Insurance Test Practice

Kansas Property & Casualty Insurance Practice Test

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1. An applicant cannot negotiate the wording of an insurer's standard policy. If an ambiguity is disputed, which contract characteristic generally causes it to be construed against the insurer?

A) Utmost good faith
✔ B) Contract of adhesion
C) Binder
D) Nonrenewal

Explanation: Contract of adhesion: A contract drafted by one party and generally interpreted against that drafter when wording is ambiguous.

2. An insured may pay a small premium and receive a much larger claim payment if an uncertain loss occurs. Which contract characteristic does this illustrate?

✔ A) Aleatory contract
B) Contract of adhesion
C) Material fact
D) Cancellation

Explanation: Aleatory contract: A contract in which the values exchanged may be unequal because performance depends on an uncertain event.

3. An insurer and applicant are expected to disclose material facts honestly during the insurance transaction. Which principle describes this expectation?

A) Representation
B) Certificate of insurance
✔ C) Utmost good faith
D) Earned premium

Explanation: Utmost good faith: The expectation that insurance parties disclose material facts and deal honestly.

4. The insurer's duty to pay depends on the insured satisfying duties such as giving prompt notice of loss. Which contract characteristic does this illustrate?

A) Aleatory contract
B) Concealment
C) Endorsement
✔ D) Conditional contract

Explanation: Conditional contract: A contract whose performance depends on specified duties or conditions.

5. Why is an insurance policy considered a unilateral contract?

A) Both parties exchange equally enforceable promises
B) The insured may negotiate every policy provision
✔ C) Only the insurer makes a legally enforceable promise to perform
D) The policy transfers ownership of insured property

Explanation: An insurance policy is unilateral because only the insurer makes a legally enforceable promise to pay or perform if covered conditions are met.

6. A false statement on an application that would influence the insurer's decision to issue the policy is known as a:

✔ A) Material misrepresentation
B) Implied warranty
C) Minor discrepancy
D) Fraudulent waiver

Explanation: A material misrepresentation is a false statement that is significant enough to alter the insurer's underwriting decision or the premium rate.

7. After a loss, the insured is required to pay premiums and notify the insurer of the loss in order for the insurer to pay the claim. Because only one party (the insurer) makes a legally enforceable promise, the insurance contract is:

A) Aleatory
B) Conditional
C) Personal
✔ D) Unilateral

Explanation: Insurance is a unilateral contract because only one party (the insurer) makes a legally binding promise to perform (pay claims). The insured can stop paying premiums at any time.

8. An insurance contract is prepared by the insurer with no room for negotiation by the insured. If there is an ambiguity in the policy wording, a court will likely interpret it in favor of the insured. This characteristic describes an:

✔ A) Contract of adhesion
B) Aleatory contract
C) Unilateral contract
D) Personal contract

Explanation: Contracts of adhesion are take it or leave it. Because the insurer wrote the contract, any ambiguity is construed against the insurer and in favor of the insured.

9. An insured intentionally conceals the fact that he runs a home business out of his garage when applying for a standard homeowners policy. This failure to disclose a material fact is known as:

✔ A) Concealment
B) Waiver
C) Estoppel
D) Warranty

Explanation: Concealment is the intentional withholding of material information that is crucial to the insurer's underwriting decision.

10. Because both parties must perform certain duties to keep an insurance contract in force, it is considered what type of contract?

A) Unilateral
B) Aleatory
C) Executory
✓ D) Conditional

Explanation: A conditional contract requires that certain conditions be met by both parties (e.g., the insured paying premiums and reporting losses) for the contract to be executed.

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11. A business moves inventory away from an approaching covered fire. Which additional coverage can protect the property while it is being moved and temporarily stored?

A) Debris removal
✓ B) Property preservation
C) Control of property
D) Functional replacement cost

Explanation: Property preservation: Coverage for property moved to protect it from imminent covered damage.

12. A covered cause of loss releases pollutants onto land at the insured premises. Which limited additional coverage may pay extraction expenses?

A) Appraisal
B) Pair or set condition
C) Blanket insurance
✓ D) Pollutant cleanup and removal

Explanation: Pollutant cleanup and removal: Limited property coverage for extracting pollutants from land or water after a covered cause.

13. After a covered fire, an insured must pay to clear damaged building materials from the premises. Which additional coverage addresses this expense?

A) Pollutant cleanup and removal
B) No benefit to bailee
✓ C) Debris removal
D) Stated amount

Explanation: Debris removal: Coverage for specified expense to remove debris after a covered loss.

14. Which property-policy additional coverage helps pay the cost to remove debris of covered property after a covered cause of loss?

A) Ordinance or law
B) Business income
C) Valuable papers
✓ D) Debris removal

Explanation: Debris removal coverage pays specified expenses to remove covered-property debris after a covered loss.

15. A building is damaged by an earthquake and landslide. Which standard property exclusion most directly applies?

- A) Market value
- B) Personal property of others
- ✔ C) Earth movement exclusion
- D) Preservation of property

Explanation: Earth movement exclusion: A property exclusion addressing earthquake landslide and related ground movement.

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16. A covered event begins an uninterrupted chain that produces property damage. What term describes the dominant initiating cause?

- A) Actual cash value
- ✔ B) Proximate cause
- C) Business personal property
- D) Electronic data additional coverage

Explanation: Proximate cause: The dominant cause setting an unbroken chain of events in motion.

17. A machine damages itself because an internal component seizes without an external cause. Which property exclusion most directly addresses the loss?

- A) Building coverage
- B) Newly acquired property extension
- ✔ C) Mechanical breakdown exclusion
- D) Brands and labels condition

Explanation: Mechanical breakdown exclusion: An exclusion for loss caused by internal mechanical failure or rupture.

18. A property form covers direct physical loss unless the cause is excluded or limited. What type of coverage is this?

- A) Utility services exclusion
- B) Functional valuation
- ✔ C) Open-peril coverage
- D) Outdoor property extension

Explanation: Open-peril coverage: Property coverage applying to direct physical loss unless the cause is excluded or limited.

19. A property form covers only causes of loss specifically listed in the policy. What type of coverage is this?

- A) Ordinance or law exclusion
- ✔ B) Named-peril coverage
- C) Valued policy
- D) Coverage extension

Explanation: Named-peril coverage: Property coverage applying only to causes of loss specifically listed.

20. After a covered loss, current building codes make reconstruction more expensive. Which exclusion applies unless this increased cost is added back by coverage?

- ✔ A) Ordinance or law exclusion
- B) Functional valuation
- C) Outdoor property extension
- D) Pollutant cleanup

Explanation: Ordinance or law exclusion: An exclusion for increased loss caused by enforcement of building codes unless added back.

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21. A business is sued for covered libel committed in an advertisement. Which CGL coverage may respond?

- A) Medical payments
- ✔ B) Personal and advertising injury
- C) Vicarious liability
- D) Punitive damages

Explanation: Personal and advertising injury: CGL coverage for defined offenses such as certain libel slander and advertising injuries.

22. A contractor finishes a staircase, and it later collapses and injures the owner. Which CGL hazard applies?

- A) Vicarious liability
- ✔ B) Completed operations hazard
- C) Punitive damages
- D) Retroactive date

Explanation: Completed operations hazard: Liability exposure arising after the insured's work has been completed.

23. A customer is injured by a product after the manufacturer relinquishes possession. Which CGL hazard applies?

- ✔ A) Products hazard
- B) Completed operations hazard
- C) Compensatory damages
- D) Claims-made trigger

Explanation: Products hazard: Liability exposure arising from products after possession has been relinquished.

24. A tenant negligently causes a fire in rented office space. Which CGL provision may provide limited property-damage coverage?

- A) Products hazard
- B) Res ipsa loquitur
- C) Occurrence trigger
- ✔ D) Damage to premises rented to you

Explanation: Damage to premises rented to you: Limited CGL protection for specified damage to premises rented by the insured.

25. A tenant negligently causes fire damage to rented premises. Which CGL feature may provide a limited exception to the damage-to-property exclusion?

- ✓ A) Damage to premises rented to you coverage
- B) Products-completed operations
- C) Employee benefits liability
- D) Workers compensation

Explanation: The CGL provides limited coverage for specified damage to premises rented to the insured.

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26. A visitor suffers a minor injury at an insured business and requests payment of medical expenses without alleging negligence. Which CGL coverage may respond?

- A) Damage to premises rented to you
- B) Joint and several liability
- ✓ C) Medical payments
- D) Supplementary payments

Explanation: Medical payments: Limited no-fault CGL coverage for specified medical expenses of others.

27. Which CGL coverage can pay limited medical expenses for a person injured on the insured's premises regardless of fault, subject to policy terms?

- A) Products-completed operations aggregate
- B) Workers compensation
- C) Property insurance
- ✓ D) Medical payments coverage

Explanation: CGL medical payments coverage can pay specified medical expenses without requiring proof of negligence.

28. Which CGL coverage category can address specified offenses such as libel, slander, or certain advertising injuries?

- A) Products-completed operations
- B) Fire legal liability only
- ✓ C) Personal and advertising injury
- D) Workers compensation

Explanation: Coverage B addresses defined personal and advertising injury offenses.

29. Which CGL hazard addresses bodily injury or property damage arising from the insured's products after possession has been relinquished or work has been completed?

- A) Premises and operations only
- ✓ B) Products-completed operations hazard
- C) Medical payments
- D) Liquor liability exclusion

Explanation: Products-completed operations addresses specified injury or damage arising after products leave the insured or work is completed.

30. A bar is sued after serving alcohol to an intoxicated patron who causes an accident. Which CGL exclusion most directly applies?

A) Mobile equipment exception
B) Supplemental extended reporting period
✔ C) Liquor liability exclusion
D) Owners and contractors protective form

Explanation: Liquor liability exclusion: The CGL exclusion applying to specified alcohol-related liability of businesses in the alcohol trade.

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31. A landlord wants open-peril coverage on a rental dwelling and named-peril coverage on its personal property. Which dwelling form best fits this request?

✔ A) DP 3 Special Form
B) HO 8 Modified Coverage Form
C) Credit card forgery
D) Business exclusion

Explanation: DP 3 Special Form: A dwelling form generally providing open-peril dwelling coverage and named-peril personal-property coverage.

32. Alice is purchasing a Dwelling Policy for a rental property. The agent recommends the DP-2. Which of the following best describes this form?

✔ A) It covers named perils including falling objects and weight of ice/snow, usually paying replacement cost on the dwelling.
B) It includes comprehensive liability coverage automatically.
C) It covers theft of personal property by default.
D) It provides open peril coverage for both the structure and personal property.

Explanation: The DP-2 (Broad Form) covers named perils including falling objects and weight of ice/snow, usually paying replacement cost on the dwelling. Liability and theft are typically endorsements on DP forms.

33. Bob is purchasing a Dwelling Policy for a rental property. The agent recommends the DP-1. Which of the following best describes this form?

A) It includes comprehensive liability coverage automatically.
B) It covers theft of personal property by default.
✔ C) It covers only named perils like fire, lightning, and internal explosion on an ACV basis.
D) It provides open peril coverage for both the structure and personal property.

Explanation: The DP-1 (Basic Form) covers only named perils like fire, lightning, and internal explosion on an ACV basis. Liability and theft are typically endorsements on DP forms.

34. Hannah is purchasing a Dwelling Policy for a rental property. The agent recommends the DP-1. Which of the following best describes this form?

- ✔ A) It covers only named perils like fire, lightning, and internal explosion on an ACV basis.
- B) It includes comprehensive liability coverage automatically.
- C) It covers theft of personal property by default.
- D) It provides open peril coverage for both the structure and personal property.

Explanation: The DP-1 (Basic Form) covers only named perils like fire, lightning, and internal explosion on an ACV basis. Liability and theft are typically endorsements on DP forms.

35. Hannah is purchasing a Dwelling Policy for a rental property. The agent recommends the DP-2. Which of the following best describes this form?

- A) It includes comprehensive liability coverage automatically.
- ✔ B) It covers named perils including falling objects and weight of ice/snow, usually paying replacement cost on the dwelling.
- C) It covers theft of personal property by default.
- D) It provides open peril coverage for both the structure and personal property.

Explanation: The DP-2 (Broad Form) covers named perils including falling objects and weight of ice/snow, usually paying replacement cost on the dwelling. Liability and theft are typically endorsements on DP forms.

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36. Hannah is purchasing a Dwelling Policy for a rental property. The agent recommends the DP-3. Which of the following best describes this form?

- A) It includes comprehensive liability coverage automatically.
- ✔ B) It provides open peril coverage on the dwelling and named peril on personal property.
- C) It covers theft of personal property by default.
- D) It provides open peril coverage for both the structure and personal property.

Explanation: The DP-3 (Special Form) provides open peril coverage on the dwelling and named peril on personal property. Liability and theft are typically endorsements on DP forms.

37. Ian is purchasing a Dwelling Policy for a rental property. The agent recommends the DP-3. Which of the following best describes this form?

- A) It includes comprehensive liability coverage automatically.
- B) It covers theft of personal property by default.
- C) It provides open peril coverage for both the structure and personal property.
- ✔ D) It provides open peril coverage on the dwelling and named peril on personal property.

Explanation: The DP-3 (Special Form) provides open peril coverage on the dwelling and named peril on personal property. Liability and theft are typically endorsements on DP forms.

38. Which Dwelling policy form provides open peril coverage on the dwelling home and named peril coverage on personal home?

A) DP-2 (Broad Form)
B) DP-1 (Basic Form)
✔ C) DP-3 (Special Form)
D) HO-3

Explanation: DP-3 provides open peril coverage on the structure and named peril on contents.

39. Which dwelling form provides basic named-peril property coverage without the broader features of DP 2 or DP 3?

A) HO 6 Unit-Owners Form
B) Property usually at another residence
✔ C) DP 1 Basic Form
D) Personal property ACV

Explanation: DP 1 Basic Form: A dwelling form providing named-peril property coverage on a basic basis.

40. Which dwelling form provides broad named-peril coverage and broader loss-settlement features than the basic form?

A) HO 7 Manufactured Home Form
B) Trees shrubs and plants
C) Residence employee
✔ D) DP 2 Broad Form

Explanation: DP 2 Broad Form: A dwelling form providing broader named-peril coverage and additional features.

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41. A company officer has a furnished company car but needs personal-auto-like coverage while driving other vehicles. Which commercial-auto endorsement may help?

A) Named nonowner
✔ B) Drive other car
C) Nonowned auto
D) Part C - Uninsured Motorists

Explanation: Drive other car: An endorsement extending specified personal-auto-like protection to eligible individuals using nonowned autos.

42. A totaled auto's physical-damage settlement is less than the remaining loan balance. Which PAP endorsement may cover a qualifying shortfall?

✔ A) Auto loan lease coverage
B) Trailer interchange coverage
C) Supplementary payment for bail bonds
D) Uninsured motor vehicle

Explanation: Auto loan lease coverage: An endorsement addressing a qualifying shortfall between physical-damage settlement and a loan or lease balance.

43. An individual owns no auto but regularly drives borrowed vehicles and needs personal liability coverage. Which PAP endorsement is appropriate?

A) Out-of-state coverage
B) Owned trailer
✓ C) Named nonowner
D) Part D - Damage to Your Auto

Explanation: Named nonowner: A personal auto endorsement for an individual who does not own an auto but needs nonowned-auto liability protection.

44. An insured wants to adapt a PAP to cover a motorcycle or motorhome. Which endorsement is designed for this purpose?

A) Motor carrier coverage form
B) Trailer
C) Insured under medical payments
✓ D) Miscellaneous type vehicle

Explanation: Miscellaneous type vehicle: An endorsement adapting PAP coverage for vehicles such as motorhomes or motorcycles.

45. Two related household members who are not spouses jointly own an auto. Which PAP endorsement can adapt coverage to this ownership?

A) Garagekeepers coverage
B) Occupying
✓ C) Joint ownership coverage
D) Medical payments time limit

Explanation: Joint ownership coverage: An endorsement adapting a PAP for an eligible vehicle jointly owned by nonspouses.

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46. A BAP declaration schedules only selected vehicles for physical-damage coverage. Which covered-auto symbol applies?

✓ A) Symbol 7 - Specifically Described Autos
B) Drive other car
C) Temporary substitute auto
D) Part B - Medical Payments

Explanation: Symbol 7 - Specifically Described Autos: Business-auto coverage limited to autos scheduled in the declarations.

47. A business transports customers' vehicles by driving, towing, or carrying them from one location to another. How is this business classified?

A) No-fault conformity
✓ B) Driveaway contractor
C) Diminution in value
D) Joint ownership coverage

Explanation: Driveaway contractor: A business transporting vehicles by driving towing or carrying them under specified arrangements.

48. A business wants coverage to apply to all autos it owns, subject to the selected coverage. Which BAP symbol is appropriate?

A) MCS-90 endorsement
✓ B) Symbol 2 - Owned Autos Only
C) Out-of-state coverage
D) Underinsured motor vehicle

Explanation: Symbol 2 - Owned Autos Only: Business-auto coverage for autos the insured owns subject to symbol rules.

49. A business wants liability coverage for qualifying autos it leases, hires, rents, or borrows. Which BAP symbol applies?

A) Driveaway contractor
B) Financial responsibility adjustment
✓ C) Symbol 8 - Hired Autos Only
D) Hit-and-run vehicle

Explanation: Symbol 8 - Hired Autos Only: Business-auto coverage for qualifying autos the insured hires rents leases or borrows.

50. A business wants liability protection for autos it leases, hires, rents, or borrows but does not own. Which business-auto category is relevant?

✓ A) Hired autos
B) Owned autos only
C) Mobile equipment only
D) Garagekeepers coverage

Explanation: Hired-auto coverage applies to qualifying autos the insured leases, hires, rents, or borrows.