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Question: 746

Which of the following is a characteristic of a "claims-made" liability policy?

A. Coverage is triggered by the time the injury or damage occurred
B. Coverage is triggered by the time the claim is made
C. Coverage is provided on an occurrence basis
D. Coverage is not subject to a retroactive date

Answer: B

Explanation: In a claims-made liability policy, coverage is triggered by the time the claim is made, rather than when the injury or damage occurred.

Question: 747

A business owner has a Commercial Property policy with a $500,000 limit for Building coverage and a $200,000 limit for Business Personal Property coverage. A fire causes $450,000 in damage to the building and $180,000 in damage to the business personal property. What is the total amount the insurance company will pay for this claim?

A. $630,000
B. $650,000
C. $680,000
D. $700,000

Answer: B

Explanation: The insurance company will pay $450,000 for the building damage (up to the $500,000 limit) and $180,000 for the business personal property damage (up to the $200,000 limit), for a total of $650,000.

Question: 748

What is the purpose of the "California Commercial Insurance Modernization Act"?

A. To deregulate the commercial insurance market in California and remove rate and form filing requirements.
B. To establish minimum coverage requirements for all commercial insurance policies sold in the state.
C. To allow for the use of innovative rating factors and underwriting practices in the commercial insurance market.
D. To create a state-run commercial insurance program to provide coverage for businesses in California.

Answer: C

Explanation: The California Commercial Insurance Modernization Act allows for the use of innovative rating factors and underwriting practices in the commercial insurance market within the state.

Question: 749

In a commercial auto policy, what is the purpose of the Physical Damage to Towed Property coverage?

A. To provide coverage for physical damage to vehicles that the policyholder has hired or leased
B. To provide coverage for physical damage to property that the policyholder is towing with their covered auto
C. To provide coverage for liability arising from the policyholder's use of their own vehicles
D. To provide coverage for liability arising from the policyholder's employment-related practices

Answer: B

Explanation: The Physical Damage to Towed Property coverage in a commercial auto policy provides coverage for physical damage to property that the policyholder is towing with their covered auto.

Question: 750

Which of the following is a primary purpose of the California Department of Insurance?

A. To regulate and oversee the insurance industry in California.
B. To provide insurance coverage to California residents.
C. To investigate and prosecute insurance fraud.
D. All of the above.

Answer: A

Explanation: The primary purpose of the California Department of Insurance is to regulate and oversee the insurance industry in the state, including licensing insurance companies, agents, and brokers, and ensuring compliance with insurance laws and regulations. The other options (providing insurance

coverage and investigating fraud) are not the primary purposes of the Department of Insurance.

Question: 751

What is the purpose of the California Earthquake Authority (CEA) Residential Mitigation Program?

A. To provide affordable earthquake insurance coverage for high-risk properties
B. To investigate insurance fraud related to earthquake insurance claims
C. To assist policyholders whose earthquake insurance company has become insolvent
D. To promote earthquake preparedness and risk reduction measures for homeowners

Answer: D

Explanation: The purpose of the California Earthquake Authority (CEA) Residential Mitigation Program is to promote earthquake preparedness and risk reduction measures for homeowners. The program provides information, resources, and incentives to encourage homeowners to take steps to strengthen their homes and reduce the potential for earthquake damage, which can help lower the cost of earthquake insurance premiums.

Question: 752

Which of the following is not a required disclosure in a California personal automobile insurance policy?

A. The deductible amounts for each coverage
B. The limits of liability for each coverage
C. The premium charged for each coverage
D. The insurer's complaint handling procedures

Answer: D

Explanation: California law requires personal auto policies to disclose the deductible amounts, limits of liability, and premiums for each coverage, but does not mandate the inclusion of the insurer's complaint handling procedures.

Question: 753

What is the purpose of the California Insurance Guarantee Association (CIGA) Commercial Insurance Assistance Program?

A. To provide financial assistance to businesses affected by natural disasters
B. To investigate insurance fraud related to commercial insurance claims
C. To assist policyholders whose commercial insurance company has become insolvent
D. To regulate the activities of insurance agents and brokers who sell commercial insurance

Answer: C

Explanation: The purpose of the California Insurance Guarantee Association (CIGA) Commercial Insurance Assistance Program is to assist policyholders whose commercial insurance company has become insolvent. This program helps these policyholders by paying out claims and providing other assistance to ensure they continue to have coverage and are able to recover from the

insolvency of their insurance provider.

Question: 754

Under the California Unruh Civil Rights Act, which of the following is prohibited in the underwriting or rating of personal insurance policies?

A. Discrimination based on age
B. Discrimination based on gender
C. Discrimination based on disability
D. All of the above

Answer: D

Explanation: The Unruh Civil Rights Act in California prohibits discrimination in the underwriting and rating of personal insurance policies based on factors such as age, gender, and disability.

Question: 755

Which of the following is not one of the basic requirements for an insurance contract to be valid?

A. Consideration
B. Insurable interest
C. Utmost good faith
D. Contractual capacity

Answer: D

Explanation: Contractual capacity is not one of the basic requirements for an insurance contract to be valid. The other three - consideration, insurable interest, and utmost good faith - are essential elements of a valid insurance contract.

Question: 756

What is the purpose of the "insurable interest" requirement in insurance?

A. To ensure the policyholder will benefit financially from the policy.
B. To prevent individuals from purchasing insurance policies on the lives of others.
C. To protect the insurance company from moral hazard and adverse selection.
D. All of the above.

Answer: D

Explanation: The insurable interest requirement serves to ensure the policyholder will benefit financially from the policy, prevent individuals from purchasing "wagering" policies on the lives of others, and protect the insurer from moral hazard and adverse selection.

Question: 757
An insured's Commercial Auto policy has a $1 million liability limit per accident. The insured is involved in an accident where the other party sustains $1.8 million in damages. The insured also has a $2 million Umbrella policy. What is the maximum amount the insurance company will pay for this claim?

A. $1 million
B. $1.8 million
C. $2 million
D. $3.8 million

Answer: D
Explanation: The Commercial Auto policy will pay the $1 million liability limit, and the Umbrella policy will pay the remaining $2.8 million, for a total of $3.8 million.

Question: 758

Which of the following best describes the California Fair Access to Insurance Requirements (FAIR) Plan?

A. A state-sponsored program that provides coverage for high-risk properties
B. A requirement that all insurers must offer earthquake insurance to California homeowners
C. Regulations that ensure fair and equal access to insurance for all California residents
D. A state-run insurance company that competes with private insurers in the homeowners market

Answer: A

Explanation: The California FAIR Plan is a state-sponsored insurance program that provides basic property insurance coverage for high-risk properties that have difficulty obtaining coverage in the voluntary insurance market.

Question: 759

What is the primary purpose of the "Employment Practices Liability" coverage in a Commercial General Liability policy?

A. To cover the liability for work-related injuries or illnesses suffered by employees
B. To cover the liability for discrimination or wrongful employment practices
C. To cover the liability for errors or omissions in the performance of professional services
D. To cover the liability for injuries or damage caused by the business's products or services

Answer: B

Explanation: The "Employment Practices Liability" coverage in a Commercial General Liability policy is designed to cover the liability for discrimination or wrongful employment practices, such as wrongful termination, harassment, or failure to promote.

Question: 760

What is the purpose of the "notice of occurrence" condition in a liability insurance policy?

A. Require the insured to report claims to the insurance company in a timely manner
B. Allow the insurance company to investigate claims while evidence is still available
C. Prevent the insured from making unauthorized admissions of liability
D. Both A and B

Answer: D

Explanation: The notice of occurrence condition requires the insured to promptly report claims or occurrences to the insurance company, which allows the company to investigate the claim while evidence is still available.

Question: 761

Which of the following is a typical feature of a "claims-made" form liability insurance policy?

A. Provides coverage for claims made during the policy period, regardless of when the event occurred
B. Typically provides broader coverage than an "occurrence" form policy
C. Requires the insured to maintain continuous coverage to ensure protection against future claims
D. Offers protection against claims that are unknown at the time the policy is purchased

Answer: C
Explanation: A key feature of a "claims-made" form liability insurance policy is that it requires the insured to maintain continuous coverage to ensure protection against future claims, as the policy only covers claims made during the policy period.

Question: 762

An insured's business experiences a windstorm loss of $200,000. The business is insured under a commercial property policy with a $1,000 deductible and an

80% coinsurance clause. The building has a replacement cost value of $1,000,000, and the insured has coverage limits of $800,000. What is the amount the insurance company will pay for this loss?

A. $160,000
B. $180,000
C. $190,000
D. $199,000

Answer: A

Explanation: The coinsurance clause requires the insured to maintain insurance equal to at least 80% of the replacement cost value of the building. Since the building is insured for $800,000, which is equal to 80% of the replacement cost of $1,000,000, the coinsurance penalty does not apply. The amount the insurance company will pay is the full $200,000 loss, minus the $1,000 deductible, which is $199,000.

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