

# Mississippi Adjuster License Practice Exam (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. After Grace's injury from a faulty recliner, how much will XYZ Furniture pay out-of-pocket for the claim in total?**
  - A. \$105,000**
  - B. \$45,000**
  - C. \$50,000**
  - D. \$300,000**
- 2. What is the nature of liability covered under Personal Auto Policy, Part A?**
  - A. Bodily injury liability**
  - B. Personal injury protection**
  - C. Property damage liability**
  - D. Both A and C**
- 3. After Mark's accident, how much will he have to pay out-of-pocket given the details of his liability coverage?**
  - A. \$10,000**
  - B. \$15,000**
  - C. \$20,000**
  - D. \$25,000**
- 4. What should be considered when a homeowners insurance policy excludes certain properties?**
  - A. Homeowner's liability limits**
  - B. Nature of the risk involved**
  - C. Type of coverage purchased**
  - D. Insurance market trends**
- 5. Which coverage is NOT required to add Utility Interruption to an Equipment Breakdown policy?**
  - A. Extra expense only**
  - B. Business income**
  - C. Spoilage damage**
  - D. Property damage**

- 6. What type of insurance policy has a general aggregate limit of \$1,000,000?**
- A. DP-2 policy**
  - B. Homeowners policy**
  - C. Commercial General Liability policy**
  - D. Personal Auto policy**
- 7. Coverage B - Other Structures in a homeowners policy provides coverage for which of the following?**
- A. Attached garages**
  - B. Swimming pools**
  - C. Detached garages**
  - D. Landscaping features**
- 8. How many days after the expiration date can a Discovery Form Commercial Crime policy apply to losses?**
- A. 30 days**
  - B. 60 days**
  - C. 90 days**
  - D. 120 days**
- 9. Which type of insurance helps cover losses for a delivery driver responsible for an accident?**
- A. Commercial auto insurance**
  - B. Employer liability insurance**
  - C. Workers' compensation insurance**
  - D. General liability insurance**
- 10. Which term best describes Tina, hired by David as a full-time office manager?**
- A. Independent contractor**
  - B. Voluntary worker**
  - C. Employee**
  - D. Consultant**

## **Answers**

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

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## **Explanations**

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**1. After Grace's injury from a faulty recliner, how much will XYZ Furniture pay out-of-pocket for the claim in total?**

- A. \$105,000**
- B. \$45,000**
- C. \$50,000**
- D. \$300,000**

The total payout for Grace's claim from XYZ Furniture is \$50,000 because this amount typically represents the insurance coverage limits applicable to such incidents. In many liability claims, particularly those involving personal injury, there is often a predetermined policy limit that the insurance carrier will pay for legal claims, medical expenses, or damages. In this scenario, the figure of \$50,000 likely reflects the maximum liability covered under the insurance policy held by XYZ Furniture. While the medical bills or damages incurred by Grace could be higher, insurance companies have caps on what they will pay out, which is a common practice to manage risk and financial exposure. Therefore, with the information provided, it's determined that XYZ Furniture will be responsible for covering up to \$50,000 for Grace's claim due to these liability coverage limits.

**2. What is the nature of liability covered under Personal Auto Policy, Part A?**

- A. Bodily injury liability**
- B. Personal injury protection**
- C. Property damage liability**
- D. Both A and C**

The correct choice encompasses two significant types of liability covered under a Personal Auto Policy, Part A: bodily injury liability and property damage liability. Bodily injury liability is the coverage that applies when the insured is responsible for injuring another person in an accident. This aspect of liability ensures that medical expenses, lost wages, and other related costs incurred by the injured party are covered up to the policy limits. Property damage liability covers the costs associated with damage the insured causes to someone else's property. This can include damage to other vehicles, buildings, or other structures. By combining both types of liability, the selection accurately reflects the breadth of coverage offered under Part A of a Personal Auto Policy, which is designed to protect the insured against financial losses resulting from their legal responsibility for injuries or property damage caused while operating a vehicle. Other options are limited in scope; while personal injury protection is indeed a relevant coverage option within auto insurance, it is not classified as liability coverage. Therefore, it does not fit within the specifications of Part A, which specifically addresses bodily injury and property damage liabilities.

**3. After Mark's accident, how much will he have to pay out-of-pocket given the details of his liability coverage?**

- A. \$10,000
- B. \$15,000
- C. \$20,000**
- D. \$25,000

To determine how much Mark will have to pay out-of-pocket after his accident, it's essential to consider the specifics of his liability coverage. In general, liability coverage is designed to pay for damages that the insured is found responsible for in an accident. This may include property damage and medical expenses for other parties involved, up to the limits set forth in the policy. When looking at liability coverage limits, it's important to understand that if the total damages from the accident exceed the coverage limits, the insured will be required to cover the excess amount out-of-pocket. The correct answer here indicates that the total liability is \$20,000, which likely exceeds Mark's coverage limit, requiring him to pay the difference himself. This understanding emphasizes the need for adequate liability coverage to protect against potential out-of-pocket expenses in the event of significant accidents. In this scenario, Mark's policy coverage may only apply up to a certain limit, so any damages beyond that threshold would result in him being responsible for paying that excess amount directly. Analyzing the context helps clarify why a figure of \$20,000 is appropriate; Mark's financial exposure would align with the assessed damages after considering the limits of his liability coverage.

**4. What should be considered when a homeowners insurance policy excludes certain properties?**

- A. Homeowner's liability limits
- B. Nature of the risk involved**
- C. Type of coverage purchased
- D. Insurance market trends

When a homeowners insurance policy excludes certain properties, the nature of the risk involved is a critical factor to consider. Insurance policies are designed to manage and mitigate risk. Certain properties may be excluded due to the heightened risk they present, which could include factors such as type, usage, location, or condition. For example, properties with a higher propensity for loss or damage—such as those prone to flooding, located in high crime areas, or constructed with materials known to be problematic—might be specifically excluded from coverage to protect the insurer from excessive claims. Understanding the nature of the risks associated with different properties allows homeowners to make informed decisions about their insurance needs. They may seek additional coverage or specialized policies for those risks that standard homeowners insurance typically excludes. This focus on risk also aligns with the fundamental principles of insurance, where the aim is to cover manageable risks while maintaining profitability for insurance providers. In contrast, while factors like liability limits, type of coverage purchased, and market trends are important in the broader context of insurance, they do not directly address the core reason for exclusions based on property type or associated risks. Thus, considering the specific risks related to properties effectively guides homeowners in ensuring adequate coverage and safeguarding their assets.

**5. Which coverage is NOT required to add Utility Interruption to an Equipment Breakdown policy?**

- A. Extra expense only**
- B. Business income**
- C. Spoilage damage**
- D. Property damage**

The option indicating "Extra expense only" as the coverage not required to add Utility Interruption to an Equipment Breakdown policy is correct. Utility Interruption coverage is intended to provide financial protection against losses sustained due to a disruption in utility services, which can impact the operation of equipment. To add Utility Interruption coverage effectively, certain types of coverage are typically needed to ensure comprehensive protection. Business income coverage is essential as it addresses lost income resulting from the interruption of operations. Spoilage damage coverage is also relevant because it protects perishable goods that can be lost due to a utility failure, such as refrigerated products. Property damage coverage may be necessary to cover any resultant damage to physical property caused by the breakdown of equipment related to the loss of utility service. On the other hand, while extra expense coverage is helpful in managing the additional daily costs incurred when a company needs to maintain operations despite a disruption, it is not a prerequisite for Utility Interruption coverage. This distinction makes extra expense coverage the correct choice for the question asked, as it is not explicitly required to add Utility Interruption to an Equipment Breakdown policy.

**6. What type of insurance policy has a general aggregate limit of \$1,000,000?**

- A. DP-2 policy**
- B. Homeowners policy**
- C. Commercial General Liability policy**
- D. Personal Auto policy**

The correct answer is the Commercial General Liability policy. This type of insurance policy is designed to provide coverage for a variety of risks that businesses might face, particularly regarding liability for bodily injury, property damage, and personal injury. The general aggregate limit, which in this case is \$1,000,000, refers to the maximum amount that an insurer will pay for all covered losses over a policy period. A Commercial General Liability policy often includes both an occurrence limit and a general aggregate limit, with the general aggregate limit providing essential protection that caps the total payout for covered claims during the policy term. This feature is crucial for businesses, as it helps manage risks associated with operations, products, services, and completed operations. In contrast, the other types of policies mentioned typically do not include a general aggregate limit of this nature. A DP-2 policy is primarily for rental properties and does not offer the same coverage breadth as a Commercial General Liability policy. Homeowners policies and Personal Auto policies are designed for individual consumers, focusing on personal property and residential liability rather than the broad liabilities that businesses encounter. Understanding these distinctions helps clarify why the Commercial General Liability policy is the correct choice in this context.

**7. Coverage B - Other Structures in a homeowners policy provides coverage for which of the following?**

- A. Attached garages**
- B. Swimming pools**
- C. Detached garages**
- D. Landscaping features**

Coverage B - Other Structures in a homeowners policy is designed to provide protection for structures that are not attached to the main dwelling. This type of coverage typically includes buildings that are separate from the primary residence, such as detached garages, sheds, fences, and sometimes other structures like gazebos. The reason detached garages fall under Coverage B is that they stand alone and are not physically connected to the main home, thus qualifying them as "other" structures as defined by the policy. This coverage protects these structures from various risks, such as damage from fire, wind, theft, or vandalism, ensuring that if an event occurs that damages the detached garage, the homeowner can receive compensation for repairs or rebuilding. In contrast, an attached garage is not covered under Coverage B because it is considered a part of the main dwelling. Similarly, while swimming pools may be significant features of a property, they typically do not receive specific coverage under Coverage B but may be included under different provisions in the policy. Landscaping features, such as trees and shrubs, also do not fall under Coverage B; they often have separate stipulations within the homeowners policy and may have limited coverage, often related to specific perils.

**8. How many days after the expiration date can a Discovery Form Commercial Crime policy apply to losses?**

- A. 30 days**
- B. 60 days**
- C. 90 days**
- D. 120 days**

The correct answer reflects the provision of most Commercial Crime policies regarding the extension of coverage after expiration. Specifically, a Discovery Form Commercial Crime policy typically provides coverage for losses that occur during a specified period following the policy's expiration date, which is commonly set at 30 days. This allows for the potential coverage of losses that may not have been discovered until after the policy has technically expired. The rationale behind this feature is to ensure continued protection for insured entities, recognizing that some crimes or losses may not be immediately apparent and could take time to uncover. Therefore, the policy will still provide coverage for incidents occurring within that 30-day window, as long as they fall under the terms of the policy that was in effect prior to expiration. This helps ensure that businesses have some level of coverage during the transition period while they seek new policies or adjust their coverage as necessary.

**9. Which type of insurance helps cover losses for a delivery driver responsible for an accident?**

- A. Commercial auto insurance**
- B. Employer liability insurance**
- C. Workers' compensation insurance**
- D. General liability insurance**

In the context of a delivery driver responsible for an accident, the most suitable insurance type to cover losses is commercial auto insurance. This type of insurance is specifically designed for vehicles used for business purposes, including delivery drivers. It provides coverage for bodily injury, property damage, and other liabilities that may arise from operating a vehicle in the course of business. Employer liability insurance primarily covers claims made by employees against their employers for work-related injuries or illnesses. While it may address some liability concerns for employee actions, it does not directly cover the specific liabilities associated with vehicle accidents incurred during deliveries. Workers' compensation insurance is intended to cover medical expenses and lost wages for employees injured while performing their job duties. However, this type does not address damage to third parties or their property resulting from an accident. General liability insurance focuses more on non-automobile related liabilities, such as injuries occurring on business premises or from operations unrelated to vehicle use. Thus, commercial auto insurance is the most relevant choice, as it specifically protects delivery drivers and their employers from the financial consequences of accidents occurring while performing their job.

**10. Which term best describes Tina, hired by David as a full-time office manager?**

- A. Independent contractor**
- B. Voluntary worker**
- C. Employee**
- D. Consultant**

The term that best describes Tina as a full-time office manager hired by David is "employee." This classification is significant because it establishes the nature of the working relationship, which involves a formal agreement where David, as the employer, typically has control over Tina's work hours, job duties, and methods of work. Employees are entitled to certain benefits and protections under labor laws, such as minimum wage, overtime pay, and unemployment insurance, which may not apply to other classifications like independent contractors or consultants. In contrast, independent contractors operate under a different arrangement where they provide services to clients but maintain greater control over how those services are delivered. Voluntary workers often contribute their time and skills without monetary compensation or the expectation of a formal job role, while consultants are usually brought in for their expertise on a temporary basis, often to address specific issues or projects. Tina's full-time status indicates a commitment to her role within the organization, reinforcing her classification as an employee rather than falling into one of the alternative categories that involve less direct oversight or a more flexible arrangement regarding work.