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CALIFORNIA PERSONAL AUTOMOBILE INSURANCE EXAM

1. Concerning state regulation, insurers wishing to do business in a state must provide necessary proof that
 - A. They have sufficient reserves
 - B. Their rates are equitable
 - C. Their financial dealings are according to sound fiscal policy and law
 - D. All of the above
2. When does automatic termination of a policy occur?
 - A. If an offer to renew or continue is made and it is not accepted
 - B. When the insured fails to pay the required renewal premium
 - C. If similar insurance on a "covered auto" is obtained
 - D. All of the above
3. What is the underlying principle of all insurance?
 - A. The principle of equity
 - B. The principle of indemnity
 - C. The principle of substitution
 - D. The principle of disintermediation
4. Every insurer issuing a policy of automobile insurance shall maintain a historical underwriting loss and exposure data for each calendar year for each of the latest _____ years for every insured vehicle.
 - A. 4 years
 - B. 2 years
 - C. 6 years
 - D. 10 years
5. Medical payments coverage, unlike liability coverage, does not require that insured be found _____ to pay.
 - A. Alone
 - B. Negligent
 - C. Unharmed
 - D. Alive
6. Prior to Proposition 103, the California Department of Insurance operated under the McBride-Grunsky Act. Under this Act, insurance companies were not required to file _____ for approval except for life and health.
 - A. Premium setbacks
 - B. Rates
 - C. Policy amendments
 - D. Reports
7. Personal Automobile Insurance plans typically do not cover _____.
 - A. Vehicles owned by businesses
 - B. Vehicles owned by groups of people
 - C. Cars driven by teenagers
 - D. A & B
8. Concerning premium discounts, no discount shall be offered by any insurer that is not _____.
 - A. Approved by the Department of Insurance
 - B. Discounted at least 10%
 - C. Uniformly promoted and offered to the public
 - D. Discounted at least 20%
9. In a case where a driver from a state that DOES operate under no-fault rules has an accident in a state that does not have such a plan, the _____ driver's insurer will _____.
 - A. Out of state / will pay
 - B. In state / will pay
 - C. Responsible / always pay
 - D. Innocent / will never pay
10. Under most policies, a "family member" is defined as a person related by blood, marriage or adoption who is a _____.
 - A. Legal citizen
 - B. Responsible adult
 - C. Resident of your household
 - D. Legal driver over 21 years of age
11. Determining the cause of loss in a vehicular accident is not always simple, this is where the concept of _____ is used.
 - A. Perpetual motion
 - B. No-fault protection
 - C. Contributory negligence
 - D. Varying degrees of negligence
12. Under the medical payment coverage portion of a personal auto policy, medical expenses might include which of the following:
 - A. Surgical, ambulance, hospital
 - B. Professionals & nursing
 - C. Funeral
 - D. All of the above

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13. Multi-line companies make economic sense today because the larger the company the larger its reserves and, the stability of insurance companies is important since more and more laws provide remedies for _____.

- A. Larger companies
- B. Insurers who have multiple lines of business
- C. Increased numbers of risk
- D. Any kind of risk

14. Automobile rating analysis is a precise method. The determination of initial relativities are established by performing a _____ analysis.

- A. Sequential
- B. Practical
- C. Mandatory
- D. Technical

15. Uninsured motorists coverage applies to more than drivers without insurance. It may apply to

- A. Hit-and-run drivers
- B. Known drivers with insurance, but with an insurer which does not have the funds
- C. Criminal acts by known drivers
- D. A & B

16. Policy period and territory is a provision that makes clear that the policy covers only those losses which occur within the _____ and the _____.

- A. Policy verbiage / time limits
- B. Policy time period / territories named
- C. Last 30 days / policy parameters
- D. Last 60 days / policy verbiage

17. Assigned risk reporting has changed since the passage of _____. Now There are many antidiscrimination reporting requirements tied to race, language, religion, national origin, etc.

- A. The Taylor Anti-Discrimination Bill
- B. Rosenthal-Robbins Auto Insurance Antidiscrimination Law
- C. Marshall-Swift Compliance Law of 1992
- D. The Holt Fair Practices Act

18. The insuring agreement forms the basis of the insurance policy, for it contains the contract between the insurer and the insured which is _____.

- A. Legally enforceable
- B. Legally pending
- C. Legal, only if a third party testifies
- D. Not legal for 30 days

19. Typical exclusions in medical payments coverage might include

- A. Injuries sustained while "occupying" a vehicle having fewer than four wheels
- B. Injuries sustained while vehicle is being used as a public livery
- C. Injuries sustained while occupying a vehicle located for use as a residence
- D. All of the above

20. Class or manual ratings arrange risks into certain classes according to their _____.

- A. Size
- B. Particular characteristics
- C. Chronology
- D. Legal classification

21. An insured who negligently misrepresents information may avoid cancellation by furnishing corrected information to the insurer within _____ after receiving notice of cancellation and agreeing to pay any difference in premium.

- A. 10 days
- B. 15 days
- C. 20 days
- D. 30 days

22. The Good Samaritan Law absolves doctors and other trained personnel from liability when they stop to help injured people in an auto accident so long as services performed were done with _____.

- A. Witnesses
- B. Clean equipment
- C. The standard of care required by their profession
- D. A written waiver from the patient

23. Concerning duties after an accident, once a loss has been reported, the insured has further duties to

- A. Cooperate with the insurer in any investigation and send any all legal papers
- B. Submit to a physical exam and authorize access to medical reports / records
- C. Submit proof of loss when asked
- D. All of the above

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24. When an automobile policy is cancelled, other than for nonpayment of premium, the insurer must notify the named insured about available coverage through the automobile liability assigned risk plan. This notice shall be _____.

- A. Included in the notice of cancellation
- B. Delivered within 10 days
- C. Delivered within 20 days
- D. Delivered within 30 days

25. Under Proposition 103, deemer provisions state that an application for premium rate adjustments is "deemed" approved _____ after public notice unless consumer groups or the commissioner intervene or the proposed rate exceeds current average rates by 7% to 15%.

- A. Immediately
- B. 30 days
- C. 60 days
- D. 90 days

26. Determining the cause of an accident is not simple. Courts require that "proximate" cause be determined. This means that there must be _____. Further, the negligence of the party deemed liable must be connected to the cause.

- A. An unbroken chain of events that result in the harm
- B. At least one witness within earshot
- C. A local public official willing to testify
- D. A nearby passerby who is not related

27. Collision typically involves impact. Which of the following would NOT be considered collision:

- A. Impact from a missile or falling object
- B. Impact from Vandalism, fire, riot, theft
- C. Contact with a bird or animal, explosion, earthquake, windstorm, flood
- D. All of the above

28. Tort law says that he who suffers a loss will bear the consequences UNLESS they can be reasonably transferred to another. Which of the following are considered reasons for such a transfer

- A. Intentional harm by another
- B. Harm caused by negligence of another
- C. Harm resulting from someone's activity defined as hazardous
- D. All of the above

29. Financial responsibility laws set _____ for people involved in a vehicular accident.

- A. Specific fines
- B. Limits of liability
- C. Dollar awards
- D. Trial dates

30. Because people in an accident that causes harm to others often have expenses over and above damages to victims, a personal auto policy will provide for certain supplementary payments. These typically fall into two types: _____ and expenses occurring due to legal action.

- A. Hospital bills
- B. On site medical treatment
- C. Premiums for bonds
- D. Social security offsets

31. Most uninsured motorist coverage sections include an arbitration clause stating that BOTH parties must agree to arbitration. If agreed, each party will select an arbitrator. The two arbitrators select a third. If they cannot agree within _____, either may request that a selection be made by a judge.

- A. 10 days
- B. 30 days
- C. 60 days
- D. 90 days

32. Some jurisdictions or courts use a concept termed comparative negligence. Under this concept, if the negligence of the injured party is deemed minor compared to the negligence of the liable party, then the amount of the loss recovered will be _____.

- A. Lowered
- B. Raised
- C. Cancelled out
- D. Limited to \$5,000

33. In cases of a dispute between an insurer and an insured as to the meaning of certain clauses in the insurance contract, courts will often find against the insurer on grounds that

- A. Insurance companies have deepest pockets
- B. Insurers are usually wrong
- C. The party drawing up the contract has a better understanding and thus an advantage
- D. Insureds are always innocent victims

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34. If a person is driving another person's automobile with that person's permission, in an accident, the insurance naming that vehicle will be considered _____, and the insurance in which the driver is named will be _____.

- A. Secondary / primary
- B. Primary / secondary
- C. Cancelled / responsible
- D. Responsible / off the hook

35. Coverage pertaining to "occupying" a vehicle can mean which of the following

- A. Being in or upon the vehicle
- B. Getting in, out or off the vehicle
- C. Standing in front of the vehicle
- D. A & B only

36. The Law of Agency has bearing on automobile insurance when the owner of an insured vehicle allows someone else to operate it. The owner is the principal and the person using the vehicle is the agent. If an accident occurs, the principal is responsible for _____.

- A. Any and all liability
- B. For acts of the agent within the context of the agreement between principal and agent
- C. Nothing, the agent's insurance always pays
- D. Up to \$10,000 in liability

37. In California, every insurer offering a policy of automobile insurance shall set its rates so that a good driver shall be charged a rate that is at least _____ percent less than the lowest rate available to comparable drivers who are not considered to be good drivers.

- A. 10%
- B. 15%
- C. 20%
- D. 25%

38. Tort law is the result of both _____ and legislative acts.

- A. Insurers
- B. Court decisions
- C. Damaged parties
- D. Legal theories

39. Contributory negligence refers to a situation in which the party harmed _____.

- A. Increased the risk of harm through his own negligence
- B. Was solely responsible
- C. Was without any negligence
- D. Is exempt from liability

40. In the case where a licensed driver is instructing a student and an accident happens, the _____ generally has the liability.

- A. Licensed driver
- B. Student
- C. Insurer with the most coverage
- D. Drivers are both exempt, and neither



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