

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

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. Which of the following Special Limits cannot be increased?**
 - A. Firearms from \$2,500 to \$10,000**
 - B. Laptops from \$1,500 to \$2,500**
 - C. Silverware from \$2,500 to \$5,000**
 - D. Jewelry from \$1,500 to \$5,000**
- 2. Which of the following is NOT covered under Inside the Premises - Theft of Money and Securities?**
 - A. Fraud**
 - B. Robbery**
 - C. Burglary**
 - D. Loss of Inventory**
- 3. What must the insured have to ensure the insurer is obligated to pay under a CGL policy?**
 - A. Damage must be reported immediately**
 - B. Legal obligation to pay damages**
 - C. Proof of negligence on the claimant's part**
 - D. Completion of a claim form**
- 4. Which form is not applicable to owner-occupants of 1-4 family dwellings?**
 - A. HO-3**
 - B. HO-6**
 - C. HO-8**
 - D. HO-4**
- 5. Small Business Boiler and Machinery required property damage limits is:**
 - A. 50% of building replacement value**
 - B. 80% of building replacement value**
 - C. 100% of building replacement value**
 - D. 120% of building replacement value**

- 6. Which of the following is NOT typically covered by a standard HO-3 policy?**
- A. Personal liability**
 - B. Medical payments to others**
 - C. Flood damage**
 - D. Theft of personal belongings**
- 7. Does Betty's Commercial General Liability (CGL) Coverage Form cover the cost of withdrawing her birdhouses due to environmental concerns?**
- A. Yes, because it prevents future claims**
 - B. No, because costs for withdrawing products are excluded**
 - C. Yes, if done voluntarily by the business owner**
 - D. No, if the product is being recalled**
- 8. Which of the following is an essential feature of a policy in insurance?**
- A. Exclusions**
 - B. Dividends**
 - C. Investment returns**
 - D. Prepaid premiums**
- 9. Which of the following is a primary purpose of Citizens Insurance?**
- A. To provide low-cost travel insurance**
 - B. To offer a market for high-risk individuals**
 - C. To specialize only in automobile insurance**
 - D. To guarantee complete coverage for all policyholders**
- 10. Which bond type holds the borrower accountable to their loan obligations?**
- A. Loan Bond**
 - B. Performance Bond**
 - C. Indemnity Bond**
 - D. Contract Bond**

Answers

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

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Explanations

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1. Which of the following Special Limits cannot be increased?

- A. Firearms from \$2,500 to \$10,000**
- B. Laptops from \$1,500 to \$2,500**
- C. Silverware from \$2,500 to \$5,000**
- D. Jewelry from \$1,500 to \$5,000**

In insurance policies, certain categories of property, especially valuable items, often come with Special Limits that often cannot be increased due to the high-risk nature of insuring such items. Special Limits are predefined caps set by the insurer to limit exposure to claims for specific types of property. In this case, firearms are typically classified under a Special Limit that is non-increaseable by most insurers and policies. This is largely due to the liability concerns and regulations surrounding the ownership and operation of firearms, which can vary greatly from state to state and can create higher risks for insurers. Since the preset limit for firearms is anchored at \$2,500, any attempt to increase this limit to a higher amount such as \$10,000 would typically be outside the scope of insurer's policies. On the other hand, items like laptops, silverware, and jewelry often have adjustable limits in many policy situations, allowing insured individuals to raise their coverage amounts to better reflect their value. This flexibility is more common for personal property that is not governed by the same regulatory constraints as firearms, thus those limits can often be higher or increased as needed by the policyholder.

2. Which of the following is NOT covered under Inside the Premises - Theft of Money and Securities?

- A. Fraud**
- B. Robbery**
- C. Burglary**
- D. Loss of Inventory**

The option that is identified as not covered under Inside the Premises - Theft of Money and Securities is fraud. This type of insurance typically covers incidents of theft or loss involving physical money and securities, specifically in the context of robbery or burglary. Robbery refers to the act of taking money or property from a person through violence or intimidation and is covered under this policy. Burglary involves unauthorized entry into a building with the intent to commit theft, making it also covered by such policies. In contrast, fraud involves deception for personal gain, which typically entails manipulating circumstances to acquire money or property without the use of force or unlawful entry. Because fraud does not fit within the physical acts of theft or loss outlined in this coverage, it is excluded from being covered. Thus, understanding these definitions and distinctions in insurance policies is crucial for properly determining what types of incidents are protected under each specific coverage type.

3. What must the insured have to ensure the insurer is obligated to pay under a CGL policy?

- A. Damage must be reported immediately**
- B. Legal obligation to pay damages**
- C. Proof of negligence on the claimant's part**
- D. Completion of a claim form**

To ensure that the insurer is obligated to pay under a Commercial General Liability (CGL) policy, the insured must demonstrate a legal obligation to pay damages. This means that the insured is responsible for coverage only when they have a valid claim, typically established through a legal proceeding or settlement that confirms their liability for damages arising from bodily injury or property damage caused by their business operations. In the context of CGL insurance, a legal obligation usually arises from a court judgment or a settlement agreement. This legal basis is crucial because the insurer's commitment to cover costs is contingent upon the insured being found liable for damages to third parties. Therefore, having a legal obligation to pay is a foundational requirement for the insurer's duty to cover that liability. While timely reporting of damages, completion of claim forms, and other procedural aspects may play important roles in the handling of claims, they do not inherently create the insurer's obligation to pay. The essence lies in the legal relationship regarding liability, which must be established first.

4. Which form is not applicable to owner-occupants of 1-4 family dwellings?

- A. HO-3**
- B. HO-6**
- C. HO-8**
- D. HO-4**

The reasoning behind identifying the correct form is based on the type of coverage each Homeowners (HO) policy offers, particularly regarding the ownership and occupancy of the dwelling. The HO-6 form is specifically designed for condominium units and is tailored to cover the interior structure and personal property of the unit owner, rather than single-family dwellings. Owner-occupants of 1-4 family dwellings would typically use forms such as HO-3 or HO-8, which provide comprehensive coverage for single-family homes. The HO-4 is intended for renters, covering personal property and liability for those who do not own the dwelling. Each of these options is directly applicable to owner-occupants or different living situations, but the HO-6 does not apply to owner-occupants of traditional single-family homes, confirming its distinct usage for condo owners instead.

5. Small Business Boiler and Machinery required property damage limits is:

- A. 50% of building replacement value**
- B. 80% of building replacement value**
- C. 100% of building replacement value**
- D. 120% of building replacement value**

The correct answer, which states that small business boiler and machinery required property damage limits is set at 80% of building replacement value, aligns with the general guidelines established to ensure that businesses maintain ample coverage to protect against potential losses. Insurance policies typically require businesses to insure their property for at least a percentage of its replacement cost to avoid penalties in the event of a claim. By setting the limit at 80%, businesses are encouraged to have a substantial amount of coverage that is generally considered sufficient to recoup losses after a loss event, yet still allowing for some fluctuations in market values and replacement costs. This approach balances the need for adequate coverage while keeping premiums at a manageable level. The other options reference different percentages that are not standard for this type of coverage in many jurisdictions, potentially leading to insufficiencies in loss recovery if a claim were made. Limiting insurance coverage below the specified percentage can result in co-insurance penalties, where the insured may not receive full compensation for a loss because the coverage limit is less than required. Hence, 80% serves as an important benchmark in ensuring adequate protection for businesses using boiler and machinery equipment.

6. Which of the following is NOT typically covered by a standard HO-3 policy?

- A. Personal liability**
- B. Medical payments to others**
- C. Flood damage**
- D. Theft of personal belongings**

A standard HO-3 policy, which is a widely used homeowners insurance policy, typically covers a range of perils and liabilities associated with homeownership. Personal liability, medical payments to others, and theft of personal belongings are commonly included in the coverage provided by an HO-3 policy. However, flood damage is specifically excluded from standard HO-3 policies. Flood insurance is a unique type of insurance that must be purchased separately, often through the National Flood Insurance Program (NFIP) or private insurers, as it is considered a distinct peril not generally covered in standard homeowners insurance. This means that if a homeowner experiences flooding due to heavy rain, storm surges, or other water events, they would not be able to claim damage under their HO-3 policy, highlighting the need for separate flood insurance coverage.

7. Does Betty's Commercial General Liability (CGL) Coverage Form cover the cost of withdrawing her birdhouses due to environmental concerns?

A. Yes, because it prevents future claims

B. No, because costs for withdrawing products are excluded

C. Yes, if done voluntarily by the business owner

D. No, if the product is being recalled

The correct response indicates that Betty's Commercial General Liability (CGL) Coverage Form does not cover the costs associated with withdrawing her birdhouses due to environmental concerns because expenses related to product withdrawal are specifically excluded under the terms of a typical CGL policy. CGL policies are designed to cover third-party bodily injury, property damage, personal injury, and advertising injury claims, but they do not extend to costs incurred by businesses to withdraw products from the market, even if those actions are taken due to environmental concerns or the intent to prevent potential future claims. This exclusion is put in place because taking a product off the market, regardless of the reason, is considered an operational cost related to the business decision rather than a liability that would be covered by insurance. Therefore, any financial burden incurred from such product withdrawal would not be eligible for coverage under a CGL policy. This understanding highlights the importance of reading and understanding the exclusions within an insurance policy, ensuring that business owners like Betty are aware of what is and isn't covered as they make operational decisions.

8. Which of the following is an essential feature of a policy in insurance?

A. Exclusions

B. Dividends

C. Investment returns

D. Prepaid premiums

An essential feature of an insurance policy is exclusions. Exclusions define what is not covered under the policy, clarifying the limits of coverage and providing transparency for both the insurer and the policyholder. This is critical because it helps policyholders understand the specific circumstances or types of losses that will not be compensated, allowing for informed decisions about the level of risk they are willing to assume. By delineating these boundaries, exclusions also help insurers manage risk effectively and maintain the sustainability of their coverage offerings. In contrast, items such as dividends, investment returns, and prepaid premiums offer additional features or benefits but are not foundational to the structure of an insurance policy. Dividends may apply to certain types of insurance (like mutual insurance) but are not guaranteed and thus do not impact the core aspects of the policy. Investment returns relate to the management of funds and aren't inherent to all insurance products, while prepaid premiums simply refer to payment structure and timing, not the essential terms of the coverage itself.

9. Which of the following is a primary purpose of Citizens Insurance?

- A. To provide low-cost travel insurance**
- B. To offer a market for high-risk individuals**
- C. To specialize only in automobile insurance**
- D. To guarantee complete coverage for all policyholders**

Citizens Insurance serves as a crucial safety net in the Florida insurance market, primarily focused on providing coverage for individuals who are considered high-risk and may struggle to obtain insurance in the standard market. This is especially important in Florida, where factors such as natural disasters can lead to higher risks for property insurance. By allowing high-risk individuals access to insurance that they might not find through traditional insurance companies, Citizens Insurance plays a vital role in ensuring that these individuals are protected. This alignment with its primary purpose directly addresses the market gap that exists for people with challenging insurance profiles due to factors like prior claims, poor credit, or properties located in disaster-prone areas. The other options do not accurately reflect Citizens Insurance's mission. For instance, it does not focus on travel insurance or specialize exclusively in automobile insurance. Additionally, while Citizens seeks to offer coverage options, it does not guarantee complete coverage for all policyholders, as policy limits and specific coverage terms still apply.

10. Which bond type holds the borrower accountable to their loan obligations?

- A. Loan Bond**
- B. Performance Bond**
- C. Indemnity Bond**
- D. Contract Bond**

A performance bond is a surety bond that ensures a borrower (often a contractor) meets the obligations set out in a contract. This bond is particularly important in construction and project management, as it provides a financial guarantee that the work will be completed according to the terms agreed upon. If the borrower fails to fulfill their obligations, the bond can be used to compensate the party that suffers a loss, ensuring accountability for the loan or contract terms. Performance bonds are essential for mitigating risk in projects, particularly when large sums of money and significant investments are involved. This type of bond helps build trust between parties in a contract by ensuring that the borrower will be held accountable for their commitments. It differs from other bond types, as its primary purpose is to guarantee performance rather than just the repayment of a loan or to cover damages resulting from non-performance. Understanding the role of a performance bond helps recognize how it protects the interests of all parties involved and promotes responsibility in financial transactions.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://florida220insuranceagents.examzify.com>

We wish you the very best on your exam journey. You've got this!