

## **Ohio Property Final Exam**

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- #1. If an insurer has fewer assets than liabilities and this continues for at least 3 years, the insurer is
- a) Insolvent
  - b) Suspended
  - c) Bankrupt
  - d) Unstable
- #2. The insured has violated the contract without the knowledge of the mortgage holder. After a loss
- a) The insured cannot collect but the mortgage holder will still be paid.
  - b) Neither the insured nor the mortgage holder will be paid.
  - c) Both the insured and mortgage holder will be paid.
  - d) The pro rata liability clause applies.
- #3. Valuable Papers and Records Form provides coverage for the reconstruction of all of the following types of records, EXCEPT
- a) Historical records.
  - b) Prepackaged software.
  - c) Blueprints.
  - d) Deeds.
- #4. Which of the following would be sufficient violation to warrant rejection, revocation, or suspension of an insurance agent's license?
- a) Public drunkenness
  - b) An unintentional misrepresentation of the terms of a contract
  - c) A moving violation ticket
  - d) A denied license in another state

- #5. All of the following are found in the Declarations section of a policy, EXCEPT the
- a) Policy premiums.
  - b) Name of the insured.
  - c) Limits of insurance.
  - d) Exclusions.
- #6. Coverage under the Builders Risk form will end in all of the following situations EXCEPT
- a) Construction has been abandoned.
  - b) 60 days after the building became occupied.
  - c) The insured has sold the property.
  - d) 60 days after the construction has ended.
- #7. An insurance agency is running a promotion offering any purchaser of insurance two tickets to a basketball game upon payment of the annual premium. This promotion constitutes
- a) Illegal inducement.
  - b) Rebating.
  - c) Discrimination.
  - d) Target marketing.
- #8. All of the following are regulated areas of the insurance industry EXCEPT
- a) Commissions.
  - b) Agents.
  - c) Trade practices.
  - d) Investments.
- #9. What is the limit of coverage for a direct loss caused by a mine subsidence?
- a) \$100,000
  - b) \$300,000
  - c) \$500,000
  - d) \$250,000

- #10. ABC Trucking hauls products for Acme, Inc. as a contract carrier. On one shipment, the driver stopped at a truck stop for lunch. Leaving the truck in the parking lot, he made certain that the truck was locked before leaving it. Upon returning to the truck, he discovered that someone had broken into the truck and stolen the cargo. Is ABC legally liable for this loss?
- a) No, the driver had taken reasonable measures to protect the property by locking the truck.
  - b) Yes, ABC's liability is absolute for the cargo in its possession.
  - c) The truck stop would be liable for the loss.
  - d) None of the above.
- #11. Which of the following clauses establishes the procedure for determining the amount of a loss when the insurer and the insured cannot agree on the value of property or amount of loss?
- a) Valuation clause
  - b) Loss settlement clause
  - c) Appraisal clause
  - d) Loss payment clause
- #12. What is the maximum amount an insurer will pay under the Equipment Dealers Pollution Clean Up and Removal extension of an Inland Marine policy?
- a) \$10,000 for all expenses incurred during a twelve month period
  - b) \$15,000 all expenses incurred during a twelve month period
  - c) \$20,000 all expenses incurred during a twelve month period
  - d) \$5,000 for all expenses incurred during a twelve month period
- #13. Two individuals are in the same risk and age class; yet, they are charged different rates for their insurance policies due to an insignificant factor. What is this called?
- a) Misrepresentation
  - b) Selective bias
  - c) Discrimination
  - d) Law of Large Numbers

#14. State law specifically prohibits using illegal inducements in the marketing of insurance. All of the following would be considered illegal inducements EXCEPT

- a) Promising returns and profits from the purchase of insurance.
- b) Offering benefit certificates or securities in return for purchasing insurance.
- c) Inviting prospective clients to the grand opening of the company's new office.
- d) Issuing or delivering insurance company stock in return for purchasing insurance.

#15. Which of the following is NOT covered under Accounts Receivable Coverage Form?

- a) Interest on loans required to offset uncollectible amount pending payment of the insurance proceeds
- b) Sums due the insured which are uncollectible due to a covered loss
- c) Expenses to reestablish the records, if possible, and collection expenses which are in excess of normal costs
- d) Any loans required to offset uncollectible amounts

#16. An insured owns a building that is valued at \$400,000. To comply with the 80% coinsurance provision of his insurance policy, how much should he insure the property for?

- a) 80% of the property's ACV or more
- b) 100% of market value
- c) \$400,000
- d) \$32,000

#17. What is a material misrepresentation?

- a) Any misstatement by the producer
- b) Concealment
- c) A statement by the applicant that, upon discovery, would affect the underwriting decision of the insurance company
- d) Any misstatement made by an applicant for insurance

- #18. If an insured lives in a high-risk area and can't find an insurer that will cover his/her property, which of the following would most likely provide coverage?
- a) Nonadmitted high-risk insurers
  - b) The federal government
  - c) The NAIC
  - d) The FAIR Plan
- #19. Which of the following is an example of a producer being involved in an unfair trade practice of rebating?
- a) Making deceptive statements about a competitor
  - b) Telling a client that his first premium will be waived if he purchased the insurance policy today
  - c) Inducing the insured to drop a policy in favor of another one when it's not in the insured's best interest
  - d) Charging a client a higher premium for the same policy as another client in the same insuring class
- #20. What is required of an agent when charging consumer fees for services in connection with policies issued on a "no-commission" basis?
- a) The agent must have the consumer's signature on a document stating that the consumer had knowledge of the fee before any transaction was made.
  - b) The agent must provide the consumer with a disclosure statement of the fee and the services to be provided.
  - c) There are no requirements.
  - d) The agent cannot charge a consumer fee at any time.
- #21. Illegal use of narcotics would be an example of a
- a) Physical hazard.
  - b) Pure hazard.
  - c) Morale hazard.
  - d) Moral hazard.

- #22. Which of the following would most likely be accepted for coverage under the FAIR Plan?
- a) An insured whose previous insurer was declared bankrupt
  - b) An insured who can't find an insurer to cover his/her property because of its location
  - c) An applicant whose property value exceeds \$1 million
  - d) An applicant whose residence and business are located within the same structure
- #23. Joe would like to cancel his Homeowners insurance policy. He requests that the insurer does so, and is told that the insurer will refund the unearned premiums on what basis?
- a) Short-rate
  - b) Pro Rata
  - c) Last-in-first-out
  - d) First-in-last-out
- #24. Which of the following examples of losses paid under an HO-3 would also be paid under an HO-2 homeowners policy?
- a) Damage to the dwelling caused by the insured when moving furniture
  - b) Accidental scorching caused when a hot iron is placed upon a built-in counter top
  - c) Interior damage caused by water seeping under the shingles on the roof
  - d) Damage to the dwelling caused by ash or dust from a volcanic eruption
- #25. The risk of loss may be classified as
- a) Pure risk and speculative risk.
  - b) Certain risk and uncertain risk.
  - c) Named risk and un-named risk.
  - d) High risk and low risk.

- #26. A BOP (Businessowners Policy) is most similar to
- a) Umbrella.
  - b) Cargo.
  - c) Homeowners.
  - d) Auto.
- #27. Which of the following statements concerning the Builders Risk Coverage Form is correct?
- a) May be written to cover the interest of the builder only, and cannot include coverage for the owner
  - b) May not be written for perils other than fire and extended coverage
  - c) May be written on a reporting form or the completed value of the structure
  - d) Usually continues in effect for one year after completion of the structure
- #28. Which of the following best expresses the purpose of a Stated Value contract?
- a) To pre-establish the amount of coverage available for property items which are difficult to value
  - b) To ensure that the principle of indemnification applies
  - c) To establish the value of property subject to loss by theft or robbery
  - d) To provide a maximum limit for which the insurance company may become liable in casualty losses
- #29. Which of the following IS covered under the theatrical property floater of an Inland Marine policy?
- a) Vehicles used on stage
  - b) Admission tickets
  - c) Animals
  - d) Jewelry made with precious stones

- #30. In the event that an insurer is going to cancel a commercial property or casualty insurance policy, who must receive written notice of their intent to cancel?
- a) The first named insured
  - b) The writing and servicing agent
  - c) Both the first named insured and the writing agent
  - d) The Director of Insurance
- #31. Your accounts receivable records have been destroyed or damaged. Your loss may be covered with
- a) The Valuable Papers coverage form.
  - b) The Account Receivable coverage form.
  - c) Commercial Property insurance.
  - d) The Commercial Articles coverage form.
- #32. Hannah sells Billy Ray a life insurance policy, but because of a feud between their grandfathers, she charges him a higher premium. This is called
- a) Rebating.
  - b) Twisting.
  - c) Misrepresentation.
  - d) Discrimination.
- #33. Which situation would NOT be covered by the Basic Causes of Loss Form under a Commercial Property Policy?
- a) The automatic fire protective sprinkler system inside New Realities Book Shop leaks, causing damage to the store
  - b) Gordon's Motorcycle Heaven is damaged by the sudden sinking of land created by the action of water on limestone
  - c) The Surf Side Club Waterfront Restaurant is damaged when flood waters rise and seep into the restaurant
  - d) Vandals throw rocks through the plate glass window of Piccolo Pete's Cafe



- #34. What term includes damage where the insured peril was the proximate cause of loss?
- a) Negligent loss
  - b) Direct loss
  - c) Indirect loss
  - d) Consequential loss
- #35. The purpose of FAIR plans is
- a) To pay claims to insureds after their insurance company has been declared insolvent.
  - b) To make sure that property insurance remains affordable for everyone.
  - c) To provide insureds access to independent auditors who have no interest in the insurance company.
  - d) To provide property insurance to those who cannot obtain it in the normal market.
- #36. In order to have property that is eligible for basic property insurance coverage through the Ohio Fair Plan, application for such coverage must have been declined by how many insurers in the normal market?
- a) 2
  - b) 4
  - c) All
  - d) 1
- #37. All of the following are examples of hazards EXCEPT
- a) A fire in the kitchen of a home
  - b) Trash or debris in the basement of a home
  - c) Faulty wiring in a home
  - d) Broken step or hand railing on the porch

- #38. The difference in the contents coverage on an HO-3 and HO-5 is
- a) Contents are covered for replacement cost on HO-5 and ACV on HO-3.
  - b) Contents are covered for replacement cost on HO-3 and ACV on HO-5.
  - c) Contents are covered open peril on HO-5 and named peril on HO-3.
  - d) Contents are covered open peril on HO-3 and named peril on HO-5.
- #39. The causes of loss found in the Standard Form Businessowners policy are identical to the causes of loss found in
- a) Dwelling DP-3.
  - b) Commercial Building and Business Personal Property Coverage Form, Basic causes of loss.
  - c) Fair Plan policy.
  - d) Homeowners Form HO-2.
- #40. A group's reported losses are more likely to become equal to the statistical probability of loss,
- a) The more active the group.
  - b) The larger the group.
  - c) The smaller the group.
  - d) The older the group.
- #41. Which of the following has the authority to issue a cease and desist order?
- a) Department of Insurance
  - b) Federal Insurance Regulation Board
  - c) Superintendent
  - d) State police
- #42. Which of the following best describes a misrepresentation?
- a) Making a deceptive or untrue statement about a person engaged in the insurance business
  - b) Making a maliciously critical statement that is intended to injure another person
  - c) Discriminating among individuals of the same insuring class
  - d) Issuing sales material with false statements about policy benefits

- #43. In order for a casualty policy to pay in the event of a burglary, what conditions must be met?
- a) The break-in must be made with felonious intent, and visible signs of forced entry should be present.
  - b) The property disappears without knowledge as to the location, time or how the property was lost.
  - c) The property is stolen or removed from its rightful owner.
  - d) Property must be from another by using violence or the threat of violence.
- #44. An insolvent insurer is one who is unable to pay its obligations when they are due or has fewer assets than liabilities for a period of
- a) 3 years.
  - b) 4 years.
  - c) 5 years.
  - d) 2 years.
- #45. The extension of coverage under the Commercial Fine Arts Floater includes coverage for newly acquired property for a maximum of
- a) \$20,000.
  - b) \$5,000.
  - c) \$10,000.
  - d) \$15,000.
- #46. Under which of the following circumstances would an insurer be allowed to cancel a dwelling policy midterm?
- a) The insured's claims have exceeded the amount of coverage.
  - b) The insured wants to make suspicious increases to his/her coverage.
  - c) The insured reached his/her limit on the number of claims.
  - d) The insured knowingly lied about the year the property was constructed.

- #47. Which of the following would be considered a competent party to a contract between an insurer and prospective insured?
- a) The applicant who is intoxicated at the time of application
  - b) The applicant who is a 12-year-old student
  - c) The applicant who is heavily medicated at the time of application
  - d) The applicant who has been convicted of a felony
- #48. In the event of a loss covered by the policy, if the insurer requests a signed sworn proof of loss, the named insured is required to submit it within
- a) 1 year.
  - b) 5 business days.
  - c) 30 days.
  - d) A specified time.
- #49. A Surplus Lines Broker's license will expire on what date each year?
- a) January 31
  - b) A date selected by the licensee
  - c) The birthdate of the licensee
  - d) The date that the license was originally issued
- #50. Which of the following would be considered an unfair claims settlement practice?
- a) Requesting the insured swear under oath concerning the facts of the claim
  - b) The settlement of the claim is delayed for 30 days in order for the insured to conduct an investigation
  - c) A claims adjuster advises the insured that if the claim goes to arbitration, the insured would probably receive less than what is currently being offered
  - d) Requesting the insured to submit a signed proof of loss statement after the insured has already verbally advised the insurer of the claim

- #51. Which one of the following statements regarding coverage for the flood and earthquake perils is true?
- a) Both are excluded perils in all property policies.
  - b) Flood and earthquake coverage is available in all policies.
  - c) Flood and earthquake coverage is available only through the government.
  - d) Flood insurance is usually provided in property policies; earthquake insurance, however, is available by endorsement only.
- #52. Which of the following perils is covered by flood insurance?
- a) Landslide
  - b) Rain which enters through a defective roof and accumulates in the basement
  - c) Sinkhole collapse
  - d) Mudslide caused by accumulations of water under the ground
- #53. A grave marker was damaged by vandals. It would cost \$3,000 to have the damage repaired. Under these circumstances, how much would a homeowners policy pay?
- a) \$3,000
  - b) \$0
  - c) \$500
  - d) \$1,000
- #54. The part of a property policy which shows the amount of insurance, premium, and policy term is the
- a) Exclusions.
  - b) Declarations.
  - c) Insuring clause.
  - d) Conditions.

- #55. Liability imposed on one party as a result of the actions of another person (i.e. parent/child; employer/employee) is known as
- a) Absolute liability.
  - b) Vicarious liability.
  - c) Comparative negligence.
  - d) Strict liability.
- #56. All of the following are required to qualify for a resident license EXCEPT
- a) An applicant that has passed at least one examination
  - b) An applicant that is at least 21 years old
  - c) An applicant that has not committed any act that is a ground for the denial, suspension, or revocation of a license
  - d) An applicant that is of good reputation and character
- #57. The type of liability that is imposed regardless of fault or negligence is called
- a) Contributory.
  - b) Intentional.
  - c) Absolute.
  - d) Strict.
- #58. A person holding a valid Surplus Lines Broker's License may not transact which of the following lines of insurance with an insurer who is not authorized in this State?
- a) Commercial casualty insurance
  - b) Inland marine insurance
  - c) Property insurance
  - d) Life insurance

- #59. If more than one person has an insurable interest in the property covered under a dwelling policy,
- a) Liability will be split evenly among all people who have insurable interest.
  - b) All involved insurers must decide which one will be liable for the loss.
  - c) All insureds must decide which one will be liable for the loss.
  - d) The insurer will be liable for only the insured's interest in the damaged property.
- #60. Which of the following is true regarding examination of financial affairs of insurers?
- a) Examinations must be conducted at least annually.
  - b) Examination expenses are the responsibility of the insurer.
  - c) The Superintendent must examine all insurers: domestic, foreign and alien.
  - d) Examinations are conducted by the NAIC.
- #61. When will fraud be considered a felony?
- a) Only when the amount of the claim is above \$100,000
  - b) Never; fraud is always considered a misdemeanor.
  - c) Any type of fraud is considered a felony
  - d) When the amount of the claim is above \$500
- #62. The Superintendent may examine records of domestic insurers in Ohio every 3 years. Who is responsible for paying for the examination?
- a) The Superintendent
  - b) The insurer
  - c) The Department of Insurance
  - d) The NAIC
- #63. What term best describes the act of withholding material information that would be crucial to an underwriting decision?
- a) Leading
  - b) Breach of Warranty
  - c) Concealment
  - d) Withholding

- #64. Which method of loss valuation is contrary to the basic concept of indemnity?
- a) Agreed Value
  - b) Replacement Cost
  - c) Functional Replacement Cost
  - d) Market Value
- #65. Which of the following is true of licensed Solicitors?
- a) They may sell lines of insurance to the unlicensed appointing agents.
  - b) They may represent themselves.
  - c) They may represent more than one agent.
  - d) They may solicit more than one line of insurance.
- #66. Which of the following property coverages would provide protection to contents damaged by fire?
- a) Coverage D
  - b) Coverage A
  - c) Coverage B
  - d) Coverage C
- #67. Who set the premium rate for mine subsidence insurance coverage?
- a) The Director of Insurance
  - b) The Ohio Mine Subsidence Underwriting Insurance Association
  - c) The National Association of Insurance Commissioners
  - d) The writing member insurance company
- #68. Which of the following terms best describes a trembling or shaking of the earth that is volcanic or seismic in origin?
- a) Earthquake
  - b) Tectonic shifting
  - c) Tsunami
  - d) Geotectonic inversion



- #69. Which of the following would be an example of an insurer participating in an unfair competition practice of discrimination?
- a) Making malicious statements about the insured based on their race
  - b) Charging different premium rates to the insured in different insuring classes
  - c) Charging the insured higher premiums based on their life expectancy
  - d) Charging the insured higher premiums based on their race
- #70. How does the mobilehome endorsement affect the other coverage of law or ordinance in a homeowners policy?
- a) It limits the coverage
  - b) It has no effect on this coverage
  - c) It removes the coverage
  - d) It broadens the coverage
- #71. Any notice of cancellation of a commercial property or casualty insurance policy requires that the insurer mail such notice at least how many days before the effective date of the cancellation?
- a) 45
  - b) 5
  - c) 10
  - d) 30
- #72. Which of the following homeowners policy settlement options is NOT accurate?
- a) Replacement cost for property damage less than 5% of the total amount of insurance is not covered
  - b) Actual cash value for any structure or building
  - c) Actual cash value for personal property and awnings, carpeting, household appliances, outdoor antennas and equipment
  - d) Replacement cost for buildings and other structures if covered for at least 80% of its replacement cost

#73. The Other Insurance provision which limits the liability of the insurer to a portion of the loss no greater than the amount the insurer bears to all the insurance covering the property is called

- a) Excess.
- b) Pro rata liability.
- c) Contributing.
- d) Proportionate.

#74. Personal business property out in the open is covered under Commercial Property Policy only while

- a) Specifically described on the declarations.
- b) Within 150 feet of the described premises.
- c) Within 100 feet of the described premises.
- d) Located on the described premises.

#75. How is the Insurance Guaranty Association funded?

- a) By its members – authorized insurers
- b) By the Department of Insurance
- c) By NAIC
- d) By the government

#76. In what year does the 2007 reauthorization of the Terrorism Risk Insurance Program expire?

- a) 2014
- b) 2015
- c) 2008
- d) 2010

#77. A producer who omits a statement which may mislead or deceive the persons addressed has committed

- a) Coercion.
- b) Misrepresentation.
- c) Defamation.
- d) Twisting.

#78. What is the purpose of the coinsurance clause found in property insurance policies?

- a) Prevent insureds from profiting from a loss
- b) Encourage insurance to value
- c) Encourage higher standards of care by requiring the insured to pay a portion of every loss
- d) Ensure that insureds do not over-insure their property

#79. A licensed life producer wrote a policy that covers the life of his brother. Since the policyowner was related, the producer refunded the commission earned on this policy to the insured. This is considered to be

- a) An unfair trade practice.
- b) An unfair claims settlement practice.
- c) An acceptable business practice.
- d) A controlled business practice.

#80. The mobilehome endorsement alters the homeowners policy to cover a mobilehome and other structures on land

- a) Owned or leased by a landlord who does not reside on the premises.
- b) Owned by a landlord who does not use the mobilehome located on it.
- c) Leased by the owner of the land.
- d) Owned or leased by the resident of the mobilehome.

#81. In property insurance, actual cash value is defined as which of the following?

- a) The actual amount of a loss payable, less the policy deductible
- b) Replacement cost at the time of the loss, less depreciation
- c) Market value of the property at the time of the loss
- d) Stated value of the property as shown on the declaration

- #82. The part of the insurance contract that describes the covered perils, and the nature of coverage of the contractual agreement between the insurer and the insured is called the
- a) Exclusions.
  - b) Declarations.
  - c) Insuring Agreement.
  - d) Conditions.
- #83. The definition of "theft" encompasses both
- a) Mysterious disappearance and robbery.
  - b) Breaking and entering and committing a felony.
  - c) Robbery and burglary.
  - d) Stealing and violence.
- #84. An insurer publishes intimidating brochures that portray the insurer's competition as financially and professionally unstable. Which of the following best describes this act?
- a) Illegal until endorsed by the Guaranty Association
  - b) Legal, provided that the other insurers are paid royalties for the usage of their names
  - c) Illegal under any circumstances
  - d) Legal, provided that the information can be verified
- #85. The Physicians and Surgeons Equipment Floater is NOT intended for which of the following?
- a) Waiting room furniture in a doctor's office
  - b) Office equipment located in a dentist's office
  - c) Medical supplies located in a hospital
  - d) Surgeon's supplies located in the surgeon's office

#86. The insurer may cancel a commercial property or casualty policy for any reason until it has been in effect for

- a) 80 days.
- b) 30 days.
- c) 1 month.
- d) 90 days.

#87. The pro rata liability clause is designed to protect the principle of

- a) Waiver and estoppel.
- b) Indemnity.
- c) Subrogation.
- d) Insurable interest.

#88. The person named in an insurance policy that is protected under the contract, whom the insurer reimburses for losses, pays benefits, or provides services to is called

- a) The fiduciary.
- b) The insured.
- c) The beneficiary.
- d) The insurer.

#89. What do individuals use to transfer their risk of loss to a larger group?

- a) Insurable interest
- b) Exposure
- c) Indemnity
- d) Insurance

#90. An insured intentionally did not disclose a material fact on an application for insurance. This would be considered

- a) Misrepresentation.
- b) Concealment.
- c) Coercion.
- d) Avoidance.

#91. Agents who change the state of residence must notify the Superintendent within how many days of any change in address?

- a) 15
- b) 20
- c) 30
- d) 10

#92. Negligence may be defined as

- a) A situation that creates a probability of loss.
- b) A latent defect or fault in property.
- c) The inability to meet the burden of proof.
- d) The failure to use reasonable and prudent care.

#93. Which of the following describes the transfer of a legal right or interest in an insurance policy?

- a) Obligation
- b) Legal purpose
- c) Assignment
- d) Abandonment

#94. Which of the following is covered under the Mail floater of a Commercial Inland Marine policy ONLY if is sent by registered mail?

- a) Money orders, checks, drafts, notes
- b) Bonds, stocks, stock certificates, coupons attached to bonds
- c) Currency and unsold travelers checks
- d) Postage and revenue stamps

#95. Which of the following is NOT one of the available additional coverages in the Builders Risk form?

- a) Fire department service charge
- b) Pollutant clean-up
- c) Vandalism
- d) Debris removal

- #96. Which of the following is NOT covered under the Farm Coverage policy?
- a) Raising livestock in a commercial feed lot
  - b) Growing of vegetables
  - c) Marketing of field crops
  - d) Raising fish at an aquaculture operation
- #97. How many hours of continuing education must be completed in ethics?
- a) 5
  - b) 12
  - c) 2
  - d) 3
- #98. Which of the following IS covered under the Camera and Musical Instruments Dealers floater?
- a) A musical instrument sold and delivered to a customer
  - b) Furniture, fixtures and office supplies in a music store
  - c) Money kept on premises of a camera shop
  - d) A customer's camera left at a camera shop for repair
- #99. The additional living expense coverage on homeowners policies
- a) Does not begin to pay until the family has been out of the house for at least seven days.
  - b) Is intended to allow the family to stay in the least expensive accommodations available.
  - c) Is intended to allow the family to maintain their normal standard of living.
  - d) Automatically paid after any loss to the covered house.
- #100. When an insured requests the cancellation of a Homeowners policy, the insurer will refund the unearned premium on a short-rate basis, but is allowed to retain
- a) 15%.
  - b) 5%.
  - c) 20%.
  - d) 10%.