

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

Study Guide



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SAMPLE

Questions

- 1. What is true regarding liability coverage limits in a BOP?**
 - A. Limits are generally higher than CGL**
 - B. Per occurrence limits often exceed \$2 million**
 - C. Limits are more restricted than in a CGL**
 - D. There are no limits on coverage**
- 2. Which of the following statements is true regarding the property damage coverage limitations under a PAP?**
 - A. It offers full coverage for all damages**
 - B. It excludes coverage for vehicles not owned by the insured**
 - C. It is only valid for commercial vehicles**
 - D. It applies only when traveling out of state**
- 3. In the Liability section of the Businessowners policy, how does the General Aggregate limit compare to the Liability and Medical Expenses limit?**
 - A. Equal to the limit**
 - B. Equal to twice the limit**
 - C. Half of the limit**
 - D. Three times the limit**
- 4. What limitation commonly affects the coverage limits in a BOP?**
 - A. Injury types only**
 - B. Insurer-specific restrictions**
 - C. That it must come from an occurring event**
 - D. All claims must be filed within one year**
- 5. What is the primary purpose of Coverage C—Medical Payments in a Commercial General Liability policy?**
 - A. To cover legal fees for lawsuits**
 - B. To provide prompt settlements for medical expenses**
 - C. To protect the business against product liability claims**
 - D. To exclude coverage for intentional acts**

- 6. Why is Tom's Commercial General Liability (CGL) Coverage Form likely to exclude coverage for damages from his accusations?**
- A. Due to the personal injury exclusion.**
 - B. Due to the electronic chatrooms or bulletin boards exclusion.**
 - C. Due to the intentional acts exclusion.**
 - D. Due to the advertising injury exclusion.**
- 7. What exclusion applies to the damage to cabinets installed by Carl's Cabinets?**
- A. Damage to the property of others**
 - B. Damage due to poor workmanship**
 - C. Damage to Your Work exclusion**
 - D. Damage caused by fire**
- 8. Which roof type generally does not receive any type of discount under insurance policies?**
- A. Flat**
 - B. Tile**
 - C. Gable**
 - D. Hip**
- 9. What form would a condominium unit owner use for coverage?**
- A. HO-4**
 - B. HO-3**
 - C. HO-6**
 - D. HO-5**
- 10. Which statement regarding the Supplemental Extended Reporting Period (SERP) under a Claims-made CGL policy is false?**
- A. The coverage is automatic and need not be requested by the insured.**
 - B. It extends coverage for claims after the policy period.**
 - C. It is available for an additional premium.**
 - D. It is applicable to certain types of claims.**

Answers

SAMPLE

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

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Explanations

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1. What is true regarding liability coverage limits in a BOP?

- A. Limits are generally higher than CGL**
- B. Per occurrence limits often exceed \$2 million**
- C. Limits are more restricted than in a CGL**
- D. There are no limits on coverage**

In a Business Owner's Policy (BOP), liability coverage limits are indeed more restricted compared to what is typically offered in a Commercial General Liability (CGL) policy. A BOP is designed specifically for small to medium-sized businesses and combines various types of coverage, including property and liability, under a single policy. The liability coverage within a BOP generally has set limits that are lower than those available in a CGL policy, which is more comprehensive and tailored for larger businesses or operations with higher risk exposure. These restrictions are in place because the BOP is intended to provide a more affordable option for small businesses while offering essential coverage without the extensive limits found in other commercial policies. Understanding the limitations of a BOP is critical for business owners as they assess their coverage needs, especially if they operate in high-risk industries or have significant liabilities. Recognizing these differences aids in making informed decisions about risk management and the type of insurance coverage to choose for their specific circumstances.

2. Which of the following statements is true regarding the property damage coverage limitations under a PAP?

- A. It offers full coverage for all damages**
- B. It excludes coverage for vehicles not owned by the insured**
- C. It is only valid for commercial vehicles**
- D. It applies only when traveling out of state**

The statement regarding the exclusion of coverage for vehicles not owned by the insured is accurate because the Personal Auto Policy (PAP) typically covers damages to vehicles that the insured owns or operates with permission. This coverage is designed to protect the insured's own interests, which means that if an insured driver causes damage to a vehicle they do not own, the PAP will not provide coverage for that loss. This limitation is an essential element of the policy structure, preventing coverage from extending to vehicles that the insured does not have a legal or financial interest in. In contrast, the other statements are not true regarding the limitations of property damage coverage under a PAP. The policy does not offer full coverage for all damages; there are specific exclusions and limitations. It is not limited to commercial vehicles, as the PAP is primarily designed for personal use. Lastly, the coverage is not restricted to out-of-state travel, as it generally applies whenever the vehicle is being operated, regardless of location, as long as the terms of the policy are met.

3. In the Liability section of the Businessowners policy, how does the General Aggregate limit compare to the Liability and Medical Expenses limit?

- A. Equal to the limit**
- B. Equal to twice the limit**
- C. Half of the limit**
- D. Three times the limit**

In the context of the Liability section of a Businessowners policy, the General Aggregate limit is a crucial component that sets a cap on the total amount the insurer will pay for all covered claims during a policy period, typically one year. This limit applies to all liability claims, excluding some specific circumstances like products-completed operations. The relationship between the General Aggregate limit and the Liability and Medical Expenses limits is important to understand. The General Aggregate limit is usually set at twice the amount of the Liability and Medical Expenses limit. This structure is designed to provide broader coverage for businesses that may face multiple claims throughout the policy term, ensuring that there are sufficient limits to cover various claims while still managing the insurer's risk. By having the General Aggregate limit equal to twice the Liability and Medical Expenses limit, it allows for more comprehensive protection without financial loss to the insurance company, thereby striking a balance between providing sufficient coverage for the insured and managing potential liabilities.

4. What limitation commonly affects the coverage limits in a BOP?

- A. Injury types only**
- B. Insurer-specific restrictions**
- C. That it must come from an occurring event**
- D. All claims must be filed within one year**

In a Business Owners Policy (BOP), coverage limits can indeed be influenced by insurer-specific restrictions. These restrictions dictate the terms, conditions, and extent of the coverage that an insurance provider will offer to businesses. Insurers establish various underwriting guidelines and risk assessments which can lead to limits on how much coverage is available for certain types of claims or events. For instance, specific types of businesses may have lower coverage limits due to heightened risks associated with their industry, or there may be caps on certain coverages based on the insurer's own policy guidelines. These restrictions differ from one insurer to another, illustrating how insurer-specific factors can shape the coverage limits offered in a BOP. The other options are less relevant as they do not directly encompass the impacts of insurer-specific limitations on coverage in a BOP. Injury types may influence the types of coverage needed, but they do not inherently set limits across the board. The stipulation about claims needing to arise from an occurring event pertains to the timing of claims rather than the limits imposed on coverage. Similarly, while claims must typically be filed within a certain timeframe for them to be valid, this is not a common limitation that affects the coverage limits in a BOP.

5. What is the primary purpose of Coverage C—Medical Payments in a Commercial General Liability policy?
- A. To cover legal fees for lawsuits
 - B. To provide prompt settlements for medical expenses**
 - C. To protect the business against product liability claims
 - D. To exclude coverage for intentional acts

The primary purpose of Coverage C—Medical Payments in a Commercial General Liability policy is to provide prompt settlements for medical expenses. This coverage is designed to handle medical expenses incurred by individuals who are injured on the insured's premises, regardless of whether the insured is legally liable for the injuries. By facilitating quick payment of medical bills, this coverage helps to foster goodwill and can potentially prevent situations from escalating into lawsuits. This aspect is crucial for businesses as it allows them to address the needs of injured parties swiftly, demonstrating concern for their well-being, and often leading to quicker resolutions without the need for lengthy legal processes.

6. Why is Tom's Commercial General Liability (CGL) Coverage Form likely to exclude coverage for damages from his accusations?
- A. Due to the personal injury exclusion.
 - B. Due to the electronic chatrooms or bulletin boards exclusion.**
 - C. Due to the intentional acts exclusion.
 - D. Due to the advertising injury exclusion.

The coverage provided by a Commercial General Liability (CGL) policy typically includes various types of liability protection, but there are also specific exclusions that are meant to limit coverage in certain situations. In this case, the correct reasoning behind the exclusion for damages arising from Tom's accusations ties back to the specific nature of the exclusions outlined in the CGL policy. The personal injury and advertising injury exclusions cover various aspects of non-physical harm. However, electronic chatrooms and bulletin boards exclusions refer specifically to liability that might arise from activities occurring in online platforms. If Tom's accusations pertain to comments or actions made in such digital environments, the exclusion would apply, thus eliminating coverage for any damages claimed as a result of those activities in chatrooms or bulletin boards. This highlights the targeted nature of the exclusions which are drafted to address modern communication platforms, demonstrating that not all liabilities are covered just because they stem from business operations or interactions. The focus on specific types of media reflects the evolving nature of business and liability risks in the digital age.

7. What exclusion applies to the damage to cabinets installed by Carl's Cabinets?

- A. Damage to the property of others**
- B. Damage due to poor workmanship**
- C. Damage to Your Work exclusion**
- D. Damage caused by fire**

The reasoning behind the choice related to the "Damage to Your Work exclusion" is rooted in the principles of liability insurance. This exclusion typically applies when an insured's own work causes damage to that same work. In this scenario, if the cabinets installed by Carl's Cabinets were to suffer damage, the insurance would not cover it under the "Damage to Your Work" exclusion because it pertains specifically to defects or failures in the work performed by the insured. This exclusion is designed to prevent insurance claims for issues arising primarily from the performance or quality of an insured's own work, which they are responsible for. It essentially means that if a contractor's work is faulty, such as improperly installed cabinets leading to damage, this would not be covered by their insurance policy. Instead, the responsibility lies with the contractor to remedy any defects. The other potential choices do not address this scenario as directly. For instance, damage to the property of others would be covered under most typical liability insurance, and while damage due to poor workmanship might seem relevant, it doesn't specifically align with the exclusions defined in liability policies regarding one's own work. Damage caused by fire falls outside the context of direct liabilities associated with workmanship or installation.

8. 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.

9. What form would a condominium unit owner use for coverage?

- A. HO-4**
- B. HO-3**
- C. HO-6**
- D. HO-5**

A condominium unit owner would use the HO-6 form for coverage. This specialized homeowners insurance policy is tailored for individuals who own a unit in a condominium. The HO-6 policy provides property coverage for personal belongings within the unit, as well as improvements and betterments made to the unit itself. Additionally, it covers personal liability, ensuring that the homeowner is protected against lawsuits or claims for injuries that occur within the unit. The HO-6 policy recognizes the unique structure of condominiums, which typically involve shared common areas and may have a master insurance policy in place that covers the building as a whole. This is why the coverage in an HO-6 is specific to the individual unit and the personal property therein, rather than the structure itself, which is often covered by the condominium association's master policy. In contrast, the other forms have different applications: the HO-4 is designed for renters, the HO-3 is a standard homeowners policy for single-family homes, and the HO-5 provides broader coverage than the HO-3, but is also intended for single-family residences. Thus, for a condominium unit owner, the HO-6 is the most suitable and accurate form for coverage needs.

10. Which statement regarding the Supplemental Extended Reporting Period (SERP) under a Claims-made CGL policy is false?

- A. The coverage is automatic and need not be requested by the insured.**
- B. It extends coverage for claims after the policy period.**
- C. It is available for an additional premium.**
- D. It is applicable to certain types of claims.**

In the context of a Claims-made Commercial General Liability (CGL) policy, the Supplemental Extended Reporting Period (SERP) is an important feature that allows for the reporting of claims that occur after the policy period has ended, provided the event occurred during the policy's active coverage. The statement that pertains to the SERP's nature as automatic and not requiring a request from the insured is indeed false. The SERP is not automatically activated; rather, it must be specifically elected by the insured, usually during the policy's termination process. Insured parties may need to pay an additional premium to access this extended reporting feature, and it is crucial to understand that they must make the election for this extended period within a certain timeframe following the policy's expiration. By contrast, the options stating that it extends coverage for claims after the policy period and applies to specific types of claims are true characteristics of the SERP. Furthermore, the requirement for an additional premium reflects the nature of this added coverage, which necessitates financial commitment from the insured. Recognizing these details about the SERP helps to clarify its functionality within the broader scope of claims-made policies.