



# California Property and Casualty Insurance

Practice test

April 6, 2026

Time limit: 205 minutes

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## Official exam page

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Answer key for this session (PDF):

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1. The "contractual liability" exclusion in a CGL policy excludes coverage for:
  - A. Liability assumed under contracts, except for qualifying "insured contracts"
  - B. Liability for breach of warranty on the insured's products
  - C. All contractual liabilities assumed by the insured under any agreement
  - D. All personal injury claims arising from the insured's contracts
2. Under the standard ISO Homeowners HO-3 policy, the dwelling (Coverage A) is insured on which basis?
  - A. Open perils for the dwelling, named perils for personal property
  - B. Named perils for both dwelling and personal property
  - C. Named perils for the dwelling, open perils for personal property
  - D. Open perils for both dwelling and personal property
3. A "vacancy" provision in a commercial property policy typically reduces or eliminates coverage after the building has been vacant for:
  - A. 30 consecutive days
  - B. 90 consecutive days
  - C. 60 consecutive days
  - D. 120 consecutive days
4. Under the Workers' Compensation policy, benefits typically include all of the following EXCEPT:
  - A. Death benefits to the worker's dependents
  - B. Pain and suffering damages
  - C. Temporary disability wage replacement
  - D. Medical expense benefits
5. A landlord who owns a rental property and does NOT occupy it should purchase which type of policy?
  - A. Commercial property policy
  - B. Tenant's package policy
  - C. DP dwelling policy
  - D. HO-3 homeowners policy

6. Which of the following is NOT a standard coverage part of the ISO Commercial General Liability (CGL) policy?
- Coverage A — Bodily Injury and Property Damage
  - Coverage B — Personal and Advertising Injury
  - Coverage C — Medical Payments
  - Professional Liability (Errors and Omissions)
7. Which of the following is an example of "risk avoidance" as a risk management technique?
- Purchasing insurance to transfer the financial risk of loss
  - A company deciding not to manufacture a dangerous product to eliminate that risk entirely
  - Setting aside reserves to self-insure against small losses
  - Installing sprinklers to reduce the severity of a fire loss
8. Under the concept of "estoppel," an insurer may be prevented from denying a claim when:
- The insurer's prior conduct led the insured to reasonably believe a claim was covered, and the insured relied on that belief
  - The loss was caused by an excluded peril
  - The insured failed to pay premium on time
  - The insured misrepresented facts on the application
9. Under a homeowners policy, the "medical payments to others" (Coverage F) provision:
- Pays medical expenses of third parties injured on the premises regardless of fault
  - Requires proof of negligence before paying any medical expenses
  - Covers household residents injured in accidents at home
  - Pays the insured's own medical bills after an accident
10. Which of the following coverages is an example of a "named perils" policy?
- An umbrella liability policy with no exclusions
  - A basic dwelling policy DP-1 covering only fire, lightning, and internal explosion
  - A commercial package policy covering all business risks
  - A homeowners HO-3 policy covering all perils except those excluded
11. Under the ISO Personal Auto Policy (PAP), Part A (Liability) covers which of the following?
- Medical expenses for the insured and passengers
  - Theft of the insured vehicle
  - Damage to the insured's own vehicle from a collision
  - Legal liability for bodily injury and property damage caused to others
12. California's mandatory minimum auto liability limits are expressed as 15/30/5. This means:
- \$15,000 per person / \$30,000 per accident / \$5,000 property damage
  - \$30,000 per person / \$60,000 per accident / \$15,000 property damage
  - \$25,000 per person / \$50,000 per accident / \$10,000 property damage
  - \$15,000 per accident / \$30,000 per person / \$5,000 property damage
13. A homeowner has an HO-3 policy with \$300,000 Coverage A. The home has a replacement cost of \$400,000. Under the coinsurance provision, if a \$100,000 partial loss occurs, how much will the insurer pay (ignoring any deductible)?
- \$80,000
  - \$100,000
  - \$75,000
  - \$93,750
14. Under the ISO Commercial Auto policy, "hired auto" liability coverage protects the insured against liability arising from:
- Autos owned by the business that are involved in accidents
  - Damage to autos being repaired at the insured's facility
  - Autos owned by employees used for personal errands
  - Autos leased, rented, or hired by the insured for business use
15. The canon of insurance contracts that states insurance policies are written by the insurer and therefore any ambiguity is interpreted against the insurer is called:
- Estoppel
  - Adhesion
  - Contra proferentem
  - Reformation
16. A "binder" in property and casualty insurance provides:
- Temporary coverage until a formal policy is issued or declined
  - A written guarantee of insurability for future policies
  - A discount applied when a policy is renewed without claims
  - A provision allowing the insured to cancel without penalty
17. Which of the following is the BEST description of "employers liability" coverage under a Workers' Compensation policy?
- Coverage for employees injured on the job regardless of fault
  - Coverage for the employer's legal defense in criminal proceedings
  - Coverage for employer liability for work injuries outside the workers' comp statute
  - Coverage for wage replacement during temporary disability

18. Under a commercial property policy, which of the following would be considered "electronic data" and typically subject to a coverage limit rather than full BPP coverage?
- A. Inventory held for sale
  - B. Outdoor signs and fences
  - C. Furniture and filing cabinets
  - D. Proprietary software and stored business data
19. Under California workers' compensation law, an injured employee who is temporarily unable to return to work receives temporary disability (TD) benefits equal to approximately:
- A. 100% of the worker's pre-injury wage
  - B. Approximately two-thirds (66⅔%) of the worker's average weekly wage
  - C. 50% of the worker's average weekly wage
  - D. A flat weekly benefit set by the insurer regardless of prior wages
20. Cyber liability insurance primarily covers losses arising from:
- A. Data breaches, ransomware, and resulting third-party liability for compromised data
  - B. Professional errors by IT contractors
  - C. Physical damage to computer hardware and servers
  - D. General liability for slip-and-fall accidents in a tech office
21. Under the CGL, the "expected or intended" exclusion eliminates coverage for:
- A. BI or PD that the insured deliberately caused or expected to cause
  - B. Losses caused by negligence that could have been anticipated
  - C. Product liability claims that the insured anticipated before selling the product
  - D. Losses caused by a third party acting intentionally
22. Medical payments (MedPay) coverage under a personal auto policy pays:
- A. Medical and funeral expenses for the insured and passengers, regardless of fault
  - B. The other driver's repair costs when the insured is at fault
  - C. Long-term disability income if the insured cannot return to work
  - D. Liability damages owed to third parties injured in the accident
23. A "claims-made" liability policy differs from an "occurrence" policy in that it pays claims:
- A. When the insured first discovers the potential for a claim
  - B. When the lawsuit is settled or adjudicated during the policy period
  - C. When the injury or damage occurs, regardless of when the claim is filed
  - D. When the claim is first made against the insured during the policy period
24. Under an inland marine policy, a "floater" is used to insure:
- A. Property permanently attached to a building
  - B. High-value movable property not adequately covered under a standard policy
  - C. Real property located in a flood zone
  - D. Liability arising from transporting goods
25. Under a standard homeowners policy, personal property of a resident college student living in a dormitory is typically covered at:
- A. 50% of Coverage C at any secondary location
  - B. 10% of Coverage C or \$1,000, whichever is greater
  - C. No coverage — the student must buy their own renters policy
  - D. Full Coverage C limit anywhere in the world
26. Business income (business interruption) coverage under a commercial property policy pays for:
- A. The cost to repair or replace the physically damaged building or equipment
  - B. The net income and continuing operating expenses lost during a covered suspension of business
  - C. The cost of relocating the business to a temporary location
  - D. Extra expenses to continue operating above normal costs
27. A commercial umbrella policy is PRIMARILY designed to:
- A. Provide excess liability coverage above underlying policy limits
  - B. Eliminate deductibles on the insured's primary policies
  - C. Replace underlying liability policies with a single broader policy
  - D. Cover all excluded claims under the CGL policy
28. Which of the following BEST describes an "aleatory" contract?
- A. One that must be in writing to be enforceable
  - B. One where the insurer guarantees a profit to the insured
  - C. One where the performance of one party depends on an uncertain future event
  - D. One where both parties exchange equal values at policy inception
29. California's "notice-prejudice" rule (Cal. Ins. Code § 554) provides that an insurer may deny a late claim only if:
- A. Any notice provided after the policy expiration date is automatically late
  - B. The insured failed to report the claim in writing rather than orally
  - C. The insured filed the claim more than 30 days after the loss
  - D. The insured's late notice actually prejudiced the insurer's ability to investigate or defend

30. A personal umbrella policy typically requires the insured to maintain which of the following as a condition of coverage?
- Payment of all claims from a dedicated escrow account
  - No deductibles on any underlying policy
  - Proof of vehicle registration and a clean driving record
  - Minimum specified liability limits on underlying auto and homeowners policies
31. Which of the following describes "adverse selection" in the insurance context?
- An insurer intentionally selecting only profitable risks
  - Insurers charging lower premiums to attract high-risk customers
  - An insured switching insurers every year to get the lowest rate
  - High-risk individuals being more likely to purchase insurance than low-risk individuals
32. Under the PAP, rental reimbursement coverage pays for:
- Rental car liability coverage when the insured drives a rental vehicle
  - Rental car costs while the insured's covered vehicle is being repaired after a covered loss
  - Reimbursement for public transportation costs after any accident
  - Rental car costs when the insured is on vacation
33. Under California's Proposition 103, the THREE primary factors insurers must use to set personal auto rates in order of importance are:
- Age, gender, and marital status
  - Driving safety record, annual miles driven, and years of driving experience
  - Vehicle type, garaging location, and annual miles driven
  - Credit score, homeownership, and commute distance
34. Under California law, which of the following statements about workers' compensation is CORRECT?
- Workers' compensation is the exclusive remedy — injured workers generally cannot sue their employer in tort
  - Employers in California are not required to carry WC insurance if they have fewer than 10 employees
  - Injured workers may sue their employer for negligence in addition to receiving WC benefits
  - An injured worker's WC benefits are offset by any personal injury settlement
35. Under California's Fair Claims Settlement Practices Regulations, an insurer must acknowledge receipt of a claim within:
- 45 calendar days
  - 15 calendar days
  - 10 calendar days
  - 30 calendar days
36. California's Low Cost Automobile Insurance Program (CLCA) is designed to provide affordable minimum liability coverage to:
- Income-eligible drivers with a clean record who are continuously licensed
  - Commercial vehicle operators who cannot afford standard rates
  - All uninsured motorists in California regardless of income
  - High-risk drivers with multiple DUI convictions
37. An "occurrence" under a general liability policy is BEST defined as:
- A loss that occurs in a single, identifiable moment in time only
  - A deliberate act by the insured that causes damage
  - Any event that results in a lawsuit being filed
  - An accident, including continuous exposure to substantially the same harmful conditions
38. An insured uses their personal vehicle to deliver food for a rideshare delivery app. Under the standard PAP, this use:
- Is covered under Coverage C (medical payments) only
  - Triggers the livery/commercial use exclusion and is not covered under the standard PAP
  - Is covered only if the insured has collision coverage
  - Is fully covered under the standard PAP as a personal use activity
39. The principle of "subrogation" does NOT apply in which of the following situations?
- A life insurance policy pays a death benefit after the insured dies
  - The insured negligently causes damage to a neighbor's property
  - An at-fault driver damages the insured's vehicle
  - A third-party contractor causes a covered loss to the insured's property
40. Under a CGL policy, which of the following is an example of "personal and advertising injury" (Coverage B)?
- A customer slipping on a wet floor in the insured's store
  - An employee being injured by faulty machinery
  - The insured publishing a false statement that harms a competitor's reputation
  - The insured's product causing a fire at a customer's warehouse
41. The "concurrent causation" doctrine in property insurance became significant in California after the 1994 Northridge earthquake because:
- Insurers were required to offer replacement cost coverage for all earthquake losses
  - Courts held that if a covered peril contributed to a loss alongside an excluded peril, the entire loss might be covered
  - The California legislature mandated earthquake coverage in all HO policies after

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- Northridge  
D. Courts required insurers to cover losses that were entirely caused by excluded earthquake damage
42. The California FAIR Plan provides:
- A. Basic property insurance (fire and extended coverage) as a last resort for high-risk properties
  - B. Flood and earthquake coverage for properties in disaster zones
  - C. Comprehensive homeowners coverage comparable to an HO-3 policy
  - D. Free coverage for low-income homeowners in wildfire areas
43. The "agreed value" option on a commercial property policy:
- A. Suspends the coinsurance clause — insurer pays agreed value in full for a total loss
  - B. Doubles the coinsurance requirement to 160%
  - C. Allows the insurer to negotiate the settlement amount after the loss
  - D. Is available only for residential properties
44. A DP-1 (Basic Form) dwelling policy covers which of the following on a named-perils basis?
- A. All perils without exclusions
  - B. Fire, lightning, windstorm, hail, and theft
  - C. Fire, lightning, and internal explosion
  - D. All perils except flood and earthquake
45. An insured under a CGL policy has a duty to cooperate with the insurer during a claim investigation. Failure to cooperate may result in:
- A. The insured is subject to a state fine for non-cooperation
  - B. The insurer may deny coverage for that claim or void the policy
  - C. Coverage automatically transfers to the insurer's selected defense counsel
  - D. The insurer must pay the claim regardless
46. Which type of insurer is owned by its policyholders, who may receive dividends if the company is profitable?
- A. Mutual insurer
  - B. Lloyd's association
  - C. Reciprocal exchange
  - D. Stock insurer
47. Which of the following correctly describes the "separation of insureds" clause in a CGL policy?
- A. Policy limits are multiplied by the number of insureds
  - B. Each insured must maintain their own separate deductible
  - C. Coverage is shared equally among all named insureds
  - D. Each insured is treated separately, so one insured's wrongdoing does not void another's coverage
48. The "fellow employee" exclusion in a workers' compensation policy is designed to:
- A. Cover the co-worker's personal liability for workplace accidents
  - B. Bar injured workers from suing their employer or co-workers for negligence when WC coverage applies
  - C. Reduce the employer's WC premium when no co-worker suits are filed
  - D. Require fellow employees to carry their own liability insurance
49. An employee suffers a repetitive stress injury (carpal tunnel) from years of keyboard use at work. This would MOST likely be covered under:
- A. The employee's health insurance
  - B. The employer's general liability policy
  - C. Workers' compensation insurance
  - D. A disability income policy
50. Under California law, a homeowners insurance policy must be renewed unless the insurer provides at least how many days' advance notice of non-renewal?
- A. 45 days
  - B. 20 days
  - C. 30 days
  - D. 10 days
51. Under the ISO commercial property program, which of the following is NOT covered under the Building and Personal Property (BPP) Coverage Form?
- A. The building structure itself
  - B. Tenant improvements
  - C. Outdoor signs attached to the building
  - D. Land
52. 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. Mediation through the CDI
  - B. Binding arbitration as an alternative to litigation
  - C. A formal jury trial only
  - D. Filing a complaint with the NAIC

53. Under California law, a surplus lines (non-admitted) insurer may be used when:
- A. The insured wants to avoid state guarantee fund assessments
  - B. An admitted insurer offers coverage at a higher premium
  - C. The insured prefers not to deal with CDI-regulated insurers
  - D. The risk is so unusual or hazardous that admitted carriers will not write it after a diligent search
54. 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. Only provide notice if the insured specifically requests an explanation
  - B. Transfer the policy to a state-run insurer without notice
  - C. Provide notice stating the reason, advise of the FAIR Plan, and inform the insured of appeal rights
  - D. Cancel the policy immediately and issue a refund of unearned premium
55. An insured whose home is destroyed by fire collects the full replacement cost from their insurer. The insurer then pursues the negligent contractor whose faulty wiring caused the fire. This is an example of:
- A. Contribution
  - B. Arbitration
  - C. Subrogation
  - D. Salvage
56. Under California Insurance Code § 533, an insurer is NOT liable for a loss caused by:
- A. Accidental acts of the insured
  - B. The willful act of the insured
  - C. Acts of negligence by a third party
  - D. Natural disasters that the insured could have prevented
57. Uninsured motorist (UM) coverage under a California auto policy provides benefits when:
- A. The insured is at fault and injures another driver
  - B. The insured's vehicle is stolen by an unidentified person
  - C. A passenger in the insured's vehicle is injured in an accident
  - D. The at-fault driver has no auto insurance and injures the insured
58. Under the ISO CGL policy, "Coverage C — Medical Payments" differs from "Coverage A" primarily because:
- A. Coverage C pays without requiring proof of negligence; Coverage A requires legal liability
  - B. Coverage A excludes bodily injury on the insured's premises
  - C. Coverage A requires a deductible; Coverage C does not
  - D. Coverage C has higher limits than Coverage A
59. Which of the following triggers the "products liability" exposure under a CGL policy?
- A. Damage to a customer's property while repairs are performed on their premises
  - B. A consumer injured by a defective product after it left the manufacturer's possession
  - C. An employee injured while assembling a product on the production line
  - D. A customer slipping on the floor of the insured's store
60. Under the PAP, which of the following individuals would be considered an "insured" under Part A (Liability)?
- A. A commercial delivery driver using the car for business
  - B. An unlicensed household member
  - C. A friend borrowing the car with the owner's permission
  - D. A mechanic test-driving the car without explicit owner permission
61. Under a standard PAP, which of the following vehicles is generally NOT covered under the "covered auto" definition without a specific endorsement?
- A. A motorcycle
  - B. A pickup truck owned by the named insured
  - C. A newly acquired private passenger car
  - D. A minivan used for personal transportation
62. Under a PAP, "underinsured motorist" (UIM) coverage applies when:
- A. The insured's own vehicle is damaged by an unidentified driver
  - B. The at-fault driver's liability limits are insufficient to cover the insured's actual damages
  - C. The at-fault driver has no insurance at all
  - D. The insured is at fault and injures an uninsured driver
63. California's Proposition 103, passed in 1988, primarily affected the property and casualty insurance industry by:
- A. Requiring prior approval of rate increases and mandating a good driver discount
  - B. Deregulating auto insurance rates and eliminating government oversight
  - C. Creating a state-run auto insurance monopoly
  - D. Mandating coverage for all California drivers at no cost
64. Employment practices liability insurance (EPLI) covers claims alleging:
- A. Bodily injuries to workers injured on the job site
  - B. Discrimination, sexual harassment, or wrongful termination claims by employees
  - C. OSHA fines and regulatory penalties
  - D. Property damage caused by the employer's equipment

65. A personal watercraft (PWC) such as a Jet Ski is typically covered under a homeowners policy for liability purposes up to:
- Full liability and physical damage without restriction
  - No coverage — high-powered watercraft require a separate watercraft policy
  - Coverage only if the PWC is under 25 HP
  - Up to \$1,500 for liability only — physical damage is excluded
66. 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)?
- \$160,000
  - \$125,000
  - \$200,000
  - \$156,250
67. Under California law, an insurer wishing to increase personal auto insurance rates must:
- Apply to the federal government for interstate rate approval
  - Obtain prior approval from the California Insurance Commissioner before the increase takes effect
  - File rates with the CDI and use them immediately without waiting for approval
  - Simply notify policyholders 30 days before the rate takes effect
68. Under the ISO HO-3, personal liability (Coverage E) does NOT cover bodily injury or property damage:
- Caused by a covered peril on the insured premises
  - Caused by a guest falling on the insured's driveway
  - Arising from the insured's business pursuits or professional services
  - Arising from the insured's personal recreational activities
69. California's Insurance Frauds Prevention Act (Cal. Ins. Code § 1871) imposes penalties for insurance fraud including:
- Policy cancellation and a five-year ban from purchasing insurance
  - Mandatory community service with no criminal record
  - Felony criminal penalties and civil penalties including treble damages
  - Only a written warning for a first offense
70. The "excess and surplus lines" (E&S) market is PRIMARILY used for:
- Unusual, high-hazard, or hard-to-place risks that admitted carriers decline
  - Small personal lines policies not profitable enough for standard markets
  - Risks that are covered by the state guarantee fund
  - Standard commercial risks that all admitted carriers want to write
71. Professional liability (errors and omissions) insurance covers claims arising from:
- Criminal acts committed by the professional in the course of business
  - Financial losses caused by professional mistakes, negligence, or failure to perform duties
  - Property damage caused by faulty professional work
  - Bodily injury caused by the professional's negligent acts
72. Which of the following is NOT a required element of an insurable risk?
- The loss must be intentionally caused by a third party
  - The loss must be measurable in financial terms
  - There must be a large number of similar exposure units
  - The loss must be accidental from the insured's standpoint
73. Which of the following statements about the National Flood Insurance Program (NFIP) is CORRECT?
- NFIP provides coverage through a federal program with a standard 30-day waiting period
  - NFIP policies are available to all property owners, even in non-participating communities
  - Maximum building coverage under NFIP is \$500,000 for residential properties
  - Coverage typically takes effect immediately with no waiting period
74. A business is sued because one of its employees caused an auto accident while making a delivery. Which policy would PRIMARILY respond to the bodily injury claim?
- The employer's commercial auto policy
  - The employer's commercial general liability policy
  - The employee's personal auto policy
  - The owner's homeowners policy
75. Under California law, an insurer must offer earthquake coverage to California homeowners as a separate policy or endorsement. This requirement is administered by:
- The insurer's parent company with federal backing
  - The California Earthquake Authority (CEA)
  - FEMA's National Earthquake Insurance Program
  - The California Department of Insurance directly
76. The California Insurance Guarantee Association (CIGA) protects policyholders by:
- Regulating admitted insurer solvency on behalf of the CDI
  - Paying covered claims when an admitted P&C insurer becomes insolvent
  - Covering claims against surplus lines insurers that become insolvent
  - Providing free insurance to low-income Californians

77. A commercial property policy is written on a "replacement cost" basis rather than "actual cash value." What is the primary difference?
- A. RC pays ACV plus a 10% bonus for new materials
  - B. RC and ACV are identical terms
  - C. RC pays the market value of the property on the date of loss
  - D. RC pays the cost to repair or replace with new materials without deducting for depreciation
78. 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. Business owners who use their personal car for deliveries
  - C. Persons who drive but do not own a vehicle
  - D. Unlicensed family members who occasionally drive
79. The Causes of Loss — Special Form under the ISO commercial property program covers:
- A. Only fire and lightning perils
  - B. Only specific named perils listed in the policy
  - C. All causes of loss except those specifically excluded
  - D. All causes of loss with no exclusions
80. A "per occurrence" deductible on a general liability policy means the deductible applies:
- A. Once for the entire occurrence regardless of how many claimants arise
  - B. Once per policy year regardless of the number of occurrences
  - C. Separately for each policy period in which claims from the occurrence are filed
  - D. Once per each individual claimant injured in the occurrence
81. Under a homeowners policy, Coverage E (Personal Liability) would typically cover which of the following claims?
- A. An intentional assault by the insured on a neighbor
  - B. A workplace injury suffered by the insured's employee
  - C. A neighbor slipping on the insured's icy front walkway
  - D. An auto accident in the insured's driveway
82. The "occurrence" trigger under a CGL policy means that coverage applies when:
- A. The claim is first reported to the insurer during the policy period
  - B. The injury occurs during the policy period, regardless of when the claim is filed
  - C. The injury is caused by a named insured only
  - D. The lawsuit is filed and resolved during the policy period
83. A "moral hazard" in insurance refers to:
- A. A physical condition on insured property that increases the chance of loss
  - B. The tendency of insured persons to be careless because they have insurance
  - C. An increased risk of loss arising from the dishonest character or fraudulent intent of the insured
  - D. The risk that premiums will be insufficient to cover future losses
84. The doctrine of utmost good faith (uberrimae fidei) in insurance contracts requires:
- A. Both parties must fully and honestly disclose all material facts
  - 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
85. The DICE acronym used to analyze insurance policy provisions stands for:
- A. Duties, Insurance Limit, Coverage, Endorsements
  - B. Definitions, Indemnity Clause, Coverage, Endorsements
  - C. Declarations, Indemnification, Claims, Exclusions
  - D. Declarations, Insuring Agreement, Conditions, Exclusions
86. Under the ISO commercial property program, which of the following is covered under "outdoor property" without a specific endorsement?
- A. Fencing and landscaping up to \$10,000
  - B. A permanently installed outdoor sign
  - C. The building's exterior walls and foundation
  - D. Trees, shrubs, and plants at a \$2,500 sublimit for specific named perils only
87. Which of the following is the CORRECT description of the "insuring agreement" section of an insurance policy?
- A. The declarations page identifying the insured and premium amount
  - B. The insurer's promise to pay and the scope of what is covered
  - C. A list of property excluded from coverage under the policy
  - D. The duties the insured must perform after a loss
88. An insurer that is incorporated in Arizona but licensed to do business in California is considered a \_\_\_\_\_ insurer in California.
- A. Alien
  - B. Domestic
  - C. Surplus lines
  - D. Foreign

89. A property insurance policy has a \$500 straight deductible and a covered loss of \$3,200. How much will the insurer pay?
- \$2,700
  - \$3,200
  - \$500
  - \$3,700
90. A "builders risk" policy provides coverage for:
- A building contractor's tools and equipment on a job site
  - A completed commercial building against fire for the first year of occupancy
  - Renovation work on an existing occupied dwelling
  - A structure during the course of construction
91. Which of the following BEST defines the principle of indemnity in insurance?
- The insurer pays the full replacement cost regardless of age
  - The insured receives a fixed benefit amount regardless of actual loss
  - The insured is restored to the same financial position as before the loss, no better, no worse
  - The insurer profits from every policy that does not result in a claim
92. Under the CGL, the "personal and advertising injury" Coverage B excludes claims arising from:
- Libel and slander claims against the insured
  - Wrongful eviction claims by the insured's tenants
  - Claims arising from the insured's knowing violation of rights or criminal acts
  - Copyright infringement in the insured's advertising
93. The "towing and labor" coverage endorsement under a PAP pays for:
- Rental car costs while the vehicle is being towed
  - The cost to repair mechanical breakdown at a service center
  - Towing to the nearest repair facility and labor at the disablement site
  - Any roadside expense including fuel delivery and locksmith services
94. Under California's Automobile Assigned Risk Plan (CAARP), coverage is made available to:
- Drivers with clean records who want lower premiums
  - High-risk drivers who cannot obtain insurance in the voluntary market
  - Government employees who require specialized auto coverage
  - Out-of-state drivers who are new to California
95. Under the ISO CGL policy, the "damage to property" exclusion (formerly "care, custody or control") generally eliminates coverage for:
- Liability for damage to property caused by the insured's completed products
  - Property damage to property of others in the insured's care, custody, or control
  - Damage to the insured's own property caused by a covered peril
  - Physical damage to the insured's business vehicles
96. A business owner policy (BOP) is MOST appropriate for:
- A small retail store or professional office
  - A hospital with significant medical malpractice exposure
  - A large manufacturing plant with complex machinery
  - An auto dealership with a large vehicle inventory
97. 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:
- Completing a state-approved defensive driving course
  - Purchasing auto liability insurance meeting minimum required limits
  - Registering the vehicle in another state with lower requirements
  - Filing a financial hardship waiver with the DMV
98. The ISO Homeowners HO-8 form is specifically designed for:
- New luxury homes in high-cost coastal markets
  - Older homes where replacement cost significantly exceeds market value
  - Mobile homes and manufactured housing
  - Rental properties owned by absentee landlords
99. An insurance policy provision stating that the insurer will not pay more than the actual cash value (ACV) of a covered loss is an application of which insurance principle?
- Subrogation
  - Insurable interest
  - Indemnity
  - Contribution
100. 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)?
- 20 days
  - 10 days
  - 30 days
  - 45 days

- 101.** Additional Living Expense (ALE) coverage under a homeowners policy pays for:
- A. The additional living costs above normal when a home is uninhabitable after a covered loss
  - B. The insured's mortgage or rent payments during repair
  - C. The full cost of temporary housing regardless of normal living expenses
  - D. Repair costs for a second residence while the primary home is repaired
- 102.** The "ordinance or law" endorsement on a property policy covers:
- A. Additional costs required to bring a repaired building up to current building codes
  - B. The cost to demolish and rebuild a structurally sound but undamaged portion of the building
  - C. The insured's legal costs to dispute a building permit denial
  - D. Replacement of ordinance-compliant materials that were damaged
- 103.** The HO-4 homeowners policy form is designed for:
- A. Owners of mobile homes
  - B. Renters who do not own the dwelling
  - C. Condo unit owners
  - D. Owners of older historic homes
- 104.** A property insurance policy is considered a "personal contract" because:
- A. It is owned collectively by all policyholders in a pool
  - B. It cannot be transferred to another party without the insurer's consent
  - 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
- 105.** Under the commercial property "causes of loss — basic form," which of the following perils is NOT covered?
- A. Vandalism
  - B. Windstorm and hail
  - C. Theft
  - D. Fire
- 106.** An insured has two property policies covering the same dwelling — Policy A with a \$200,000 limit and Policy B with a \$100,000 limit. A \$60,000 covered loss occurs. Under the pro-rata "other insurance" clause, how much does Policy A pay?
- A. \$60,000
  - B. \$40,000
  - C. \$30,000
  - D. \$20,000
- 107.** A "pair and set" clause in a property policy addresses situations where:
- A. Matching items are excluded from coverage entirely
  - B. The insurer pays full value for the lost item and the insured keeps the remaining set
  - C. Partial damage reduces the value of the whole set and the insurer pays only the value difference
  - D. The insurer replaces the entire set when one item is damaged
- 108.** Under the ISO Commercial Property policy (Building and Personal Property Coverage Form), "business personal property" includes all of the following EXCEPT:
- A. Inventory held for sale
  - B. Tenant improvements and betterments
  - C. Land on which the building sits
  - D. Furniture and equipment owned by the business
- 109.** Which of the following perils is specifically EXCLUDED from a standard HO-3 homeowners policy?
- A. Fire
  - B. Theft
  - C. Windstorm
  - D. Flood
- 110.** 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. Insurable interest
  - B. Adhesion
  - C. Proximate cause
  - D. Subrogation rights
- 111.** A waiver in an insurance contract refers to:
- A. The voluntary relinquishment of a known legal right by one party
  - B. A provision requiring the insured to maintain minimum coverage levels
  - C. A court order forcing the insurer to honor a denied claim
  - D. The legal right of the insurer to recover from a negligent third party
- 112.** In California, workers' compensation insurance is:
- A. Required only for employers with annual payroll over \$500,000
  - B. Only required for businesses in high-hazard industries
  - C. Optional for employers with fewer than 5 employees
  - D. Mandatory for virtually all California employers with at least one employee

113. Which of the following losses would be covered under the "other than collision" (OTC/comprehensive) section of a PAP?
- A. A head-on collision with another vehicle
  - B. The insured's car striking a deer
  - C. Rear-ending a parked car
  - D. The insured's car flipping over on a highway
114. An "additional insured" endorsement on a CGL policy extends coverage to:
- A. Unnamed members of the general public who are injured
  - B. A third party (e.g., property owner or general contractor) for liability arising from the named insured's operations
  - C. All subcontractors hired by the named insured
  - D. The insured's own employees when injured on the job
115. The "pollution exclusion" in a CGL policy was designed to eliminate coverage for:
- A. Product liability for defective chemicals sold by the insured
  - B. Intentional damage by the insured to a third party's property
  - C. Environmental and toxic tort claims arising from pollutant discharge
  - D. Claims by employees for exposure to asbestos on the job
116. The "extended reporting period" (ERP or "tail") endorsement on a claims-made policy:
- A. Reduces the premium owed when the insured retires
  - B. Converts the claims-made policy to an occurrence-based policy
  - C. Extends the policy period for new occurrences after the policy expires
  - D. Allows claims to be reported after the policy expires for incidents during the policy period
117. A "garage liability" policy is MOST appropriate for which type of business?
- A. A contractor who uses rented trucks for material delivery
  - B. A restaurant with a catering van
  - C. An auto dealer, repair shop, or parking garage
  - D. A software company with a company-owned vehicle fleet
118. An insured has a CGL policy with a \$1,000,000 per-occurrence limit and a \$2,000,000 general aggregate. After paying \$1,800,000 in claims during the policy year, what is the remaining aggregate?
- A. \$2,000,000
  - B. \$1,000,000
  - C. \$0 — the aggregate is fully exhausted
  - D. \$200,000
119. Which of the following is a characteristic of "blanket" property coverage compared to "specific" coverage?
- A. Each location or property item is assigned its own separate limit
  - B. Coverage is restricted to the named insured's primary location only
  - C. A single limit applies across multiple locations or property categories
  - D. Premiums are lower because fewer locations are covered
120. Which of the following statements about the law of large numbers and insurance is CORRECT?
- A. Insurers can eliminate all uncertainty by insuring enough exposures
  - B. A smaller pool leads to more accurate loss predictions
  - C. As the number of exposure units grows, actual results more closely match predicted results
  - D. The law only applies to life insurance, not property and casualty
121. Under a "valued policy" for property insurance, the insurer pays:
- A. The actual cash value of the property at the time of loss
  - B. The replacement cost minus depreciation
  - C. The lesser of ACV or the cost to rebuild
  - D. A pre-agreed fixed amount regardless of ACV at the time of loss
122. Under the ISO Building and Personal Property (BPP) form, "tenant's improvements and betterments" are covered as:
- A. Excluded — TIBs belong to the landlord once installed
  - B. Building coverage since TIBs are attached to the structure
  - C. A separate inland marine floater only
  - D. The tenant's business personal property coverage
123. 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. 7 days
  - B. 30 days
  - C. 14 days
  - D. 60 days
124. Which of the following BEST describes a "peril" in property insurance terminology?
- A. The financial amount the insured must pay before insurance responds
  - B. The maximum amount an insurer will pay under a policy
  - C. The cause of a loss, such as fire, theft, or windstorm
  - D. A condition that increases the probability or severity of a loss

125. Which of the following rating factors is PROHIBITED under California law for personal auto insurance?
- A. The insured's ZIP code or territory of residence
  - B. The insured's driving safety record
  - C. The insured's years of driving experience
  - D. The insured's annual miles driven
126. An "endorsement" to an insurance policy is BEST described as:
- A. A separate insurance policy sold alongside the primary policy
  - B. A renewal offer issued at the end of the policy period
  - C. A written modification that changes the terms of the original policy
  - D. A certificate proving insurance coverage exists
127. Under the ISO Commercial General Liability (CGL) policy, Coverage A covers:
- A. Bodily injury and property damage liability
  - B. Medical payments to the insured
  - C. Personal and advertising injury
  - D. Professional errors and omissions
128. The co-insurance clause in a commercial property policy is designed to encourage insureds to:
- A. Insure their property to at least a specified percentage of its full value
  - B. File claims frequently to maximize their policy value
  - C. Pay premiums annually rather than monthly
  - D. Name the insurer as an additional insured on all policies
129. 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. Insureds whose spouse has their own separate auto policy
  - C. Insureds who want coverage extended to unlicensed household members
  - D. Corporate officers or employees provided a company car who have no personal PAP of their own
130. Directors and Officers (D&O) liability insurance primarily protects:
- A. Employees who are injured in the workplace
  - B. The company's buildings and equipment against physical damage
  - C. Customers who are harmed by the corporation's products
  - D. The personal assets of corporate directors and officers against wrongful act claims
131. The "mortgagee clause" (also called mortgage holder clause) in a homeowners policy protects the lender by:
- A. Requiring the insured to pay the mortgage from any claim proceeds
  - B. Reducing the insurer's liability by the outstanding mortgage balance
  - C. Allowing the lender to cancel the policy at any time
  - D. Giving the lender a direct claim payment and separate cancellation notice even if the policy is voided against the insured
132. Which of the following BEST describes "earth movement" under a standard commercial property policy?
- A. Covered only if caused by a named storm
  - B. A standard exclusion requiring separate coverage or an endorsement
  - C. Automatically covered under HO-3 in California by state law
  - D. A covered peril requiring no endorsement
133. A "scheduled personal property" endorsement on an HO policy is used to:
- A. Cover business property kept at the insured's home
  - B. Replace Coverage C entirely with broader all-risk protection
  - C. Provide higher limits and open-perils coverage for specifically listed high-value items
  - D. Add flood or earthquake coverage not available in standard forms
134. Which of the following is a characteristic of an "open perils" property policy compared to a "named perils" policy?
- A. The policy lists all covered perils alphabetically
  - B. The insured must prove the specific peril that caused the loss
  - C. Fewer perils are covered compared to a named perils policy
  - D. The insurer must prove an exclusion applies to deny the claim
135. The "fire legal liability" coverage in a CGL policy specifically addresses:
- A. All property damage claims by third parties against the insured
  - B. Fire damage to the insured's own equipment
  - C. A tenant's liability for fire damage to a rented building
  - D. Claims arising from the insured's products catching fire
136. A "participating" insurance policy is one in which:
- A. Coverage automatically renews each year without premium increases
  - B. Policyholders may share in the insurer's profits through dividends
  - C. Claims are settled by an independent panel that includes the insured
  - D. The insured participates in setting their own premium

- 137.** Under a commercial umbrella policy, "retained limit" refers to:
- A. The minimum required premium for the umbrella policy
  - B. The out-of-pocket amount the insured pays before the umbrella drops down for uncovered claims
  - C. The combined limits of all underlying liability policies
  - D. The insurer's maximum payout under the umbrella policy
- 138.** The term "proximate cause" in insurance refers to:
- A. The dominant, efficient cause that sets a chain of events in motion
  - B. A cause of loss that is always excluded from coverage
  - C. The last event in a chain of events leading to a loss
  - D. Any contributing factor to a loss, regardless of significance
- 139.** A "crime" coverage form under a commercial property policy would cover which of the following losses?
- A. Fire damage caused by an arsonist
  - B. Embezzlement of company funds by a trusted employee
  - C. Theft of inventory by a shoplifter
  - D. Damage to the company's building caused by a break-in
- 140.** Liquor liability coverage under a CGL policy responds to claims arising from:
- A. Property damage caused by intoxicated patrons after leaving the premises
  - B. Claims against a business whose operations involve selling or serving alcohol
  - C. Professional mistakes made by the insured's bartenders
  - D. Accidents involving the insured's delivery trucks
- 141.** Under the PAP, "collision" coverage (Part D) pays for damage to the insured's vehicle caused by:
- A. Any accidental damage regardless of cause
  - B. Contact with another vehicle, an object, or the vehicle overturning
  - C. Animal strikes and falling objects
  - D. Fire, theft, or vandalism
- 142.** Under the ISO Homeowners program, which form provides the BROADEST coverage for both the dwelling AND personal property?
- A. HO-8
  - B. HO-5
  - C. HO-2
  - D. HO-3
- 143.** 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 intentional acts exclusion
  - B. The wear and tear exclusion
  - C. The property damage exclusion
  - D. The pollution exclusion
- 144.** The "loss of rents" coverage under a dwelling policy pays the insured for:
- A. The rental income lost while the dwelling is uninhabitable after a covered loss
  - B. The mortgage payment on the rental property during repairs
  - C. The cost of finding a new tenant after a covered loss
  - D. All rent the insured would have collected regardless of the loss
- 145.** Under ISO commercial property forms, the "functional replacement cost" valuation method is used when:
- A. A newer building has appreciated significantly in value
  - B. The insured wants to insure the building at its market value rather than replacement cost
  - C. Replicating the original features of an older building would cost far more than a modern functional equivalent
  - D. The insured cannot afford full replacement cost insurance
- 146.** 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
- 147.** The "debris removal" coverage in a commercial property policy pays for:
- A. The cost to remove pollutants from covered property
  - B. The cost to demolish an undamaged portion of the building
  - C. The insured's cost to hire workers to remove damaged property after a covered loss
  - D. Moving costs to relocate the business temporarily
- 148.** A "spoilage" endorsement to a commercial property policy would be most important for:
- A. A restaurant or grocery store that relies on refrigeration for perishable inventory
  - B. A construction company whose equipment sits outside
  - C. A retail store with a large cash register
  - D. A law firm that handles confidential client files

**149.** Under a CGL policy, the "products-completed operations" hazard covers claims arising from:

- A. Professional advice or services provided by the insured
- B. Products after they leave the insured's possession or completed work away from premises
- C. Injuries occurring on the insured's business premises
- D. Employee injuries occurring during work hours

**150.** Under a commercial property policy, "extra expense" coverage pays for:

- A. The net income lost when the business cannot operate after a covered loss
- 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. The cost to repair or replace physically damaged business property