk) policy?

A. A policy with no coverage limits
B. A policy with open enrollment
C. A policy open to all applicants
D. A policy covering all causes of loss except those specifically excluded

8. What is 'indemnification' in insurance?

A. Restoring the insured to their pre-loss financial condition
B. Punishing the at-fault party
C. Increasing the coverage amount
D. Identifying the cause of loss

9. What is 'coinsurance' in property insurance?

A. Sharing coverage with another company
B. Insurance from two sources
C. The insured's share of a claim
D. A requirement to insure property to a minimum percentage of its value

10. What happens if a property owner fails to meet the coinsurance requirement?

A. Nothing happens
B. Premiums are refunded
C. The policy is cancelled
D. The owner becomes a coinsurer and may not receive full claim payment

11. What is an 'endorsement' or 'rider' in property insurance?

A. A recommendation from an agent
B. A document that modifies or adds to the original policy
C. A claim settlement document
D. A signature on the policy

12. What is a 'floater' policy?

A. A policy with no set premium
B. Insurance for swimming pools
C. Coverage for property that moves from location to location
D. Insurance for boats only

13. What is 'ordinance or law' coverage?

A. Coverage for costs to comply with building codes when repairing or rebuilding
B. Insurance for lawyers
C. Insurance required by law
D. Coverage for legal fees

14. What is 'bodily injury liability'?

A. Medical payments coverage
B. Coverage for your own injuries
C. Workers compensation
D. Coverage for legal liability when you injure someone else

15. What is 'property damage liability'?

A. Collision coverage
B. Comprehensive coverage
C. Coverage for legal liability when you damage someone else's property
D. Coverage for damage to your property

16. What is 'personal liability' coverage in a homeowners policy?

A. Coverage for personal vehicles
B. Coverage for personal property
C. Coverage protecting against claims of bodily injury or property damage caused by the insured
D. Coverage for personal loans

17. What is an 'umbrella' liability policy?
A. Excess liability coverage above underlying primary policies
B. Coverage for rain damage
C. A comprehensive homeowners policy
D. Insurance for umbrella manufacturers

18. What is 'negligence'?
A. Ignoring policy terms
B. Failure to exercise reasonable care, resulting in harm to others
C. Intentional harm
D. Refusing to pay premiums

19. What are the elements required to prove negligence?
A. Contract and consideration
B. Liability and premium payment
C. Intent and malice
D. Duty, breach of duty, proximate cause, and damages

20. What does 'liability' coverage in auto insurance protect?
A. Theft of your vehicle
B. Mechanical breakdowns
C. Your own vehicle
D. Claims from others you injure or whose property you damage

21. What is 'collision' coverage?
A. Coverage for towing after a collision
B. Coverage for liability in a collision
C. Coverage for damage to your vehicle from colliding with another object
D. Coverage when vehicles are in a demolition derby

22. What is 'comprehensive' coverage in auto insurance?
A. All-inclusive collision coverage
B. Full liability coverage
C. Coverage for damage from non-collision events like theft, fire, or hail
D. Coverage for all drivers

23. What is 'uninsured motorist' (UM) coverage?
A. Coverage for unlicensed drivers
B. Coverage for driving without insurance
C. Coverage for injuries caused by a driver who has no insurance
D. Coverage for rental cars

24. What is 'underinsured motorist' (UIM) coverage?
A. Coverage when the at-fault driver's insurance is insufficient to cover your damages
B. Low-cost basic insurance
C. Coverage for drivers under 21
D. Coverage for underpaid claims

25. What is 'medical payments' (MedPay) coverage in auto insurance?

A. Liability coverage for medical expenses
B. Coverage that pays medical bills for you and passengers regardless of fault
C. Health insurance for drivers
D. Coverage for medical equipment in vehicles

26. What is 'personal injury protection' (PIP)?

A. Protection against lawsuits
B. Personal liability coverage
C. Protection for your vehicle's interior
D. No-fault coverage for medical expenses, lost wages, and other costs

27. What is a 'no-fault' auto insurance state?

A. A state without auto insurance requirements
B. A state where no one is ever at fault
C. A state where the government pays claims
D. A state where each driver's insurance pays their own damages regardless of fault

28. What are the main coverages in a homeowners policy?

A. Only dwelling coverage
B. Property only
C. Dwelling, other structures, personal property, loss of use, liability, and medical payments
D. Just liability and medical

29. What does 'dwelling coverage' (Coverage A) protect?

A. Your personal belongings inside
B. Liability from guests
C. Detached garages only
D. The structure of your home and attached structures

30. What does 'other structures' coverage (Coverage B) protect?

A. Detached structures on your property like fences, sheds, or detached garages
B. Neighbors' property
C. Other homes you own
D. Commercial buildings

31. What does 'personal property' coverage (Coverage C) protect?

A. Your belongings both at home and while traveling
B. Only items inside the home
C. Vehicles in the garage
D. Business equipment

32. What is 'loss of use' coverage (Coverage D)?

A. Coverage for additional living expenses if your home is uninhabitable
B. Coverage for loss of income
C. Coverage for lost keys
D. Coverage for losing the policy

33. What is an HO-3 policy?

A. A renter's insurance policy

B. A condo insurance policy

C. The most common homeowners policy with open-peril dwelling and named-peril personal property coverage

D. A policy for mobile homes

34. What is an HO-4 policy?

A. A policy for condos

B. A policy for older homes

C. A renter's insurance policy for tenants

D. A comprehensive homeowners policy

35. What is an HO-6 policy?

A. A policy for manufactured homes

B. A condo owners policy

C. A basic homeowners policy

D. A farm insurance policy

36. What is a 'Business Owners Policy' (BOP)?

A. An executive benefits policy

B. Personal insurance for business owners

C. A package policy combining property and liability coverage for small businesses

D. A policy covering business owners' homes

37. What is 'business interruption' insurance?

A. Coverage for business meetings

B. Insurance for supply chain issues

C. Insurance for employee breaks

D. Coverage for lost income and expenses when business operations are suspended

38. What is 'general liability' insurance for businesses?

A. Insurance for general contractors only

B. Coverage protecting against third-party claims of bodily injury or property damage

C. Coverage for all business risks

D. Coverage for employee injuries

39. What is 'professional liability' insurance?

A. Insurance for trade unions

B. Insurance for professional athletes

C. Coverage for claims arising from professional errors, omissions, or negligence

D. Coverage for professional equipment

40. What is 'workers compensation' insurance?

A. Retirement benefits insurance

B. Coverage for employees injured on the job, regardless of fault

C. Coverage paying employees extra wages

D. Unemployment insurance

41. Is workers compensation insurance required?

A. Only for large corporations
B. No, it's always optional
C. Only for dangerous jobs
D. Yes, it's mandatory in most states for employers with employees

42. What is the insured's first duty after a loss?

A. Repair the damage immediately
B. Promptly notify the insurance company of the loss
C. Calculate the claim amount
D. Call a lawyer

43. What is a 'proof of loss'?

A. Evidence that coverage was purchased
B. A loss ratio calculation
C. A formal sworn statement from the insured documenting the loss
D. Proof that the loss was accidental

44. What is the purpose of a claims adjuster?

A. To adjust premium rates
B. To sell additional coverage
C. To investigate claims and determine the amount the insurer should pay
D. To deny all claims

45. What is 'salvage' in property claims?

A. Recovering stolen property
B. Salvaging a denied claim
C. Damaged property retained by the insurer after paying a total loss claim
D. Saving the policy from cancellation

46. What is 'subrogation' in property and casualty insurance?

A. Transferring the policy to another person
B. Reducing the claim amount
C. Substituting one policy for another
D. The insurer's right to pursue recovery from the party responsible for the loss

47. What is 'fraud' in insurance?

A. Disagreeing with a claim decision
B. Filing a legitimate claim
C. Changing insurers frequently
D. Intentional deception to obtain insurance benefits illegally

48. What is 'arson' as it relates to property insurance?

A. Electrical fire damage
B. The intentional and malicious burning of property
C. Smoke damage without fire
D. Accidental fire damage

49. What is the 'duty to defend' in liability insurance?

A. Defending against premium increases
B. The insurer's obligation to provide legal defense for covered claims
C. A requirement to hire a defense attorney
D. The insured's duty to defend the insurer

50. What is 'bad faith' in insurance?

A. Switching insurance companies
B. Disagreeing with policy terms
C. An insurer's unreasonable denial or delay of legitimate claims
D. Purchasing insurance you don't need

51. What is 'builders risk' insurance?

A. Insurance for construction workers
B. Coverage for construction defects
C. Insurance for real estate developers
D. Coverage for buildings under construction against damage or loss

52. What is 'inland marine' insurance?

A. Insurance for inland watercraft
B. Insurance for lakes and rivers
C. Marine life coverage
D. Coverage for goods in transit and movable property on land

53. What is 'ocean marine' insurance?

A. Insurance for ocean-view properties
B. Coverage for marine animals
C. Coverage for ships, cargo, and related maritime exposures
D. Flood insurance for coastal areas

54. What is 'directors and officers' (D&O) liability insurance?

A. Insurance for movie directors
B. Coverage for corporate headquarters
C. Coverage protecting corporate directors and officers from personal liability for decisions
D. Insurance for military officers

55. What is 'employment practices liability' (EPL) insurance?

A. Insurance for employment agencies
B. Coverage for hiring practices
C. Protection against claims of wrongful employment practices like harassment or discrimination
D. Coverage for employee injuries

56. What is 'cyber liability' insurance?

A. Insurance for online shopping
B. Coverage for electronic equipment
C. Coverage for data breaches, cyberattacks, and related exposures
D. Insurance for internet companies only

57. What is 'garage liability' insurance?

A. Coverage for residential garages
B. Insurance for garage door companies
C. Liability coverage for businesses that service, sell, or store vehicles
D. Coverage for parking garages only

58. What is 'products liability' insurance?

A. Coverage for claims arising from injuries or damage caused by products sold or manufactured
B. Coverage for damaged inventory
C. Insurance for product testing
D. Insurance for product recalls

59. What is 'completed operations' liability?

A. Coverage for liability arising from work after it has been completed
B. Coverage for finished buildings
C. Insurance for completed insurance applications
D. Coverage for surgical operations

60. What is 'bailee' coverage?

A. Insurance for bail bondsmen
B. Insurance for ballet companies
C. Coverage for damage to property in someone's care, custody, or control
D. Coverage for baled hay

61. What is a 'surety bond'?

A. A type of life insurance policy
B. A three-party agreement guaranteeing one party will fulfill an obligation to another
C. A bond between insurance agents
D. A type of investment bond

62. What is a 'fidelity bond'?

A. A bond for faithful employees
B. Coverage protecting against employee dishonesty and theft
C. A guarantee of faithful service
D. A marriage-related insurance product

63. What is the 'National Flood Insurance Program' (NFIP)?

A. A federal program providing flood insurance where private coverage is limited
B. A state-run flood assistance program
C. A private flood insurance company
D. An international flood relief organization

64. Is flood damage typically covered by standard homeowners policies?

A. Yes, floods are always covered
B. Only in coastal areas
C. No, flood coverage requires a separate policy
D. Only for basements

65. Is earthquake damage typically covered by standard homeowners policies?

A. Only in California
B. Only for structural damage
C. No, earthquake coverage usually requires a separate policy or endorsement
D. Yes, earthquakes are always covered

66. What is 'attractive nuisance' doctrine?

A. A type of policy endorsement
B. A marketing strategy
C. Nuisance claims coverage
D. Liability for injuries to children attracted to dangerous conditions on property

67. What is 'vicarious liability'?

A. Virtual reality coverage
B. Secondary liability coverage
C. Liability imposed on one party for the actions of another
D. Liability for watching dangerous activities

68. What is 'strict liability'?

A. Liability imposed without proof of negligence or fault
B. Liability only for strict policy violations
C. Liability with strict limits
D. Very limited liability coverage

69. What is 'joint and several liability'?

A. Each defendant can be held responsible for the full amount of damages
B. Liability shared equally
C. Liability for joint ventures only
D. Several types of liability combined

70. What is 'comparative negligence'?

A. Negligence compared to industry standards
B. A system where damages are reduced by the plaintiff's percentage of fault
C. Comparing negligence between insurance companies
D. A comparison of negligent drivers

71. What is 'contributory negligence'?

A. Shared negligence between parties
B. Contributing to an insurance company
C. A defense that bars recovery if the plaintiff contributed to their own injury at all
D. Negligence that contributes to the claim

72. What is an 'aggregate limit' in liability insurance?

A. The combined limit of all policies
B. The maximum amount the insurer will pay for all claims during a policy period
C. The limit for aggregate risks
D. A limit on agent aggregations

73. What is a 'per occurrence' limit?

A. The limit per insurance occurrence
B. The maximum amount payable for any single covered event
C. A recurring payment limit
D. The limit per claim filing

74. What is 'claims-made' coverage?

A. Custom-made coverage
B. Coverage that applies when a claim is made during the policy period
C. Coverage made by the claims department
D. Coverage for claims that are made properly

75. What is 'occurrence' coverage?

A. Coverage that applies when the incident occurs during the policy period
B. Coverage that occurs automatically
C. Regular occurrence of premium payments
D. Coverage for common occurrences

76. What is a 'tail' or 'extended reporting period' endorsement?

A. Coverage for pets
B. An extension allowing claims to be reported after a claims-made policy expires
C. Additional reporting requirements
D. Extended policy documents

77. What is 'SR-22' in auto insurance?

A. A type of sports car coverage
B. A certificate proving minimum liability coverage, required after certain violations
C. A senior driver discount
D. A special rating factor

78. What is 'gap' insurance in auto coverage?

A. Coverage paying the difference between a car's ACV and the loan balance
B. Insurance for parking spaces
C. Coverage for gap periods between policies
D. Insurance that fills coverage gaps

79. What is the purpose of 'rental reimbursement' coverage?

A. Paying for a rental car while your vehicle is being repaired after a covered loss
B. Coverage for rental income
C. Covering rental property
D. Reimbursing rental car companies

80. What is 'towing and labor' coverage?

A. Coverage for boat towing
B. Insurance for construction labor
C. Coverage for towing costs and minor roadside labor like flat tire changes
D. Coverage for tow truck operators

81. What is 'blanket coverage' in property insurance?

A. Full coverage policies
B. Coverage for blankets and bedding
C. A single coverage amount applying to multiple properties or items
D. Comprehensive coverage

82. What is 'valued policy' law?

A. A law about valuable policies
B. State laws requiring insurers to pay the full policy limit for total losses
C. Regulations on valuable items
D. Laws about policy values

83. What is 'extra expense' coverage?

A. Coverage for excessive costs
B. Extra premium payments
C. Expenses beyond the deductible
D. Coverage for additional costs to continue operations after a covered loss

84. What is 'builders risk' insurance?

A. Coverage for buildings under construction against physical damage
B. Insurance for construction workers
C. Risk assessment for builders
D. Liability insurance for contractors

85. What is 'inland marine' insurance?

A. Coverage for property in transit or at fixed locations not covered by standard property policies
B. Insurance for inland waterways
C. Marine life insurance
D. Insurance for boats on rivers

86. What is 'errors and omissions' (E&O) insurance?

A. Error correction services
B. Coverage for clerical errors
C. Professional liability coverage for mistakes or failures in professional services
D. Insurance for omitted coverage

87. What is 'directors and officers' (D&O) liability insurance?

A. Insurance for movie directors
B. Coverage for corporate leaders against claims of wrongful acts in their management capacity
C. Officer health insurance
D. Insurance for military officers

88. What is 'employment practices liability' (EPLI) insurance?

A. Employment agency insurance
B. Liability for hiring practices
C. Workers' compensation
D. Coverage for claims by employees alleging discrimination, harassment, or wrongful termination

89. What is 'fiduciary liability' insurance?

A. Financial advisor insurance
B. Trust fund protection
C. Coverage for those managing employee benefit plans against claims of mismanagement
D. Insurance for trustees

90. What is 'cyber liability' insurance?

A. Software warranty coverage
B. Coverage for data breaches, cyber attacks, and related liability exposures
C. Insurance for computers
D. Internet service insurance

91. What is 'contingent business interruption' coverage?

A. Coverage for income loss when a key supplier's or customer's operations are disrupted
B. Coverage during contingencies
C. Backup business plans
D. Temporary closure coverage

92. What is 'products-completed operations' hazard?

A. Completed project insurance
B. Hazardous products insurance
C. Product manufacturing coverage
D. Liability for injury or damage arising from products sold or work completed away from premises

93. What is 'premises and operations' coverage?

A. Real estate coverage
B. Coverage for operating equipment
C. Liability coverage for injuries or damage occurring on insured premises or from ongoing operations
D. Surgical operation coverage

94. What is 'personal and advertising injury' coverage?

A. Coverage for offenses like libel, slander, false arrest, and copyright infringement in advertising
B. Personal injury protection
C. Marketing expense coverage
D. Coverage for personal ads

95. What is 'umbrella' liability insurance?

A. Multiple policy coverage
B. Coverage for rain damage
C. Excess liability coverage that provides additional limits above underlying policies
D. Insurance for umbrella manufacturers

96. What is 'excess' liability insurance?

A. Over-insurance protection
B. Coverage that pays only after underlying policy limits are exhausted
C. Insurance for excessive claims
D. Surplus lines coverage

97. What is 'hired and non-owned auto' coverage?

A. Coverage for rental cars only
B. Liability coverage for vehicles used for business that aren't owned by the insured
C. Company car insurance
D. Coverage for employee-owned vehicles

98. What is 'motor carrier' insurance?

A. Motorcycle insurance
B. Insurance for car carriers
C. Moving company coverage
D. Commercial auto coverage required for businesses transporting goods or passengers for hire

99. What is 'cargo' insurance?

A. Coverage for goods being transported against loss or damage during transit
B. Airport cargo coverage
C. Insurance for cargo shorts
D. Shipping container insurance

100. What is 'bailee' coverage?

A. Insurance for bailiffs
B. Coverage for bail bonds
C. Legal defense coverage
D. Coverage for property of others in the insured's care, custody, or control

101. What is 'pollution liability' insurance?

A. Environmental consulting coverage
B. Industrial waste insurance
C. Coverage for cleanup costs and third-party damages from pollution incidents
D. Insurance against air quality fines

102. What is 'contractual liability' coverage?

A. Coverage for contract disputes
B. Legal contract protection
C. Business contract insurance
D. Coverage for liability assumed under a contract that would otherwise be the other party's responsibility

103. What is 'vicarious liability'?

A. Liability for the actions of another person for whom one is responsible
B. Liability for being victorious
C. Direct personal liability
D. Criminal liability

104. What is 'joint and several liability'?

A. Limited liability protection
B. Liability shared only among multiple parties
C. Each defendant can be held responsible for the entire damage amount
D. Separate liability for each defendant

105. What is 'comparative negligence'?

A. Comparing different negligence cases
B. A system where damages are reduced by the plaintiff's percentage of fault
C. Competitive insurance analysis
D. Negligence by comparison

106. What is 'contributory negligence'?

A. Contributing to an insurance fund
B. Negligence by contribution
C. A defense that bars recovery if the plaintiff was at all negligent
D. Shared negligence between parties

107. What is 'assumption of risk' defense?

A. Insurance risk assumption
B. A defense that the plaintiff knowingly accepted the risks of an activity
C. Risk transfer between parties
D. Assuming risks for others

108. What is 'punitive damages'?

A. Extra compensatory damages
B. Damages awarded to punish the defendant for egregious conduct, not just compensate the plaintiff
C. Criminal penalties
D. Damages for punishment

109. What is 'statute of limitations' in insurance claims?

A. Limitations on coverage amounts
B. Insurance law restrictions
C. The time period within which a legal action must be filed
D. Limits on policy statutes

110. What is 'workers' compensation' insurance?

A. Employee bonus insurance
B. Workplace injury lawsuits
C. Coverage providing medical benefits and wage replacement to employees injured on the job
D. Compensation for overtime work

111. What is the 'exclusive remedy' doctrine in workers' compensation?

A. An exclusive cure for workplace injuries
B. Remedy for exclusive employees
C. Exclusive rights to benefits
D. Workers' compensation is the only remedy for workplace injuries, barring lawsuits against employers

112. What is 'experience modification' in workers' compensation?

A. Job experience changes
B. A factor adjusting premiums based on an employer's actual loss history compared to expected losses
C. Experience requirements modification
D. Modifying work experience

113. **What is 'retrospective rating' in workers' compensation?**

A. Retrospective policy review
B. Looking back at historical rates
C. Past performance ratings
D. A rating plan where final premium is adjusted based on actual losses during the policy period

114. **What does 'NCCI' stand for in workers' compensation?**

A. National Council on Compensation Insurance
B. National Committee on Coverage Issues
C. National Casualty Claims Institute
D. Network of Compensation Coverage Insurers

115. **What is 'fidelity bond' coverage?**

A. Contract performance bonds
B. Coverage for loss due to employee theft or dishonesty
C. Marriage insurance
D. Coverage for faithful employees

116. **What is a 'surety bond'?**

A. A bond for sure things
B. Security deposit insurance
C. Bonded employee certification
D. A three-party agreement guaranteeing one party will fulfill an obligation to another

117. **What is a 'performance bond'?**

A. Athletic performance coverage
B. Employee performance insurance
C. A bond for performing artists
D. A surety bond guaranteeing a contractor will complete a project according to contract terms

118. **What is a 'payment bond'?**

A. Claims payment bond
B. A surety bond guaranteeing a contractor will pay subcontractors and suppliers
C. A bond for making payments
D. Premium payment guarantee

119. **What is a 'bid bond'?**

A. Competitive bidding coverage
B. Auction bid insurance
C. A bond for bidding on projects
D. A surety bond guaranteeing a contractor will enter into a contract if awarded the bid

120. **What is 'subrogation' in insurance?**

A. Sub-rating a policy
B. Substituting one policy for another
C. The insurer's right to pursue a third party responsible for a loss after paying the claim
D. Reducing coverage amounts

121. In a standard homeowners policy, which coverage is primarily intended for the dwelling itself?

A. Coverage A
B. Coverage B
C. Coverage C
D. Coverage E

122. Which homeowners coverage usually applies to a detached garage on the residence premises?

A. Coverage A - Dwelling
B. Coverage B - Other Structures
C. Coverage C - Personal Property
D. Coverage F - Medical Payments

123. What is the main purpose of Coverage C in a homeowners policy?

A. To insure the dwelling foundation only
B. To insure personal property owned or used by an insured
C. To provide auto liability coverage
D. To pay fines after a civil judgment

124. A homeowners policy includes Coverage D. What does this coverage usually address?

A. Loss of use or additional living expense
B. Business income for a store
C. Collision damage to a car
D. Injury to an employee at work

125. Which homeowners coverage part is most closely tied to personal liability claims against an insured?

A. Coverage B
B. Coverage C
C. Coverage E
D. Coverage F

126. Coverage F in a homeowners policy is commonly designed to pay which type of claim?

A. Medical payments to others without requiring legal liability
B. Replacement of the insured's own roof after wear and tear
C. The insured's business payroll after a fire
D. Damage to the insured's automobile

127. Which loss is commonly excluded or limited under many homeowners policies unless additional coverage is purchased?

A. Wind damage to the dwelling
B. Fire damage to covered property
C. Flood damage from rising water
D. Smoke damage from a covered fire

128. A scheduled personal property endorsement is most often used to do what?

A. Cancel liability coverage
B. Provide broader or higher-limit coverage for specifically listed valuable items
C. Remove all deductibles from the policy
D. Insure a commercial warehouse

129. Which valuation approach pays the cost to replace damaged property with new property of like kind and quality, without deducting for depreciation?

A. Actual cash value
B. Replacement cost
C. Market value only
D. Salvage value

130. Actual cash value is commonly described as replacement cost minus what?

A. Premium
B. Commission
C. Depreciation
D. Liability limit

131. In personal auto insurance, bodily injury liability coverage is primarily designed to pay for what?

A. Injuries to others for which the insured is legally liable
B. Damage to the insured's own vehicle from collision
C. Routine maintenance on the insured auto
D. Depreciation after a vehicle is sold

132. Property damage liability in an auto policy most directly applies to which situation?

A. The insured's car is stolen
B. The insured damages another person's vehicle in a covered accident
C. The insured needs roadside assistance
D. The insured wants a lower deductible

133. Collision coverage in a personal auto policy generally covers which type of loss?

A. Damage to the covered auto from impact with another vehicle or object
B. Medical bills for pedestrians only
C. Theft of household property from a home
D. Legal liability from professional advice

134. Comprehensive coverage in a personal auto policy is commonly associated with which type of loss?

A. Wear and tear to tires
B. Damage from theft, fire, vandalism, or falling objects
C. A business liability lawsuit
D. A workers compensation claim

135. Uninsured motorist coverage is generally intended to protect the insured when what happens?

A. The insured drives without a license
B. An at-fault driver has no applicable liability insurance
C. The insured wants to insure a boat trailer
D. The insured misses a premium payment

136. Underinsured motorist coverage is generally triggered when what is true?

A. The at-fault driver has some liability insurance, but not enough to cover the insured's damages
B. The insured has no auto insurance at all
C. The insured wants to insure commercial cargo
D. The vehicle is damaged by hail only

137. Medical payments coverage in an auto policy usually pays for what?

A. Covered medical expenses for insured persons after an auto accident, regardless of fault
B. Damage to the other driver's car only
C. The insured's legal defense costs only
D. Lost business income after a fire

138. A split liability limit of 100/300/50 commonly means what?

A. $100 deductible, $300 premium, $50 fee
B. $100,000 bodily injury per person, $300,000 bodily injury per accident, $50,000 property damage
C. 100 days of coverage, 300 miles, 50 claims
D. $100,000 property damage, $300,000 collision, $50,000 comprehensive

139. Which personal auto coverage is most likely to have a deductible?

A. Bodily injury liability
B. Property damage liability
C. Collision coverage
D. Uninsured motorist bodily injury

140. A named non-owner auto policy is most likely used for a person who does what?

A. Owns a fleet of commercial trucks
B. Does not own a car but needs personal auto liability coverage when driving non-owned autos
C. Wants to insure a houseboat
D. Needs workers compensation coverage

141. Liability insurance primarily protects against which type of exposure?

A. The insured's own property wearing out
B. Legal responsibility for covered injury or damage to others
C. Investment market losses
D. Premium billing errors only

142. The duty to defend in a liability policy generally means the insurer may do what?

A. Defend the insured against covered or potentially covered claims
B. Guarantee the insured will win the lawsuit
C. Pay every claim without investigation
D. Cancel the policy after every lawsuit

143. Which term refers to an unbroken chain of events between negligence and injury?

A. Proximate cause
B. Moral hazard
C. Coinsurance
D. Subrogation

144. Which element is typically required to establish negligence?

A. A deductible
B. A breach of a legal duty
C. A written insurance application
D. A covered auto only

145. Which type of damages is intended to compensate an injured party for actual loss?

A. Compensatory damages
B. Punitive damages
C. Speculative damages
D. Symbolic damages only

146. Punitive damages are generally intended to do what?

A. Reimburse ordinary property repair costs
B. Punish especially wrongful conduct and deter similar behavior
C. Pay every small medical bill automatically
D. Replace a deductible

147. An aggregate limit in liability insurance is best described as what?

A. The maximum paid for one claimant only
B. The total maximum the policy will pay for all covered claims during a policy period
C. The deductible for every claim
D. The amount paid before coverage starts

148. An occurrence limit is most closely tied to which concept?

A. The maximum payable for one covered event or occurrence
B. The number of years a policy must remain active
C. The policy cancellation fee
D. The insured's credit score

149. A personal umbrella policy is generally designed to provide what?

A. Extra liability coverage above underlying policies
B. Replacement cost coverage for jewelry only
C. Coverage for normal vehicle maintenance
D. A separate health insurance plan

150. Which situation is most likely a liability claim rather than a first-party property claim?

A. The insured's roof is damaged by hail
B. The insured's guest slips on the insured's icy steps and is injured
C. The insured's computer is stolen from home
D. The insured's garage is damaged by wind

151. Commercial property insurance is primarily designed to cover what?

A. Business-owned buildings and business personal property against covered causes of loss
B. Employee retirement accounts
C. Individual life insurance needs
D. Personal auto liability only

152. Business personal property coverage commonly applies to which item?

A. Inventory, furniture, and equipment owned by the business
B. The owner's private life insurance policy
C. The owner's personal vacation home only
D. A customer's medical expenses under health insurance

153. Business income coverage is generally intended to replace what after a covered property loss?

A. Lost net income and certain continuing expenses during restoration
B. Punitive damages in a lawsuit
C. Employee workers compensation benefits only
D. The owner's personal medical bills

154. Extra expense coverage is designed to pay which type of cost?

A. Necessary expenses to reduce or avoid a business interruption after a covered loss
B. Normal payroll taxes in every year
C. Auto collision deductibles only
D. Premiums for a life policy

155. A builders risk policy is most often used to cover what?

A. Property under construction
B. Completed medical claims
C. Private passenger auto liability
D. Directors and officers liability only

156. A causes of loss form helps determine what?

A. Which perils or causes of loss are covered or excluded
B. The insured's health rating
C. The producer's commission schedule only
D. The beneficiary of a life policy

157. A vacancy condition in commercial property insurance is important because vacancy can do what?

A. Increase loss risk and restrict or reduce coverage under policy conditions
B. Automatically increase liability limits
C. Eliminate all deductibles
D. Convert property coverage into health coverage

158. Coinsurance in commercial property insurance encourages the insured to do what?

A. Carry insurance close to the required percentage of the property's value
B. Buy only liability coverage
C. Cancel coverage after every loss
D. Avoid reporting property values

159. Commercial general liability insurance is primarily designed to cover which exposure?

A. Business liability for covered bodily injury, property damage, and certain personal and advertising injury claims
B. Employee retirement benefits
C. Damage to the insured's own commercial building only
D. Personal life insurance needs

160. In a CGL policy, Coverage A most commonly applies to what?

A. Bodily injury and property damage liability
B. Workers compensation benefits
C. Commercial auto physical damage
D. Employee health benefits

161. In a CGL policy, Coverage B is commonly associated with what?

A. Personal and advertising injury liability
B. Collision damage to autos
C. Flood damage to business property
D. Long-term disability income

162. In a CGL policy, Coverage C usually provides what?

A. Medical payments for certain injuries without regard to legal liability
B. Coverage for employee occupational injuries
C. Coverage for intentional criminal acts by the insured
D. Business auto collision coverage

163. Products-completed operations coverage is most relevant to which situation?

A. A product sold by the insured injures a customer after the sale
B. The insured's building burns before opening
C. An employee needs group health coverage
D. The insured wants to insure a private auto

164. The premises and operations hazard in CGL coverage generally relates to what?

A. Liability arising from the insured's premises or ongoing business operations
B. Losses under personal health insurance only
C. Damage to the insured's own inventory only
D. Annuity payout choices

165. Which claim is most likely excluded by a standard CGL policy and handled by workers compensation instead?

A. A customer slips in the store
B. An employee is injured while performing job duties
C. A visitor's property is damaged by negligence
D. A product injures a buyer after sale

166. Which CGL exclusion is designed to prevent the policy from becoming a warranty for the insured's own faulty work?

A. The business risk exclusions
B. The personal auto exclusion only
C. The flood exclusion
D. The annuity exclusion

167. Workers compensation insurance is designed mainly to cover what?

A. Job-related employee injuries or occupational disease benefits required by law
B. Damage to a customer's vehicle
C. The business owner's personal life insurance
D. Theft of household property

168. Employer's liability coverage in a workers compensation policy generally protects the employer against what?

A. Certain lawsuits by employees or related parties not fully covered by workers compensation benefits
B. The employer's commercial auto collision damage
C. The employer's product recall expenses only
D. The employer's life insurance premiums

169. A key feature of workers compensation is that benefits are generally provided based on what principle?

A. No-fault benefits for covered work-related injuries
B. Only if the employee proves intentional harm
C. Only if the employer has no insurance
D. Only for injuries away from work

170. Which item is commonly used in workers compensation rating?

A. Payroll by classification
B. The owner's personal credit card rewards
C. The number of life insurance beneficiaries
D. The homeowner's roof age only

171. An experience modification factor in workers compensation is used to reflect what?

A. The employer's loss experience compared with similar employers
B. The insured's age only
C. The number of automobiles on a policy
D. The size of a home deductible

172. Which benefit is commonly included in workers compensation systems?

A. Medical benefits for covered work-related injuries
B. Collision repair for the employee's personal car after any accident
C. A guaranteed retirement annuity
D. Homeowners liability coverage

173. Inland marine insurance is often used to cover what type of property?

A. Movable property, property in transit, or specialized property exposures
B. Only ocean-going ships
C. Life insurance cash values
D. Employee medical expenses only

174. A contractors equipment floater is commonly used to insure what?

A. Mobile tools and equipment used by a contractor
B. A homeowner's personal liability only
C. A restaurant's employee health benefits
D. A personal auto liability exposure

175. An accounts receivable coverage form is designed to help when what happens?

A. Covered records of amounts owed to the insured are damaged or destroyed
B. A customer sues for bodily injury
C. An employee needs dental insurance
D. A private passenger auto is stolen

176. A valuable papers and records form is intended to cover what?

A. The cost to research, replace, or restore important documents after covered loss
B. The insured's professional liability for bad advice
C. A private auto's collision damage
D. Workers compensation medical benefits

177. **A transportation floater is most closely associated with which exposure?**

A. Property while being transported
B. Employee retirement income
C. Homeowners medical payments only
D. Personal liability for libel

178. **Commercial crime insurance is commonly used to cover which exposure?**

A. Employee theft or certain theft-related losses
B. Ordinary wear and tear to a building
C. Life insurance mortality risk
D. Flood damage to a dwelling only

179. **Employee theft coverage is designed to protect an employer from what?**

A. Covered dishonest acts committed by employees
B. Injuries to employees at work only
C. A customer's auto accident
D. Hail damage to the roof

180. **A surety bond involves which three parties?**

A. Insured, claimant, adjuster
B. Principal, obligee, surety
C. Owner, beneficiary, annuitant
D. Driver, passenger, mechanic

181. **A performance bond generally guarantees what?**

A. A contractor will perform according to the contract
B. An employee will never resign
C. A homeowner will avoid all property losses
D. A car will not depreciate

182. **A fidelity bond is most closely related to which risk?**

A. Employee dishonesty
B. Earthquake damage
C. Auto collision
D. Life insurance lapse

183. **The appraisal condition in a property policy is generally used to resolve disputes about what?**

A. The amount of loss
B. Whether the insured is old enough for health insurance
C. The identity of a life insurance beneficiary
D. A workers compensation class code only

184. **The liberalization condition generally provides what?**

A. Automatic application of certain coverage broadening changes without additional premium for a specified period
B. Automatic cancellation after every claim
C. A larger deductible after renewal
D. A guaranteed profit for the insurer

185. The concealment or fraud condition generally allows the insurer to deny coverage or void coverage when what occurs?

A. The insured intentionally misrepresents or conceals material facts
B. The insured asks a coverage question
C. The insured pays premium early
D. The insurer changes its mailing address

186. A deductible in property insurance is best described as what?

A. The amount the insured must absorb before the policy pays a covered loss
B. The insurer's maximum liability for the policy period
C. A producer's commission only
D. The total premium for all policies

187. Which loss is commonly excluded under many property policies because it is not accidental damage?

A. Normal wear and tear
B. Fire from lightning
C. Wind damage during a covered storm
D. Smoke damage from a covered fire

188. The insured's duties after a loss commonly include which action?

A. Give prompt notice of the loss to the insurer
B. Admit liability to every claimant immediately
C. Destroy damaged property before inspection in every case
D. Refuse to cooperate with the insurer

189. The other insurance condition is generally used to determine what?

A. How coverage applies when more than one policy may cover the same loss
B. Which producer receives commission
C. Whether the insured can buy health coverage
D. The color of a covered auto

190. A pair or set condition in property insurance is most relevant when what happens?

A. Only part of a matched pair or set is damaged
B. Two auto policies renew on the same date
C. An insured names two beneficiaries
D. An employee has two jobs

191. Which principle says the insured should be restored to the financial position held before the loss, not profit from the loss?

A. Indemnity
B. Adhesion
C. Aleatory contract
D. Estoppel

192. A peril is best described as what?

A. The cause of loss
B. The chance of financial loss only
C. The amount of premium
D. The policy period

193. A hazard is best described as what?

A. A condition that increases the chance or severity of loss
B. The final amount paid by the insurer
C. The policy's effective date
D. The insurer's license number

194. Which example is a morale hazard?

A. Being careless because insurance is available
B. A slippery floor with no warning sign
C. Intentionally burning property for insurance money
D. A hurricane approaching the coast

195. Which example is a moral hazard?

A. An insured intentionally causes a loss to collect insurance proceeds
B. A tree falls during a storm
C. A building has old wiring by accident
D. A driver buys collision coverage

196. Which coverage part is designed for business-owned vehicles used in company operations?

A. Commercial auto coverage
B. Personal inland marine coverage
C. Homeowners liability coverage
D. A life insurance rider

197. In a business auto policy, covered auto symbols are mainly used to:

A. show which categories of autos are covered for a coverage
B. set the producer commission rate
C. name the loss payee only
D. replace the declarations page

198. A company employee uses a personal car for a work errand and causes an accident. Which exposure may the employer need to insure?

A. nonowned auto liability
B. workers compensation medical-only benefits
C. ocean marine liability
D. equipment breakdown spoilage

199. Hired auto coverage is generally used for vehicles that the business:

A. leases, rents, hires, or borrows
B. owns and lists as inventory only
C. sells to customers after repairs
D. uses only as employee personal property

200. Why might a business need both hired and nonowned auto liability coverage?

A. to address rented vehicles and employee-owned vehicles used for business
B. to convert commercial autos into homeowners coverage
C. to avoid all deductibles under property coverage
D. to replace workers compensation coverage

201. Physical damage coverage under a commercial auto policy generally protects against:

A. loss to covered autos themselves
B. injury to employees covered by workers compensation
C. loss of business income from all causes
D. dishonest acts by partners only

202. Commercial auto liability coverage primarily pays for:

A. bodily injury or property damage the insured is legally responsible for because of a covered auto accident
B. wear and tear on a delivery truck
C. routine vehicle maintenance
D. employee health insurance premiums

203. A delivery business buys only liability coverage for its trucks. Which loss is most likely not covered by that choice alone?

A. collision damage to the business's own truck
B. third-party bodily injury liability
C. third-party property damage liability
D. defense for a covered liability claim

204. Which business is most likely to need commercial auto coverage?

A. a florist that uses vans for deliveries
B. a person insuring only a private family sedan
C. a renter buying personal property coverage
D. a retiree buying a Medicare supplement

205. Why is the declarations page important in a commercial auto policy?

A. it shows selected coverages, limits, covered auto symbols, and insured vehicles
B. it replaces every policy condition
C. it guarantees every vehicle is covered for every loss
D. it lists only the producer's personal license number

206. A Businessowners Policy, or BOP, commonly combines:

A. property and liability coverage for eligible small businesses
B. life and annuity benefits only
C. personal auto and health benefits only
D. workers compensation and ocean marine only

207. Why might a small retail shop choose a BOP?

A. it can package common property and liability coverages in one policy
B. it automatically covers every professional error
C. it replaces all employee benefit plans
D. it guarantees flood coverage in every state

208. Business personal property coverage in a BOP generally protects:

A. covered business contents such as furniture, stock, and equipment
B. the owner's personal life insurance beneficiary
C. all employee-owned cars at home
D. every cyber loss without endorsement

209. A restaurant loses income after a covered fire closes the business during repairs. Which BOP coverage may respond?

A. business income coverage
B. employee dishonesty bond only
C. personal auto liability
D. life settlement option

210. BOP liability coverage generally protects the insured against covered claims for:

A. bodily injury, property damage, and personal/advertising injury
B. failure to pay income taxes
C. damage to the owner's personal boat in all situations
D. employee medical benefits under group health

211. Which business may be less likely to qualify for a standard BOP without special underwriting?

A. a high-hazard manufacturing operation
B. a small office tenant
C. a small retail store
D. a neighborhood barber shop

212. A BOP usually does not replace the need for which separate coverage?

A. workers compensation when employees are subject to workers compensation law
B. building coverage for an owned building
C. business personal property coverage
D. general liability coverage included in the BOP

213. The property section of a BOP is most directly concerned with:

A. covered buildings and business personal property
B. the insured's retirement income
C. employee dental networks
D. beneficiary designations

214. An endorsement added to a BOP is used to:

A. modify coverage, limits, conditions, or exclusions
B. delete the need to read the policy
C. make every loss automatically covered
D. change state insurance law

215. Why should a business review BOP exclusions carefully?

A. some exposures may require separate policies or endorsements
B. exclusions always broaden coverage
C. exclusions only apply to life insurance
D. exclusions remove the declarations page

216. Farm insurance is designed to address exposures related to:

A. farm property and farm liability risks
B. only private passenger auto risks
C. only group health benefits
D. only annuity income options

217. **A farm policy may combine elements similar to homeowners and commercial coverage because a farm often includes:**

A. both residence and business/agricultural exposures
B. only employee retirement benefits
C. only ocean cargo exposures
D. only personal umbrella coverage

218. **Farm personal property coverage may be used for items such as:**

A. farm machinery, equipment, and supplies
B. the insured’s life insurance cash value
C. a tenant’s health insurance deductible
D. a corporate surety bond only

219. **Why is livestock coverage usually reviewed carefully in a farm policy?**

A. coverage may depend on causes of loss, limits, schedules, and exclusions
B. livestock is always covered for every disease and market loss
C. livestock is never insurable under any policy
D. livestock is covered only under personal auto

220. **A farm liability coverage part generally addresses:**

A. covered bodily injury or property damage claims arising from farm operations
B. lost value of crops due only to market price changes
C. routine feed costs
D. the farmer’s personal health claims

221. **Which item is most clearly a farm property exposure?**

A. a tractor used in farming operations
B. a beneficiary designation
C. a prescription drug copay
D. a producer appointment form

222. **Why might a farm need separate commercial auto or mobile equipment review?**

A. vehicles and equipment may not all fit neatly under farm property coverage
B. farm policies always cover every vehicle on public roads
C. mobile equipment can never be insured
D. auto liability is the same as crop insurance

223. **A farm also hosts paid public events. What should the producer review?**

A. whether agritourism or business liability exposures need special coverage
B. whether life insurance replaces all liability coverage
C. whether crop prices are guaranteed by the farm policy
D. whether auto deductibles disappear

224. **Equipment breakdown coverage is designed to cover sudden and accidental breakdown of covered equipment such as:**

A. boilers, electrical systems, or mechanical equipment
B. ordinary wear and tear only
C. employee dishonesty only
D. third-party auto liability only

225. Which loss is equipment breakdown coverage most directly intended to address?

A. a covered electrical system failure damaging business equipment
B. a customer slipping on a wet floor
C. a stolen delivery truck
D. a false advertising claim

226. Spoilage coverage may be relevant with equipment breakdown when:

A. refrigerated goods spoil after covered refrigeration equipment fails
B. a customer is injured in a parking lot
C. a policyowner changes beneficiaries
D. a producer fails a licensing exam

227. Why may equipment breakdown coverage be needed even when a property policy covers fire?

A. standard property forms may exclude or limit mechanical breakdown losses
B. fire coverage automatically covers every mechanical failure
C. equipment breakdown applies only to life insurance
D. property policies never cover buildings

228. Expediting expense coverage under equipment breakdown may help pay for:

A. extra costs to speed up repairs or replacement after a covered breakdown
B. routine maintenance before any loss
C. employee bonuses after a profitable year
D. liability settlements for auto accidents

229. A boiler explosion exposure is commonly associated with which coverage concept?

A. equipment breakdown
B. personal umbrella only
C. health coinsurance
D. life nonforfeiture options

230. Which business may especially need equipment breakdown coverage?

A. a grocery store relying on refrigeration equipment
B. a person buying only term life insurance
C. a driver insuring one personal sedan
D. a tenant with no business equipment exposure

231. A covered power surge damages production machinery and causes downtime. Which combination may be relevant?

A. equipment breakdown and business income/extra expense coverage
B. life insurance and annuity payout options
C. personal auto medical payments only
D. workers compensation death benefits only

232. Professional liability insurance is mainly designed for claims involving:

A. professional errors, omissions, or negligent advice
B. physical damage to a personal auto only
C. employee work injuries only
D. fire damage to a building only

233. Why might a consultant need professional liability coverage even if they have general liability coverage?

A. general liability may not cover financial loss from professional advice errors
B. general liability always covers every professional error
C. professional liability covers only building glass
D. consultants cannot be sued for advice

234. Errors and omissions coverage is another common name for:

A. professional liability coverage
B. workers compensation coverage
C. homeowners property coverage
D. personal auto collision coverage

235. A client alleges that an insurance agent failed to procure requested coverage. Which coverage may respond for the agent?

A. errors and omissions liability
B. commercial property building coverage
C. personal auto comprehensive coverage
D. equipment breakdown only

236. Many professional liability policies are written on which basis?

A. claims-made basis
B. guaranteed lifetime benefit basis
C. personal auto split-limit basis only
D. cash value accumulation basis

237. Why is a retroactive date important in a claims-made professional liability policy?

A. claims from acts before that date may not be covered
B. it automatically doubles the policy limit
C. it sets the producer license expiration date
D. it removes all reporting requirements

238. Tail coverage, or an extended reporting period, is used to:

A. allow certain claims to be reported after a claims-made policy ends
B. extend property coverage to a new building automatically
C. change an HMO into a PPO
D. guarantee every lawsuit is covered

239. Which occupation commonly has a professional liability exposure?

A. an accountant giving professional tax advice
B. a homeowner mowing a personal lawn
C. a shopper buying groceries
D. a policyholder naming a beneficiary

240. After a property loss, the insured is generally expected to:

A. give prompt notice to the insurer
B. repair everything without telling the insurer
C. increase the policy limit after the loss
D. ignore policy conditions

241. A proof of loss is best described as:

A. a formal statement of the details and amount of a claimed loss
B. a producer’s advertising brochure
C. a premium discount form only
D. a license exam score report

242. The duty to protect property from further damage after a covered loss is often called:

A. mitigation of damages
B. rebating
C. subrogation waiver automatically
D. adverse selection

243. An insurer pays the insured for damage caused by a negligent third party and then seeks recovery from that party. This is an example of:

A. subrogation
B. concealment
C. coinsurance
D. vicarious liability only

244. Salvage in property insurance commonly refers to:

A. damaged property that has remaining value after a loss
B. a policyholder’s health deductible
C. a producer’s license renewal
D. a beneficiary settlement option

245. Why is documentation important after a property loss?

A. it helps support the amount, cause, and details of the claim
B. it replaces all policy conditions
C. it guarantees payment for excluded losses
D. it changes the deductible to zero

246. An adjuster’s main role in the claims process is to:

A. investigate, evaluate, and help resolve claims
B. sell only life insurance policies
C. set state licensing law
D. guarantee every claim payment requested

247. A deductible is the amount that:

A. the insured usually pays or absorbs before insurance payment applies
B. the insurer always pays before any loss occurs
C. the producer receives as a commission
D. the state pays for every claim

248. An endorsement is used to:

A. add to, remove, or change policy terms
B. erase the policy number
C. replace the need for underwriting
D. guarantee every possible loss

249. A scheduled personal property endorsement is often used to:

A. provide specific coverage for valuable items such as jewelry or fine arts
B. cover employee work injuries
C. insure a corporation's professional advice only
D. replace auto liability coverage

250. An additional insured endorsement generally:

A. adds another party as an insured for specified coverage purposes
B. cancels the named insured automatically
C. turns property coverage into health insurance
D. removes all exclusions from the policy

251. A waiver of subrogation endorsement usually means the insurer:

A. agrees not to pursue recovery from a specified party after paying a covered loss
B. will never investigate any claim
C. removes the deductible from all losses
D. guarantees a higher policy limit

252. A loss payable clause is commonly used to protect the interest of:

A. a lender or other party with a financial interest in covered property
B. a health plan gatekeeper
C. a life insurance beneficiary only
D. an exam vendor

253. Why should endorsements be reviewed with the base policy?

A. endorsement wording can change the meaning of coverage, limits, and exclusions
B. endorsements are never legally part of the policy
C. endorsements always broaden coverage without limitation
D. endorsements only apply to producer exams

254. A named perils endorsement or form covers losses only when:

A. the cause of loss is specifically listed as covered
B. any loss occurs for any reason
C. the insured has no deductible
D. the property is uninsured elsewhere

255. Which statement about endorsements is most accurate?

A. They should be read because they can change the original policy wording.
B. They are always optional advertising pages.
C. They apply only to life insurance policies.
D. They cannot affect exclusions.

256. A contractor damages a customer's wall while performing work. Which coverage area is most likely involved?

A. commercial general liability
B. workers compensation wage benefits
C. equipment breakdown spoilage
D. life insurance settlement options

257. A windstorm damages the roof of an insured building. Which coverage area is most directly involved?

A. commercial property coverage
B. professional liability coverage
C. commercial auto liability
D. employee dishonesty only

258. A business employee is injured while performing job duties. Which coverage is most directly designed for that exposure?

A. workers compensation
B. commercial property coverage
C. professional liability
D. equipment breakdown

259. A store customer slips and is injured on the premises. Which coverage area is most likely involved?

A. premises liability under general liability coverage
B. business personal property coverage
C. life insurance accidental death benefit
D. equipment breakdown coverage

260. A computer consultant's faulty advice causes a client financial loss but no bodily injury or property damage. Which coverage should be reviewed?

A. professional liability
B. commercial auto physical damage
C. homeowners medical payments
D. workers compensation

261. A restaurant refrigerator breaks down and food spoils. Which coverage combination may be relevant?

A. equipment breakdown with spoilage coverage
B. personal auto liability only
C. life insurance waiver of premium
D. workers compensation only

262. A business rents a van for a one-week project. Which commercial auto exposure should be reviewed?

A. hired auto liability and physical damage needs
B. farm livestock mortality
C. professional liability retroactive date
D. group health coordination of benefits

263. A policy excludes flood, but the insured suffers flood damage to a building. What is the likely coverage concern?

A. the loss may require separate flood coverage
B. the exclusion automatically becomes invalid
C. the claim must be paid under auto liability
D. the deductible disappears

264. A business has property at multiple locations. Why are location schedules important?

A. coverage and limits may apply differently by listed location
B. they replace the need for policy limits
C. they guarantee every off-premises loss
D. they apply only to personal health policies

265. Why might a contractor need both CGL and inland marine coverage?

A. CGL addresses liability claims, while inland marine may cover tools or equipment in transit or at job sites
B. both cover only employee medical benefits
C. inland marine replaces all liability coverage
D. CGL covers only ocean cargo

266. A claims-made liability policy is canceled without replacement. What should the insured consider?

A. an extended reporting period if available
B. changing the building deductible only
C. adding comprehensive auto coverage to a personal car
D. naming a life insurance beneficiary

267. A blanket insurance limit is best described as a limit that may apply:

A. over more than one item or location, depending on policy wording
B. only to one scheduled ring
C. only to employee health claims
D. only after the insured dies

268. A property policy has a coinsurance clause. Why is the insured value important?

A. underinsurance may reduce claim payment after a partial loss
B. coinsurance always eliminates deductibles
C. insured value affects only auto liability claims
D. coinsurance applies only to annuities

269. Which situation best illustrates a moral hazard?

A. an insured intentionally exaggerates a claim because insurance will pay
B. a building is located in a hail-prone area
C. a driver has poor vision
D. a policy uses a high deductible

270. Why should coverage be reviewed when a business changes operations?

A. new activities can create exposures not contemplated by the current policy
B. coverage automatically expands to every new activity without limit
C. state insurance law requires no updates
D. only the logo needs to change

Answer Key & Explanations

1. Answer: B
Insurance that protects physical property against damage or loss
Property insurance protects physical property (buildings, personal property, equipment) against damage or loss from covered perils such as fire, theft, or natural disasters.

2. Answer: B
Insurance covering legal liability for injuries or damage caused to others
Casualty insurance (liability insurance) covers the insured's legal liability for injuries to others or damage to their property. It protects against claims and lawsuits from third parties.

3. Answer: B
Replacement cost minus depreciation
Actual cash value (ACV) is the value of property at the time of loss, calculated as replacement cost minus depreciation. It reflects what the property was worth just before it was damaged or destroyed.

4. Answer: D
Coverage that pays to replace damaged property with new items of like kind and quality
Replacement cost coverage pays to replace or repair damaged property with new items of similar kind and quality, without deducting for depreciation. It provides more complete recovery than ACV coverage.

5. Answer: D
A specific cause of loss that may trigger a claim
A peril is a specific cause of loss or event that may result in damage and trigger an insurance claim, such as fire, theft, windstorm, or vandalism.

6. Answer: B
A policy that covers only specifically listed perils
A named perils (or specified perils) policy only covers losses caused by perils specifically listed in the policy. If a peril isn't named, it isn't covered.

7. Answer: D
A policy covering all causes of loss except those specifically excluded
An open perils (all-risk) policy covers all causes of loss except those specifically excluded in the policy. It provides broader coverage than named perils policies.

8. Answer: A
Restoring the insured to their pre-loss financial condition
Indemnification is the principle of restoring the insured to the same financial position they were in before the loss occurred - no better and no worse. It prevents profit from insurance claims.

9. Answer: D
A requirement to insure property to a minimum percentage of its value
In property insurance, coinsurance requires the policyholder to insure property to at least a specified percentage (typically 80%) of its value. Failure to meet this requirement can result in reduced claim payments.

10. Answer: D
The owner becomes a coinsurer and may not receive full claim payment
If the property owner fails to insure to the required percentage, they become a coinsurer and may receive only a proportional payment for claims (based on the ratio of coverage to required coverage).

11. Answer: B
A document that modifies or adds to the original policy
An endorsement (or rider) is a written document attached to a policy that modifies the original contract by adding, deleting, or changing coverage or conditions.

12. Answer: C

Coverage for property that moves from location to location

A floater is insurance that covers movable property regardless of its location. It provides coverage for items like jewelry, art, or equipment that may be transported or used at various locations.

13. Answer: A

Coverage for costs to comply with building codes when repairing or rebuilding

Ordinance or law coverage pays for the increased cost to repair or rebuild a structure to comply with current building codes and ordinances that weren't in effect when the building was originally constructed.

14. Answer: D

Coverage for legal liability when you injure someone else

Bodily injury liability coverage protects the insured when legally responsible for injuring another person. It pays for medical expenses, lost wages, pain and suffering, and legal defense costs.

15. Answer: C

Coverage for legal liability when you damage someone else's property

Property damage liability coverage protects the insured when legally responsible for damaging another person's property, such as their vehicle, home, or belongings.

16. Answer: C

Coverage protecting against claims of bodily injury or property damage caused by the insured

Personal liability coverage in a homeowners policy protects the insured against claims alleging they caused bodily injury or property damage to others, covering legal defense costs and damages up to policy limits.

17. Answer: A

Excess liability coverage above underlying primary policies

An umbrella policy provides excess liability coverage above the limits of underlying primary policies (auto, homeowners). It also may cover claims excluded by underlying policies.

18. Answer: B

Failure to exercise reasonable care, resulting in harm to others

Negligence is the failure to exercise the degree of care that a reasonable person would exercise under similar circumstances, resulting in harm or damage to another person or property.

19. Answer: D

Duty, breach of duty, proximate cause, and damages

To prove negligence, a plaintiff must establish four elements: (1) the defendant had a duty of care, (2) the defendant breached that duty, (3) the breach was the proximate cause of injury, and (4) actual damages resulted.

20. Answer: D

Claims from others you injure or whose property you damage

Auto liability coverage protects you financially when you're legally responsible for injuring others or damaging their property in an accident. It pays their medical bills, property damage, and legal defense costs.

21. Answer: C

Coverage for damage to your vehicle from colliding with another object

Collision coverage pays for damage to your own vehicle when it collides with another vehicle or object (like a tree or guardrail), regardless of who is at fault.

22. Answer: C

Coverage for damage from non-collision events like theft, fire, or hail

Comprehensive coverage pays for damage to your vehicle from causes other than collision, such as theft, vandalism, fire, natural disasters, hitting an animal, or falling objects.

23. Answer: C

Coverage for injuries caused by a driver who has no insurance

Uninsured motorist coverage protects you if you're injured by a driver who has no liability insurance or in a hit-and-run accident. It covers your medical expenses and damages.

24. Answer: A
Coverage when the at-fault driver's insurance is insufficient to cover your damages
Underinsured motorist coverage pays the difference when the at-fault driver's liability limits are not enough to cover your damages. It fills the gap between their coverage and your actual losses.

25. Answer: B
Coverage that pays medical bills for you and passengers regardless of fault
Medical payments coverage pays for medical expenses for you and your passengers injured in an auto accident, regardless of who caused the accident. It's no-fault coverage with relatively low limits.

26. Answer: D
No-fault coverage for medical expenses, lost wages, and other costs
Personal injury protection (PIP) is no-fault coverage that pays for medical expenses, lost wages, and other costs for you and passengers regardless of who caused the accident. It's required in no-fault states.

27. Answer: D
A state where each driver's insurance pays their own damages regardless of fault
In no-fault states, each driver's own insurance pays for their medical expenses and certain other losses regardless of who caused the accident. This limits lawsuits and speeds up payments.

28. Answer: C
Dwelling, other structures, personal property, loss of use, liability, and medical payments
A standard homeowners policy includes: Coverage A (dwelling), Coverage B (other structures), Coverage C (personal property), Coverage D (loss of use), Coverage E (personal liability), and Coverage F (medical payments).

29. Answer: D
The structure of your home and attached structures
Dwelling coverage (Coverage A) protects the physical structure of your home and any structures attached to it, such as an attached garage or deck, against covered perils.

30. Answer: A
Detached structures on your property like fences, sheds, or detached garages
Other structures coverage (Coverage B) protects structures on your property that are not attached to the dwelling, such as detached garages, fences, storage sheds, and pools.

31. Answer: A
Your belongings both at home and while traveling
Personal property coverage (Coverage C) protects your personal belongings, including furniture, clothing, and electronics, whether at home or temporarily away from home (like while traveling).

32. Answer: A
Coverage for additional living expenses if your home is uninhabitable
Loss of use coverage (Coverage D) pays for additional living expenses like hotel stays and restaurant meals if your home becomes uninhabitable due to a covered loss.

33. Answer: C
The most common homeowners policy with open-peril dwelling and named-peril personal property coverage
HO-3 is the most common homeowners policy. It provides open-peril (all-risk) coverage for the dwelling and named-peril coverage for personal property.

34. Answer: C
A renter's insurance policy for tenants
HO-4 is renter's insurance. It covers the tenant's personal property and liability but not the building structure (which is the landlord's responsibility).

35. Answer: B
A condo owners policy
HO-6 is a condominium owners policy. It covers the condo owner's personal property, improvements made to the unit, and liability. The condo association typically insures the building structure.

36. Answer: C

A package policy combining property and liability coverage for small businesses

A Business Owners Policy (BOP) is a package policy designed for small businesses that combines commercial property coverage, business liability, and business interruption coverage.

37. Answer: D

Coverage for lost income and expenses when business operations are suspended

Business interruption insurance covers lost income and continuing operating expenses when a business must suspend operations due to a covered property loss, such as a fire.

38. Answer: B

Coverage protecting against third-party claims of bodily injury or property damage

Commercial general liability (CGL) insurance protects businesses against third-party claims of bodily injury, property damage, personal injury (like slander), and advertising injury.

39. Answer: C

Coverage for claims arising from professional errors, omissions, or negligence

Professional liability insurance (errors and omissions or malpractice insurance) covers claims arising from professional mistakes, negligent acts, or failure to perform professional duties.

40. Answer: B

Coverage for employees injured on the job, regardless of fault

Workers compensation insurance provides benefits to employees who are injured or become ill as a result of their job. It covers medical expenses, lost wages, and rehabilitation costs regardless of fault.

41. Answer: D

Yes, it's mandatory in most states for employers with employees

Workers compensation insurance is mandatory in most states for businesses with employees. Requirements vary by state regarding exemptions, coverage limits, and employer size thresholds.

42. Answer: B

Promptly notify the insurance company of the loss

The insured's first duty after a loss is to promptly notify the insurance company. Delay in notification can potentially affect the claim if it prejudices the insurer's ability to investigate.

43. Answer: C

A formal sworn statement from the insured documenting the loss

A proof of loss is a formal, sworn statement submitted by the insured to the insurance company documenting the facts of the loss, the amount claimed, and other relevant information.

44. Answer: C

To investigate claims and determine the amount the insurer should pay

A claims adjuster investigates insurance claims to determine coverage, evaluate the extent of damage or loss, and recommend appropriate claim payment amounts based on policy terms.

45. Answer: C

Damaged property retained by the insurer after paying a total loss claim

Salvage refers to damaged property that the insurer takes possession of after paying a total loss claim. The insurer may sell the salvage to recover some of the claim payment.

46. Answer: D

The insurer's right to pursue recovery from the party responsible for the loss

Subrogation is the insurer's right, after paying a claim, to pursue recovery of the payment from the third party who caused the loss. This prevents the insured from collecting twice.

47. Answer: D

Intentional deception to obtain insurance benefits illegally

Insurance fraud is intentional deception committed by an applicant, policyholder, or claimant for the purpose of obtaining insurance benefits to which they are not entitled.

48. Answer: B

The intentional and malicious burning of property

Arson is the intentional and malicious burning of property. Insurance claims for fire losses caused by arson committed by the insured are denied and can result in criminal prosecution.

49. Answer: B

The insurer's obligation to provide legal defense for covered claims

The duty to defend is the insurer's obligation to provide legal defense for the insured against covered claims, even if the claims are groundless. This is separate from the duty to pay damages.

50. Answer: C

An insurer's unreasonable denial or delay of legitimate claims

Bad faith occurs when an insurer unreasonably denies or delays payment of legitimate claims, fails to investigate properly, or otherwise acts unfairly toward the insured. It can result in significant penalties.

51. Answer: D

Coverage for buildings under construction against damage or loss

Builders risk insurance (course of construction insurance) covers buildings under construction against physical damage or loss from covered perils like fire, vandalism, or weather.

52. Answer: D

Coverage for goods in transit and movable property on land

Inland marine insurance covers goods in transit over land, movable property, and items that may be at various locations. Despite its name, it has little to do with water transportation.

53. Answer: C

Coverage for ships, cargo, and related maritime exposures

Ocean marine insurance covers ships (hull coverage), cargo being transported by water, freight charges, and liability for damage to others' property or vessels.

54. Answer: C

Coverage protecting corporate directors and officers from personal liability for decisions

D&O liability insurance protects directors and officers of a company from personal liability when sued for alleged wrongful acts in managing the company, such as breach of fiduciary duty.

55. Answer: C

Protection against claims of wrongful employment practices like harassment or discrimination

EPL insurance protects employers against claims by employees alleging wrongful employment practices such as discrimination, sexual harassment, wrongful termination, or retaliation.

56. Answer: C

Coverage for data breaches, cyberattacks, and related exposures

Cyber liability insurance covers losses from data breaches, cyberattacks, network damage, and related liabilities including notification costs, credit monitoring, and legal expenses.

57. Answer: C

Liability coverage for businesses that service, sell, or store vehicles

Garage liability insurance provides liability coverage for auto dealerships, repair shops, service stations, and other businesses that work with vehicles, covering both premises and auto liability exposures.

58. Answer: A

Coverage for claims arising from injuries or damage caused by products sold or manufactured

Products liability insurance covers claims arising from bodily injury or property damage caused by products that a business manufactures, sells, or distributes.

59. Answer: A

Coverage for liability arising from work after it has been completed

Completed operations coverage protects contractors and others against liability for bodily injury or property damage arising from work after it has been completed and handed over to the customer.

60. Answer: C
Coverage for damage to property in someone's care, custody, or control
Bailee coverage protects businesses that have temporary possession of others' property (like dry cleaners, repair shops) against liability for damage to that property while in their care.

61. Answer: B
A three-party agreement guaranteeing one party will fulfill an obligation to another
A surety bond is a three-party agreement where the surety (typically an insurer) guarantees to the obligee that the principal will fulfill a contractual or legal obligation.

62. Answer: B
Coverage protecting against employee dishonesty and theft
A fidelity bond (employee dishonesty coverage) protects a business against losses caused by dishonest acts of employees, such as theft, forgery, or embezzlement.

63. Answer: A
A federal program providing flood insurance where private coverage is limited
The NFIP is a federal program administered by FEMA that provides flood insurance to property owners in participating communities, where private flood coverage has historically been limited or unavailable.

64. Answer: C
No, flood coverage requires a separate policy
Standard homeowners and business property policies specifically exclude flood damage. A separate flood insurance policy, typically through the NFIP or private insurers, is required for flood coverage.

65. Answer: C
No, earthquake coverage usually requires a separate policy or endorsement
Standard homeowners policies exclude earthquake damage. Coverage requires purchasing a separate earthquake policy or adding an earthquake endorsement to the existing policy.

66. Answer: D
Liability for injuries to children attracted to dangerous conditions on property
The attractive nuisance doctrine holds property owners liable for injuries to children who are attracted onto the property by dangerous conditions (like swimming pools or trampolines) that the owner should protect against.

67. Answer: C
Liability imposed on one party for the actions of another
Vicarious liability holds one party legally responsible for the actions of another party, such as an employer being liable for the negligent acts of employees performed within the scope of employment.

68. Answer: A
Liability imposed without proof of negligence or fault
Strict liability (absolute liability) holds a party responsible for damages regardless of negligence or fault. It typically applies to inherently dangerous activities or defective products.

69. Answer: A
Each defendant can be held responsible for the full amount of damages
Joint and several liability means each defendant can be held responsible for the full amount of damages, allowing the plaintiff to collect the entire judgment from any defendant, regardless of their individual share of fault.

70. Answer: B
A system where damages are reduced by the plaintiff's percentage of fault
Comparative negligence is a legal principle that reduces a plaintiff's recovery by their percentage of fault in causing the injury. In pure comparative negligence, even a 99% at-fault plaintiff can recover 1%.

71. Answer: C
A defense that bars recovery if the plaintiff contributed to their own injury at all
Contributory negligence is a strict legal defense that completely bars a plaintiff from recovering damages if they were even partially at fault for their own injury. Only a few states still use this doctrine.

72. Answer: B

The maximum amount the insurer will pay for all claims during a policy period

The aggregate limit is the maximum total amount an insurer will pay for all claims during a policy period. Once exhausted, no further claims are covered until the policy renews.

73. Answer: B

The maximum amount payable for any single covered event

The per occurrence limit is the maximum amount an insurer will pay for all claims arising from a single covered event or occurrence, regardless of the number of claimants.

74. Answer: B

Coverage that applies when a claim is made during the policy period

Claims-made coverage applies when the claim is made (reported) during the policy period, regardless of when the incident occurred. This differs from occurrence coverage, which is triggered when the incident happens.

75. Answer: A

Coverage that applies when the incident occurs during the policy period

Occurrence coverage applies when the covered incident happens during the policy period, regardless of when the claim is filed. It provides ongoing protection even after the policy expires.

76. Answer: B

An extension allowing claims to be reported after a claims-made policy expires

A tail (extended reporting period) endorsement allows claims to be reported after a claims-made policy ends, for incidents that occurred during the policy period but are reported later.

77. Answer: B

A certificate proving minimum liability coverage, required after certain violations

An SR-22 is a certificate of financial responsibility that proves a driver carries at least the minimum required auto liability insurance. It's typically required after serious violations like DUI or driving without insurance.

78. Answer: A

Coverage paying the difference between a car's ACV and the loan balance

Gap insurance covers the difference between a vehicle's actual cash value (what insurance pays) and the remaining loan or lease balance if the car is totaled or stolen while the owner still owes more than it's worth.

79. Answer: A

Paying for a rental car while your vehicle is being repaired after a covered loss

Rental reimbursement coverage pays for a rental car while your vehicle is being repaired after a covered loss, up to a daily and total limit specified in the policy.

80. Answer: C

Coverage for towing costs and minor roadside labor like flat tire changes

Towing and labor coverage pays for towing services and minor roadside assistance labor (like changing a flat tire or jump-starting a battery) when your vehicle is disabled.

81. Answer: C

A single coverage amount applying to multiple properties or items

Blanket coverage provides a single sum of insurance that applies across multiple properties or items rather than specifying separate limits for each. It offers flexibility in covering shifting values.

82. Answer: B

State laws requiring insurers to pay the full policy limit for total losses

Valued policy laws in some states require insurers to pay the full face amount of a property insurance policy in case of total loss, regardless of the actual cash value at the time of loss.

83. Answer: D

Coverage for additional costs to continue operations after a covered loss

Extra expense coverage pays for additional costs incurred to continue business operations after a covered loss, such as renting temporary facilities or equipment while repairs are made.

84. Answer: A

Coverage for buildings under construction against physical damage

Builders risk insurance covers buildings under construction against physical damage from covered perils like fire, wind, and vandalism. Coverage typically applies from groundbreaking until completion.

85. Answer: A

Coverage for property in transit or at fixed locations not covered by standard property policies

Inland marine insurance covers property in transit over land, mobile equipment, and certain types of property not adequately covered by standard property policies, including contractors' equipment and valuable papers.

86. Answer: C

Professional liability coverage for mistakes or failures in professional services

E&O insurance is professional liability coverage protecting against claims of negligence, errors, or omissions in providing professional services. It's commonly carried by insurance agents, lawyers, and consultants.

87. Answer: B

Coverage for corporate leaders against claims of wrongful acts in their management capacity

D&O insurance protects corporate directors and officers from personal liability for alleged wrongful acts in managing the company, including breach of fiduciary duty, mismanagement, and regulatory violations.

88. Answer: D

Coverage for claims by employees alleging discrimination, harassment, or wrongful termination

EPLI protects employers against claims by employees alleging wrongful employment practices including discrimination, sexual harassment, wrongful termination, and failure to promote.

89. Answer: C

Coverage for those managing employee benefit plans against claims of mismanagement

Fiduciary liability insurance protects plan administrators and other fiduciaries from personal liability for breaches of their duties in managing employee benefit plans covered by ERISA.

90. Answer: B

Coverage for data breaches, cyber attacks, and related liability exposures

Cyber liability insurance covers expenses and liabilities arising from data breaches, cyber attacks, and related incidents including notification costs, credit monitoring, legal fees, and regulatory fines.

91. Answer: A

Coverage for income loss when a key supplier's or customer's operations are disrupted

Contingent business interruption covers income loss when the insured's operations are affected by physical damage to a key supplier's or customer's property, even when the insured's property is undamaged.

92. Answer: D

Liability for injury or damage arising from products sold or work completed away from premises

Products-completed operations hazard refers to liability for bodily injury or property damage arising from the insured's products after they leave the insured's control or from completed work away from the premises.

93. Answer: C

Liability coverage for injuries or damage occurring on insured premises or from ongoing operations

Premises and operations coverage is part of general liability insurance that covers bodily injury or property damage occurring on the insured's premises or arising from the insured's ongoing business operations.

94. Answer: A

Coverage for offenses like libel, slander, false arrest, and copyright infringement in advertising

Personal and advertising injury coverage in CGL policies covers offenses including false arrest, libel, slander, invasion of privacy, and copyright infringement committed in the course of advertising.

95. Answer: C

Excess liability coverage that provides additional limits above underlying policies

Umbrella liability provides excess coverage above the limits of underlying liability policies. It may also cover some claims not covered by underlying policies, subject to a self-insured retention.

96. Answer: B

Coverage that pays only after underlying policy limits are exhausted

Excess liability insurance provides additional limits above an underlying policy but follows the same terms and conditions. Unlike umbrella policies, it typically doesn't broaden coverage.

97. Answer: B

Liability coverage for vehicles used for business that aren't owned by the insured

Hired and non-owned auto coverage provides liability protection when employees use rented vehicles (hired) or their personal vehicles (non-owned) for business purposes.

98. Answer: D

Commercial auto coverage required for businesses transporting goods or passengers for hire

Motor carrier insurance is specialized commercial auto coverage for trucking companies and other businesses that transport goods or passengers for hire, meeting DOT and state requirements.

99. Answer: A

Coverage for goods being transported against loss or damage during transit

Cargo insurance covers goods while being transported from one location to another against loss or damage during transit. It can cover various modes including truck, rail, air, and ocean shipping.

100. Answer: D

Coverage for property of others in the insured's care, custody, or control

Bailee coverage protects businesses that have custody of customer property (like dry cleaners or repair shops) against liability for loss or damage to that property while in their care.

101. Answer: C

Coverage for cleanup costs and third-party damages from pollution incidents

Pollution liability insurance covers cleanup costs and third-party liability for bodily injury and property damage arising from pollution incidents, which are typically excluded from standard liability policies.

102. Answer: D

Coverage for liability assumed under a contract that would otherwise be the other party's responsibility

Contractual liability coverage protects the insured when they assume another party's liability through a contract, such as a hold harmless or indemnification agreement in a lease or service contract.

103. Answer: A

Liability for the actions of another person for whom one is responsible

Vicarious liability holds one party responsible for the actions of another, such as an employer being liable for an employee's negligent acts within the scope of employment.

104. Answer: C

Each defendant can be held responsible for the entire damage amount

Joint and several liability means each defendant can be held fully responsible for the entire judgment, regardless of their percentage of fault. The plaintiff can collect the full amount from any defendant.

105. Answer: B

A system where damages are reduced by the plaintiff's percentage of fault

Comparative negligence is a tort rule where damages are reduced by the plaintiff's percentage of fault. States use either pure comparative (any fault reduces recovery) or modified comparative (recovery barred above certain fault thresholds).

106. Answer: C

A defense that bars recovery if the plaintiff was at all negligent

Contributory negligence is a strict doctrine still used in a few states where any negligence by the plaintiff, no matter how slight, completely bars recovery from the defendant.

107. Answer: B
A defense that the plaintiff knowingly accepted the risks of an activity
Assumption of risk is a defense arguing the plaintiff cannot recover because they voluntarily exposed themselves to a known danger. It can be express (signed waiver) or implied (participating in risky activities).

108. Answer: B
Damages awarded to punish the defendant for egregious conduct, not just compensate the plaintiff
Punitive damages are awarded in addition to compensatory damages to punish the defendant for particularly egregious, willful, or malicious conduct and deter similar behavior. Most liability policies exclude them.

109. Answer: C
The time period within which a legal action must be filed
The statute of limitations sets the maximum time after an event within which a lawsuit can be filed. This varies by state and type of claim, affecting how long potential liability exposure exists.

110. Answer: C
Coverage providing medical benefits and wage replacement to employees injured on the job
Workers' compensation is a no-fault insurance system providing medical care, wage replacement, and other benefits to employees injured in the course of employment, in exchange for limiting employer liability.

111. Answer: D
Workers' compensation is the only remedy for workplace injuries, barring lawsuits against employers
The exclusive remedy doctrine means workers' compensation is typically the only remedy for employees injured on the job, generally preventing them from suing their employer for negligence.

112. Answer: B
A factor adjusting premiums based on an employer's actual loss history compared to expected losses
Experience modification (mod) compares an employer's actual losses to expected losses for their industry. A mod above 1.0 increases premiums; below 1.0 decreases them, incentivizing workplace safety.

113. Answer: D
A rating plan where final premium is adjusted based on actual losses during the policy period
Retrospective rating plans adjust the final premium after the policy period based on actual losses. Good loss experience results in a return premium; poor experience means additional premium owed.

114. Answer: A
National Council on Compensation Insurance
NCCI (National Council on Compensation Insurance) is a rating organization that develops workers' compensation classification codes, experience rating, and loss costs used by insurers in most states.

115. Answer: B
Coverage for loss due to employee theft or dishonesty
Fidelity bonds protect employers against losses caused by dishonest acts of employees, including theft of money, securities, or property. They can cover named individuals or all employees.

116. Answer: D
A three-party agreement guaranteeing one party will fulfill an obligation to another
A surety bond is a three-party agreement where the surety guarantees to the obligee that the principal will fulfill an obligation. If the principal fails, the surety pays and can seek reimbursement.

117. Answer: D
A surety bond guaranteeing a contractor will complete a project according to contract terms
A performance bond guarantees the contractor will complete the project according to contract specifications. If they fail, the surety either finds another contractor or pays the project owner for damages.

118. Answer: B
A surety bond guaranteeing a contractor will pay subcontractors and suppliers
A payment bond guarantees that the contractor will pay all subcontractors, laborers, and material suppliers. It protects these parties when they cannot place liens on public projects.

119. Answer: D
A surety bond guaranteeing a contractor will enter into a contract if awarded the bid
A bid bond guarantees that if awarded a contract, the bidding contractor will enter into the contract and provide required performance and payment bonds. It protects project owners from low-ball bids.

120. Answer: C
The insurer's right to pursue a third party responsible for a loss after paying the claim
Subrogation allows an insurer, after paying a claim, to step into the insured's shoes and pursue recovery from the third party that caused the loss. This helps recover claim payments and reduce overall costs.

121. Answer: A
Coverage A
Coverage A generally applies to the dwelling. Other homeowners coverage parts apply to other structures, personal property, liability, or loss of use depending on the policy form.

122. Answer: B
Coverage B - Other Structures
Coverage B is commonly used for other structures on the residence premises, such as a detached garage, shed, or fence, subject to policy conditions and exclusions.

123. Answer: B
To insure personal property owned or used by an insured
Coverage C generally applies to personal property. Candidates should remember that special limits and exclusions may apply to certain categories of property.

124. Answer: A
Loss of use or additional living expense
Coverage D is commonly associated with loss of use, including additional living expense when a covered loss makes the residence unfit to live in.

125. Answer: C
Coverage E
Coverage E is commonly the personal liability coverage in a homeowners policy. It may respond when an insured is legally liable for covered bodily injury or property damage.

126. Answer: A
Medical payments to others without requiring legal liability
Coverage F is usually medical payments to others. It can pay limited medical expenses for others injured under covered circumstances without first proving negligence.

127. Answer: C
Flood damage from rising water
Flood from rising water is commonly excluded under standard homeowners forms. Separate flood coverage may be needed depending on the risk and location.

128. Answer: B
Provide broader or higher-limit coverage for specifically listed valuable items
Scheduled personal property coverage is often used for valuable items such as jewelry, fine arts, or collectibles that need specific coverage beyond standard policy limits.

129. Answer: B
Replacement cost
Replacement cost coverage generally pays the cost to replace damaged property with comparable new property, subject to policy conditions, limits, and deductibles.

130. Answer: C
Depreciation
Actual cash value is commonly explained as replacement cost minus depreciation. Exact policy language can vary, but depreciation is the key exam concept.

131. Answer: A
Injuries to others for which the insured is legally liable
Bodily injury liability coverage can pay for covered injuries to others when the insured is legally responsible, subject to the policy limit and conditions.

132. Answer: B
The insured damages another person's vehicle in a covered accident
Property damage liability may pay for covered damage the insured legally causes to another person's property, such as another vehicle, fence, or building.

133. Answer: A
Damage to the covered auto from impact with another vehicle or object
Collision coverage generally applies to physical damage to a covered auto caused by collision or overturn, subject to policy terms and deductible.

134. Answer: B
Damage from theft, fire, vandalism, or falling objects
Comprehensive, often called other-than-collision coverage, commonly applies to covered losses such as theft, fire, vandalism, falling objects, and certain weather events.

135. Answer: B
An at-fault driver has no applicable liability insurance
Uninsured motorist coverage may protect insureds when they are injured by a driver who does not have applicable liability insurance, subject to policy and state requirements.

136. Answer: A
The at-fault driver has some liability insurance, but not enough to cover the insured's damages
Underinsured motorist coverage is designed for situations where the responsible driver has liability insurance but the limits are insufficient for the covered loss.

137. Answer: A
Covered medical expenses for insured persons after an auto accident, regardless of fault
Medical payments coverage generally pays covered medical expenses for insured persons after an auto accident, regardless of fault, subject to limits and policy terms.

138. Answer: B
$100,000 bodily injury per person, $300,000 bodily injury per accident, $50,000 property damage
A split limit usually lists bodily injury per person, bodily injury per accident, and property damage per accident in that order.

139. Answer: C
Collision coverage
Physical damage coverages such as collision and comprehensive often use deductibles. Liability coverages generally do not use deductibles in standard personal auto policies.

140. Answer: B
Does not own a car but needs personal auto liability coverage when driving non-owned autos
A named non-owner policy may provide personal auto liability coverage for a person who does not own a vehicle but regularly drives borrowed or rented vehicles.

141. Answer: B
Legal responsibility for covered injury or damage to others
Liability insurance is designed to respond when the insured is legally responsible for covered bodily injury, property damage, or certain other covered claims.

142. Answer: A
Defend the insured against covered or potentially covered claims
The duty to defend generally requires the insurer to provide a legal defense for claims covered or potentially covered by the policy, subject to policy language.

143. Answer: A
Proximate cause
Proximate cause is the legal cause closely related enough to the injury to support liability. It is a core concept in negligence and liability claims.

144. Answer: B
A breach of a legal duty
Negligence usually requires duty, breach of duty, causation, and damages. A breach of duty is one of the key elements.

145. Answer: A
Compensatory damages
Compensatory damages are designed to compensate for actual covered loss, such as medical bills, property damage, lost wages, or pain and suffering.

146. Answer: B
Punish especially wrongful conduct and deter similar behavior
Punitive damages are meant to punish and deter especially wrongful conduct. Whether insurance can cover them depends on policy language and applicable law.

147. Answer: B
The total maximum the policy will pay for all covered claims during a policy period
An aggregate limit is the total amount a policy will pay for specified covered claims during a policy period, subject to the policy wording.

148. Answer: A
The maximum payable for one covered event or occurrence
An occurrence limit is the maximum amount payable for one covered occurrence, subject to other limits such as aggregate limits.

149. Answer: A
Extra liability coverage above underlying policies
An umbrella policy can provide additional liability limits above required underlying policies and may provide broader liability coverage in some situations.

150. Answer: B
The insured's guest slips on the insured's icy steps and is injured
A guest injury may create a liability claim if the insured is alleged to be legally responsible. Damage to the insured's own property is usually a first-party property issue.

151. Answer: A
Business-owned buildings and business personal property against covered causes of loss
Commercial property insurance generally covers business buildings, business personal property, and related property exposures against covered causes of loss.

152. Answer: A
Inventory, furniture, and equipment owned by the business
Business personal property generally includes covered business-owned contents such as inventory, furniture, equipment, and supplies at described premises.

153. Answer: A
Lost net income and certain continuing expenses during restoration
Business income coverage can help replace lost income and continuing expenses when operations are suspended due to covered physical loss or damage.

154. Answer: A
Necessary expenses to reduce or avoid a business interruption after a covered loss
Extra expense coverage can pay necessary costs incurred to continue operations or reduce the business interruption after a covered property loss.

155. Answer: A
Property under construction
Builders risk coverage is designed for buildings or structures while they are being constructed, renovated, or repaired, subject to policy terms.

156. Answer: A
Which perils or causes of loss are covered or excluded
The causes of loss form identifies covered causes of loss and exclusions for commercial property coverage. It is central to determining whether property damage is covered.

157. Answer: A
Increase loss risk and restrict or reduce coverage under policy conditions
Vacancy can increase risk of certain losses. Commercial property policies often include vacancy conditions that may limit or restrict coverage after a specified vacancy period.

158. Answer: A
Carry insurance close to the required percentage of the property's value
A coinsurance clause encourages adequate insurance-to-value. If the insured carries too little insurance, a coinsurance penalty may reduce a partial-loss payment.

159. Answer: A
Business liability for covered bodily injury, property damage, and certain personal and advertising injury claims
CGL coverage generally addresses common business liability exposures, including covered bodily injury, property damage, and personal and advertising injury claims.

160. Answer: A
Bodily injury and property damage liability
Coverage A of a CGL policy generally covers bodily injury and property damage liability, subject to definitions, exclusions, and conditions.

161. Answer: A
Personal and advertising injury liability
Coverage B of a CGL policy generally applies to personal and advertising injury liability, such as certain covered offenses listed in the policy.

162. Answer: A
Medical payments for certain injuries without regard to legal liability
Coverage C generally provides limited medical payments for certain injuries on or near the insured premises or because of the insured's operations, regardless of fault.

163. Answer: A
A product sold by the insured injures a customer after the sale
Products-completed operations coverage can apply to covered liability arising from the insured's products or completed work after the product or work has left the insured's control.

164. Answer: A
Liability arising from the insured's premises or ongoing business operations
Premises and operations coverage addresses covered liability arising from the insured's location or ongoing operations, subject to policy exclusions and conditions.

165. Answer: B
An employee is injured while performing job duties
Employee work-related injuries are generally addressed by workers compensation, not standard CGL bodily injury coverage.

166. Answer: A
The business risk exclusions
Business risk exclusions limit coverage for certain damage to the insured's own work or product. CGL is primarily liability coverage, not a guarantee of work quality.

167. Answer: A
Job-related employee injuries or occupational disease benefits required by law
Workers compensation provides statutory benefits for covered work-related employee injuries or occupational diseases, typically without requiring the employee to prove employer negligence.

168. Answer: A
Certain lawsuits by employees or related parties not fully covered by workers compensation benefits
Employer's liability coverage can protect against certain employee injury-related lawsuits that fall outside standard workers compensation benefits, subject to policy limits and exclusions.

169. Answer: A
No-fault benefits for covered work-related injuries
Workers compensation is generally a no-fault system for covered workplace injuries. State laws and benefit details vary, but no-fault benefits are a core concept.

170. Answer: A
Payroll by classification
Workers compensation premiums commonly consider payroll, job classification, rates, and experience modification factors where applicable.

171. Answer: A
The employer's loss experience compared with similar employers
An experience modification factor adjusts premium based on an employer's loss experience compared with expected losses for similar businesses.

172. Answer: A
Medical benefits for covered work-related injuries
Workers compensation commonly includes medical benefits for covered work-related injuries and may also include disability, rehabilitation, or death benefits depending on the law.

173. Answer: A
Movable property, property in transit, or specialized property exposures
Inland marine coverage is often used for movable property, property in transit, contractors equipment, fine arts, and other specialized property exposures.

174. Answer: A
Mobile tools and equipment used by a contractor
A contractors equipment floater can insure mobile equipment and tools used at job sites, in transit, or at temporary locations, subject to policy terms.

175. Answer: A
Covered records of amounts owed to the insured are damaged or destroyed
Accounts receivable coverage can help when records of amounts owed to the insured are damaged by a covered loss, making collection difficult or impossible.

176. Answer: A
The cost to research, replace, or restore important documents after covered loss
Valuable papers coverage can pay costs to research, replace, or restore valuable documents and records after covered damage or loss.

177. Answer: A
Property while being transported
A transportation floater is an inland marine form that can cover property while it is in transit, subject to policy conditions.

178. Answer: A
Employee theft or certain theft-related losses
Commercial crime coverage can protect against certain theft-related losses, including employee theft, forgery, or money and securities losses depending on the form.

179. Answer: A
Covered dishonest acts committed by employees
Employee theft coverage applies to covered dishonest acts by employees, such as stealing money, securities, or other property, subject to policy definitions and limits.

180. Answer: B
Principal, obligee, surety
A surety bond involves the principal who must perform, the obligee who requires the bond, and the surety that guarantees the principal's obligation.

181. Answer: A
A contractor will perform according to the contract
A performance bond guarantees that the principal will complete work according to contract terms, protecting the obligee if the principal fails to perform.

182. Answer: A
Employee dishonesty
Fidelity bonds are used to protect against certain dishonest acts by employees or other covered persons, depending on the bond or coverage form.

183. Answer: A
The amount of loss
An appraisal condition is commonly used when the insurer and insured disagree about the amount of a covered property loss, not whether coverage exists.

184. Answer: A
Automatic application of certain coverage broadening changes without additional premium for a specified period
A liberalization condition can automatically extend certain broadened coverage changes to existing policies when conditions in the policy are met.

185. Answer: A
The insured intentionally misrepresents or conceals material facts
Concealment, misrepresentation, or fraud involving material facts can affect coverage rights under policy conditions and applicable law.

186. Answer: A
The amount the insured must absorb before the policy pays a covered loss
A deductible is the portion of a covered loss the insured is responsible for before insurance payment applies, subject to policy terms.

187. Answer: A
Normal wear and tear
Normal wear and tear, deterioration, and maintenance-related problems are commonly excluded because insurance is intended for fortuitous losses, not ordinary upkeep.

188. Answer: A
Give prompt notice of the loss to the insurer
Policies commonly require the insured to provide prompt notice, protect property from further damage, cooperate with the insurer, and submit requested documentation.

189. Answer: A
How coverage applies when more than one policy may cover the same loss
Other insurance provisions explain how a loss is shared or coordinated when multiple policies may apply to the same covered claim.

190. Answer: A
Only part of a matched pair or set is damaged
A pair or set condition addresses how payment is handled when only part of a matched pair or set is damaged, subject to policy wording.

191. Answer: A
Indemnity
The principle of indemnity means insurance is intended to restore the insured after a covered loss, not create a profit from the claim.

192. Answer: A
The cause of loss
A peril is the cause of loss, such as fire, theft, windstorm, or collision. A hazard is a condition that increases the chance of loss.

193. Answer: A
A condition that increases the chance or severity of loss
A hazard is a condition that increases the probability or severity of a loss. Hazards may be physical, moral, or morale hazards.

194. Answer: A
Being careless because insurance is available
A morale hazard is carelessness or indifference to loss because insurance exists. Intentional misconduct would be a moral hazard.

195. Answer: A
An insured intentionally causes a loss to collect insurance proceeds
A moral hazard involves dishonest or intentional behavior that increases the chance of loss, such as deliberately causing a loss for financial gain.

196. Answer: A
Commercial auto coverage
Commercial auto coverage addresses business vehicle liability and physical damage needs, depending on the selected forms and symbols.

197. Answer: A
show which categories of autos are covered for a coverage
Covered auto symbols indicate which types of autos apply to each coverage, such as owned, hired, or nonowned autos.

198. Answer: A
nonowned auto liability
Nonowned auto liability can address the employer's liability exposure when employees use personally owned vehicles for business purposes.

199. Answer: A
leases, rents, hires, or borrows
Hired auto coverage applies to autos the business leases, hires, rents, or borrows, subject to the policy terms.

200. Answer: A
to address rented vehicles and employee-owned vehicles used for business
Hired auto coverage addresses rented or borrowed autos, while nonowned auto coverage addresses vehicles the business does not own, such as employee vehicles used for business.

201. Answer: A
loss to covered autos themselves
Commercial auto physical damage coverage helps pay for damage to covered vehicles, depending on selected causes of loss and deductibles.

202. Answer: A
bodily injury or property damage the insured is legally responsible for because of a covered auto accident
Auto liability coverage addresses covered legal liability arising from auto accidents, not maintenance or ordinary operating costs.

203. Answer: A
collision damage to the business's own truck
Liability coverage protects against covered third-party claims. Damage to the insured's own vehicle usually requires physical damage coverage.

204. Answer: A
a florist that uses vans for deliveries
A business using vehicles in operations, such as delivery vans, usually has commercial auto exposures.

205. Answer: A
it shows selected coverages, limits, covered auto symbols, and insured vehicles
The declarations page identifies key policy choices, but coverage still depends on the full policy terms, exclusions, and endorsements.

206. Answer: A
property and liability coverage for eligible small businesses
A BOP is designed to package property and liability coverages for many eligible small businesses.

207. Answer: A
it can package common property and liability coverages in one policy
A BOP can be convenient for eligible small businesses because it packages common coverages, but exclusions and optional endorsements still matter.

208. Answer: A
covered business contents such as furniture, stock, and equipment
Business personal property coverage usually applies to covered contents used in the business, subject to limits and exclusions.

209. Answer: A
business income coverage
Business income coverage may help replace lost income during a covered suspension caused by a covered cause of loss.

210. Answer: A
bodily injury, property damage, and personal/advertising injury
BOP liability coverage is intended for common third-party liability claims, subject to exclusions and conditions.

211. Answer: A
a high-hazard manufacturing operation
BOP eligibility is often limited by business type, size, revenue, premises, and risk characteristics. Higher-hazard operations may require different coverage.

212. Answer: A
workers compensation when employees are subject to workers compensation law
Workers compensation is usually written separately and is not replaced by a BOP.

213. Answer: A
covered buildings and business personal property
The BOP property section addresses covered business property, such as buildings and contents, subject to policy terms.

214. Answer: A
modify coverage, limits, conditions, or exclusions
Endorsements change the policy. They may add, limit, or clarify coverage depending on the wording.

215. Answer: A
some exposures may require separate policies or endorsements
Exclusions identify losses or exposures not covered by the policy. A business may need endorsements or separate policies for those exposures.

216. Answer: A
farm property and farm liability risks
Farm policies are designed for agricultural property and liability exposures that may not fit standard homeowners or commercial forms.

217. Answer: A
both residence and business/agricultural exposures
Farm risks may include a dwelling, personal property, farm buildings, machinery, livestock, and liability exposures.

218. Answer: A
farm machinery, equipment, and supplies
Farm personal property coverage can address covered farm equipment, machinery, tools, supplies, and similar property, depending on the policy.

219. Answer: A
coverage may depend on causes of loss, limits, schedules, and exclusions
Livestock coverage can vary significantly. Covered causes, limits, valuation, and exclusions must be reviewed closely.

220. Answer: A
covered bodily injury or property damage claims arising from farm operations
Farm liability coverage protects against covered third-party liability claims related to farm operations, subject to exclusions.

221. Answer: A
a tractor used in farming operations
A tractor used in farm operations is a farm property exposure that may need specific coverage.

222. Answer: A
vehicles and equipment may not all fit neatly under farm property coverage
Farm vehicles and mobile equipment may require careful classification and separate or endorsed coverage.

223. Answer: A
whether agritourism or business liability exposures need special coverage
Public events can create liability exposures beyond ordinary farm operations. Coverage should be reviewed and endorsed if needed.

224. Answer: A
boilers, electrical systems, or mechanical equipment
Equipment breakdown coverage addresses covered breakdown events involving certain mechanical, electrical, or pressure equipment.

225. Answer: A
a covered electrical system failure damaging business equipment
Equipment breakdown coverage focuses on covered breakdowns of equipment, not general liability, theft of autos, or advertising injury.

226. Answer: A
refrigerated goods spoil after covered refrigeration equipment fails
Spoilage coverage can help with perishable property damaged because of a covered equipment breakdown, when included.

227. Answer: A
standard property forms may exclude or limit mechanical breakdown losses
Standard property coverage may not fully cover mechanical or electrical breakdown exposures. Equipment breakdown fills that gap when properly added.

228. Answer: A
extra costs to speed up repairs or replacement after a covered breakdown
Expediting expense coverage can help pay reasonable extra costs to make temporary repairs or speed permanent repairs after a covered breakdown.

229. Answer: A
equipment breakdown
Boiler and machinery exposures are classic equipment breakdown concerns.

230. Answer: A
a grocery store relying on refrigeration equipment
Businesses that depend on mechanical, electrical, or refrigeration equipment often need equipment breakdown review.

231. Answer: A
equipment breakdown and business income/extra expense coverage
Equipment breakdown may address the damaged machinery, while business income or extra expense coverage may address covered downtime if included.

232. Answer: A
professional errors, omissions, or negligent advice
Professional liability, also called errors and omissions coverage in many fields, addresses covered claims arising from professional services.

233. Answer: A
general liability may not cover financial loss from professional advice errors
General liability focuses on bodily injury, property damage, and personal/advertising injury. Professional liability addresses certain professional service errors.

234. Answer: A
professional liability coverage
Errors and omissions coverage is a common form of professional liability protection.

235. Answer: A
errors and omissions liability
An agent E&O policy may address covered claims alleging professional mistakes, such as failure to procure requested coverage.

236. Answer: A
claims-made basis
Professional liability is often written on a claims-made basis, meaning timing of the claim and reporting requirements are critical.

237. Answer: A
claims from acts before that date may not be covered
A retroactive date limits coverage for acts occurring before that date. Claims-made policies require careful attention to dates and reporting conditions.

238. Answer: A
allow certain claims to be reported after a claims-made policy ends
An extended reporting period allows reporting of certain claims after policy termination for acts that occurred during the covered period, subject to terms.

239. Answer: A
an accountant giving professional tax advice
Professionals who provide specialized services or advice can face professional liability exposure.

240. Answer: A
give prompt notice to the insurer
Most policies require prompt notice of loss so the insurer can investigate and handle the claim.

241. Answer: A
a formal statement of the details and amount of a claimed loss
A proof of loss gives the insurer information about the loss and the amount claimed, when required by the policy.

242. Answer: A
mitigation of damages
Policies often require the insured to take reasonable steps to protect property from further damage after a loss.

243. Answer: A
subrogation
Subrogation allows the insurer to pursue recovery from a responsible third party after paying a covered claim.

244. Answer: A
damaged property that has remaining value after a loss
Salvage is property that remains after a loss and may still have value. Claim settlement may account for salvage depending on the policy.

245. Answer: A
it helps support the amount, cause, and details of the claim
Photos, receipts, inventories, and repair estimates can support the claim and help the insurer evaluate covered damage.

246. Answer: A
investigate, evaluate, and help resolve claims
Adjusters investigate facts, review coverage, estimate damages, and help settle claims according to the policy and applicable rules.

247. Answer: A
the insured usually pays or absorbs before insurance payment applies
A deductible is the insured's share of a covered loss before the policy pays, depending on the policy wording.

248. Answer: A
add to, remove, or change policy terms
An endorsement modifies the insurance contract by changing coverage, limits, exclusions, or conditions.

249. Answer: A
provide specific coverage for valuable items such as jewelry or fine arts
Scheduling valuable property can broaden or clarify coverage for items that may be limited under the base policy.

250. Answer: A
adds another party as an insured for specified coverage purposes
Additional insured endorsements extend insured status to another party for certain claims, subject to the endorsement wording.

251. Answer: A
agrees not to pursue recovery from a specified party after paying a covered loss
A waiver of subrogation prevents the insurer from seeking recovery from a specified party, when the endorsement applies.

252. Answer: A
a lender or other party with a financial interest in covered property
A loss payable clause can give a lender or other interested party rights to claim payments involving covered property.

253. Answer: A
endorsement wording can change the meaning of coverage, limits, and exclusions
An endorsement is part of the policy and can significantly broaden, restrict, or clarify coverage.

254. Answer: A
the cause of loss is specifically listed as covered
Named perils coverage applies only to causes of loss named in the policy or endorsement.

255. Answer: A
They should be read because they can change the original policy wording.
Endorsements are contractual changes and should be read together with the policy.

256. Answer: A
commercial general liability
Damage to a customer’s property caused by business operations is a typical commercial general liability exposure, subject to exclusions.

257. Answer: A
commercial property coverage
Damage to a building from a covered cause of loss such as windstorm is a property coverage issue.

258. Answer: A
workers compensation
Workers compensation is designed to address covered employee work-related injuries according to applicable law.

259. Answer: A
premises liability under general liability coverage
A customer slip-and-fall claim is a premises liability exposure commonly addressed by general liability coverage.

260. Answer: A
professional liability
Professional liability is designed for certain financial-loss claims arising from professional services, unlike general liability focused on bodily injury and property damage.

261. Answer: A
equipment breakdown with spoilage coverage
Equipment breakdown and spoilage coverage may address mechanical failure and resulting spoilage if included in the policy.

262. Answer: A
hired auto liability and physical damage needs
A rented vehicle creates a hired auto exposure. The business should review both liability and physical damage coverage needs.

263. Answer: A
the loss may require separate flood coverage
Flood is commonly excluded or limited in many property policies and may require separate flood coverage or endorsement.

264. Answer: A
coverage and limits may apply differently by listed location
Commercial property policies often identify covered locations, buildings, and limits. Unlisted or newly acquired locations may have limited coverage.

265. Answer: A
CGL addresses liability claims, while inland marine may cover tools or equipment in transit or at job sites
Contractors often have liability exposures and mobile property exposures. These are commonly handled by different coverage forms.

266. Answer: A
an extended reporting period if available
Claims-made policies can leave reporting gaps after cancellation. An extended reporting period may allow certain later-reported claims to be submitted.

267. Answer: A
over more than one item or location, depending on policy wording
Blanket coverage can apply one limit across multiple covered items or locations, subject to policy terms.

268. Answer: A
underinsurance may reduce claim payment after a partial loss
A coinsurance clause can penalize the insured for carrying less insurance than required by the policy formula.

269. Answer: A

an insured intentionally exaggerates a claim because insurance will pay

Moral hazard involves behavior or character that increases the chance or size of loss, such as intentionally exaggerating a claim.

270. Answer: A

new activities can create exposures not contemplated by the current policy

Business changes can create new property, liability, auto, or professional exposures. Policies should be reviewed so coverage matches current operations.