



California Personal Lines Insurance

Practice test

April 6, 2026

Time limit: 135 minutes

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Answer key for this session (PDF):

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1. Which type of insurer is owned by its policyholders, who may receive dividends if the company is profitable?
 - A. Claims are settled by an independent panel that includes the insured
 - B. Lloyd's association
 - C. Coverage automatically renews each year without premium increases
 - D. Policyholders may share in the insurer's profits through dividendsundefined. Stock insurer
undefined. The insured participates in setting their own premium
undefined. Mutual insurer
undefined. Reciprocal exchange
2. Under California Insurance Code, a homeowner's insurer must offer earthquake insurance when renewing a residential property policy. This requirement applies to:
 - A. All admitted insurers writing residential property policies — offer required at each renewal
 - B. Only homeowners with properties in seismic zone 4
 - C. Only insurers that already offer earthquake coverage
 - D. All admitted insurers offering residential property policies
3. The "towing and labor" coverage endorsement under a PAP pays for:
 - A. The cost to repair mechanical breakdown at a service center
 - B. Rear-ending a parked car
 - C. The insured's car flipping over on a highway
 - D. Rental car costs while the vehicle is being towedundefined. Towing to the nearest repair facility and labor at the disablement site
undefined. The insured's car striking a deer
undefined. Any roadside expense including fuel delivery and locksmith services
undefined. A head-on collision with another vehicle
4. Which of the following is a characteristic of an "open perils" property policy compared to a "named perils" policy?
 - A. The insurer must prove an exclusion applies to deny the claim

- B. Fewer perils are covered compared to a named perils policy
 C. The insured must prove the specific peril that caused the loss
 D. The policy lists all covered perils alphabetically
5. Under California Insurance Code § 533, an insurer is NOT liable for a loss caused by:
 A. Accidental acts of the insured
 B. Natural disasters that the insured could have prevented
 C. Acts of negligence by a third party
 D. The willful act of the insured
 undefined. Requiring prior approval of rate increases and mandating a good driver discount
 undefined. Deregulating auto insurance rates and eliminating government oversight
 undefined. Mandating coverage for all California drivers at no cost
 undefined. Creating a state-run auto insurance monopoly
6. Under the ISO PAP, a newly acquired vehicle is automatically covered for how long after acquisition, assuming the insurer already covers at least one vehicle for the insured?
 A. 30 days
 B. A friend borrowing the car with the owner's permission
 C. 7 days
 D. An unlicensed household member
 undefined. A mechanic test-driving the car without explicit owner permission
 undefined. A commercial delivery driver using the car for business
 undefined. 60 days
 undefined. 14 days
7. Medical payments (MedPay) coverage under a personal auto policy pays:
 A. Liability damages owed to third parties injured in the accident
 B. Filing a financial hardship waiver with the DMV
 C. Registering the vehicle in another state with lower requirements
 D. Completing a state-approved defensive driving course
 undefined. The other driver's repair costs when the insured is at fault
 undefined. Medical and funeral expenses for the insured and passengers, regardless of fault
 undefined. Long-term disability income if the insured cannot return to work
 undefined. Purchasing auto liability insurance meeting minimum required limits
8. Under the California Insurance Code, what is the maximum penalty an insurer can face for engaging in unfair claims settlement practices?
 A. Mandatory retraining with no other consequences
 B. A fine limited to \$500 per violation
 C. License suspension or revocation and civil monetary penalties
 D. A written warning with no financial penalty
9. An insured intentionally sets fire to their own building and files a claim. The insurer denies the claim based on which policy exclusion?
 A. The property damage exclusion
 B. The pollution exclusion
 C. The wear and tear exclusion
 D. The intentional acts exclusion
10. Which of the following BEST describes "earth movement" under a standard commercial property policy?
 A. A standard exclusion requiring separate coverage or an endorsement
 B. A covered peril requiring no endorsement
 C. Covered only if caused by a named storm
 D. Vandalism
 undefined. Theft
 undefined. Windstorm and hail
 undefined. Fire
 undefined. Automatically covered under HO-3 in California by state law
11. The principle of "subrogation" does NOT apply in which of the following situations?
 A. A life insurance policy pays a death benefit after the insured dies
 B. The loss must be measurable in financial terms
 C. The loss must be intentionally caused by a third party
 D. The loss must be accidental from the insured's standpoint
 undefined. A third-party contractor causes a covered loss to the insured's property
 undefined. The insured negligently causes damage to a neighbor's property
 undefined. There must be a large number of similar exposure units
 undefined. An at-fault driver damages the insured's vehicle
12. A business owner policy (BOP) is MOST appropriate for:
 A. A small retail store or professional office
 B. A large manufacturing plant with complex machinery
 C. An auto dealership with a large vehicle inventory
 D. A hospital with significant medical malpractice exposure
 undefined. Older homes where replacement cost significantly exceeds market value
 undefined. Mobile homes and manufactured housing
 undefined. New luxury homes in high-cost coastal markets
 undefined. Rental properties owned by absentee landlords

13. Under the ISO Building and Personal Property (BPP) form, "tenant's improvements and betterments" are covered as:
- The tenant's business personal property coverage
 - A separate inland marine floater only
 - Excluded — TIBs belong to the landlord once installed
 - Building coverage since TIBs are attached to the structure
14. Under California law, a homeowners insurance policy must be renewed unless the insurer provides at least how many days' advance notice of non-renewal?
- 10 days
 - 20 days
 - 45 days
 - 30 days
15. Which of the following BEST describes an "aleatory" contract?
- Domestic
 - One where both parties exchange equal values at policy inception
 - One where the performance of one party depends on an uncertain future event
 - Alien
- undefined. One where the insurer guarantees a profit to the insured
- undefined. Surplus lines
- undefined. Foreign
- undefined. One that must be in writing to be enforceable
16. Under California law, a surplus lines (non-admitted) insurer may be used when:
- 10 days
 - An admitted insurer offers coverage at a higher premium
 - 20 days
 - The insured wants to avoid state guarantee fund assessments
- undefined. The insured prefers not to deal with CDI-regulated insurers
- undefined. 30 days
- undefined. The risk is so unusual or hazardous that admitted carriers will not write it after a diligent search
- undefined. 45 days
17. The California FAIR Plan provides:
- Free coverage for low-income homeowners in wildfire areas
 - Flood and earthquake coverage for properties in disaster zones
 - Basic property insurance (fire and extended coverage) as a last resort for high-risk properties
 - Comprehensive homeowners coverage comparable to an HO-3 policy
18. California's mandatory financial responsibility law requires that every owner or operator of a motor vehicle must be able to demonstrate the ability to pay for damages. The MOST common method of satisfying this requirement is:
- Medical and funeral expenses for the insured and passengers, regardless of fault
 - Purchasing auto liability insurance meeting minimum required limits
 - Filing a financial hardship waiver with the DMV
 - The other driver's repair costs when the insured is at fault
- undefined. Liability damages owed to third parties injured in the accident
- undefined. Long-term disability income if the insured cannot return to work
- undefined. Registering the vehicle in another state with lower requirements
- undefined. Completing a state-approved defensive driving course
19. Under California's Proposition 103, the THREE primary factors insurers must use to set personal auto rates in order of importance are:
- \$15,000 per person / \$30,000 per accident / \$5,000 property damage
 - \$15,000 per accident / \$30,000 per person / \$5,000 property damage
 - \$25,000 per person / \$50,000 per accident / \$10,000 property damage
 - Age, gender, and marital status
- undefined. \$30,000 per person / \$60,000 per accident / \$15,000 property damage
- undefined. Vehicle type, garaging location, and annual miles driven
- undefined. Credit score, homeownership, and commute distance
- undefined. Driving safety record, annual miles driven, and years of driving experience
20. The California FAIR Plan provides property insurance to homeowners who cannot obtain coverage in the standard market. FAIR Plan policies are:
- A government program funded by FEMA
 - A surplus lines insurer for high-risk properties
 - An insurer of last resort — a pooling arrangement among all admitted insurers
 - A state agency that issues policies directly
21. An insured has a \$500,000 commercial building insured under a policy with an 80% coinsurance requirement. The building's actual replacement cost is \$800,000. The insured suffers a \$200,000 partial loss. How much does the insurer pay (ignoring the deductible)?
- \$125,000
 - \$200,000
 - \$156,250
 - \$160,000

22. An insurer that is incorporated in Arizona but licensed to do business in California is considered a _____ insurer in California.
- A. One where both parties exchange equal values at policy inception
 - B. One that must be in writing to be enforceable
 - C. Foreign
 - D. One where the performance of one party depends on an uncertain future event
23. Under the California Insurance Code, an insurer must provide at least how many days' advance written notice before cancelling a personal auto policy mid-term (for reasons other than nonpayment of premium)?
- A. An admitted insurer offers coverage at a higher premium
 - B. The insured prefers not to deal with CDI-regulated insurers
 - C. The risk is so unusual or hazardous that admitted carriers will not write it after a diligent search
 - D. 30 days
24. A person purchases fire insurance on a building they do not own and have no financial stake in. If the building burns down, they cannot collect because they lack:
- A. Subrogation rights
 - B. Adhesion
 - C. It cannot be transferred to another party without the insurer's consent
 - D. Proximate cause
25. Under the ISO HO-3, personal liability (Coverage E) does NOT cover bodily injury or property damage:
- A. Arising from the insured's business pursuits or professional services
 - B. Fire
 - C. Caused by a guest falling on the insured's driveway
 - D. Caused by a covered peril on the insured premises
26. The DICE acronym used to analyze insurance policy provisions stands for:
- A. Contribution
 - B. Indemnity
 - C. Duties, Insurance Limit, Coverage, Endorsements
 - D. Insurable interest
27. Under the ISO commercial property program, which of the following is NOT covered under the Building and Personal Property (BPP) Coverage Form?
- A. Pays the insured's own medical bills after an accident
 - B. Land
 - C. Requires proof of negligence before paying any medical expenses
 - D. Covers household residents injured in accidents at home
28. Under California's Good Driver Discount Law (Prop 103), an insurer must offer a discount to any driver who has been licensed for at least 3 years and has not had more than one at-fault accident or more than one violation in the past:
- A. No lookback period
 - B. 1 year
 - C. 3 years
 - D. 5 years
29. Under the ISO Personal Auto Policy (PAP), Part A (Liability) covers which of the following?
- A. Legal liability for bodily injury and property damage caused to others
 - B. All named insureds who own more than two personal vehicles
 - C. Damage to the insured's own vehicle from a collision
 - D. Theft of the insured vehicle

undefined. Corporate officers or employees provided a company car who have no personal PAP of their own

30. Under the PAP, rental reimbursement coverage pays for:

- A. Rental car liability coverage when the insured drives a rental vehicle
- B. Rental car costs while the insured's covered vehicle is being repaired after a covered loss
- C. Reimbursement for public transportation costs after any accident
- D. Rental car costs when the insured is on vacation

31. Under a California homeowners policy, "dwelling" coverage (Coverage A) is designed to insure:

- A. Personal property inside the home
- B. The dwelling structure including attached structures, fixtures, and systems
- C. All real and personal property owned by the insured
- D. Only the land and foundation

32. California requires drivers to carry minimum liability limits for auto insurance. The current minimum is:

- A. 25/50/10
- B. 15/30/5
- C. 100/300/50
- D. 10/20/10

33. Which of the following BEST defines the principle of indemnity in insurance?

- A. The maximum amount an insurer will pay under a policy
- B. The insured is restored to the same financial position as before the loss, no better, no worse
- C. A condition that increases the probability or severity of a loss
- D. The insurer pays the full replacement cost regardless of age undefined. The financial amount the insured must pay before insurance responds undefined. The cause of a loss, such as fire, theft, or windstorm undefined. The insurer profits from every policy that does not result in a claim undefined. The insured receives a fixed benefit amount regardless of actual loss

34. California Proposition 103 (1988) requires that auto insurance rates be based primarily on which three mandatory rating factors in order of importance?

- A. Credit score, age, and ZIP code
- B. Gender, marital status, and occupation
- C. Miles driven, occupation, and age
- D. Driving safety record, annual miles driven, years of driving experience — in that order

35. Under California's Fair Claims Settlement Practices Regulations, an insurer must acknowledge receipt of a claim within:

- A. Paying covered claims when an admitted P&C insurer becomes insolvent
- B. Providing free insurance to low-income Californians
- C. Covering claims against surplus lines insurers that become insolvent
- D. 45 calendar days undefined. Regulating admitted insurer solvency on behalf of the CDI undefined. 30 calendar days undefined. 15 calendar days undefined. 10 calendar days

36. A personal watercraft (PWC) such as a Jet Ski is typically covered under a homeowners policy for liability purposes up to:

- A. Coverage only if the PWC is under 25 HP
- B. No coverage — high-powered watercraft require a separate watercraft policy
- C. Up to \$1,500 for liability only — physical damage is excluded
- D. Full liability and physical damage without restriction

37. Under California law, when a personal lines property or casualty insurer non-renews a policy due to the insured living in a high-risk area (such as a wildfire zone), the insurer must:

- A. Transfer the policy to a state-run insurer without notice
- B. Provide notice stating the reason, advise of the FAIR Plan, and inform the insured of appeal rights
- C. Only provide notice if the insured specifically requests an explanation
- D. Cancel the policy immediately and issue a refund of unearned premium

38. A waiver in an insurance contract refers to:

- A. The legal right of the insurer to recover from a negligent third party
- B. A court order forcing the insurer to honor a denied claim
- C. The voluntary relinquishment of a known legal right by one party
- D. A provision requiring the insured to maintain minimum coverage levels

39. Under a PAP, "underinsured motorist" (UIM) coverage applies when:

- A. A passenger in the insured's vehicle is injured in an accident
- B. The at-fault driver has no auto insurance and injures the insured
- C. The at-fault driver has no insurance at all
- D. The insured's vehicle is stolen by an unidentified person undefined. The at-fault driver's liability limits are insufficient to cover the insured's actual damages

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undefined. The insured is at fault and injures another driver
undefined. The insured is at fault and injures an uninsured driver
undefined. The insured's own vehicle is damaged by an unidentified driver

40. The California Insurance Guarantee Association (CIGA) protects policyholders by:

- A. 30 calendar days
- B. Paying covered claims when an admitted P&C insurer becomes insolvent
- C. Providing free insurance to low-income Californians
- D. 45 calendar days
- undefined. 15 calendar days
- undefined. 10 calendar days
- undefined. Covering claims against surplus lines insurers that become insolvent
- undefined. Regulating admitted insurer solvency on behalf of the CDI

41. Under an inland marine policy, a "floater" is used to insure:

- A. Theft of inventory by a shoplifter
- B. Fire damage caused by an arsonist
- C. Real property located in a flood zone
- D. Embezzlement of company funds by a trusted employee
- undefined. High-value movable property not adequately covered under a standard policy
- undefined. Damage to the company's building caused by a break-in
- undefined. Liability arising from transporting goods
- undefined. Property permanently attached to a building

42. A landlord who owns a rental property and does NOT occupy it should purchase which type of policy?

- A. Commercial property policy
- B. Additional costs above normal to continue or resume operations after a covered loss
- C. The wages of employees laid off due to a business shutdown
- D. HO-3 homeowners policy
- undefined. The cost to repair or replace physically damaged business property
- undefined. The net income lost when the business cannot operate after a covered loss
- undefined. Tenant's package policy
- undefined. DP dwelling policy

43. Under the ISO commercial property program, which of the following is covered under "outdoor property" without a specific endorsement?

- A. All causes of loss with no exclusions
- B. Only specific named perils listed in the policy
- C. Trees, shrubs, and plants at a \$2,500 sublimit for specific named perils only
- D. Fencing and landscaping up to \$10,000
- undefined. Only fire and lightning perils
- undefined. A permanently installed outdoor sign
- undefined. All causes of loss except those specifically excluded
- undefined. The building's exterior walls and foundation

44. The term "proximate cause" in insurance refers to:

- A. The last event in a chain of events leading to a loss
- B. Any contributing factor to a loss, regardless of significance
- C. The dominant, efficient cause that sets a chain of events in motion
- D. A cause of loss that is always excluded from coverage

45. The doctrine of utmost good faith (uberrimae fidei) in insurance contracts requires:

- A. A pre-agreed fixed amount regardless of ACV at the time of loss
- B. The insurer must accept any applicant regardless of risk
- C. The insurer alone bears the duty of disclosure
- D. The insured may withhold information that could raise their premium
- undefined. Both parties must fully and honestly disclose all material facts
- undefined. The actual cash value of the property at the time of loss
- undefined. The replacement cost minus depreciation
- undefined. The lesser of ACV or the cost to rebuild

46. A property insurance policy has a \$500 straight deductible and a covered loss of \$3,200. How much will the insurer pay?

- A. \$500
- B. \$3,200
- C. The insurer's prior conduct led the insured to reasonably believe a claim was covered, and the insured relied on that belief
- D. The insured misrepresented facts on the application
- undefined. The loss was caused by an excluded peril
- undefined. The insured failed to pay premium on time
- undefined. \$3,700
- undefined. \$2,700

47. Which of the following perils is specifically EXCLUDED from a standard HO-3 homeowners policy?

- A. Fire
- B. Arising from the insured's business pursuits or professional services
- C. Arising from the insured's personal recreational activities
- D. Caused by a guest falling on the insured's driveway
- undefined. Flood
- undefined. Windstorm
- undefined. Theft

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undefined. Caused by a covered peril on the insured premises

48. The Causes of Loss — Special Form under the ISO commercial property program covers:

- A. Only specific named perils listed in the policy
 - B. Trees, shrubs, and plants at a \$2,500 sublimit for specific named perils only
 - C. All causes of loss except those specifically excluded
 - D. Fencing and landscaping up to \$10,000
- undefined. All causes of loss with no exclusions
undefined. The building's exterior walls and foundation
undefined. A permanently installed outdoor sign
undefined. Only fire and lightning perils

49. California's Low Cost Automobile Insurance Program (CLCA) is designed to provide affordable minimum liability coverage to:

- A. High-risk drivers with multiple DUI convictions
- B. Income-eligible drivers with a clean record who are continuously licensed
- C. Commercial vehicle operators who cannot afford standard rates
- D. All uninsured motorists in California regardless of income

50. California's Proposition 103, passed in 1988, primarily affected the property and casualty insurance industry by:

- A. Creating a state-run auto insurance monopoly
 - B. Mandating coverage for all California drivers at no cost
 - C. Natural disasters that the insured could have prevented
 - D. Deregulating auto insurance rates and eliminating government oversight
- undefined. Acts of negligence by a third party
undefined. The willful act of the insured
undefined. Requiring prior approval of rate increases and mandating a good driver discount
undefined. Accidental acts of the insured

51. Under a "valued policy" for property insurance, the insurer pays:

- A. The lesser of ACV or the cost to rebuild
 - B. The replacement cost minus depreciation
 - C. The insurer must accept any applicant regardless of risk
 - D. A pre-agreed fixed amount regardless of ACV at the time of loss
- undefined. The actual cash value of the property at the time of loss
undefined. The insured may withhold information that could raise their premium
undefined. Both parties must fully and honestly disclose all material facts
undefined. The insurer alone bears the duty of disclosure

52. A property insurance policy is considered a "personal contract" because:

- A. Subrogation rights
 - B. It is owned collectively by all policyholders in a pool
 - C. It is only valid for the personal use of the named insured's family
 - D. It covers all property within a specific geographic territory
- undefined. It cannot be transferred to another party without the insurer's consent
undefined. Adhesion
undefined. Insurable interest
undefined. Proximate cause

53. Which of the following losses would be covered under the "other than collision" (OTC/comprehensive) section of a PAP?

- A. The insured's car striking a deer
 - B. Rental car costs while the vehicle is being towed
 - C. Rear-ending a parked car
 - D. The insured's car flipping over on a highway
- undefined. A head-on collision with another vehicle
undefined. Towing to the nearest repair facility and labor at the disablement site
undefined. The cost to repair mechanical breakdown at a service center
undefined. Any roadside expense including fuel delivery and locksmith services

54. Under California law, an insurer issuing a personal lines homeowners or auto policy must offer the insured the right to resolve disputes through which alternative process before filing a lawsuit?

- A. Filing a complaint with the NAIC
 - B. The insured's annual miles driven
 - C. Mediation through the CDI
 - D. The insured's years of driving experience
- undefined. Binding arbitration as an alternative to litigation
undefined. A formal jury trial only
undefined. The insured's ZIP code or territory of residence
undefined. The insured's driving safety record

55. The California Low Cost Automobile Insurance Program (CLCA) provides liability coverage to income-eligible drivers. The minimum liability limits under CLCA are:

- A. No liability coverage — only collision
- B. 10/20/3 minimum limits
- C. 25/50/5 minimum limits
- D. 15/30/5 same as standard minimum

- 56.** The "agreed value" option on a commercial property policy:
- A. Allows the insurer to negotiate the settlement amount after the loss
 - B. Doubles the coinsurance requirement to 160%
 - C. Is available only for residential properties
 - D. Suspends the coinsurance clause — insurer pays agreed value in full for a total loss
- 57.** A personal umbrella policy typically requires the insured to maintain which of the following as a condition of coverage?
- A. No deductibles on any underlying policy
 - B. Payment of all claims from a dedicated escrow account
 - C. Proof of vehicle registration and a clean driving record
 - D. Minimum specified liability limits on underlying auto and homeowners policies
- 58.** Additional Living Expense (ALE) coverage under a homeowners policy pays for:
- A. Replicating the original features of an older building would cost far more than a modern functional equivalent
 - B. The insured's mortgage or rent payments during repair
 - C. Repair costs for a second residence while the primary home is repaired
 - D. The additional living costs above normal when a home is uninhabitable after a covered loss
- undefined. The full cost of temporary housing regardless of normal living expenses
- undefined. The insured wants to insure the building at its market value rather than replacement cost
- undefined. A newer building has appreciated significantly in value
- undefined. The insured cannot afford full replacement cost insurance
- 59.** A "moral hazard" in insurance refers to:
- A. Contribution
 - B. A physical condition on insured property that increases the chance of loss
 - C. The tendency of insured persons to be careless because they have insurance
 - D. Salvage
- undefined. Arbitration
- undefined. The risk that premiums will be insufficient to cover future losses
- undefined. Subrogation
- undefined. An increased risk of loss arising from the dishonest character or fraudulent intent of the insured
- 60.** Under ISO commercial property forms, the "functional replacement cost" valuation method is used when:
- A. The insured's mortgage or rent payments during repair
 - B. The insured cannot afford full replacement cost insurance
 - C. The additional living costs above normal when a home is uninhabitable after a covered loss
 - D. The full cost of temporary housing regardless of normal living expenses
- undefined. The insured wants to insure the building at its market value rather than replacement cost
- undefined. A newer building has appreciated significantly in value
- undefined. Replicating the original features of an older building would cost far more than a modern functional equivalent
- undefined. Repair costs for a second residence while the primary home is repaired
- 61.** The "concurrent causation" doctrine in property insurance became significant in California after the 1994 Northridge earthquake because:
- A. Courts required insurers to cover losses that were entirely caused by excluded earthquake damage
 - B. The California legislature mandated earthquake coverage in all HO policies after Northridge
 - C. The insurer replaces the entire set when one item is damaged
 - D. Partial damage reduces the value of the whole set and the insurer pays only the value difference
- undefined. Insurers were required to offer replacement cost coverage for all earthquake losses
- undefined. Courts held that if a covered peril contributed to a loss alongside an excluded peril, the entire loss might be covered
- undefined. Matching items are excluded from coverage entirely
- undefined. The insurer pays full value for the lost item and the insured keeps the remaining set
- 62.** The "ordinance or law" endorsement on a property policy covers:
- A. \$100,000
 - B. The cost to demolish and rebuild a structurally sound but undamaged portion of the building
 - C. Replacement of ordinance-compliant materials that were damaged
 - D. \$80,000
- undefined. Additional costs required to bring a repaired building up to current building codes
- undefined. The insured's legal costs to dispute a building permit denial
- undefined. \$75,000
- undefined. \$93,750
- 63.** Uninsured motorist (UM) coverage under a California auto policy provides benefits when:
- A. A passenger in the insured's vehicle is injured in an accident
 - B. The at-fault driver's liability limits are insufficient to cover the insured's actual damages

- C. The at-fault driver has no auto insurance and injures the insured
 - D. The insured's vehicle is stolen by an unidentified person
- undefined. The insured is at fault and injures another driver
- undefined. The at-fault driver has no insurance at all
- undefined. The insured is at fault and injures an uninsured driver
- undefined. The insured's own vehicle is damaged by an unidentified driver

64. California's Insurance Frauds Prevention Act (Cal. Ins. Code § 1871) imposes penalties for insurance fraud including:

- A. Policy cancellation and a five-year ban from purchasing insurance
- B. Felony criminal penalties and civil penalties including treble damages
- C. Only a written warning for a first offense
- D. Mandatory community service with no criminal record

65. Under the ISO PAP, the "drive other car" (DOC) endorsement is needed when:

- A. All named insureds who own more than two personal vehicles
 - B. Legal liability for bodily injury and property damage caused to others
 - C. Insureds whose spouse has their own separate auto policy
 - D. Insureds who want coverage extended to unlicensed household members
- undefined. Theft of the insured vehicle
- undefined. Corporate officers or employees provided a company car who have no personal PAP of their own
- undefined. Damage to the insured's own vehicle from a collision
- undefined. Medical expenses for the insured and passengers

66. An insured uses their personal vehicle to deliver food for a rideshare delivery app. Under the standard PAP, this use:

- A. Fire, theft, or vandalism
 - B. Animal strikes and falling objects
 - C. Contact with another vehicle, an object, or the vehicle overturning
 - D. Is fully covered under the standard PAP as a personal use activity
- undefined. Any accidental damage regardless of cause
- undefined. Is covered only if the insured has collision coverage
- undefined. Triggers the livery/commercial use exclusion and is not covered under the standard PAP
- undefined. Is covered under Coverage C (medical payments) only

67. California Insurance Code Section 790.03 prohibits which of the following insurer behaviors?

- A. Offering a multi-policy discount to policyholders
- B. Misrepresenting policy terms and failing to promptly acknowledge claims
- C. Requiring a medical exam before issuing life insurance
- D. Charging premiums that vary by ZIP code

68. Under California law, an insurer must offer earthquake coverage to California homeowners as a separate policy or endorsement. This requirement is administered by:

- A. The California Earthquake Authority (CEA)
- B. FEMA's National Earthquake Insurance Program
- C. The insurer's parent company with federal backing
- D. The California Department of Insurance directly

69. Under the PAP, "collision" coverage (Part D) pays for damage to the insured's vehicle caused by:

- A. Is covered under Coverage C (medical payments) only
 - B. Fire, theft, or vandalism
 - C. Animal strikes and falling objects
 - D. Is fully covered under the standard PAP as a personal use activity
- undefined. Contact with another vehicle, an object, or the vehicle overturning
- undefined. Is covered only if the insured has collision coverage
- undefined. Triggers the livery/commercial use exclusion and is not covered under the standard PAP
- undefined. Any accidental damage regardless of cause

70. A California personal lines agent who knowingly misrepresents a policy's benefits to a client may be subject to which of the following consequences?

- A. No consequences if the misrepresentation was unintentional
- B. License revocation or suspension, fines, and possible criminal referral
- C. A mandatory continuing education requirement only
- D. A formal apology to the affected client

71. Under California law, an insurer wishing to increase personal auto insurance rates must:

- A. Any notice provided after the policy expiration date is automatically late
 - B. Simply notify policyholders 30 days before the rate takes effect
 - C. Apply to the federal government for interstate rate approval
 - D. Obtain prior approval from the California Insurance Commissioner before the increase takes effect
- undefined. File rates with the CDI and use them immediately without waiting for approval
- undefined. The insured failed to report the claim in writing rather than orally
- undefined. The insured's late notice actually prejudiced the insurer's ability to investigate or defend
- undefined. The insured filed the claim more than 30 days after the loss

72. Which of the following rating factors is PROHIBITED under California law for personal auto insurance?

- A. A formal jury trial only
 - B. The insured's driving safety record
 - C. The insured's ZIP code or territory of residence
 - D. Binding arbitration as an alternative to litigation
- undefined. The insured's years of driving experience
undefined. The insured's annual miles driven
undefined. Filing a complaint with the NAIC
undefined. Mediation through the CDI

73. California's "good driver discount" law requires insurers to offer a discount to drivers who:

- A. Have maintained continuous insurance for the past 5 years
- B. Have driven for more than 10 years without any violations
- C. Have completed a state-approved defensive driving course
- D. Have no at-fault accidents and no more than one point in the past 3 years, and have been licensed for 3+ years

74. Under California law, when a personal auto insurance policy is cancelled mid-term for reasons other than non-payment, the insurer must give how many days notice?

- A. 30 days
- B. 45 days
- C. 10 days
- D. 20 days

75. Which of the following is the CORRECT description of the "insuring agreement" section of an insurance policy?

- A. Renters who do not own the dwelling
 - B. The declarations page identifying the insured and premium amount
 - C. The insurer's promise to pay and the scope of what is covered
 - D. Owners of mobile homes
- undefined. A list of property excluded from coverage under the policy
undefined. The duties the insured must perform after a loss
undefined. Condo unit owners
undefined. Owners of older historic homes

76. Under the PAP, the "named non-owner" endorsement is used to provide coverage for:

- A. Named insureds who want coverage for a second vehicle
- B. Persons who drive but do not own a vehicle
- C. Business owners who use their personal car for deliveries
- D. Unlicensed family members who occasionally drive

77. Which of the following is an example of "risk avoidance" as a risk management technique?

- A. Adhesion
 - B. Setting aside reserves to self-insure against small losses
 - C. Reformation
 - D. Estoppel
- undefined. Purchasing insurance to transfer the financial risk of loss
undefined. A company deciding not to manufacture a dangerous product to eliminate that risk entirely
undefined. Installing sprinklers to reduce the severity of a fire loss
undefined. Contra proferentem

78. Business income (business interruption) coverage under a commercial property policy pays for:

- A. A retail store with a large cash register
 - B. The cost of relocating the business to a temporary location
 - C. The net income and continuing operating expenses lost during a covered suspension of business
 - D. A construction company whose equipment sits outside
- undefined. Extra expenses to continue operating above normal costs
undefined. A restaurant or grocery store that relies on refrigeration for perishable inventory
undefined. A law firm that handles confidential client files
undefined. The cost to repair or replace the physically damaged building or equipment

79. Uninsured Motorist (UM) coverage in California is required to be offered with every auto liability policy. The insured may reject it in writing. UM coverage protects against:

- A. Property damage to the insured's home caused by an uninsured neighbor
- B. Medical expenses for the insured regardless of fault
- C. Damage the insured causes to their own vehicle
- D. Bodily injury to the insured caused by an at-fault driver with no liability insurance

80. Which of the following is NOT a required element of an insurable risk?

- A. A third-party contractor causes a covered loss to the insured's property
 - B. There must be a large number of similar exposure units
 - C. A life insurance policy pays a death benefit after the insured dies
 - D. The loss must be accidental from the insured's standpoint
- undefined. An at-fault driver damages the insured's vehicle
undefined. The insured negligently causes damage to a neighbor's property
undefined. The loss must be measurable in financial terms
undefined. The loss must be intentionally caused by a third party

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- 81.** Under the ISO Commercial Property policy (Building and Personal Property Coverage Form), "business personal property" includes all of the following EXCEPT:
- A. Premiums are lower because fewer locations are covered
 - B. Land on which the building sits
 - C. Furniture and equipment owned by the business
 - D. Coverage is restricted to the named insured's primary location only
- undefined. Inventory held for sale
undefined. Each location or property item is assigned its own separate limit
undefined. A single limit applies across multiple locations or property categories
undefined. Tenant improvements and betterments
- 82.** Which of the following is a characteristic of "blanket" property coverage compared to "specific" coverage?
- A. Premiums are lower because fewer locations are covered
 - B. Inventory held for sale
 - C. Coverage is restricted to the named insured's primary location only
 - D. Tenant improvements and betterments
- undefined. A single limit applies across multiple locations or property categories
undefined. Furniture and equipment owned by the business
undefined. Each location or property item is assigned its own separate limit
undefined. Land on which the building sits
- 83.** Under a standard PAP, which of the following vehicles is generally NOT covered under the "covered auto" definition without a specific endorsement?
- A. A minivan used for personal transportation
 - B. A newly acquired private passenger car
 - C. A motorcycle
 - D. A pickup truck owned by the named insured
- 84.** Under California's Earthquake Brace and Bolt (EBB) program, homeowners may receive financial assistance to:
- A. Replace windows with double-pane glass
 - B. Retrofit older wood-frame homes with cripple walls to reduce earthquake damage
 - C. Install fire sprinkler systems
 - D. Add hurricane straps to the roof
- 85.** A California personal umbrella policy (PUP) provides coverage that:
- A. Provides excess liability above underlying limits and may cover gaps in underlying policies
 - B. Replaces the underlying homeowners and auto policies entirely
 - C. Requires no underlying coverage to be in force
 - D. Covers only property damage, not bodily injury
- 86.** Under the commercial property "causes of loss — basic form," which of the following perils is NOT covered?
- A. Theft
 - B. Windstorm and hail
 - C. Covered only if caused by a named storm
 - D. A covered peril requiring no endorsement
- undefined. A standard exclusion requiring separate coverage or an endorsement
undefined. Fire
undefined. Vandalism
undefined. Automatically covered under HO-3 in California by state law
- 87.** A "participating" insurance policy is one in which:
- A. The insured participates in setting their own premium
 - B. Policyholders may share in the insurer's profits through dividends
 - C. Mutual insurer
 - D. Reciprocal exchange
- undefined. Stock insurer
undefined. Lloyd's association
undefined. Claims are settled by an independent panel that includes the insured
undefined. Coverage automatically renews each year without premium increases
- 88.** Under California's Automobile Assigned Risk Plan (CAARP), coverage is made available to:
- A. Drivers with clean records who want lower premiums
 - B. High-risk drivers who cannot obtain insurance in the voluntary market
 - C. Government employees who require specialized auto coverage
 - D. Out-of-state drivers who are new to California
- 89.** A "spoilage" endorsement to a commercial property policy would be most important for:
- A. A retail store with a large cash register
 - B. Extra expenses to continue operating above normal costs
 - C. The net income and continuing operating expenses lost during a covered suspension of business
 - D. A restaurant or grocery store that relies on refrigeration for perishable inventory
- undefined. The cost of relocating the business to a temporary location
undefined. A law firm that handles confidential client files
undefined. The cost to repair or replace the physically damaged building or equipment
undefined. A construction company whose equipment sits outside

90. California's "notice-prejudice" rule (Cal. Ins. Code § 554) provides that an insurer may deny a late claim only if:

- A. Simply notify policyholders 30 days before the rate takes effect
 - B. The insured filed the claim more than 30 days after the loss
 - C. The insured's late notice actually prejudiced the insurer's ability to investigate or defend
 - D. Apply to the federal government for interstate rate approval
- undefined. File rates with the CDI and use them immediately without waiting for approval
undefined. Any notice provided after the policy expiration date is automatically late
undefined. Obtain prior approval from the California Insurance Commissioner before the increase takes effect
undefined. The insured failed to report the claim in writing rather than orally