

Florida 2-20 - Statutes Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What does 'co-insurance' mean regarding property insurance?**
 - A. A provision requiring the insured to maintain a certain level of coverage**
 - B. A discount applied when multiple policies are held**
 - C. The total amount that the insurer pays after the deductible**
 - D. A policy feature allowing for periodic premium adjustments**
- 2. In Florida, what is the required notice period for an insurer to cancel a policy for non-payment?**
 - A. 5 days**
 - B. 10 days**
 - C. 15 days**
 - D. 30 days**
- 3. Which of the following is not an eligible coverage for commercial automobiles in the Florida Auto Joint Underwriting Association?**
 - A. Liability Coverage**
 - B. Medical Payments Coverage**
 - C. Uninsured Motorist Coverage**
 - D. Personal Injury Protection (PIP)**
- 4. What are 'personal lines' in the context of insurance?**
 - A. Insurance policies that cover businesses**
 - B. Insurance products focused on individual needs**
 - C. Policies that primarily deal with commercial risks**
 - D. Insurance for government entities**
- 5. What is the minimum amount of liability coverage legally required for automobile insurance in Florida?**
 - A. \$5,000 for personal injury protection and \$5,000 for property damage liability**
 - B. \$10,000 for personal injury protection and \$10,000 for property damage liability**
 - C. \$15,000 for personal injury protection and \$10,000 for property damage liability**
 - D. \$20,000 for personal injury protection and \$15,000 for property damage liability**

- 6. The Department of Agents and Agency Services is responsible for regulating which of the following?**
- A. The CFO of Florida.**
 - B. Real estate licenses.**
 - C. Agents and adjusters.**
 - D. Insurance companies, policy forms, and rates.**
- 7. The office of Florida government that is specifically charged with approving policy forms for admitted insurance carriers is:**
- A. The Department of Financial Services.**
 - B. The Office of Financial Regulation.**
 - C. The Office of Insurance Regulation.**
 - D. The Bureau of Market Conduct.**
- 8. Statutes of limitations serve to?**
- A. Ensure justice for people who have limitations.**
 - B. Mostly place limitations on other statutes.**
 - C. Limit the policy period of insurance contracts.**
 - D. Limit the time within which a plaintiff may bring legal action.**
- 9. A social organization that provides insurance or other benefits only to its members is referred to as?**
- A. Fraudulent.**
 - B. Discriminatory.**
 - C. A fraternal organization.**
 - D. A risk retention group.**
- 10. Which of the following contributes to the financial integrity of insurance operations?**
- A. Selective underwriting practices**
 - B. Keeping premiums low regardless of risk**
 - C. Reducing claim processing times regardless of accuracy**
 - D. High advertising expenditures**

Answers

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

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Explanations

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1. What does 'co-insurance' mean regarding property insurance?

- A. A provision requiring the insured to maintain a certain level of coverage**
- B. A discount applied when multiple policies are held**
- C. The total amount that the insurer pays after the deductible**
- D. A policy feature allowing for periodic premium adjustments**

In the context of property insurance, co-insurance refers to a clause that requires the insured party to maintain a specific level of coverage relative to the total value of the property being insured. This means that if the insured does not carry a specified percentage of the total value of the property, they may face penalties during claims. For example, if a policy has an 80% co-insurance clause, the insured must ensure that they carry at least 80% of the property's value in coverage. If they fail to meet this requirement, they may receive a reduced payout in the event of a claim, which could lead to significant financial loss. The emphasis on maintaining adequate coverage is crucial for effective risk management in property insurance, as it protects both the insurer's and insured's interests by ensuring that the property is adequately covered against potential losses.

2. In Florida, what is the required notice period for an insurer to cancel a policy for non-payment?

- A. 5 days**
- B. 10 days**
- C. 15 days**
- D. 30 days**

In Florida, the required notice period for an insurer to cancel a policy for non-payment is indeed 10 days. This notice period allows policyholders a fair opportunity to address any outstanding payments before their coverage is terminated. The ten-day notice requirement is designed to protect consumers by ensuring they have a reasonable timeframe to make a payment or rectify their account status if they are at risk of losing their insurance coverage due to non-payment. Understanding this notice period is crucial for both insurers and policyholders, as it establishes clear communication regarding policy cancellations and helps prevent unexpected lapses in coverage. Thus, recognizing the correct notice period can aid in managing policy obligations effectively.

3. Which of the following is not an eligible coverage for commercial automobiles in the Florida Auto Joint Underwriting Association?

- A. Liability Coverage**
- B. Medical Payments Coverage**
- C. Uninsured Motorist Coverage**
- D. Personal Injury Protection (PIP)**

Medical Payments Coverage is not an eligible coverage for commercial automobiles in the Florida Auto Joint Underwriting Association. In Florida, the coverage types available through the Joint Underwriting Association typically focus on liability, uninsured motorist protection, and other essential coverages specifically designed for commercial vehicles. Medical Payments Coverage is generally available for personal automobile policies but is not a standard component of commercial auto insurance within the framework of the Joint Underwriting Association. This exclusion aims to streamline the types of coverages provided to commercial policies, which often have different needs and risk profiles compared to personal vehicles. Understanding the specific coverages included under the Joint Underwriting Association helps clarify the types of protections available to businesses operating commercial vehicles and highlights the distinctions between personal and commercial auto insurance policies.

4. What are 'personal lines' in the context of insurance?

- A. Insurance policies that cover businesses**
- B. Insurance products focused on individual needs**
- C. Policies that primarily deal with commercial risks**
- D. Insurance for government entities**

The term 'personal lines' in the context of insurance refers to insurance products that are designed to meet the needs of individual consumers rather than businesses. These products typically provide coverage for personal properties and personal liabilities, including homeowners insurance, auto insurance, and renters insurance. By focusing on individual needs, personal lines policies cater specifically to the risks associated with personal life and assets. In contrast, the other options refer to types of coverage that do not fall under the category of personal lines. Insurance policies that cover businesses are classified as commercial lines, which are tailored to address the specific risks faced by businesses, such as liability, property damage, and loss of income. Policies dealing with commercial risks focus on the unique needs of enterprises, rather than individuals. Similarly, insurance designed for government entities caters to specific exposures faced by public agencies, which is distinctly different from the personal coverage provided under personal lines.

5. What is the minimum amount of liability coverage legally required for automobile insurance in Florida?
- A. \$5,000 for personal injury protection and \$5,000 for property damage liability
 - B. \$10,000 for personal injury protection and \$10,000 for property damage liability**
 - C. \$15,000 for personal injury protection and \$10,000 for property damage liability
 - D. \$20,000 for personal injury protection and \$15,000 for property damage liability

The minimum amount of liability coverage legally required for automobile insurance in Florida includes \$10,000 for personal injury protection (PIP) and \$10,000 for property damage liability (PDL). This means that in the event of an accident, the insurance will cover medical expenses and certain other losses for the policyholder and their passengers up to \$10,000, as well as damages to another person's property up to \$10,000. This requirement stems from Florida's no-fault insurance law, which mandates minimum coverage to ensure that drivers can at least cover basic medical expenses and property damage resulting from traffic accidents. This coverage aims to reduce litigation and expedite compensation for injuries and damages. Choosing other amounts does not align with Florida's statutory requirements. For instance, amounts less than or greater than \$10,000 for PIP or PDL do not fulfill the legal obligations set by the state, making them invalid choices in this context.

6. The Department of Agents and Agency Services is responsible for regulating which of the following?
- A. The CFO of Florida.
 - B. Real estate licenses.
 - C. Agents and adjusters.**
 - D. Insurance companies, policy forms, and rates.

The Department of Agents and Agency Services plays a crucial role in the regulation of individuals and entities involved in the insurance sector, specifically focusing on insurance agents and adjusters. This department is tasked with ensuring that insurance agents and adjusters operate within the framework of state laws and regulations, which includes licensing, compliance, and ethics standards. By regulating agents and adjusters, the department aims to protect consumers and maintain a fair marketplace for insurance transactions. This involves overseeing the qualifications required for licensure, investigating complaints or misconduct, and ensuring that agents and adjusters adhere to legal and ethical guidelines. In contrast, the other options involve different regulatory bodies and responsibilities. The CFO of Florida oversees various financial services, real estate licenses are managed by a different entity, and the regulation of insurance companies, policy forms, and rates falls under the purview of the Office of Insurance Regulation, not the Department of Agents and Agency Services. Thus, the focus of the chosen answer is accurately aligned with the primary responsibilities of the department in question.

7. The office of Florida government that is specifically charged with approving policy forms for admitted insurance carriers is:

- A. The Department of Financial Services.**
- B. The Office of Financial Regulation.**
- C. The Office of Insurance Regulation.**
- D. The Bureau of Market Conduct.**

The correct answer is the Office of Insurance Regulation. This office holds the specific responsibility of overseeing the insurance industry in Florida, including the approval of policy forms for admitted insurance carriers. Simultaneously, it ensures that the policy forms comply with state laws and regulations, safeguarding consumer interests. This includes reviewing and approving insurance policies to confirm they are fair, adequate, and not misleading to policyholders. The other options, while related to financial activities and regulations in Florida, do not have the specific mandate to approve policy forms. The Department of Financial Services primarily oversees financial and consumer services, the Office of Financial Regulation focuses on the regulation of financial institutions, and the Bureau of Market Conduct deals with ensuring compliance with market conduct laws but does not approve policy forms. Hence, the specialized role of approving insurance policy forms distinctly identifies the Office of Insurance Regulation as the correct answer.

8. Statutes of limitations serve to?

- A. Ensure justice for people who have limitations.**
- B. Mostly place limitations on other statutes.**
- C. Limit the policy period of insurance contracts.**
- D. Limit the time within which a plaintiff may bring legal action.**

Statutes of limitations are legal regulations that limit the timeframe within which an individual can initiate a lawsuit or legal action. This concept is essential in ensuring that legal claims are pursued in a timely manner, promoting fairness and allowing for an efficient judicial process. As time passes, evidence may become less reliable, witnesses may forget details, and the ability to defend against a claim can diminish. Therefore, establishing a specific timeframe helps to guarantee that both parties can adequately prepare for litigation. The correct answer emphasizes the role of statutes of limitations in providing a clear period within which a plaintiff must bring forth their claims, thereby supporting the integrity of the legal system. This framework encourages promptness in legal pursuits while preventing the indefinite threat of lawsuits. It is designed to protect individuals and the legal system from stale claims that may undermine justice and fairness.

9. A social organization that provides insurance or other benefits only to its members is referred to as?

- A. Fraudulent.**
- B. Discriminatory.**
- C. A fraternal organization.**
- D. A risk retention group.**

The correct answer is a fraternal organization. This term specifically describes a type of social organization that provides insurance or similar benefits solely to its members. Fraternal organizations are typically formed around a common bond, such as a shared religion, trade, or social interest, and they often promote social welfare through mutual aid and support among members. These organizations offer various services, including life insurance and other benefits, to their members at reduced rates or with unique terms that reflect the organization's values and principles. This distinction is what sets fraternal organizations apart from other types of insurance providers, which may serve a broader clientele without the emphasis on shared membership or camaraderie. Understanding the concept of fraternal organizations is important in the context of insurance regulation and practice in Florida, as they are subject to specific statutes that govern their operations and the types of benefits they can provide.

10. Which of the following contributes to the financial integrity of insurance operations?

- A. Selective underwriting practices**
- B. Keeping premiums low regardless of risk**
- C. Reducing claim processing times regardless of accuracy**
- D. High advertising expenditures**

Selective underwriting practices contribute to the financial integrity of insurance operations by ensuring that insurers evaluate the risks associated with potential policyholders carefully. By assessing the likelihood of claims accurately, an insurer can set premiums that reflect the actual risk involved. This practice helps maintain the insurer's financial stability, as it minimizes the chances of incurring losses from higher-than-expected claims costs. By engaging in selective underwriting, insurers can attract business while also ensuring they do not take on excessive risk that could jeopardize their financial health. This careful selection process ultimately supports the sustainability and profitability of the insurance operation.