

01	☐ A	☐ B	☐ C	☐ D	☐ E
02	☐ A	☐ B	☒ C	☐ D	☐ E
03	☐ A	☒ B	☐ C	☐ D	☐ E
04	☐ A	☐ B	☐ C	☐ D	☒ E
05	☐ A	☐ B	☒ C	☐ D	☐ E
06	☐ A	☐ B	☐ C	☒ D	☐ E
07	☐ A	☐ B	☒ C	☐ D	☐ E
08	☐ A	☐ B	☐ C	☒ D	☐ E
09	☐ A	☐ B	☐ C	☐ D	☒ E
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14	☐ A	☐ B	☒ C	☐ D	☐ E
15	☐ A	☐ B	☐ C	☐ D	☒ E
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23	☐ A	☒ B	☐ C	☐ D	☐ E
24	☐ A	☐ B	☒ C	☐ D	☐ E
25	☒ A	☐ B	☐ C	☐ D	☐ E
26	☐ A	☒ B	☐ C	☐ D	☐ E

27	☐ A	☒ B	☐ C	☐ D	☐ E
28	☐ A	☐ B	☒ C	☐ D	☐ E
29	☐ A	☐ B	☐ C	☐ D	☒ E
30	☒ A	☐ B	☐ C	☐ D	☐ E
31	☐ A	☒ B	☐ C	☐ D	☐ E
32	☐ A	☐ B	☐ C	☐ D	☒ E
33	☐ A	☒ B	☐ C	☐ D	☐ E
34	☒ A	☐ B	☐ C	☐ D	☐ E
35	☐ A	☐ B	☒ C	☐ D	☐ E
36	☐ A	☐ B	☐ C	☒ D	☐ E
37	☐ A	☐ B	☐ C	☐ D	☒ E
38	☒ A	☐ B	☐ C	☐ D	☐ E
39	☒ A	☐ B	☐ C	☐ D	☐ E

PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

M8ABXBL2

CA PSI Site - Property Examination - Korean

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE M8ABXBL2 , 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, M8ABXBL2
- the question number
- the email address on your order

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

QUESTION 1

MULTIPLE CHOICE

Which of the following perils are covered under an ISO 'Broad Form' homeowners policy (HO-2)? (Choose two.)

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

ANSWER B - D

WHY HO-2 (Broad Form) covers named perils including fire/lightning, theft, windstorm/hail, vandalism, and others. Earthquake and flood are excluded and require separate policies/endorsements. War is excluded under the standard homeowners policy.

QUESTION 2

MULTIPLE CHOICE

Under California insurance regulations, which of the following statements about the Standard Fire Policy are correct? (Choose two.)

- ☒ A It must be issued on a standard form approved by the California Department of Insurance.
- ☐ B Coverage is permitted only on an 'all-risk' basis.
- ☒ C Insurers may use it to write fire and extended coverage on property in California.
- ☐ D It allows an insurer to limit liability to a maximum amount equal to the value of the property.
- ☐ E It is issued for dwelling property only.

ANSWER A - C

WHY The California Standard Fire Policy is approved by the Insurance Commissioner and is the basis used to write fire and extended coverage. It is not limited to dwelling property, and coverage is written on a named-peril basis under the SFP form rather than all-risk.

QUESTION 3 SINGLE CHOICE

Which term describes a condition that increases the likelihood of a loss occurring?

- ☐ A Peril
- ☒ B Hazard
- ☐ C Risk
- ☐ D Indemnity

ANSWER B

WHY A hazard is a condition that increases the frequency or severity of loss (e.g., oily rags near a furnace as a physical hazard). Peril is the cause of loss; risk is the uncertainty of loss; indemnity is the principle of restoring the insured to pre-loss position.

QUESTION 4 SINGLE CHOICE

The principle of indemnity in property insurance means that:

- ☐ A The insurer will pay the full replacement cost of damaged property regardless of policy limits.
- ☐ B The insured may collect the face amount of the policy plus any additional living expenses.
- ☒ C The insured should be restored to the same financial position that existed immediately before the loss.
- ☐ D Coverage automatically adjusts to keep pace with inflation.

ANSWER C

WHY Indemnity means the insured is compensated for the actual loss—no more, no less. It prevents profit from a loss. It does not guarantee replacement cost (unless that coverage was specifically purchased) or full payment above limits.

QUESTION 5

SINGLE CHOICE

An ISO Dwelling Policy Form DP-1 is best described as:

- ☐ A An open-peril, replacement-cost policy for owner-occupied residences.
- ☒ B A named-peril policy written on an actual cash value basis for non-owner-occupied dwellings.
- ☐ C A policy that automatically includes personal liability and medical payments coverage.
- ☐ D A policy available only to owner-occupants of single-family homes.

ANSWER B

WHY DP-1 (Basic Form) is a named-peril policy that is typically written on an actual cash value basis and used for non-owner-occupied dwellings or as a basic dwelling form. It does not include open-peril coverage or the HO liability/medical coverages.

QUESTION 6

SINGLE CHOICE

Under an HO-3 Special Form policy, which of the following is typically NOT covered unless specifically added by endorsement?

- ☐ A Fire
- ☐ B Theft
- ☒ C Flood
- ☐ D Vandalism

ANSWER C

WHY HO-3 covers the dwelling on an open-peril basis but excludes flood (and earthquake) from the standard policy. These require separate endorsements or distinct policies (e.g., NFIP flood, DIC earthquake endorsement).

QUESTION 7

SINGLE CHOICE

Coverage D (Loss of Use) under the ISO homeowners policy is intended to pay for:

- ☐ A Medical expenses of guests injured on the premises.
- ☐ B The cost to repair or rebuild the dwelling after a covered loss.
- ☒ C Additional living expenses and the fair rental value of the residence when it is uninhabitable due to a covered loss.
- ☐ D The replacement cost of personal belongings destroyed by a covered peril.

ANSWER C

WHY Coverage D covers Additional Living Expense (ALE) and Loss of Rent (fair rental value) when a covered loss makes the insured residence unfit to live in. Personal property falls under Coverage B; the dwelling under Coverage A; and guest medical under Coverage F.

QUESTION 8

SINGLE CHOICE

An insurance applicant must have an insurable interest in the property at the time of loss in order to:

- ☐ A Reduce the moral hazard associated with the policy.
- ☐ B Allow the insurer to write the policy at a preferred rate.
- ☒ C Satisfy the legal requirement that prevents using insurance as a form of wagering on the destruction of property.
- ☐ D Qualify for the replacement-cost endorsement.

ANSWER C

WHY Insurable interest is required at the time of loss (and, to prevent moral hazard, generally also at the time the policy is issued). Its purpose is to ensure insurance serves its function of risk transfer rather than gambling on another's misfortune, making insurance contracts unenforceable wagering contracts otherwise.

QUESTION 9

SINGLE CHOICE

Under the California Fair Claims Settlement Practices Regulations, an insurer that fails to acknowledge a claim, pay a claim, or provide a written denial within a specified time period may be found to have:

- ☐ A Committed an unfair trade practice but not a violation
- ☒ B Violated the regulation, which may subject the insurer to administrative penalties and possible loss of license
- ☐ C Breached only the policy contract, not any statute
- ☐ D No consequence unless the insured files a civil lawsuit

ANSWER B

WHY California's Fair Claims Settlement Practices Regulations (10 CCR § 2695.7 et seq.) require insurers to acknowledge, investigate, and act on claims within specified time frames. Failure to do so is a violation of the regulation itself and can subject the insurer to administrative action, penalties, and potential license suspension by the Department of Insurance, independent of any private contract claim.