

# Finance

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# Latest Version: 6.0

## Question: 1

Which type of coverage relates to damage to or destruction of detached structures in a typical homeowners policy?

- A. Coverage A
- B. Coverage B
- C. Coverage C
- D. Coverage D

**Answer: B**

Explanation:

Coverage B relates to damage to or destruction of detached structures in a typical homeowners policy. Specifically, this coverage applies to any structures located on the residence premises but separated from the dwelling by a clear space. Any structures that are connected to the dwelling by a fence or utility line are included under Coverage B. In the standard homeowners policy, Coverage A applies to dwellings, Coverage C applies to personal property, and Coverage D applies to loss of use.

## Question: 2

The unfair trade practice of offering inducements for the purchase of insurance is called:

- A. misrepresentation.
- B. controlled business.
- C. rebating.
- D. false advertising.

**Answer: C**

Explanation:

The unfair trade practice of offering inducements for the purchase of insurance is called rebating. This practice is usually illegal, although insurance companies are allowed to pay dividends to policyholders. Misrepresentation, in the context of insurance sales, is an intentionally inaccurate or incomplete communication to a policyholder or potential policyholder. Controlled business is defined as a situation in which an insurance provider's personal income is greater than 25 percent of his or her gross commission from insurance. False advertising is considered an unfair trade practice with respect to all forms of communication.

## Question: 3

In which type of group life insurance policy may the holder allocate the net premiums to one or more of several investment accounts?

- A. Comprehensive long-term care insurance
- B. Group universal life insurance
- C. Yearly renewable term insurance
- D. Group variable universal life insurance

**Answer: D**

Explanation:

In group variable universal life insurance, the holder may allocate the net premiums to one or more of several investment accounts. In this arrangement, the investment risk is borne by the holders of the certificates. A comprehensive long-term care insurance policy includes benefits for home health care and facility care in a single contract. A group universal life insurance policy has flexible premiums and separates the pure protection and cash value accumulations. These policies have variable interest rates credited to cash value accumulations, though it is standard for there to be a minimum guaranteed interest rate.

#### Question: 4

Which of the following distinguishes the conditions of the standard business owners' policy from those of the standard commercial package policy?

- A. Many of the coverages that are automatic for the standard commercial package policy are optional for the standard business owners' policy.
- B. Many of the coverages that are automatic for the standard business owners' policy are optional for the standard commercial package policy.
- C. The standard commercial package policy extends automatic business income and peak season coverage.
- D. The standard business owners' property coverage form is different than the building property coverage form.

**Answer: B**

Explanation:

Many of the coverages that are automatic for the standard business owners' policy are optional for the standard commercial package policy. This is the only major distinction between the conditions of the standard business owners' policy and the standard commercial package policy. Business income and peak season coverage are automatic for the business owners policy, but are only optional for the commercial package policy. The business owners' property coverage form is exactly the same as the building property coverage form.

#### Question: 5

What is the maximum percentage of total square footage that can be occupied within a property and it still be defined as vacant by the standard commercial property policy?

- A. 25 percent
- B. 30 percent
- C. 40 percent
- D. 50 percent

**Answer: B**

Explanation:

A property is defined as vacant by the standard commercial property policy if less than thirty-one percent of the total square footage is occupied for sixty days. In addition, the building must be suitable for habitation. The definition of a building as vacant is important in the standard commercial property policy because vacant buildings are subject to special provisions. Buildings that have been vacant for more than sixty days previous to loss or damage will not receive payments for vandalism, sprinkler leakage, glass breakage, water damage, or theft. Any losses or damages caused by a covered cause of loss will be subject to a payment reduction of 15 percent.

### Question: 6

With regard to homeowners insurance, business is defined as any activity that has:

- A. revenue.
- B. continuity.
- C. Both A and B.
- D. Neither A nor B.

**Answer: C**

Explanation:

With regard to homeowners insurance, business is defined as any activity that has revenue and continuity. In other words, it is any activity that the homeowner earns money from and pursues repeatedly or consecutively through time.

### Question: 7

An expense plan that indicates an employer will reduce benefits for persons over the age of 65 to the extent that they are payable under Medicare for the same expense is known as a:

- A. Medicare secondary rule.
- B. maturity value benefit.
- C. Medicare carve-out.
- D. Medicare supplement.

**Answer: C**

Explanation:

An expense plan that indicates an employer will reduce benefits for persons over the age of sixty-five to the extent that they are payable under Medicare for the same expense is known as a Medicare carve-out. The Medicare secondary rules are a set of regulations that indicate when Medicare will be considered secondary to the employer's medical expense plan for disabled employees, as well as active employees older than sixty-four. A maturity value benefit is a provision in a group term life insurance plan, in which the face value of a fully disabled employee's life insurance benefit will be paid to the employee in monthly installments or a lump sum. Finally, a Medicare supplement is a medical expense plan provided by an employer to employees age sixty-five or older, in which benefits are provided for certain specific expenses not covered by Medicare. The expenses may not be paid by Medicare because of deductibles, copayments, coinsurance, or other expenses (for instance, prescription drugs) that are excluded by Medicare.

### Question: 8

Which of the following vehicles would NOT be defined as mobile equipment by the standard business auto policy?

- A. Snowplow
- B. Bulldozer
- C. Forklift
- D. Farm machinery

**Answer: A**

Explanation:

The standard business auto policy would not define a snowplow as mobile equipment. Any equipment designed primarily for snow removal, street cleaning, or road maintenance will be classified as an auto. Bulldozers, forklifts, and farm machinery are all classified as mobile equipment. In addition, mobile equipment includes any vehicles designed to be used off public roads; any vehicles propelled by crawler treads; any vehicles that are used solely on the premises owned or rented by the insured party; and any vehicles maintained primarily for purposes other than the transport of cargo or people. Construction and resurfacing vehicles may be classified as mobile equipment.

### Question: 9

Which of the following events would NOT be covered by the standard dwelling policy?

- A. Losses caused by spacecraft
- B. Smoke damage from fireplaces
- C. Losses caused by volcanic eruption
- D. Smoke damage from furnaces

**Answer: B**

Explanation:

Smoke damage from fireplaces would not be covered by the standard dwelling policy. This policy will cover losses caused by spacecraft, as well as losses caused by aircraft and self-propelled missiles. Any losses caused by volcanic eruptions will be covered, though losses caused by tremors or earthquakes will not. The smoke damage from furnaces and boilers will be covered, but not the smoke damage caused by fireplaces or agricultural or industrial operations.

### **Question: 10**

Which of the following injuries would be covered by the standard farm liability policy?

- A. Those suffered by residence employees while performing duties associated with their employment
- B. Those that occur on locations owned by the insured but not named on the declarations page
- C. Those suffered by people who are on the insured location for the purpose of providing professional services
- D. Those that occur on locations rented by the insured but not named on the declarations page

**Answer: A**

Explanation:

Injuries suffered by residence employees while performing duties associated with their employment would be covered by the standard farm liability policy. However, in general, injuries that occur on locations owned, rented, or controlled by the insured are not covered by the standard farm liability policy. Also, injuries suffered by people who are on the insured location for the purpose of providing professional services or engaging in business are not covered by the standard farm liability policy.

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