

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

## Study Guide



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**SAMPLE**

## **Questions**

- 1. 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**
- 2. In terms of coverage, what does the term "named insured" refer to in a CGL?**
  - A. The primary policyholder named on the policy**
  - B. Any employees of the company**
  - C. The business's legal representatives**
  - D. Individuals working under the umbrella of the policy**
- 3. Does the CGL, Coverage C: Medical Payments cover injuries to tenants if they are on premises they normally occupy?**
  - A. Yes, always**
  - B. No, if the tenant is at their occupied premises**
  - C. Only during emergencies**
  - D. Yes, if the injury occurs in a common area**
- 4. Which statement is correct regarding the Building and Personal Property (BPP) Coverage Form?**
  - A. The BPP covers all types of property without exclusions.**
  - B. The BPP lists several types of classes of property that are not covered.**
  - C. The BPP provides full replacement cost coverage for any loss.**
  - D. The BPP coverage is unlimited in terms of property value.**
- 5. In the business auto policy liability coverage agreement, which of the following is one of the insurer's duties?**
  - A. A duty to defend all insured against lawsuits**
  - B. A duty to pay covered pollution costs**
  - C. A duty to notify insured of coverage changes**
  - D. A duty to provide rental reimbursement**

- 6. Permanent Impairment benefits are based on which of the following?**
- A. A medical condition diagnosis**
  - B. A medical impairment rating schedule approved by the Division of Workers' Compensation**
  - C. Annual income prior to the injury**
  - D. The age of the employee at the time of injury**
- 7. Under the Commercial General Liability Coverage Form, who does medical payments coverage apply to?**
- A. Customers injured on the premises**
  - B. A volunteer worker of the named insured**
  - C. Employees injured during work hours**
  - D. The insured's family members**
- 8. In what circumstance is a homeowners policy immediately effective for a new home?**
- A. When the mortgage is finalized**
  - B. After inspection by the insurance agent**
  - C. When the home is completed**
  - D. During construction**
- 9. Which policy provides coverage for manufacturers against liability claims due to defective products?**
- A. Product Liability**
  - B. General Liability**
  - C. Professional Liability**
  - D. Commercial Property Insurance**
- 10. What coverage is written as an adjunct to Passenger Liability and is not applicable to paid passengers?**
- A. Admitted Aircraft Liability Coverage**
  - B. Cumulative Liability Coverage**
  - C. Aviation General Liability Coverage**
  - D. Passenger Medical Coverage**

## **Answers**

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

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## **Explanations**

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**1. 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.

**2. In terms of coverage, what does the term "named insured" refer to in a CGL?**

- A. The primary policyholder named on the policy**
- B. Any employees of the company**
- C. The business's legal representatives**
- D. Individuals working under the umbrella of the policy**

The term "named insured" in a Commercial General Liability (CGL) policy specifically refers to the primary policyholder explicitly listed in the insurance documentation. This is essential because the named insured is generally the entity or individual that owns the policy and therefore is directly covered under its terms. The named insured has the right to make changes to the policy, report claims, and is the first party to receive any benefits provided by the insurance coverage. This distinction is crucial because it defines the primary party that holds the responsibility of the policy and the protections it affords. In many cases, this could be the business itself, such as a corporation or partnership, that is responsible for the activities of its employees and operations. In contrast, the other answer options refer to parties who may be connected to the policy or the business but do not hold the same status as the named insured. Employees, legal representatives, or individuals working under the umbrella of the policy may have protections under the policy, but they don't carry the same status as the named insured who is the primary entity recognized by the insurer in the coverage agreement.

**3. Does the CGL, Coverage C: Medical Payments cover injuries to tenants if they are on premises they normally occupy?**

**A. Yes, always**

**B. No, if the tenant is at their occupied premises**

**C. Only during emergencies**

**D. Yes, if the injury occurs in a common area**

The correct interpretation regarding Coverage C: Medical Payments in a Commercial General Liability (CGL) policy is that it does not cover injuries to tenants when they are on premises they normally occupy. This stipulation exists because Coverage C is intended to provide a limited form of medical payments coverage that addresses injuries sustained by non-tenants or guests who are on the insured's premises. When a tenant is on premises they occupy, their situation falls under the tenant's own liability or the landlord's property liability coverage, rather than the CGL's Medical Payments provisions. Tenants typically have their own insurance policies that are designed to cover injuries while they are in their rented space. The goal of the CGL policy is to protect the insured from liabilities related to their business operations, particularly involving visitors or non-tenants, which is why injuries to tenants at their occupied premises are excluded from coverage. This understanding highlights the need for both landlords and tenants to be aware of their respective insurance responsibilities when it comes to medical costs arising from personal injuries on the premises.

**4. Which statement is correct regarding the Building and Personal Property (BPP) Coverage Form?**

**A. The BPP covers all types of property without exclusions.**

**B. The BPP lists several types of classes of property that are not covered.**

**C. The BPP provides full replacement cost coverage for any loss.**

**D. The BPP coverage is unlimited in terms of property value.**

The Building and Personal Property (BPP) Coverage Form is specifically designed to provide coverage for certain types of property while also outlining what is excluded from that coverage. This form details various classes of property, such as personal property of others, certain types of property such as accounts receivable or property that is not owned by the insured, that are explicitly not covered. This approach ensures that policyholders understand the boundaries of their coverage. Insurance policies, including BPP, typically come with both included and excluded items to clarify what is eligible for coverage. Understanding these exclusions helps insured parties to have a more accurate view of their risk management and protection in the event of a claim, enabling better financial planning and risk assessment. Overall, this statement accurately portrays the nature of BPP coverage, which is that while it does offer extensive protection for numerous types of property, it also specifically enumerates what is and what isn't covered, making it a critical aspect of the policy.

**5. In the business auto policy liability coverage agreement, which of the following is one of the insurer's duties?**

- A. A duty to defend all insured against lawsuits**
- B. A duty to pay covered pollution costs**
- C. A duty to notify insured of coverage changes**
- D. A duty to provide rental reimbursement**

In the context of a business auto policy liability coverage agreement, the insurer has several specific duties to fulfill, one of which includes the duty to pay covered pollution costs for which the insured is liable. This is particularly relevant as many business auto policies now include coverage for liability resulting from pollution, especially if the pollution arises from the operation of a vehicle. The duty to pay covered pollution costs is crucial as it offers protection to the insured in situations where incidents lead to environmental damage, thus ensuring that businesses are not left financially vulnerable due to unforeseen events while they are using their vehicles for business purposes. This aspect of liability coverage highlights the responsibilities of both the insurer in managing these risks and the insured in understanding the protections afforded under the policy. Other options involve duties that could fall under different provisions of the policy or conditions that are not uniformly guaranteed within a basic liability coverage agreement. For instance, the duty to defend all insured against lawsuits typically falls under a different segment of liability coverage, which is not solely confined to business auto policies. Similarly, the duties to notify insureds about coverage changes or to provide rental reimbursement may also be found in different sections or endorsements of an insurance policy rather than being defined duties within the liability coverage agreement itself. This illustrates the specificity and focus

**6. Permanent Impairment benefits are based on which of the following?**

- A. A medical condition diagnosis**
- B. A medical impairment rating schedule approved by the Division of Workers' Compensation**
- C. Annual income prior to the injury**
- D. The age of the employee at the time of injury**

Permanent Impairment benefits are determined using a medical impairment rating schedule approved by the Division of Workers' Compensation. This schedule provides a standardized way to assess the degree of an employee's permanent disability resulting from a work-related injury or condition. It takes into account the nature of the impairment and how it affects the individual's ability to perform daily activities and work-related tasks. By utilizing this approved schedule, the benefits become more objective and consistent across similar cases, ensuring that workers receive fair compensation based on the severity of their impairment. This approach helps to eliminate subjective biases that may arise if benefits were based solely on a diagnosis, annual income, or the employee's age, all factors that could vary significantly from one case to another.

**7. Under the Commercial General Liability Coverage Form, who does medical payments coverage apply to?**

- A. Customers injured on the premises**
- B. A volunteer worker of the named insured**
- C. Employees injured during work hours**
- D. The insured's family members**

Medical payments coverage under the Commercial General Liability (CGL) Coverage Form is designed to address medical expenses incurred by persons who are injured on the insured's premises or due to the insured's operations, without regard to fault. This coverage is typically intended for individuals such as customers, guests, or bystanders who might suffer accidental injuries while on the insured's property. In the context of this specific question, while typical beneficiaries of medical payments might seem to include customers, the correct choice points to a volunteer worker of the named insured. This is an important distinction because volunteer workers are often included under the coverage as they are considered non-employees yet may still be exposed to risks associated with the business operations. Medical payments coverage supports the idea of good business practice by helping to cover medical expenses quickly, which can assist in avoiding lengthy liability disputes. It also highlights the understanding that this coverage acts in a preventative manner, aiding injured parties even if the insured party is not found to be negligent. This differentiates it from other types of liability coverage that focus more extensively on the involved parties' responsibilities.

**8. In what circumstance is a homeowners policy immediately effective for a new home?**

- A. When the mortgage is finalized**
- B. After inspection by the insurance agent**
- C. When the home is completed**
- D. During construction**

A homeowners policy can be immediately effective for a new home during construction under certain conditions. This is often referred to as a "builder's risk" or "course of construction" insurance. It provides coverage for homes that are being built, protecting against potential losses like theft or damage that could occur during the construction process. In these situations, the insurance begins as soon as the policy is issued, even if the home is not yet fully completed. This coverage is vital as it mitigates risks inherent in construction, such as fire damage or vandalism, ensuring that the homeowner or builder is protected right from the start. Other points in the question may relate to insurance commencing but often involve delays or specific requirements such as a finalized mortgage, completion of the home, or a necessary inspection. Therefore, the most immediate effectiveness of homeowners insurance relates directly to the construction phase when continuous risk exposure is present.

**9. Which policy provides coverage for manufacturers against liability claims due to defective products?**

- A. Product Liability**
- B. General Liability**
- C. Professional Liability**
- D. Commercial Property Insurance**

The policy that specifically provides coverage for manufacturers against liability claims due to defective products is Product Liability Insurance. This type of insurance is designed to protect businesses against claims arising from injuries or damages caused by products they manufacture, distribute, or sell. If a product is found to be defective and it results in bodily injury or property damage to the consumer, Product Liability Insurance helps cover legal costs, settlements, or judgments that the manufacturer may have to pay. This coverage is essential for manufacturers, as it mitigates financial risks associated with legal claims and helps ensure the business's sustainability in the face of potential lawsuits related to product defects. Without this specific insurance, manufacturers could face significant out-of-pocket expenses if a lawsuit arises from a defect in their products.

**10. What coverage is written as an adjunct to Passenger Liability and is not applicable to paid passengers?**

- A. Admitted Aircraft Liability Coverage**
- B. Cumulative Liability Coverage**
- C. Aviation General Liability Coverage**
- D. Passenger Medical Coverage**

The correct answer is Admitted Aircraft Liability Coverage because it is specifically designed to provide additional liability protection related to the operation of aircraft. This type of coverage is particularly tailored for situations that involve the use of aircraft, extending the liability coverage beyond what is associated with typical passenger liability. Notably, it does not cover liabilities arising from paid passengers, making it distinct and focused on broader operational liabilities rather than compensation for the passengers themselves. In the context of aviation insurance, Admitted Aircraft Liability Coverage is essential for operators and owners of aircraft as it secures them against potential claims that might arise due to various incidents not connected to the passengers being transported. This coverage thus serves to protect the insured from expanded liability exposures linked to their aviation activities. Other coverage options mentioned do not align with the specific requirements stated in the question. Cumulative Liability Coverage and Aviation General Liability Coverage likely address broader liability issues but are not exclusively adjunct to Passenger Liability. Passenger Medical Coverage would be intended to provide medical coverage specifically for the passengers, which again does not fit the description provided in the question as it applies directly to paid passengers.