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PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

RZH7TGUA

CDI Site - Commercial Insurance Examination

EDITION	QUESTIONS	ISSUED
Demo	9	September 3, 2026

Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE `RZH7TGUA`, 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, `RZH7TGUA`
- the question number
- the email address on your order

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

Licence

QUESTION 1 SINGLE CHOICE

Which of the following best describes the trigger for coverage under a claims-made Commercial General Liability (CGL) policy form?

A Coverage applies to bodily injury or property damage that occurs during the policy period, regardless of when the claim is reported.

B **Coverage applies only if the claim is first made against the insured and reported to the insurer during the policy period, even if the injury occurred earlier.**

C Coverage applies automatically to any claim reported within ten years of policy expiration.

D Coverage applies only to claims arising from completed operations of the insured.

ANSWER **B**

WHY Under a claims-made form, coverage is triggered when a claim is first made against the insured AND reported to the insurer during the policy period (or any applicable extended reporting period). Under the standard CGL, which is an occurrence form, the trigger is the date of the bodily injury or property damage. Option A describes an occurrence form. Option C is incorrect because claims-made forms require a specific reporting trigger and any ERP must be purchased. Option D is incorrect because completed-operations coverage is one of several coverages under the CGL, not the defining trigger.

QUESTION 2 SINGLE CHOICE

Under the Commercial Property Causes of Loss — Special Form (the 'all-risk' form), which of the following perils is typically EXCLUDED unless specifically endorsed back in?

A Fire

B Theft

C **Flood**

D Windstorm

ANSWER **C**

WHY The Special Causes of Loss form is sometimes called an 'all-risk' form because it covers all direct physical loss unless the cause is specifically excluded. Flood is one of the standard exclusions in the Causes of Loss — Special Form and must be added back by endorsement if desired. Fire, theft, and windstorm are all covered under the Special form.

QUESTION 3 SINGLE CHOICE

An insured selects Covered Auto Symbol '1' on a Business Auto Coverage Form (BACF). Which autos are covered?

A Only specifically described autos listed by VIN on the declarations.

B **Any auto owned by the insured, including autos the insured acquires after the policy begins.**

C Autos leased or hired by the insured, but not owned autos.

D Any auto used in the insured's business, including autos owned by employees.

ANSWER **B**

WHY Under the Business Auto Coverage Form, Covered Auto Symbol 1 means 'Any Auto' — including autos the insured acquires after the policy begins. Symbol 2 means owned autos specifically described. Symbol 7 is hired autos, and Symbol 9 is non-owned autos. Option A describes Symbol 2; Option C describes Symbol 7; Option D is not a standard symbol coverage definition.

QUESTION 4 SINGLE CHOICE

Which of the following statements about the California Workers' Compensation Insurance system is correct?

- A Workers' compensation is optional for California employers.
- B Workers' compensation benefits are determined solely by a jury trial.
- C **Workers' compensation provides benefits to injured workers on a no-fault basis, regardless of who caused the injury.**
- D Workers' compensation is administered exclusively by the federal government.

ANSWER **C**

WHY California's workers' compensation system is a no-fault system: an injured worker is entitled to statutory benefits without proving the employer was negligent. Coverage is mandatory for nearly all California employers, the system is administered under California state law (not federal), and benefits are set by statute rather than jury verdicts.

QUESTION 5 SINGLE CHOICE

Under the Commercial Crime Coverage Form, which coverage insures loss resulting from the dishonest acts of employees, including forgery and alteration?

- A **Coverage A — Employee Dishonesty**
- B Coverage B — Forgery or Alteration
- C Coverage C — Inside the Premises — Theft of Money and Securities
- D Coverage D — Outside the Premises — Theft of Money and Securities

ANSWER **A**

WHY Coverage A — Employee Dishonesty — covers direct loss resulting from dishonest acts of employees, including acts of forgery or alteration by employees. Coverage B covers forgery or alteration by non-employees (such as forged checks or counterfeit instruments). Options C and D cover theft of money and securities inside or outside the premises.

QUESTION 6 SINGLE CHOICE

An insured's building is valued at $1,000,000. The policy contains an 80% coinsurance clause, and the insured carries $600,000 of coverage. A $200,000 loss occurs. Using the standard coinsurance penalty formula, how much will the insurer pay (ignoring any deductible)?

- A **$150,000**
- B $200,000
- C $250,000
- D $166,667

ANSWER **A**

WHY Under the coinsurance penalty formula: Amount of insurance carried (÷) Amount of insurance required × Loss = Payment. Required insurance = 80% × $1,000,000 = $800,000. So: ($600,000 ÷ $800,000) × $200,000 = 0.75 × $200,000 = $150,000.

QUESTION 7 SINGLE CHOICE

Under the standard ISO Commercial General Liability (CGL) Coverage Form, 'bodily injury' includes which of the following?

- A **Bodily harm, sickness, or disease, including any related care, loss of services, or death that results from such injury.**
- B Only physical injuries that require hospitalization.
- C Bodily injury and emotional distress, but only if a physical injury is also present.
- D Libel, slander, or invasion of privacy.

ANSWER **A**

WHY Under the standard ISO CGL Coverage Form (CG 00 01), 'bodily injury' is defined as bodily harm, sickness, or disease sustained by a person, including death, mental anguish, mental injury, shock, fright, or humiliation that results from such physical injury. Option B is too narrow. Option C confuses bodily injury with personal & advertising injury. Option D describes personal & advertising injury, not bodily injury.

QUESTION 8 SINGLE CHOICE

Which of the following best describes a Business Owners Policy (BOP)?

A **A package policy designed for small- to medium-sized businesses that combines property and liability coverages with standardized eligibility rules.**

B A workers' compensation policy covering sole proprietors only.

C A commercial auto policy for fleets of 10 or more vehicles.

D A surplus lines policy for hard-to-place risks.

ANSWER **A**

WHY A Business Owners Policy (BOP) is a packaged policy combining property and liability coverages (and sometimes business interruption) for small- to medium-sized commercial risks that meet the insurer's eligibility requirements (typically based on size, occupancy, and exposure). It is not a workers' comp form, an auto policy, or a surplus lines product.

QUESTION 9 SINGLE CHOICE

Under a commercial property policy with Replacement Cost valuation, how is a covered loss to a building typically paid?

A **The cost to repair or replace the damaged property with materials of like kind and quality, without deduction for depreciation.**

B The cost to replace the damaged property with new property, less the salvage value of the damaged property.

C The fair market value of the property immediately before the loss, less any deductible.

D The cost of materials only, with the insured providing labor.

ANSWER **A**

WHY Replacement Cost valuation pays the amount necessary to repair or replace the damaged property with materials of like kind and quality, without deduction for depreciation. Option B describes actual cash value (replacement cost less depreciation). Option C describes agreed value or market value settlement. Option D is not a standard valuation method.