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PRACTICE QUESTIONS

Arizona Insurance

az-insurance-producer-personal-lines

AZ Insurance Producer - Personal Lines (noncommercial property and casualty)

EDITION

Original Demo

QUESTIONS

15

ISSUED

October 14, 2026

Before you begin

What this is

15 practice questions for Arizona Insurance `az-insurance-producer-personal-lines`, 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, `az-insurance-producer-personal-lines`
- the question number
- the email address on your order

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

Licence

Original Mometrix demo. This free sample contains fewer questions than the full paid edition.

QUESTION 1

SINGLE CHOICE

Which of the following best describes 'personal lines' insurance as distinguished from 'commercial lines' insurance in Arizona?

- ☐ **A** Personal lines coverages are issued only by mutual insurance companies, while commercial lines are issued only by stock companies
- ☒ **B** Personal lines are property and liability coverages written on an individual's personal exposures, while commercial lines cover business exposures
- ☐ **C** Personal lines are sold exclusively through direct writers, while commercial lines are sold exclusively through independent agents
- ☐ **D** Personal lines policies are always written on a non-assessed basis, while commercial lines are always assessed

ANSWER B

WHY Personal lines insurance covers an individual's personal property and liability exposures (e.g., homeowners, personal auto, personal umbrella), whereas commercial lines cover business-related exposures. Personal lines and commercial lines may be sold through either direct writers or independent agents and may be issued by stock or mutual companies.

QUESTION 2

SINGLE CHOICE

Under a standard ISO Homeowners (HO-3) policy, Coverage F (Medical Payments to Others) typically pays for medical expenses of which of the following?

- ☐ A The named insured and all household members for any injury occurring anywhere
- ☒ B A person who is injured on the insured premises with the permission of the insured, or a person injured by the activities of a household member
- ☐ C Any person who is injured by the named insured's auto, regardless of where the injury occurs
- ☐ D Only employees of the insured who are injured during the course of their employment

ANSWER B

WHY Coverage F pays medical expenses of persons (other than the insured or household members) who are injured on the insured premises with the insured's permission, or away from the premises if the injury arises from the insured's activities (such as a household member's sports activities). Employees injured on the job are excluded, and option A describes medical payments coverage under an auto policy, not homeowners.

QUESTION 3

SINGLE CHOICE

Arizona's mandatory financial responsibility requirement for private passenger auto liability is typically met by carrying minimum limits of:

- ☒ **A** \$25,000 per person / \$50,000 per accident bodily injury and \$15,000 per accident property damage
- ☐ **B** \$50,000 per person / \$100,000 per accident bodily injury and \$25,000 per accident property damage
- ☐ **C** \$10,000 per person / \$20,000 per accident bodily injury and \$5,000 per accident property damage
- ☐ **D** \$100,000 per person / \$300,000 per accident bodily injury and \$50,000 per accident property damage

ANSWER A

WHY Arizona's financial responsibility statute requires private passenger auto liability minimums of \$25,000/\$50,000 bodily injury and \$15,000 property damage. Drivers can satisfy this either by carrying liability insurance at these minimums or by other means such as a surety bond, but the typical method is insurance at these limits.

QUESTION 4

SINGLE CHOICE

Under a standard HO-3 homeowners policy, Coverage F (Medical Payments) typically applies to which of the following?

- ☐ A Medical expenses of the insured for illnesses that occur on the insured location.
- ☒ B Medical expenses of persons (other than the insured or residents) who are injured on the insured location or by a covered activity, up to the policy limit.
- ☐ C All medical expenses of any household member, anywhere in the world, for any cause.
- ☐ D Medical expenses arising only from auto-related injuries on the insured premises.

ANSWER B

WHY Coverage F (Medical Payments) in the standard ISO homeowners policy pays reasonable medical expenses for persons (other than the insured or regular residents of the household) who are accidentally injured on the insured location, or off the location if the injury arises from the insured's covered activities. Coverage is subject to the limit shown in the declarations and applies regardless of fault. Option A is incorrect because illnesses are not covered. Option C is incorrect because household members are excluded. Option D is too narrow.

QUESTION 5

SINGLE CHOICE

Under a standard ISO homeowners (HO-3) policy, Coverage F (Medical Payments to Others) typically applies to which of the following?

- ☐ A Medical expenses of the insured's family members injured on the premises
- ☒ B Medical expenses of a guest injured on the insured's premises or by the insured's activities, regardless of fault
- ☐ C Medical expenses of the insured injured in an auto accident
- ☐ D Medical expenses of the insured's employees injured in the course of employment

ANSWER B

WHY Coverage F pays reasonable medical expenses to persons (other than the insured or resident relatives) who are injured on the insured's premises or by the insured's activities, on a no-fault basis and up to the policy limit. The insured's own injuries, family members, employees (covered under workers compensation), and auto-related injuries fall outside Coverage F's scope.

QUESTION 6

SINGLE CHOICE

Which of the following losses would generally NOT be covered under the standard HO-3 homeowners policy and would require a separate policy or endorsement in Arizona?

- ☐ A Fire damage to the dwelling.
- ☐ B Theft of personal property.
- ☒ C Damage to the dwelling caused by flood.
- ☐ D Liability for a non-resident guest injured by a falling tree limb on the insured property.

ANSWER C

WHY Flood is excluded under the standard ISO homeowners policy and must be covered through a separate policy-typically a National Flood Insurance Program (NFIP) policy for properties in participating communities, or a Difference in Flood (DIC) endorsement in some cases. Fire, theft, and third-party liability on the premises are among the standard covered perils and exposures under an HO-3. The standard homeowners policy's flood exclusion makes option C the correct answer for a loss that would not be covered without a separate policy or endorsement.

QUESTION 7

MULTIPLE CHOICE

Under a standard ISO homeowners (HO-3) policy, which of the following statements about Coverage A (Dwelling) and Coverage B (Other Structures) are correct? (Choose two.)

- ☒ **A** Coverage A and Coverage B are both written on an open-perils (special) basis
- ☐ **B** Coverage B is typically limited to a percentage of the Coverage A limit
- ☒ **C** Coverage A includes structures attached to the dwelling by a roof, wall, floor, or permanent foundation
- ☐ **D** Coverage B covers the dwelling itself but excludes appurtenant structures such as a detached garage
- ☐ **E** Coverage A and Coverage B are typically subject to different deductibles

ANSWER A - C

WHY Under the HO-3, Coverage A covers the dwelling on an open-perils basis, and Coverage B covers other structures on the same open-perils basis (with named-perils exclusions carried over). Coverage A includes structures attached to the dwelling. Coverage B is typically limited to 10% of the Coverage A limit and covers detached structures such as a garage or shed. Both coverages typically share the same deductible.

QUESTION 8

MULTIPLE CHOICE

Which of the following are commonly required elements for an Arizona insurance producer to demonstrate ethical handling of client premiums? (Choose two.)

- ☒ **A** Depositing premiums into a premium trust account promptly
- ☒ **B** Keeping detailed records of premium receipts and disbursements
- ☐ **C** Using premium funds to pay the producer's personal expenses until the insurer remits
- ☐ **D** Mixing premium funds with the producer's general operating account

ANSWER A - B

WHY Producers act as fiduciaries for premiums they collect on behalf of insurers. Arizona regulations require premiums to be held in a trust account separate from the producer's own funds and to be remitted promptly, with accurate records maintained. Using premium money for personal expenses or commingling funds with operating accounts is prohibited.

QUESTION 9 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

WHY Personal lines insurance covers individuals and families against personal, noncommercial risks such as the home, auto, and personal liability. Commercial or business exposures are not personal lines, and surplus lines is a separate distribution channel, not a definition of personal lines.

QUESTION 10 SINGLE CHOICE

Which of the following losses is generally NOT covered under a standard HO-3 homeowners policy and would require a separate endorsement to provide coverage?

- ☒ A Damage to the dwelling from a volcanic eruption
- ☐ B Damage to a detached fence from windstorm
- ☐ C Theft of personal property from the dwelling
- ☐ D Fire damage to the dwelling structure

ANSWER A

WHY Standard HO-3 policies specifically exclude losses arising from earth movement, including earthquake, landslide, mudflow, and volcanic eruption (the volcanic eruption exclusion treats volcanic action as earth movement). Coverage for such losses is typically obtained by adding an earthquake/volcanic eruption endorsement. Wind, theft, and fire are covered perils.

QUESTION 11

SINGLE CHOICE

Which of the following best distinguishes 'personal lines' insurance from 'commercial lines' insurance in Arizona?

- ☐ **A** Personal lines policies are written only by admitted insurers, while commercial lines may be written by surplus lines carriers
- ☒ **B** Personal lines covers individuals and families for non-business exposures, while commercial lines covers business entities and their business-related exposures
- ☐ **C** Personal lines is regulated exclusively by the Arizona Department of Insurance, while commercial lines is regulated by the federal government
- ☐ **D** Personal lines premiums are always higher than commercial lines premiums for equivalent coverage limits

ANSWER B

WHY Personal lines insurance covers personal/family exposures (such as homeowners and private passenger auto), while commercial lines covers business entities and their business-related exposures. Both lines may be written by admitted or non-admitted insurers depending on the situation, and both are regulated by the Arizona Department of Insurance. Premium comparisons vary by exposure and are not the defining distinction.

QUESTION 12

MULTIPLE CHOICE

Which of the following are typically considered part of 'Coverages B (Other Structures), C (Personal Property), and D (Loss of Use)' under a standard HO-3 homeowners policy, as opposed to Coverage A (Dwelling)? (Choose two.)

- ☒ **A** A detached tool shed on the residence premises used by the insured.
- ☐ **B** The main dwelling structure used as the insured's primary residence.
- ☒ **C** Furniture, clothing, and other household personal property owned by the insured.
- ☐ **D** The land on which the dwelling is situated.

ANSWER A - C

WHY Under the standard ISO HO-3 homeowners policy, Coverage B applies to other structures on the residence premises separated from the dwelling by clear space (such as a detached garage or tool shed). Coverage C applies to personal property owned or used by the insured and residing at the described location (such as furniture and clothing). Coverage D (Loss of Use) covers additional living expenses and loss of fair rental value. The main dwelling is Coverage A, and land is generally excluded entirely from coverage-loss to land is not insured under the homeowners policy even when it accompanies a covered loss. Therefore, options A and C correctly identify items covered under Coverages B and C.

QUESTION 13

SINGLE CHOICE

In personal lines insurance, what is the primary purpose of a binder?

- ☐ **A** To permanently replace the policy until renewal
- ☒ **B** To provide temporary evidence of insurance until the policy is issued
- ☐ **C** To cancel an existing policy
- ☐ **D** To serve as a receipt for premium payment only

ANSWER B

WHY A binder is a temporary contract that provides evidence of insurance until the formal policy is issued by the carrier. It is not a permanent substitute and is not used to cancel coverage or simply document payment.

QUESTION 14

SINGLE CHOICE

Which of the following best describes how 'personal lines' insurance is distinguished from 'commercial lines' insurance for licensing and product purposes in Arizona?

- ☐ A Personal lines covers only life and health risks; commercial lines covers property and casualty risks
- ☒ B Personal lines primarily covers insurance needs of individuals and families; commercial lines covers businesses and their operations
- ☐ C Personal lines is sold only through captive agents; commercial lines is sold only through brokers
- ☐ D Personal lines policies are always written for one year; commercial lines policies are always written for three years

ANSWER B

WHY Personal lines insurance is designed for individuals and families, covering personal exposures such as a private auto or a primary residence. Commercial lines addresses the property, liability, and operational exposures of businesses. The other options incorrectly split products by line of coverage, distribution channel, or policy term.

QUESTION 15

SINGLE CHOICE

Under the Personal Auto Policy (PAP), 'Collision' coverage typically pays for damage to the insured's vehicle caused by which of the following?

- ☐ A Falling objects, such as tree limbs
- ☒ B Contact with another vehicle or with a fixed object, such as a guardrail
- ☐ C Flood or hail
- ☐ D Vandalism or theft

ANSWER B

WHY Collision coverage applies to loss caused by the upset of the covered auto or its collision with another vehicle or object. Falling objects, flood, hail, vandalism, and theft are examples of 'other-than-collision' (comprehensive) perils, not collision perils.