

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

Study Guide



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SAMPLE

Questions

- 1. Which roof type generally does not receive any type of discount under insurance policies?**
 - A. Flat**
 - B. Tile**
 - C. Gable**
 - D. Hip**
- 2. Which coverage form is designed to address business personal property losses?**
 - A. Commercial General Liability Form**
 - B. Building and Personal Property Coverage Form**
 - C. Business Owners Policy**
 - D. Workers' Compensation Policy**
- 3. All of the following fall under the definition of sliding EXCEPT?**
 - A. Giving the applicant a portion of the commission**
 - B. Presenting benefits that are misleading**
 - C. Providing incorrect information on coverage options**
 - D. Omitting critical details in policy comparisons**
- 4. What happens when a new finance company is acquired under an ISO Commercial Crime policy?**
 - A. Coverage automatically ceases immediately**
 - B. Coverage applies for a limited time, but notification is required for continuation**
 - C. No coverage is extended for acquired entities**
 - D. The premium automatically increases without conditions**
- 5. In insurance terms, what is a 'binder'?**
 - A. A temporary insurance agreement**
 - B. A permanent insurance policy**
 - C. A written endorsement**
 - D. A cancellation notice**

- 6. What should an insured do immediately after sustaining a covered loss?**
- A. Notify the insurance company**
 - B. File a lawsuit against the insurer**
 - C. Start repairs without consulting the insurer**
 - D. Cancel the policy**
- 7. What is a written contract that encompasses all clauses, riders, endorsements, and papers called?**
- A. Agreement**
 - B. Policy**
 - C. Appendix**
 - D. Schedule**
- 8. What triggers coverage under the products and completed operations liability portion of a CGL?**
- A. Negligent advertising**
 - B. A fault in manufacturing**
 - C. Improper installation**
 - D. Injuries while using the product**
- 9. What is required for an insurer to transact insurance in Florida?**
- A. Business Registration**
 - B. License Renewal**
 - C. Certificate of Authority**
 - D. Insurance Associate License**
- 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. C
2. B
3. A
4. B
5. A
6. A
7. B
8. D
9. C
10. A

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Explanations

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1. Which roof type generally does not receive any type of discount under insurance policies?

- A. Flat**
- B. Tile**
- C. Gable**
- D. Hip**

The roof type that generally does not receive any type of discount under insurance policies is the gable roof. This is primarily due to the gable roof's design, which, while aesthetically pleasing and effective at shedding water and snow, may be perceived as less durable in high-wind situations compared to other roof types. Insurance companies often evaluate the structural integrity and resilience of roofs when determining premium discounts. Other roof types, such as hip roofs, tend to provide better wind resistance and stability, which can lead to discounts. Flat roofs, though not usually eligible for wind-related discounts, may still have other considerations affecting pricing. Tile roofs, known for their durability and fire resistance, often qualify for discounts as well. The perception of risk associated with different roof types plays a significant role in underwriting and premium calculations, which is why the gable roof, despite its popularity, often does not benefit from such discounts.

2. Which coverage form is designed to address business personal property losses?

- A. Commercial General Liability Form**
- B. Building and Personal Property Coverage Form**
- C. Business Owners Policy**
- D. Workers' Compensation Policy**

The Building and Personal Property Coverage Form is specifically designed to provide coverage for business personal property losses. This coverage form is essential for businesses as it protects the property owned by the business, including equipment, furniture, and inventory, against various risks such as fire, theft, and vandalism. The form is tailored to address the unique needs of commercial properties and includes detailed provisions regarding what is covered, the limits of coverage, and the specific conditions under which a claim can be made. The intent is to offer comprehensive protection to businesses, ensuring that they can recover from property-related losses that can significantly impact their operations. Other options are less focused on business personal property losses. For instance, the Commercial General Liability Form primarily addresses liability risks associated with a business's operations and does not cover property losses. The Business Owners Policy, while it does combine several coverages including property and liability, is a packaged product that might not specifically focus on the nuances of business personal property coverage as explicitly as the Building and Personal Property Coverage Form. Lastly, the Workers' Compensation Policy is designed to cover employee injuries and does not pertain to property coverage at all. Therefore, the Building and Personal Property Coverage Form is the correct choice when looking for a form specifically addressing business personal property losses.

3. All of the following fall under the definition of sliding EXCEPT?

- A. Giving the applicant a portion of the commission**
- B. Presenting benefits that are misleading**
- C. Providing incorrect information on coverage options**
- D. Omitting critical details in policy comparisons**

Sliding is a deceptive practice in insurance sales where agents mislead applicants about the nature and benefits of a policy, often leading them to believe they are acquiring more coverage or different benefits than they actually are. This typically involves tactics like presenting misleading benefits, providing incorrect information about coverage, or omitting critical details from policy comparisons. In this context, the act of giving the applicant a portion of the commission does not fit the definition of sliding. Compensation to an applicant, while it may raise ethical considerations in some situations, does not directly involve misrepresentation or deception regarding the policy itself. Instead, it reflects a form of incentive that may or may not be aligned with proper commission disclosure practices but does not inherently mislead the applicant about the insurance product being offered. Thus, this option stands out as not being a part of the sliding definition, as it does not involve the misleading or deceptive tactics characterized by sliding.

4. What happens when a new finance company is acquired under an ISO Commercial Crime policy?

- A. Coverage automatically ceases immediately**
- B. Coverage applies for a limited time, but notification is required for continuation**
- C. No coverage is extended for acquired entities**
- D. The premium automatically increases without conditions**

When a new finance company is acquired under an ISO Commercial Crime policy, the correct understanding is that coverage applies for a limited time, but the policyholder is required to notify the insurer for continuation. This provision is designed to offer initial protection to the newly acquired entity while also allowing the insurance company the opportunity to assess the risk associated with the new acquisition. This temporary coverage is important as it provides the policyholder with a safety net during the transition period following an acquisition. While the specific duration can vary, it often allows for seamless protection, typically ranging from 30 to 90 days after the acquisition, during which the insurer can be notified if the policyholder wishes to continue coverage for the new entity. This mechanism helps maintain coverage continuity and ensures that the acquiring company can adequately manage potential risks without an immediate financial burden. In contrast to the other options, which suggest immediate cessation of coverage, no coverage extension, or a premium increase without conditions, the correct answer reflects the structured approach of extending coverage temporarily while requiring notification for its continuation, thus ensuring the interests of both the insurer and the insured are balanced during such transitions.

5. In insurance terms, what is a 'binder'?

- A. A temporary insurance agreement**
- B. A permanent insurance policy**
- C. A written endorsement**
- D. A cancellation notice**

A binder in insurance is essentially a temporary insurance agreement that provides immediate coverage until the formal insurance policy is issued. This document serves as proof of insurance, outlining the terms, conditions, and coverage limits agreed upon between the insurer and the insured. It allows clients to have immediate protection during the interim period before the official policy documents are finalized. This can be particularly crucial in situations such as real estate transactions, where proof of insurance is often needed to complete the process. The other options refer to distinct concepts within the insurance realm. A permanent insurance policy implies a type of coverage that remains in effect as long as premiums are paid, which is quite different from a binder. A written endorsement modifies the terms of an existing policy but does not serve as a temporary agreement. A cancellation notice is a document indicating that an insurance policy is being terminated, which is not related to the initial coverage provided by a binder.

6. What should an insured do immediately after sustaining a covered loss?

- A. Notify the insurance company**
- B. File a lawsuit against the insurer**
- C. Start repairs without consulting the insurer**
- D. Cancel the policy**

The first step an insured should take after sustaining a covered loss is to notify the insurance company. This action is crucial because it initiates the claims process, allowing the insurer to assess the damage, verify coverage, and determine the next steps for handling the claim. Timely notification is often a requirement within insurance policies, and failing to report a loss quickly may lead to complications in processing the claim or even denial of the claim. By contacting the insurance company first, the insured ensures they are following proper protocol, which may include guidance on how to mitigate further damage, what documentation is needed, and instructions on how to proceed with filing a claim. This helps protect the insured's rights and interests under their policy. The other options typically do not align with proper procedures following a covered loss. Filing a lawsuit against the insurer would only be appropriate if there is a significant dispute after the claims process, starting repairs without consulting could jeopardize the claim, and canceling the policy does not address the claim at all. Therefore, notifying the insurance company is indeed the best course of action.

7. What is a written contract that encompasses all clauses, riders, endorsements, and papers called?

- A. Agreement**
- B. Policy**
- C. Appendix**
- D. Schedule**

A written contract that includes all clauses, riders, endorsements, and papers is referred to as a policy. In the context of insurance, the policy serves as the formal agreement between the insurer and the insured, outlining the coverage, terms, conditions, and limitations of the insurance provided. The policy is a comprehensive document that not only presents the basic coverage but also incorporates any modifications or additions to the coverage via riders and endorsements. These components are essential in providing clarity on what is and isn't covered, as well as any additional terms that may affect the insurance agreement. Unlike an agreement, which could refer to any mutual understanding between parties, or an appendix, which typically contains supplementary information rather than being the main document, the policy serves as the primary document that governs the insurance relationship. A schedule, while it can list specific coverages or limits within a policy, is not a standalone document that encompasses the entire agreement. Therefore, the term "policy" accurately captures the entirety of the written contract in question.

8. What triggers coverage under the products and completed operations liability portion of a CGL?

- A. Negligent advertising**
- B. A fault in manufacturing**
- C. Improper installation**
- D. Injuries while using the product**

Coverage under the products and completed operations liability portion of a Commercial General Liability (CGL) policy is triggered when injuries or damages occur as a result of using a product that the insured has manufactured, sold, or distributed. This type of coverage specifically addresses scenarios where the product itself causes harm to a third party or their property after it has left the possession of the insured. The focus here is on the end-use of the product and the consequences that arise from that use when it leads to bodily injury or property damage. This direct link between the product and the injury sustained by the user is what activates the coverage. Therefore, any injuries that occur while a consumer is using the product are covered under this liability insurance.

9. What is required for an insurer to transact insurance in Florida?

- A. Business Registration**
- B. License Renewal**
- C. Certificate of Authority**
- D. Insurance Associate License**

To transact insurance in Florida, an insurer must obtain a Certificate of Authority from the Florida Department of Financial Services. This certificate is crucial because it signifies that the insurer has met all necessary legal and regulatory requirements to operate within the state. The process involves demonstrating financial stability, compliance with state laws, and sometimes fulfilling specific underwriting criteria. Business registration is typically a requirement for establishing any type of business but does not specifically address the unique regulatory framework surrounding the insurance industry. License renewal is important for licensed insurance agents to maintain their eligibility to operate, but it pertains more to individuals rather than insurers. An Insurance Associate License is relevant for individuals working in the insurance field, such as agents or brokers, but it does not apply to the insurers themselves. In summary, the Certificate of Authority is the formal permission required for insurance companies to legally offer their products and services in Florida, thus ensuring that they comply with state regulations designed to protect consumers.

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.