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39	A	B	C	D	E

PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

NGH9CN6Z

CA PSI Site - Property and Casualty Examination

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE NGH9CN6Z , 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, NGH9CN6Z
- the question number
- the email address on your order

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

QUESTION 1

SINGLE CHOICE

In property insurance, which principle requires that an insured may not collect more than the actual amount of a loss?

- ☒ **A** Principle of indemnity
- ☐ **B** Principle of utmost good faith
- ☐ **C** Principle of insurable interest
- ☐ **D** Principle of subrogation

ANSWER A

WHY The principle of indemnity states that an insured should be restored to approximately the same financial position as before the loss, but never more than the actual loss. Utmost good faith refers to disclosure, insurable interest requires a legal relationship to the property, and subrogation allows the insurer to recover from a third party.

QUESTION 2

SINGLE CHOICE

Under California law, which document must an insurance producer deliver to an applicant at the time of application for a new policy?

- ☒ **A** A copy of the completed application
- ☐ **B** A copy of the insurer's annual financial statement
- ☐ **C** The producer's license certificate
- ☐ **D** A copy of the state's rate filing

ANSWER A

WHY California regulations require that the applicant be provided a copy of the completed application at the time it is taken. Financial statements, the producer's license certificate, and rate filings are not required to be delivered to the applicant at point of sale.

QUESTION 3

SINGLE CHOICE

In a typical Homeowners policy (HO-3), what perils are covered under Section I – Property Coverages?

- ☒ **A** Open-perils (all risks) coverage on the dwelling
- ☐ **B** Only fire and lightning
- ☐ **C** Only perils named in a specific list
- ☐ **D** Only perils excluded by the policy

ANSWER A

WHY The HO-3 homeowners policy provides open-perils (all-risk) coverage on the dwelling, while personal property is generally covered on a named-perils basis. The older HO-1 (basic) and HO-2 (broad) forms use named-perils only.

QUESTION 4

SINGLE CHOICE

Which auto coverage pays for damage to the insured's own automobile caused by a collision with another object?

- ☒ **A** Collision
- ☐ **B** Comprehensive
- ☐ **C** Uninsured motorist
- ☐ **D** Medical payments

ANSWER A

WHY Collision coverage pays for damage to the insured's vehicle resulting from a collision with another vehicle or object, regardless of fault. Comprehensive covers non-collision perils such as theft, fire, or weather. Uninsured motorist and medical payments cover bodily injury, not vehicle damage.

QUESTION 5

SINGLE CHOICE

Under a Commercial General Liability (CGL) policy, which coverage part pays for bodily injury or property damage arising from the insured's ongoing operations or work?

- ☒ **A Coverage A – Bodily Injury and Property Damage Liability**
- ☐ **B Coverage B – Personal and Advertising Injury Liability**
- ☐ **C Coverage C – Medical Payments**
- ☐ **D Coverage D – Products/Completed Operations**

ANSWER A

WHY Coverage A of the CGL policy provides liability coverage for bodily injury and property damage arising from the insured's premises, operations, or work. Coverage B covers personal and advertising injury, Coverage C covers medical payments to others, and Coverage D covers products and completed operations liability.

QUESTION 6

SINGLE CHOICE

Which of the following best describes 'hazard' as it relates to insurance?

- ☒ **A A condition that increases the likelihood or severity of loss**
- ☐ **B The cause of the loss itself**
- ☐ **C The uncertainty concerning the occurrence of a loss**
- ☐ **D The chance of loss from a specific peril**

ANSWER A

WHY A hazard is a condition that increases the likelihood or severity of a loss (e.g., a greasy floor creates a slip hazard). The cause of loss is a peril, uncertainty is risk, and chance of loss is probability.

QUESTION 7

SINGLE CHOICE

Under the standard Homeowners policy, the 'Loss of Use' coverage is designed to pay for which of the following?

- ☒ **A** Additional living expenses if the home becomes uninhabitable due to a covered loss
- ☐ **B** The replacement cost of personal property
- ☐ **C** Liability claims arising from injuries on the premises
- ☐ **D** The full cost of rebuilding the home

ANSWER A

WHY Coverage D – Loss of Use in the Homeowners policy pays the additional living expenses and fair rental value when a covered loss makes the residence unfit to live in. Replacement of personal property falls under Coverage C, liability is Coverage E, and dwelling replacement is Coverage A.

QUESTION 8

SINGLE CHOICE

Workers' compensation insurance primarily provides benefits to employees for which of the following?

- ☒ **A** Injuries or illnesses arising out of and in the course of employment
- ☐ **B** Any injury occurring at the workplace regardless of work-relatedness
- ☐ **C** Losses unrelated to employment
- ☐ **D** Only injuries caused by employer negligence

ANSWER A

WHY Workers' compensation is a no-fault system that provides medical, disability, and death benefits for occupational injuries and illnesses that arise out of and in the course of employment. It is not limited to employer-caused injuries and covers many non-negligent workplace incidents.

QUESTION 9

MULTIPLE CHOICE

Which of the following are required of an insurance producer in California? (Choose two.)

- ☒ **A** Provide the applicant with a copy of the completed application at the time of application
- ☒ **B** Disclose all sources of compensation related to the sale of insurance products
- ☐ **C** Guarantee the policy will not be cancelled by the insurer
- ☐ **D** Pay the policyholder's premium on their behalf

ANSWER **A - B**

WHY California producers are required to provide applicants with a copy of the completed application and to disclose all sources of compensation received in connection with the sale. Producers cannot guarantee that an insurer will not cancel a policy, nor are they required to personally pay premiums on behalf of the insured.