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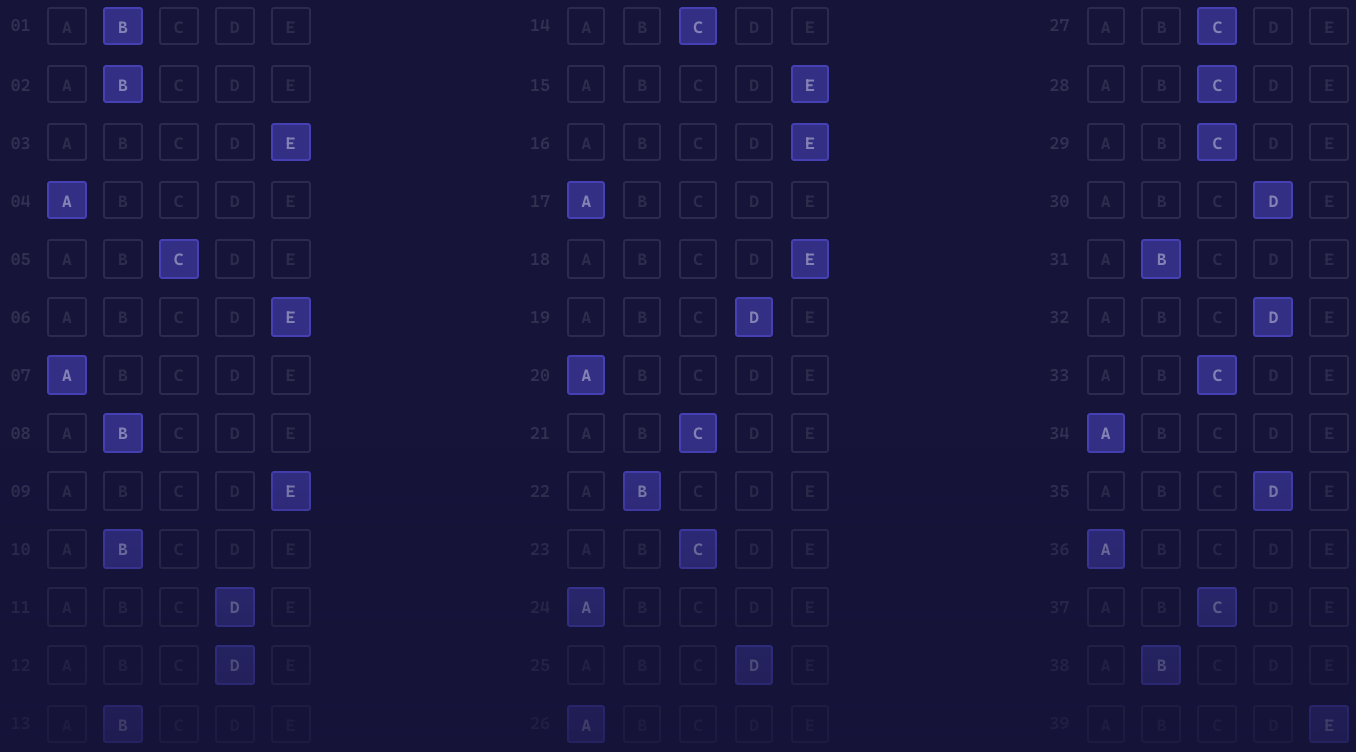

PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

KGNRT6AN

CA PSI Site - Independent Insurance Adjuster Examination

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

WEB www.mometrix.net

SUPPORT support@mometrix.net

Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE `KGNRT6AN`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `KGNRT6AN`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

An insurance policy is fundamentally a contract based on the principle of utmost good faith (uberrimae fidei). What does this principle require of both the insurer and the insured during the application and underwriting process?

A The insurer must always pay claims within 30 days of receipt, and the insured must accept any settlement offered.

B **Both parties must disclose all material facts honestly; the insurer must not misrepresent coverage terms, and the insured must not conceal material information.**

C The insured must pay premiums in advance for the entire policy term, and the insurer must accept every applicant who applies.

D Only the insurer is held to a higher standard because it drafted the contract, while the insured has no disclosure obligation.

ANSWER B

WHY Utmost good faith (uberrimae fidei) is the foundational principle of insurance contracts. It imposes reciprocal duties: the insured must disclose all material facts that would influence the insurer's decision to accept the risk or set the premium, and the insurer must deal fairly and not misrepresent coverage, exclusions, or policy terms. Misrepresentation or concealment of material facts by the insured can void the policy. Choice A describes a claims handling standard, not the good faith duty. Choice C is incorrect because insurers may underwrite and decline risk, and premiums are commonly paid in installments. Choice D is incorrect because the duty is bilateral, not one-sided.

QUESTION 2 SINGLE CHOICE

Under a standard homeowners policy (HO-3), what is the default basis for coverage on the dwelling structure?

A Actual cash value, which always deducts depreciation on every component.

B **Replacement cost, which generally pays to repair or rebuild the dwelling with materials of like kind and quality, without deduction for depreciation, subject to policy limits.**

C Market value, based on the real estate appraisal at the time of loss.

D Functional replacement cost, which substitutes less expensive equivalent materials.

ANSWER B

WHY An HO-3 homeowners policy typically insures the dwelling on an open-perils basis (covered for all perils except those specifically excluded) at replacement cost, meaning the cost to repair or rebuild with materials of like kind and quality, without deduction for depreciation, up to the policy limit. Choice A describes actual cash value, which is the typical basis for personal property under HO-3. Choice C confuses insurance with real estate valuation. Choice D describes a less common endorsement and is not the HO-3 default.

QUESTION 3 SINGLE CHOICE

Which of the following best describes the purpose of the liability coverage in a homeowners policy?

A To pay for damage to the insured's own home caused by fire.

B To reimburse the insured for personal property stolen from the dwelling.

C **To pay damages the insured becomes legally obligated to pay for bodily injury or property damage to others, and to defend against related lawsuits, subject to policy limits.**

D To cover the medical expenses of the insured's pets.

ANSWER C

WHY Coverage E (Personal Liability) in a homeowners policy pays sums the insured becomes legally liable for due to bodily injury or property damage to others, and also provides a legal defense (defense costs are paid in addition to the limit in most policies). It applies to non-business activities and is subject to the liability limit shown in the declarations. Choice A describes Coverage A (Dwelling). Choice B describes Coverage C (Personal Property). Choice D is not a coverage under a standard homeowners policy.

QUESTION 4 SINGLE CHOICE

California Insurance Code requires that every auto liability policy issued in the state include, at minimum, which of the following coverage components?

A Bodily Injury Liability and Uninsured Motorist coverage only.

B **Bodily Injury Liability, Property Damage Liability, and Uninsured Motorist Bodily Injury coverage, with minimum limits set by statute.**

C Collision and Comprehensive coverage, with no statutory minimum limits.

D Medical Payments coverage and Rental Reimbursement, with minimum limits of $25,000.

ANSWER B

WHY California law (Insurance Code Section 11580.1b and related statutes) requires every auto liability policy to provide minimum Bodily Injury Liability, Property Damage Liability, and Uninsured Motorist Bodily Injury coverage at statutory minimums. Collision and Comprehensive are not statutorily required and are commonly subject to deductibles chosen by the insured. Choice A omits Property Damage Liability, which is required. Choice C lists optional coverages, not the statutory minimum. Choice D describes optional coverages that are not statutory minimums and the dollar figures are not the statutory minimums.

QUESTION 5 SINGLE CHOICE

When investigating a first-party property claim, an independent adjuster's first practical step after receiving assignment and initial notice is typically to:

A Send a check to the insured based on the verbal estimate given over the phone.

B **Contact the insured, confirm the loss details, explain the claims process, and arrange an on-site inspection of the damaged property.**

C Negotiate a final settlement with the claimant before inspecting the property.

D Deny the claim immediately if the deductible exceeds the estimated damage.

ANSWER **B**

WHY Standard adjusting practice requires confirming coverage and loss details, advising the insured of their duties under the policy (such as protecting the property from further damage, documenting losses, and cooperating), and then conducting a thorough inspection to scope damages. Settling without inspection (Choice A) or negotiating before inspecting (Choice C) violates proper claims practice and could expose the adjuster to errors and omissions claims. Choice D is incorrect because an adjuster cannot deny a claim based solely on the deductible before completing the investigation; the deductible reduces the insured's recovery but does not invalidate coverage.

QUESTION 6 SINGLE CHOICE

Under California law, an insurance adjuster who knowingly makes a false or fraudulent statement in support of a claim may be subject to which of the following consequences?

A No consequence, because adjusters are immune from civil liability when acting in good faith.

B Only a verbal warning from the Department of Insurance.

C **Criminal prosecution for insurance fraud, fines, imprisonment, suspension or revocation of the adjuster license, and civil liability.**

D A requirement to complete one additional continuing education course.

ANSWER C

WHY California Insurance Code Section 1871.4 makes it a felony to knowingly present or cause to be presented any false or fraudulent claim for payment, and this applies to anyone involved in the claim, including adjusters. Knowingly false statements in claim handling can result in criminal prosecution (with potential state prison sentences and substantial fines), suspension or revocation of the adjuster's license by the Department of Insurance under the producer/adjustment licensing statutes, and civil liability to the insurer or insured. Choice A is wrong — adjusters are not immune. Choice B understates the exposure. Choice D is incorrect because a criminal matter cannot be disposed of by a CE course.

QUESTION 7 SINGLE CHOICE

An independent insurance adjuster licensed in California must comply with which of the following to maintain a valid license?

A No continuing education is required once the license is issued.

B **Completion of the Department of Insurance's continuing education requirements prior to each license renewal, along with payment of renewal fees.**

C Annual recertification by passing the licensing exam again.

D Completion of continuing education only at the adjuster's discretion with no minimum hours.

ANSWER **B**

WHY California-licensed adjusters (and other licensees under the Department of Insurance) are subject to continuing education and renewal requirements, which include completing the statutorily required continuing education hours and paying the renewal fee before the license expires. Failure to complete CE or pay the fee can result in license suspension or termination. Choice A is wrong because CE is required. Choice C is wrong because retaking the full licensing exam is not an annual requirement. Choice D is wrong because there are minimum hour requirements set by regulation.

QUESTION 8 SINGLE CHOICE

Under California workers' compensation law, an employee who suffers a work-related injury is generally entitled to which of the following benefits?

A Only reimbursement for medical bills, with no compensation for lost wages.

B **Medical treatment for the industrial injury and, when applicable, temporary disability, permanent disability, and vocational rehabilitation benefits, paid by the employer's workers' compensation insurer.**

C Unlimited lump-sum compensation for pain and suffering in addition to medical benefits.

D Coverage only if the injury was caused by a third party.

ANSWER **B**

WHY California's workers' compensation system is a no-fault system under the Labor Code. An employee with a work-related injury is entitled to all reasonably required medical care for the industrial injury, and may also receive temporary disability (wage replacement while recovering), permanent disability (compensation for lasting impairment), and supplemental job displacement/vocational rehabilitation benefits. Pain and suffering damages are not available in workers' compensation (Choice C), medical-only coverage does not describe a complete WC claim (Choice A), and workers' compensation is available regardless of whether a third party caused the injury, though subrogation may apply (Choice D).

QUESTION 9 SINGLE CHOICE

Under the California Insurance Code, an independent insurance adjuster is best defined as an individual who:

A Is appointed by an insurer and handles claims exclusively for that insurer

B Is licensed and adjusts claims on behalf of multiple insurers or self-insureds for a fee, commission, or other consideration

C Works only for the California Department of Insurance handling consumer complaints

D Is exempt from licensing because adjusters are unregulated in California

ANSWER B

WHY An independent adjuster is a licensed person who, for a fee, commission, or other consideration, investigates, negotiates, or adjusts claims on behalf of multiple insurers or self-insureds, rather than being a staff (employed) adjuster of a single insurer.