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37	A	B	C	D	E
38	A	B	C	D	E
39	A	B	C	D	E

PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

JGLW6TSH

CA PSI Site - Personal Lines Examination

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE JGLW6TSH , 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, JGLW6TSH
- the question number
- the email address on your order

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

QUESTION 1

MULTIPLE CHOICE

Under the California Personal Auto Policy (PAP), which of the following coverages apply to a non-owned vehicle that the insured is driving with the owner's permission? (Choose two.)

- ☒ **A** Liability coverage
- ☒ **B** Medical Payments coverage
- ☐ **C** Collision coverage for damage to the non-owned vehicle
- ☐ **D** Uninsured Motorist coverage

ANSWER A - B

WHY When the insured drives a non-owned automobile with permission, the PAP extends Liability and Medical Payments coverages to that vehicle. Coverage for damage to the non-owned vehicle (collision/comprehensive on the borrowed car) is not provided, and Uninsured Motorist coverage applies to the insured's owned auto, not to a borrowed vehicle, so C and D are incorrect.

QUESTION 2

MULTIPLE CHOICE

Which of the following perils are covered under Coverage A (Dwelling) of the standard HO-3 homeowners policy? (Choose two.)

- ☒ **A** Fire or lightning
- ☐ **B** Flood
- ☒ **C** Theft
- ☐ **D** Earthquake

ANSWER A - C

WHY The HO-3 policy covers the dwelling against fire/lightning and theft as named perils under the broad form. Flood and earthquake are specifically excluded and must be written under separate policies (such as the DIC or an earthquake endorsement).

QUESTION 3

SINGLE CHOICE

Under California Insurance Code, what is the minimum age requirement for an individual to be licensed as an insurance agent (excluding limited lines exceptions)?

- ☐ A 16
- ☒ B 18
- ☐ C 21
- ☐ D 25

ANSWER B

WHY California requires an applicant for an insurance agent license to be at least 18 years of age, in addition to being a resident of California (or meeting non-resident requirements) and completing the prelicensing education and examination.

QUESTION 4

SINGLE CHOICE

Under a California Personal Auto Policy, the 'use of a vehicle without a reasonable belief of permission' by the insured is an example of:

- ☐ A A covered permissive use
- ☒ B An excluded activity under Part A (Liability)
- ☐ C A covered activity under Part D (Damage to Your Auto)
- ☐ D A covered activity under Part E (Duties After an Accident)

ANSWER B

WHY Conversion or use of a vehicle without a reasonable belief of permission is excluded from liability coverage under Part A of the PAP. Only use with the owner's consent (permissive use) is covered; otherwise the insured is treated as having converted the vehicle.

QUESTION 5

SINGLE CHOICE

Coverage F (Personal Liability) of the HO-3 homeowners policy generally pays for damages the insured becomes legally obligated to pay due to which of the following?

- ☐ A Damage to property the insured owns
- ☒ B Bodily injury or property damage to others caused by the insured's negligence
- ☐ C Loss of the insured's personal property from theft
- ☐ D Damage to the insured's dwelling from fire

ANSWER B

WHY Coverage F provides personal liability protection for bodily injury or property damage to others for which the insured is legally liable. Damage to property the insured owns, the insured's personal property, and damage to the dwelling are handled under Coverages A, C and D respectively.

QUESTION 6

SINGLE CHOICE

The principle that an insured may not profit from a property insurance loss and is restored to roughly the same financial position as before the loss is called:

- ☐ A Insurability
- ☒ B Indemnity
- ☐ C Subrogation
- ☐ D Utmost good faith

ANSWER B

WHY Indemnity is the principle that the insured is compensated for loss—no more, no less—so that they are restored to approximately the same financial position as before the loss. Subrogation transfers the right of recovery to the insurer; utmost good faith deals with disclosure; insurability concerns whether a risk is acceptable.

QUESTION 7

SINGLE CHOICE

When a California insurance producer collects a premium from an applicant, how soon must the premium be remitted to the insurer or, if payable to the producer's trust account, deposited?

- ☐ A Within 24 hours
- ☒ B Within 5 working days
- ☐ C Within 30 days
- ☐ D Within 90 days

ANSWER B

WHY California regulations require producers to either remit collected premiums to the insurer within 5 working days or deposit them into a trust account within that period. Handling premiums outside this timeframe can result in disciplinary action.

QUESTION 8

SINGLE CHOICE

A homeowner who has had a covered loss must, under the duties after loss provision, do all of the following EXCEPT:

- ☐ A Give prompt notification of the loss to the insurer
- ☐ B Protect the property from further damage
- ☐ C Prepare an inventory of damaged personal property
- ☒ D Accept the insurer's initial estimate without question and begin repairs immediately

ANSWER D

WHY The duties after loss condition requires prompt notification, mitigation of further damage, and preparation of an inventory of damaged property, along with submitting to examination under oath and showing the damaged property. The insured is not required to accept the insurer's first estimate or to begin repairs before the claim is settled; in fact, the insurer should be given reasonable opportunity to inspect.

QUESTION 9

SINGLE CHOICE

A personal umbrella policy is designed primarily to:

- ☐ A Replace the insured's underlying homeowners and automobile liability coverages
- ☒ B Provide excess liability coverage above the limits of underlying primary policies
- ☐ C Cover property losses excluded by homeowners and auto policies
- ☐ D Provide workers' compensation for household employees

ANSWER B

WHY Personal umbrella policies sit on top of (excess to) the insured's underlying homeowners and auto liability coverages and add higher limits of liability protection, and may also provide coverage for some claims not covered by underlying policies such as personal injury. They do not replace primary coverage, do not cover first-party property losses, and do not provide workers' compensation.