

# Rhode Island Property Producer Practice Exam (Sample)

## Study Guide



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## Questions

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- 1. What is the maximum extension period the Commissioner may grant for agents to fulfill continuing education requirements?**
  - A. 2 years**
  - B. 1 year**
  - C. 180 days**
  - D. 30 days**
  
- 2. Who among the following is NOT protected by a property or casualty insurance policy without a special endorsement?**
  - A. Secured creditors**
  - B. Bailees**
  - C. Mortgage holders**
  - D. Loss payees**
  
- 3. What is the criminal penalty for rebating in Rhode Island?**
  - A. It is a felony offense**
  - B. Commissioner can sentence to one year in jail**
  - C. It is an administrative offense only**
  - D. \$500 and 1 year in prison, maximum**
  
- 4. How does a homeowners policy limit coverage for jewelry and firearms?**
  - A. \$1,500 for jewelry; no coverage for firearms**
  - B. \$2,500 for jewelry; \$1,500 for theft of firearms**
  - C. \$1,500 for jewelry and firearms**
  - D. \$1,500 for jewelry; \$2,500 for theft of firearms**
  
- 5. Which defense is NOT commonly used against a plaintiff's negligence suit?**
  - A. Unintentional negligence**
  - B. Assumption of risk**
  - C. Contributory negligence**
  - D. Comparative negligence**

- 6. Which provision describes the circumstances under which policy ownership may be transferred to another party?**
- A. Loss payable clause**
  - B. Assignment provision**
  - C. No benefit to bailee provision**
  - D. Mortgage clause**
- 7. Which section of a policy identifies its coverage limits, deductibles, and premium?**
- A. The insuring agreement**
  - B. The definitions section**
  - C. The declarations page**
  - D. The policy conditions provision**
- 8. What action can the Rhode Island Insurance Commissioner NOT take when serious violations are detected?**
- A. Issue subpoenas to compel testimony**
  - B. Issue cease and desist orders following a hearing**
  - C. Create additional regulations to improve responses**
  - D. Amend the insurance code as needed**
- 9. What happens if notice of a material change is given less than 30 days before the renewal date?**
- A. Existing coverage and terms remain in effect**
  - B. The policy is immediately terminated**
  - C. Changes are implemented instantly**
  - D. The new policy terms are void**
- 10. Which of the following represents a morale hazard?**
- A. Careless handling of property**
  - B. Unsafe driving behavior**
  - C. Not reporting a claim**
  - D. A lack of concern for loss**

## **Answers**

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

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## **Explanations**

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**1. What is the maximum extension period the Commissioner may grant for agents to fulfill continuing education requirements?**

- A. 2 years
- B. 1 year**
- C. 180 days
- D. 30 days

The maximum extension period that the Commissioner may grant for agents to fulfill continuing education requirements is one year. This provision allows agents a reasonable amount of additional time to complete their necessary education to ensure they remain compliant with regulatory standards and maintain their licenses. By granting a full year as the maximum allowance, the Commissioner provides an ample opportunity for agents who may face unforeseen circumstances that hinder their ability to complete their requirements on time. The other time frames mentioned, such as 30 days, 180 days, and 2 years, do not align with the regulatory framework as they do not offer the same level of flexibility intended for fulfilling continuing education obligations. The one-year extension underscores the priority placed on ongoing education for agents, allowing them to stay informed about industry developments and maintain high standards of professionalism.

**2. Who among the following is NOT protected by a property or casualty insurance policy without a special endorsement?**

- A. Secured creditors
- B. Bailees**
- C. Mortgage holders
- D. Loss payees

Bailees are individuals or entities that temporarily take possession of someone else's property, often for storage, repair, or other services. In a typical property or casualty insurance policy, coverage usually protects the insured party (the property owner) and certain stakeholders, like mortgage holders and loss payees, through standard endorsements. Secured creditors, mortgage holders, and loss payees are typically protected under standard property insurance policies. They have distinct rights that ensure they are compensated in the event of a loss, as their financial interests in the property need protection. For example, mortgage holders are often included in the policy to ensure they receive payouts in claims, maintaining their financial interest in the property. Bailees, on the other hand, do not automatically receive coverage under a typical property policy unless a specific endorsement is added to include them. This is primarily because bailment involves a temporary transfer of possession and the liability for damage or loss may depend on the terms of the agreement between the bailor (property owner) and the bailee. Therefore, they are not covered without additional provisions in the insurance policy.

### 3. What is the criminal penalty for rebating in Rhode Island?

- A. It is a felony offense
- B. Commissioner can sentence to one year in jail
- C. It is an administrative offense only
- D. \$500 and 1 year in prison, maximum**

In Rhode Island, the criminal penalty for rebating is defined as a maximum fine of \$500 and up to one year in prison. This penalty underlines the seriousness with which the state treats the practice of rebating, which involves providing a client with a portion of the commission or premium as an incentive for purchasing a policy. The law aims to maintain fair competition among insurance producers and protect consumers from unethical practices. The specific penalties serve both as a deterrent and a means to uphold the integrity of the insurance industry. It's important to understand that while rebating can be seen in various states, Rhode Island has established its own framework defining strict consequences for such actions. This ensures that insurance producers adhere to ethical standards and deal with consumers transparently.

### 4. How does a homeowners policy limit coverage for jewelry and firearms?

- A. \$1,500 for jewelry; no coverage for firearms
- B. \$2,500 for jewelry; \$1,500 for theft of firearms
- C. \$1,500 for jewelry and firearms
- D. \$1,500 for jewelry; \$2,500 for theft of firearms**

A homeowners policy typically includes specific limitations on coverage for valuable items such as jewelry and firearms. The correct answer indicates that there is a limit of \$1,500 for jewelry, which aligns with common policy terms that recognize the high value of these items. Additionally, it mentions a limit of \$2,500 specifically for theft of firearms, highlighting that while firearms are valuable and often included in coverage, they may have a different limit contingent upon the type of loss (in this case, theft). This coverage structure underscores the insurance company's strategy to limit exposure on high-value items and differentiate coverage based on the nature of the loss, which is a common practice in homeowners insurance. Many policies want to encourage policyholders to secure valuable items or obtain additional coverage endorsements for items that exceed standard policy limits.

**5. Which defense is NOT commonly used against a plaintiff's negligence suit?**

- A. Unintentional negligence**
- B. Assumption of risk**
- C. Contributory negligence**
- D. Comparative negligence**

The correct answer focuses on an approach that is not typically recognized as a valid defense in negligence cases. Unintentional negligence, while the term may imply that a defendant did not intend to cause harm and may refer to the nature of negligence itself, does not constitute a legally established defense. Legal defenses in negligence claims revolve around established principles that attribute some fault or responsibility to the plaintiff or clarify the circumstances of the incident. In contrast, the other options represent recognized defenses in negligence cases. Assumption of risk involves a plaintiff knowingly accepting the potential risks associated with an activity, thereby limiting or eliminating the defendant's liability. Contributory negligence asserts that the plaintiff's own negligence contributed to their injury, which may reduce or eliminate damages. Comparative negligence allows for damages to be apportioned based on the degree of fault of each party involved. These defenses aim to address the shared blame or circumstances surrounding the incident, while unintentional negligence does not offer a structured legal argument, making it an outlier among common defenses.

**6. Which provision describes the circumstances under which policy ownership may be transferred to another party?**

- A. Loss payable clause**
- B. Assignment provision**
- C. No benefit to bailee provision**
- D. Mortgage clause**

The assignment provision is the correct answer as it specifically addresses the ability to transfer ownership of a policy from one party to another. This provision outlines the circumstances and procedures under which the policyholder can assign their rights and interests in the insurance policy to another individual or entity. This may include requirements for notifying the insurer and ensuring that the assignment is properly documented. In contrast, the loss payable clause typically pertains to how insurance proceeds are distributed in the event of a loss, particularly regarding claims involving multiple interested parties. The no benefit to bailee provision restricts the rights of bailees (those who temporarily hold property belonging to another) to benefit from an insurance policy. The mortgage clause relates to the rights of mortgagees in relation to a policy, ensuring that their interests are protected in the event of a loss. Each of these clauses serves specific functions but does not address the transfer of policy ownership as effectively as the assignment provision does.

**7. Which section of a policy identifies its coverage limits, deductibles, and premium?**

- A. The insuring agreement**
- B. The definitions section**
- C. The declarations page**
- D. The policy conditions provision**

The declarations page of an insurance policy serves as a concise summary of the key details of the policy. It outlines the coverage limits, deductibles, and the premium amount that the insured is required to pay. This section is critical because it clearly lists the specifics that are vital for both the insurer and the insured to understand the extent of coverage and financial commitments. The declarations page essentially acts as the introductory section of the policy, providing essential information at a glance. In contrast, the insuring agreement primarily explains the insurer's promise to pay for certain types of losses and the conditions under which coverage applies. The definitions section clarifies specific terminology used throughout the policy, aiding in the understanding of terms but not detailing coverages or costs. Lastly, the policy conditions provision outlines the responsibilities and obligations of both the insurer and the insured but does not specify limits or premiums. This is why the declarations page is the appropriate choice for identifying coverage limits, deductibles, and premiums.

**8. What action can the Rhode Island Insurance Commissioner NOT take when serious violations are detected?**

- A. Issue subpoenas to compel testimony**
- B. Issue cease and desist orders following a hearing**
- C. Create additional regulations to improve responses**
- D. Amend the insurance code as needed**

The Rhode Island Insurance Commissioner has specific powers and responsibilities when it comes to enforcing insurance laws and regulations. One of the key aspects of the Commissioner's authority is to ensure compliance with existing laws rather than arbitrarily changing them. Creating additional regulations to improve responses can be within the purview of the Commissioner, as this allows for a more timely response to emerging issues in the insurance market. Similarly, issuing subpoenas and cease and desist orders are direct enforcement actions that the Commissioner can take to address serious violations, ensuring entities comply with current regulations. However, the power to amend the insurance code itself is typically not within the Commissioner's direct authority. Amendments to the insurance code generally require legislative approval, meaning that changes must go through the state legislature and cannot be enacted solely by the Commissioner. This is what distinguishes the Commissioner's ability to enforce regulations from the power to change the underlying laws governing insurance practices in Rhode Island.

**9. What happens if notice of a material change is given less than 30 days before the renewal date?**

- A. Existing coverage and terms remain in effect**
- B. The policy is immediately terminated**
- C. Changes are implemented instantly**
- D. The new policy terms are void**

When notice of a material change is given less than 30 days before the renewal date, the existing coverage and terms remain in effect. This means that the policyholder will continue to have the same terms and coverage that they originally had until the renewal process can be completed. This provision is typically in place to provide policyholders with stability and assurance that their coverage will not be altered on short notice, allowing them adequate time to understand and respond to any changes proposed by the insurer. The other options do not accurately reflect the practice in this situation, as they suggest immediate effects on the policy, which would be contrary to the standard practice of allowing existing terms to continue until the policy is properly renewed or modified.

**10. Which of the following represents a morale hazard?**

- A. Careless handling of property**
- B. Unsafe driving behavior**
- C. Not reporting a claim**
- D. A lack of concern for loss**

A morale hazard refers to a situation where an individual exhibits a lack of concern for the potential loss or risk associated with their actions. This attitude can lead to reckless behavior or negligence because the individual believes that they are not personally affected by the consequences of a loss. In this context, a lack of concern for loss can manifest in various ways, such as failing to take necessary precautions to protect oneself or property or disregarding safety measures. The other scenarios presented in the choices reflect different types of hazards. Careless handling of property and unsafe driving behavior are examples of behavior that directly increase risk due to negligence or recklessness. Not reporting a claim could indicate a lack of awareness or perhaps even a misunderstanding of the claims process, but it does not necessarily signify a moral disengagement regarding loss. Thus, a lack of concern for loss directly captures the essence of a morale hazard, making it the correct choice in this context.