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PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

VFWGB83G

CDI Site - Limited Lines Automobile Examination

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE `VFWGB83G`, 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, `VFWGB83G`
- 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 Limited Lines Automobile Insurance License, which of the following activities is the licensee specifically authorized to perform? (Choose two.)

- A **Sell or negotiate automobile insurance coverage for personal and business vehicles**
- B Adjust or settle claims on behalf of the insurer
- C **Solicit and sell the limited lines automobile insurance coverage from a licensed rental car agency location**
- D Bind commercial automobile fleet insurance policies on behalf of admitted insurers
- E Provide counsel or advice to the insured regarding the benefits of the policy

ANSWER A · C

WHY The Limited Lines Automobile Insurance License authorizes a person to sell or negotiate automobile insurance and to solicit and sell such coverage from a licensed rental car agency. Licensees may not adjust or settle claims, bind fleet insurance, or provide insurance advice — those activities require other license classes.

QUESTION 2 MULTIPLE CHOICE

Which of the following statements correctly describe the relationship between a Limited Lines Automobile Insurance licensee and the rental agency employer? (Choose two.)

- A **The rental agency must be licensed by the California Department of Insurance**
- B The licensee is exempt from all recordkeeping requirements when selling coverage at the rental counter
- C **The licensee must be appointed by the insurer whose limited lines automobile policy is being offered**
- D The licensee may concurrently hold a Property Broker-Agent license without restriction
- E The licensee is required to maintain a separate storefront office for the sale of insurance

ANSWER **A · C**

WHY Limited Lines Automobile Insurance may only be sold through a licensed rental car agency, and the individual licensee must be appointed by the insurer offering the coverage. Limited lines licensees remain subject to recordkeeping rules, may be subject to restrictions when holding other lines, and are not required to maintain a separate storefront.

QUESTION 3 SINGLE CHOICE

At or prior to the time of sale, a Limited Lines Automobile Insurance licensee must disclose to the applicant which of the following?

- A The licensee's personal credit score
- B **That the coverage being offered is limited lines automobile insurance and a brief description of the coverage**
- C The insured's three-year driving record
- D The name and address of every reinsurer participating in the policy

ANSWER **B**

WHY California regulations require the licensee to disclose that the product being sold is limited lines automobile insurance and to provide a brief description of the coverage. The other items listed are not required disclosures for this transaction.

QUESTION 4 SINGLE CHOICE

A counter employee at a rental car agency tells a renter that the damage waiver offered with the rental is a full insurance policy providing liability coverage equal to the renter's auto policy limits. This statement is:

- A Acceptable because the rental agency determines the coverage description
- B **An unfair or deceptive practice that may result in disciplinary action against the licensee**
- C Acceptable as long as the renter signs the rental agreement
- D Acceptable if the statement is also printed in the rental brochure

ANSWER **B**

WHY Misrepresenting the nature or extent of coverage is an unfair and deceptive practice under California insurance law. A limited lines automobile licensee must accurately describe what the limited lines product covers and what it does not cover.

QUESTION 5 SINGLE CHOICE

Which of the following best describes the coverage typically provided by a limited lines automobile insurance policy sold to a rental car customer in California?

- A Liability coverage up to the California Financial Responsibility minimums
- **B Coverage for damage to, or loss of, the rental vehicle and related loss-of-use expenses**
- C Medical payments coverage for the renter and all passengers
- D Uninsured motorist coverage for the rental period

ANSWER **B**

WHY Limited lines automobile insurance sold at rental counters primarily provides coverage for damage to, loss of, or theft of the rental vehicle, often including loss-of-use and towing. It is not a personal auto policy and does not provide liability, medical payments, or uninsured motorist coverage.

QUESTION 6 SINGLE CHOICE

Which California state agency administers the Limited Lines Automobile Insurance Examination and issues the license?

- A California Department of Motor Vehicles
- B California Department of Business Oversight
- **C California Department of Insurance**
- D California Public Utilities Commission

ANSWER **C**

WHY The California Department of Insurance (CDI) administers insurance licensing in California, including the Limited Lines Automobile Insurance license. The DMV handles driver licensing, not insurance producer licensing.

QUESTION 7 SINGLE CHOICE

Under California limited lines automobile regulations, the rental agency employing the licensee must keep records of insurance transactions for a minimum of how many years after the policy is sold?

A One year

B Three years

C Five years

D Seven years

ANSWER **B**

WHY Records of limited lines automobile insurance transactions must be retained for a minimum of three years after the transaction, and must be made available to the Department of Insurance upon request. This is a standard record retention period for limited lines transactions in California.

QUESTION 8 SINGLE CHOICE

Before selling limited lines automobile insurance to a renter, the licensee should advise the renter that:

A The renter's personal automobile insurance and credit card insurance may already provide some coverage, and the limited lines policy may duplicate that coverage

B Personal automobile insurance is automatically voided when renting a vehicle

C The limited lines policy will replace all other insurance for the rental period

D Credit card coverage is never available for rental vehicles

ANSWER **A**

WHY A licensee is expected to make the renter aware that the renter's personal auto policy or credit card benefits may already cover some of the risks, so the renter can avoid purchasing duplicative coverage. Limited lines coverage does not void or replace the renter's other insurance.

QUESTION 9 SINGLE CHOICE

Which of the following actions by a limited lines automobile insurance licensee would most likely result in suspension or revocation of the license by the California Department of Insurance?

A. Selling the policy only during regular business hours of the rental agency

B. Charging the premium using the renter's credit card and remitting it to the insurer

C. **Misrepresenting the terms of the limited lines automobile policy to a renter in order to induce the purchase**

D. Asking the renter to sign the rental agreement acknowledging the limited lines offer

ANSWER C

WHY Misrepresentation of the terms of a policy is a violation of California's insurance code and is grounds for suspension, revocation, or denial of any insurance license, including the limited lines automobile license. The other activities listed are part of normal, compliant sales activity.