Texas State Government Employees Insurance Company (GEICO) Licensing Practice Test (Sample)

Study Guide

BY EXAMZIFY

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Questions

1. **What is a common exclusion related to coverage for personal property under an HO-B policy?**
   - A. Rats and mice damage
   - B. Theft from the home
   - C. Windstorm damage
   - D. Vandalism

2. **What is the coverage limit for contents under flood insurance?**
   - A. $50,000
   - B. $100,000
   - C. $150,000
   - D. $200,000

3. **What is primarily covered under the term 'premises liability'?**
   - A. Injuries that arise within a business location
   - B. Injuries caused by defective products
   - C. Professional malpractice cases
   - D. Property damage due to negligence

4. **What type of property is mentioned as business personal property under Coverage B?**
   - A. Real estate
   - B. Samples or articles for sale or delivery
   - C. Vehicles
   - D. Office furniture

5. **Which of the following is NOT a characteristic of embezzlement?**
   - A. Involves unlawful appropriation of property
   - B. Requires a position of trust
   - C. Involves the use of force or threats
   - D. Typically involves financial transactions

6. Which of the following can be considered an exclusion in ocean marine policies?

A. Acts of war

B. Natural disasters

C. Winter storms

D. Economic downturns

7. What does barratry refer to in maritime law?

A. Accidental cargo loss

B. Fraud or criminal acts by crew

C. Overloading the ship

D. Negligence by port authorities

8. Which of the following is NOT classified as a type of workers' compensation disability?

A. Permanent missing limb

B. Temporary work reassignment

C. Permanent total disability

D. Temporary partial disability

9. What does RCV stand for in insurance terms?

A. Real Coverage Value

B. Replacement Cost Value

C. Risk Coverage Value

D. Reimbursement Cost Value

10. What triggers the payout of a fidelity bond?

A. Loss of assets due to company negligence

B. Conviction of fraud by specified individuals

C. Company bankruptcy

D. Verification of project completion

Answers

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

Explanations

1. What is a common exclusion related to coverage for personal property under an HO-B policy?

A. Rats and mice damage

B. Theft from the home

C. Windstorm damage

D. Vandalism

A common exclusion related to coverage for personal property under an HO-B policy is damage caused by rats and mice. Many homeowners insurance policies, including the HO-B form, typically do not cover losses due to pest infestations such as rodents. This exclusion exists because damage from infestations is often viewed as preventable through proper maintenance and home care. Homeowners are expected to take reasonable steps to avoid these types of issues, so insurance providers do not cover these risks. Other perils like theft, windstorm damage, and vandalism are generally covered under these policies, provided that certain conditions are met. Theft from the home is usually covered unless specific exclusions apply, while windstorm damage and vandalism typically fall under the standard coverage of property insurance. Therefore, the exclusion pertaining to damage caused by rats and mice is a significant and well-recognized limitation within the confines of an HO-B policy.

2. What is the coverage limit for contents under flood insurance?

A. $50,000

B. $100,000

C. $150,000

D. $200,000

The coverage limit for contents under standard flood insurance policies is indeed $100,000. This limit applies to personal property within your home or business that can be damaged or destroyed by flooding. Items that fall under this category include furniture, electronics, clothing, and similar possessions. Understanding this coverage limit is crucial for policyholders, as it determines the maximum amount they can receive for the loss of their personal belongings during a flood event. It's important for individuals to assess the value of their contents and consider purchasing additional insurance or riders if their possessions exceed this limit. This knowledge can help in making informed decisions regarding financial preparedness for potential flooding scenarios. The other amounts listed are incorrect because they do not align with the standard stipulated limits set by the National Flood Insurance Program (NFIP), which defines the specific coverage limits for both buildings and personal property.

3. What is primarily covered under the term 'premises liability'?

A. Injuries that arise within a business location

B. Injuries caused by defective products

C. Professional malpractice cases

D. Property damage due to negligence

Premises liability primarily refers to the responsibility of property owners and occupants to ensure a safe environment for visitors and guests on their premises. When someone is injured within a business location, this falls under premises liability because the property owner may be held liable for injuries that occur due to unsafe conditions, lack of maintenance, or hazards that could have been prevented. This area of law is focused on the obligations of property owners to maintain a safe environment for those who enter their property, particularly in commercial settings where the expectation of safety is heightened. If an individual is injured on the premises due to negligence, such as a slip and fall, the injured party may pursue a claim for damages based on premises liability. In contrast, the other options address different legal concepts. Defective products relate to product liability, which focuses on harm caused by dangerous or faulty products. Professional malpractice involves the failure of professionals, like doctors or lawyers, to meet the required standard of care in their specific field. Property damage due to negligence typically pertains to claims related to damage affecting a person's property rather than injuries sustained by individuals on the property.

4. What type of property is mentioned as business personal property under Coverage B?

A. Real estate

B. Samples or articles for sale or delivery

C. Vehicles

D. Office furniture

Business personal property under Coverage B specifically includes items that are used in the course of a business, which can encompass samples or articles intended for sale or delivery. This classification is essential because it acknowledges the tangible assets that businesses utilize to operate effectively, especially those that directly relate to the inventory or products they provide to customers. The other categories, while relevant in different contexts, do not fit the definition of business personal property under Coverage B. Real estate refers to land and buildings, which falls under a different type of coverage. Vehicles are typically covered under a separate auto insurance policy. Office furniture, although part of a business's assets, is more commonly categorized under general business property, not specifically under the samples or sales articles mentioned in the question. Thus, samples or articles for sale or delivery align perfectly with the intent and purpose of Coverage B.

5. Which of the following is NOT a characteristic of embezzlement?

A. Involves unlawful appropriation of property

B. Requires a position of trust

C. Involves the use of force or threats

D. Typically involves financial transactions

Embezzlement is defined as the unlawful appropriation of property or funds that have been entrusted to an individual's care, typically in a professional setting. One key characteristic of embezzlement is that it requires a position of trust; the embezzler usually has access to assets because they hold a position that gives them responsibility over these assets. Additionally, embezzlement involves financial transactions, as it often entails the misallocation or theft of money or assets rather than physical property. The incorrect option in this case is the one that states embezzlement involves the use of force or threats. This characteristic does not apply to embezzlement; rather, it describes crimes such as robbery or extortion, where coercion is used. Embezzlement, by contrast, is characterized by deceit and betrayal of trust rather than intimidation. Thus, the assertion that embezzlement includes the use of force is not aligned with the true nature of the crime.

6. Which of the following can be considered an exclusion in ocean marine policies?

A. Acts of war

B. Natural disasters

C. Winter storms

D. Economic downturns

Acts of war are classified as an exclusion in ocean marine policies because these policies are specifically designed to cover maritime risks and losses related to the transportation of goods over water. However, they generally do not provide coverage for perils resulting from warfare, such as invasions, rebellions, or acts of terrorism. This exclusion exists because the impact of war-related incidents can be unpredictable and potentially catastrophic, making it difficult for insurance companies to effectively assess risk and provide coverage without significantly increasing premiums or facing substantial financial loss. In contrast, natural disasters like hurricanes or earthquakes may be covered in certain situations, depending on specific policy terms. Winter storms, while severe, are also treated differently within such policies based on their nature and impact. Economic downturns, while influential on markets and valuation, do not relate directly to the physical risks associated with transporting goods over water. Thus, the focus remains on how acts of war create unique risks that are not typically underwritten in ocean marine insurance.

7. What does barratry refer to in maritime law?

- A. Accidental cargo loss
- B. Fraud or criminal acts by crew
- C. Overloading the ship
- D. Negligence by port authorities

Barratry in maritime law specifically refers to fraudulent or criminal acts committed by the crew of a vessel that are against the interests of the shipowner or the vessel itself. This can include actions such as theft, willful misconduct, or engaging in illegal activities while at sea. The significance of this concept lies in its implications for liability and insurance coverage; if a crew member engages in acts of barratry, it can create a basis for claims against the shipowner's insurance policy. Understanding barratry is important for navigating legal responsibilities and protections within maritime operations, as actions that fall under this definition can adversely affect the shipowner's interests and result in significant financial repercussions. In the context of maritime law, other choices like accidental cargo loss, overloading the ship, or negligence by port authorities pertain to different areas of liability or operational errors but do not encapsulate the specific legal definition of barratry. Thus, the focus on fraudulent or criminal acts by crew members makes the answer the most accurate representation of the term in question.

8. Which of the following is NOT classified as a type of workers' compensation disability?

- A. Permanent missing limb
- B. Temporary work reassignment
- C. Permanent total disability
- D. Temporary partial disability

The classification of workers' compensation disabilities generally falls into three main categories: permanent, temporary, total, and partial disabilities. Permanent missing limb, permanent total disability, and temporary partial disability all represent distinct classifications recognized within the workers' compensation system. Specifically, a permanent missing limb qualifies as a permanent disability, indicating that the employee will never recover full function. Permanent total disability refers to a situation where an employee is unable to work in any capacity due to severe injury or health conditions. Temporary partial disability occurs when an employee can still work but at a reduced capacity for a limited time before fully recovering. On the other hand, temporary work reassignment does not fit into the standard classifications of disabilities recognized in workers' compensation terminology. It typically refers to a situation where an employee is assigned to different, often lighter duties while recovering from an injury. This does not indicate a type of disability as it does not categorize the employee’s condition but rather signifies a temporary adjustment in their job duties. Hence, identifying temporary work reassignment as not classified as a type of workers' compensation disability is accurate, as it relates more to the management of an employee's return to work than to their disability status.

9. What does RCV stand for in insurance terms?

- A. Real Coverage Value
- B. Replacement Cost Value
- C. Risk Coverage Value
- D. Reimbursement Cost Value

Replacement Cost Value is a key concept in insurance that refers to the amount of money required to replace an asset or property without deducting for depreciation. This means that if a covered loss occurs, the insurance policy will pay to restore or replace the damaged property to its original condition using materials of similar kind and quality, regardless of the age or condition of the original item. Understanding Replacement Cost Value is crucial for policyholders as it ensures that they can recover their losses adequately and can rebuild or replace their property to its equivalent value. This is particularly significant in scenarios like a fire or severe weather damage, where the full cost of replacement could be substantially higher than the depreciated value of the property. The other terms provided do not correspond to standard definitions in insurance. Real Coverage Value and Risk Coverage Value do not have widely recognized meanings in this context, and Reimbursement Cost Value likely refers more to the process of compensation rather than a specific valuation method like Replacement Cost Value.

10. What triggers the payout of a fidelity bond?

- A. Loss of assets due to company negligence
- B. Conviction of fraud by specified individuals
- C. Company bankruptcy
- D. Verification of project completion

The payout of a fidelity bond is specifically triggered by the conviction of fraud by specified individuals within the organization. Fidelity bonds are designed to protect a company from losses caused by fraudulent acts of its employees or specific individuals. When these individuals are convicted of fraud, it confirms that their actions resulted in a loss, thus activating the bond for compensation for the insured entity. This mechanism is crucial because it ensures that the bond is only utilized in cases of confirmed wrongdoing, maintaining the integrity of the insurance coverage while giving companies a financial safety net in instances of employee dishonesty. Understanding this can help clarify the purpose and function of fidelity bonds within the broader scope of business insurance.