

# az-insurance-producer-personal-lines Practice Questions

Free community edition B | Arizona Insurance | 8 questions

## QUESTION 1 SINGLE CHOICE

Which of the following is the best example of personal risk management through risk reduction (loss control)?

- ☐ A Purchasing a homeowners insurance policy with a \$500 deductible
- ☐ B Maintaining a diversified investment portfolio
- ☒ C Installing a fire sprinkler system and smoke detectors to reduce the likelihood and severity of fire damage
- ☐ D Purchasing an umbrella liability policy

ANSWER C

## QUESTION 2 SINGLE CHOICE

Under a standard Homeowners (HO-3) policy, which perils are typically covered for the dwelling structure?

- ☐ A Only those perils specifically named in the policy
- ☒ B All perils except those specifically excluded (open perils)
- ☐ C Only fire and lightning
- ☐ D Only fire, lightning, and theft

ANSWER B

## QUESTION 3 SINGLE CHOICE

Which of the following best describes Arizona's financial responsibility requirement for private passenger automobile liability insurance?

- ☒ A Arizona requires drivers to maintain liability limits of at least 25/50/15.
- ☐ B Arizona requires drivers to maintain liability limits of at least 100/300/50.
- ☐ C Arizona requires drivers to carry only collision and comprehensive coverage on their own vehicle.
- ☐ D Arizona has no minimum financial responsibility requirement.

ANSWER A

**QUESTION 4** SINGLE CHOICE

Under Arizona personal lines insurance law, which of the following best describes an 'insured' as distinguished from a 'named insured'?

- ☐ A The named insured is the person who actually pays the premium, while the insured is anyone listed on the declarations page.
- ☐ B The named insured is the person specifically designated in the policy declarations, while the insured is any person or organization afforded coverage under the policy, including named insureds.
- ☐ C The named insured refers only to the primary homeowner, while the insured refers to all household members regardless of policy terms.

**ANSWER B**

**QUESTION 5** SINGLE CHOICE

Arizona's mandatory financial responsibility law for private passenger auto liability requires minimum coverage of how much per accident for property damage liability?

- ☐ A \$5,000
- ☐ B \$10,000
- ☐ C \$15,000
- ☐ D \$25,000

**ANSWER C**

**QUESTION 6** SINGLE CHOICE

Under a standard ISO homeowners (HO-3) policy, Coverage A (dwelling) protects the dwelling on which basis?

- ☐ A Named perils basis
- ☐ B Open perils (special) basis
- ☐ C Replacement cost basis only when the dwelling is less than 10 years old
- ☐ D Actual cash value basis

**ANSWER B**

**QUESTION 7** SINGLE CHOICE

Which of the following best describes 'personal lines' insurance as practiced in Arizona?

- ☐ A Coverage written for businesses operating in multiple states
- ☐ B Coverage written for individuals and families for noncommercial risks
- ☐ C Coverage written only for commercial property and liability exposures
- ☐ D Coverage written exclusively through surplus lines carriers

**ANSWER B**

**QUESTION 8** SINGLE CHOICE

Under Arizona insurance producer regulations, a personal lines producer who receives a premium payment from an insured on behalf of an insurer must handle those funds in which of the following ways?

- A** Deposit the funds into the producer's personal checking account until the insurer sends a billing statement.
- B** Hold the funds in a separate trust or fiduciary account and remit them to the insurer or its general agent within a specified time period.
- C** Use the funds to pay the producer's office rent and operating expenses, then forward the balance to the insurer.
- D** Deposit the funds into a joint account shared with the producer's spouse, to be drawn on as household expenses arise.

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**ANSWER B**