

# Florida 2-20 Insurance Agent License Practice Exam (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. What factor must be considered when determining if a compensation claim is valid?**
  - A. Employee's age at the time of injury**
  - B. Nature of the injury**
  - C. Employee's performance history**
  - D. Duration of employment**
- 2. Which of the following is NOT included under Business Income and Extra Expense coverage?**
  - A. \$100,000 limit**
  - B. \$200,000 limit**
  - C. \$500,000 limit**
  - D. \$1,000,000 limit**
- 3. Which market provides coverage for employers who struggle to secure workers' compensation coverage?**
  - A. FAJUA**
  - B. FWCJUA**
  - C. Citizens**
  - D. Florida Workers Compensation Fund**
- 4. What form provides coverage for heavy equipment, machinery, and tools used by contractors in business?**
  - A. Contractors Equipment Floater**
  - B. General Property Coverage**
  - C. Construction Liability Policy**
  - D. Tools and Equipment Insurance**
- 5. What type of bond protects the governmental body from damages caused by the principal's activities?**
  - A. Indemnity Bond**
  - B. Contract Bond**
  - C. Bid Bond**
  - D. Public Official Bond**

- 6. How does the Causes of Loss—Broad Form differ from the Causes of Loss—Basic Form?**
- A. It covers only fire, windstorm, and hail damage.**
  - B. It provides coverage for loss caused by collapse of a building.**
  - C. It includes more exclusions than the Basic Form.**
  - D. It reduces coverage for personal property.**
- 7. Under the Lawyers Professional Liability policy, who is NOT considered an insured?**
- A. Lawyers for their services after termination**
  - B. Partners not currently active**
  - C. Associates in their first year**
  - D. Law interns**
- 8. Under the Florida Comprehensive Hurricane Damage Mitigation Program, which factor is NOT considered?**
- A. Roof design**
  - B. Building materials**
  - C. Previous damage history**
  - D. Geographic location**
- 9. What should an employer do if they hire employees in states with varying workers' compensation laws?**
- A. Overlook coverage in less rigorous states**
  - B. Acquire separate policies for each state**
  - C. Seek legal advice only when issues arise**
  - D. Request exemptions from coverage**
- 10. What type of Ocean Marine deductible has no payment until the loss reaches a certain limit?**
- A. Franchise deductible**
  - B. Aggregate deductible**
  - C. Standard deductible**
  - D. Specific deductible**

## **Answers**

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1. B
2. C
3. B
4. A
5. A
6. B
7. A
8. C
9. B
10. A

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## **Explanations**

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**1. What factor must be considered when determining if a compensation claim is valid?**

- A. Employee's age at the time of injury**
- B. Nature of the injury**
- C. Employee's performance history**
- D. Duration of employment**

Determining if a compensation claim is valid hinges significantly on the nature of the injury. This refers to the severity and type of the injury sustained by the employee, including how it occurred and its direct relation to their job duties. An injury that is work-related and aligned with the tasks performed can typically validate a worker's compensation claim. Other factors like an employee's age, performance history, or duration of employment may provide context to the situation, but they do not fundamentally establish the legitimacy of the claim itself. The emphasis is on whether the injury arises out of and in the course of employment, making the nature of the injury the critical factor in determining the validity of the compensation claim.

**2. Which of the following is NOT included under Business Income and Extra Expense coverage?**

- A. \$100,000 limit**
- B. \$200,000 limit**
- C. \$500,000 limit**
- D. \$1,000,000 limit**

In the context of Business Income and Extra Expense coverage, this coverage typically includes limits set by the insured for various levels of business interruption and extra expenses incurred during a period of restoration after a loss. However, it's essential to understand that the specific limits chosen for coverage can vary based on the policy and the risk assessment. Choosing a \$500,000 limit may indicate a misunderstanding of the scale required for a particular business's needs, as it might not align with the actual potential losses or expenses that could arise during a significant outage. In contrast, \$100,000, \$200,000, and \$1,000,000 limits reflect common figures that businesses might select based on their revenue and cost structure; higher limits typically correspond with higher risk and potential expenses. Therefore, if the question indicates that \$500,000 is not included under Business Income and Extra Expense coverage, this may relate to specific exclusions in policy structures, setting it apart from the other options. This context reinforces understanding that businesses often need customized coverages to fit their unique operational characteristics, and certain limits may not apply universally.

**3. Which market provides coverage for employers who struggle to secure workers' compensation coverage?**

**A. FAJUA**

**B. FWCJUA**

**C. Citizens**

**D. Florida Workers Compensation Fund**

The market that provides coverage for employers who struggle to secure workers' compensation coverage is the Florida Workers' Compensation Joint Underwriting Association (FWCJUA). This association is specifically designed to help employers who are deemed "high risk" or who have been unable to obtain workers' compensation insurance in the voluntary market. The FWCJUA operates as a type of last resort, allowing these employers to obtain the required coverage and ensuring that they can meet their legal obligations to provide workers' compensation for their employees. The role of the FWCJUA is crucial in maintaining workplace safety and protecting employees' rights, as it helps ensure that all employers can purchase coverage even if they are unable to do so through standard insurance providers. This helps to uphold the integrity of the workers' compensation system in Florida. In contrast, other options do not serve the same purpose. For instance, the Florida Automobile Joint Underwriting Association (FAJUA) primarily deals with auto insurance, Citizens is a market of last resort for property insurance, and the Florida Workers Compensation Fund is not a specific entity that caters to high-risk employers in need of workers' compensation coverage.

**4. What form provides coverage for heavy equipment, machinery, and tools used by contractors in business?**

**A. Contractors Equipment Floater**

**B. General Property Coverage**

**C. Construction Liability Policy**

**D. Tools and Equipment Insurance**

The Contractors Equipment Floater is specifically designed to provide coverage for heavy equipment, machinery, and tools that contractors use in their operations. This form of insurance is essential for contractors as it protects their valuable equipment from various risks such as theft, damage, or loss while in transport or at job sites. This type of insurance addresses the unique needs of contractors who often work with expensive machinery that can be vulnerable to a range of perils. It steps beyond general insurance coverage to focus specifically on the risks associated with construction equipment, making it the most appropriate form for contractors dealing with heavy machinery and tools necessary for their work. The other options do not target the specific needs of contractors regarding their equipment. General Property Coverage typically provides broader coverage but may not address the specific needs of construction-related tools and machinery. A Construction Liability Policy primarily focuses on protecting against bodily injury or property damage claims that arise from construction activities but does not protect the actual equipment itself. Tools and Equipment Insurance might seem relevant, but it is generally less comprehensive than a specially designed Contractors Equipment Floater.

**5. What type of bond protects the governmental body from damages caused by the principal's activities?**

**A. Indemnity Bond**

**B. Contract Bond**

**C. Bid Bond**

**D. Public Official Bond**

The type of bond that protects the governmental body from damages caused by the principal's activities is a public official bond. This bond serves as a guarantee that public officials will perform their duties faithfully and in accordance with the law. If the official fails to do so, causing harm or loss to the governmental body, the bond provides financial compensation for those damages. Indemnity bonds, while they do involve one party compensating another for losses, generally cover different types of scenarios, such as protecting against losses incurred from a specific type of risk. Contract bonds and bid bonds are more focused on ensuring that contractors fulfill their obligations under construction contracts and secure bids respectively, rather than protecting governmental entities against the actions of officials.

**6. How does the Causes of Loss—Broad Form differ from the Causes of Loss—Basic Form?**

**A. It covers only fire, windstorm, and hail damage.**

**B. It provides coverage for loss caused by collapse of a building.**

**C. It includes more exclusions than the Basic Form.**

**D. It reduces coverage for personal property.**

The Causes of Loss—Broad Form does indeed provide additional coverage compared to the Basic Form, specifically by including protection for loss caused by the collapse of a building. This aspect is significant because it expands the scope of what is covered, offering a greater safety net for property owners. The Basic Form typically covers a limited list of perils, such as fire, lightning, and vandalism, but does not extend to loss from structural collapse, which could result from various factors like weather conditions or deteriorating materials. In terms of coverage, the Broad Form addresses more scenarios where damage could occur, thus providing a broader range of protection. This is a fundamental aspect of understanding the differences between these two forms, as it highlights the advantages of opting for the more extensive coverage offered by the Broad Form in terms of safeguarding against unexpected and potentially costly damages.

**7. Under the Lawyers Professional Liability policy, who is NOT considered an insured?**

- A. Lawyers for their services after termination**
- B. Partners not currently active**
- C. Associates in their first year**
- D. Law interns**

In the context of a Lawyers Professional Liability policy, the classification of who is considered an insured typically centers on individuals actively involved in the practice of law and the extent of coverage available for their actions. Lawyers for their services after termination are typically not regarded as insured under such a policy. Once a lawyer's employment or partnership is terminated, their professional activities related to the duties performed during their former tenure no longer fall under the protection of the insurance policy. This is because the coverage under the Lawyers Professional Liability policy generally applies to services rendered while still actively engaged within that capacity or partnership. In contrast, partners not currently active may still have some level of insurance coverage based on their previous tenure, associates in their first year are usually covered under a policy as they are typically considered part of the practice, and law interns can also be covered depending on the specific terms of the policy. Thus, the understanding that coverage ceases upon termination makes it clear why lawyers for services rendered after their termination do not hold insured status.

**8. Under the Florida Comprehensive Hurricane Damage Mitigation Program, which factor is NOT considered?**

- A. Roof design**
- B. Building materials**
- C. Previous damage history**
- D. Geographic location**

The Florida Comprehensive Hurricane Damage Mitigation Program aims to evaluate and enhance the resilience of structures against hurricane damage. Within this framework, several factors are crucial in assessing how well a building can withstand hurricane conditions. Roof design is critical since different designs can perform better or worse under high winds. Similarly, the choice of building materials directly impacts the durability and strength of the structure during a hurricane. Geographic location is another essential consideration, as areas closer to the coast may experience more severe winds and flooding. However, previous damage history is not a primary factor considered in this mitigation program. While a structure's past performance during storms can provide some insight, the program focuses more on the current structural integrity and intended resilience features rather than its historical experience with damage. This approach ensures that the program is proactive, emphasizing design and materials that could prevent future damage rather than relying on past incidents.

**9. What should an employer do if they hire employees in states with varying workers' compensation laws?**

- A. Overlook coverage in less rigorous states**
- B. Acquire separate policies for each state**
- C. Seek legal advice only when issues arise**
- D. Request exemptions from coverage**

Acquiring separate policies for each state is vital for employers who hire employees in states with varying workers' compensation laws because each state has its own regulations regarding coverage requirements, benefits, and premiums. By obtaining separate workers' compensation policies tailored to the specific laws of each state, employers ensure compliance with local regulations and protect themselves from potential legal liabilities. Different states may have various requirements, such as the types of coverage needed, the minimum limits for coverage, or specific reporting and filing processes. Having separate policies allows employers to meet these specific requirements, thereby providing appropriate protection for their employees and minimizing the risk of penalties for non-compliance. Alternatively, overlooking coverage in states with less stringent requirements or opting for exemptions can lead to significant legal troubles. Seeking legal advice only when problems arise does not provide a proactive solution, which could expose the employer to greater risk and liability as they may not be prepared for unique state laws. This proactive approach of acquiring separate policies positions employers to navigate the complexities of workers' compensation effectively.

**10. What type of Ocean Marine deductible has no payment until the loss reaches a certain limit?**

- A. Franchise deductible**
- B. Aggregate deductible**
- C. Standard deductible**
- D. Specific deductible**

The correct choice highlights the concept of a franchise deductible within Ocean Marine insurance. A franchise deductible is structured so that an insurer does not make any payment for a loss unless the amount exceeds a specified threshold. Once this limit is surpassed, the insurer is responsible for paying the entire loss amount, with no reduction for the deductible. This type of deductible is particularly beneficial in ocean marine scenarios where loss amounts can be substantial, and it encourages the policyholder to mitigate lower-level claims while providing coverage for more significant losses. The nature of the franchise deductible aligns well with the unpredictable and often high-value nature of marine exposures. The other options reflect different approaches to deductibles: an aggregate deductible accumulates multiple losses over a period before payment is triggered; a standard deductible requires a specific dollar amount to be subtracted from each claim; and a specific deductible applies a set amount per individual claim, rather than conditionally based on a threshold like the franchise deductible does. Understanding these differences is crucial for agents to explain the nuances of marine insurance policies effectively.