

How to use this test

This test is designed to help member agents assess job applicants' technical insurance knowledge. It is one of many tools that can be used to determine which candidate to hire. This test was prepared by IIAT staff and validated in agents' offices. It is intended only as a guide to technical knowledge. The results should be confirmed through personal interviews with the candidates and discussions with their previous employers. During validation, we found no correlation between test scores and the test-takers' years of experience.

This test can also be used to assess additional training needs for office staff. When used this way, individual questions are more important than overall test results.

How to give this test

Separate this instructions cover page from the rest of the test, retain, and give the test to the applicant. The applicant should mark the best response to each question on the sheet. Explain to the applicant that the test time will be limited to 40 minutes, and any unanswered questions will be counted as wrong. Be sure the applicant has a quiet, roomy place to take the test. Questions about the test itself should not be answered during the testing time.

Scoring this test

An answer key is provided below. To obtain a percentage score, total the number of correct responses, divide that number by the total number of questions on the test (50), and multiply by 100.

Score below 70%

Question the applicant thoroughly to determine where he or she encountered problems on the test. If incorrect answers are grouped together, the applicant may be unfamiliar with a particular policy. Some applicants have difficulty demonstrating their knowledge on a multiple choice test, and may be better able to prove their experience and knowledge by oral responses in an interview. You should expect to provide some additional training for this candidate if hired.

Score above 70%

This person probably has the knowledge to begin work immediately, with minimal orientation to the agency's accounts. However, discuss missed questions with the candidate and look for patterns that would indicate the need for additional training.

Score above 80%

This candidate displays above-average knowledge of insurance policies and coverages, but discuss areas where the candidate would like additional training if hired.

Hiring the applicant

There is no better time to consider the training needs of staff than when they are first hired. Be sure to discuss the test results with the person hired and search for areas where additional training would be beneficial. For more information, or to discuss individual test results, call Paul Martin at IIAT, 800/880-7428.

Personal Lines

Answer Key



1. d	6. b	11. b	16. b	21. c	26. d	31. d	36. d	41. c	46. d
2. c	7. b	12. d	17. c	22. c	27. d	32. d	37. c	42. b	47. c
3. a	8. d	13. a	18. d	23. d	28. b	33. b	38. b	43. d	48. b
4. c	9. b	14. b	19. a	24. a	29. d	34. c	39. b	44. d	49. b
5. b	10. c	15. b	20. c	25. a	30. c	35. d	40. a	45. d	50. b

Note to applicant

You have 40 minutes to complete this test. All questions relate to personal insurance written in Texas. Clearly mark the best response to each question. It is to your advantage to provide an answer to each question, even if you have to guess.

1. Which of the following properties is eligible for a homeowners policy?
 - a. A single-family dwelling occupied by the owner's mother.
 - b. A duplex occupied by the owner who rents out the other portion.
 - c. An apartment tenant.
 - d. All of the above are eligible.
2. On the HO-B, Coverage A (Dwelling) provides coverage for all of the following except:
 - a. The residence premises.
 - b. Structures on the premises that are not attached to the dwelling.
 - c. Personal effects inside the residence premises.
 - d. Wall-to-wall carpeting.
3. Which of the following homeowners forms provides only named peril coverage on the dwelling?
 - a. HO-A
 - b. HO-B
 - c. HO-C
 - d. Both the HO-A and HO-B
4. Which of the following homeowners forms provides coverage for unscheduled Personal Property on an "all-risk" basis?
 - a. HO-A
 - b. HO-B
 - c. HO-C
 - d. HO-B and HO-C
5. Under a homeowners policy, in order to provide additional coverage for other detached structures on the premises, you must:
 - a. Endorse the policy for an additional amount of insurance.
 - b. Indicate the specific amount of insurance on the declarations page.
 - c. Increase the amount of insurance on the dwelling (Coverage A).
 - d. The amount of insurance on additional structures cannot be increased.
6. Under Coverage B (Personal Property), the off-premises limit is:
 - a. The actual cash value of the property or 10% of Coverage B limit, whichever is greater.
 - b. \$1,000 or 10% of Coverage B limit, whichever is greater.
 - c. 10% of Coverage A limit or the replacement value of the property, whichever is greater.
 - d. 10% of Coverage A limit.
7. In the Texas Dwelling Policy–Form 3, coverage for fire, lightning, vandalism and malicious mischief will be suspended if the dwelling is vacant for:
 - a. 30 consecutive days.
 - b. 60 consecutive days.
 - c. 90 consecutive days.
 - d. 120 consecutive days.
8. Actual Cash Value (ACV) is defined as:
 - a. Replacement cost plus market value.
 - b. Market value less depreciation.
 - c. Replacement cost plus inflation rate.
 - d. Replacement cost less depreciation.
9. On the Texas Dwelling Policy–Form 3, Loss of Use coverage is provided in an amount equal to:
 - a. 10% of Coverage A (Dwelling) limit.
 - b. 20% of Coverage A (Dwelling) limit.
 - c. 15% of Coverage A (Dwelling) limit.
 - d. Loss of Use coverage is not provided on the Texas Dwelling Policy–Form 3.
10. The insured has a dwelling insured on an HO-B for \$60,000. The replacement value of the dwelling is \$100,000. Damage from a fire resulted in a loss with a replacement value of \$20,000. The actual cash value of the loss is \$18,000. Ignoring any deductible, how much would the insured receive?
 - a. \$24,000
 - b. \$20,000
 - c. \$18,000
 - d. \$15,000

11. On an unendorsed HO-B, loss by theft to watches, jewelry or furs is limited to:
 - a. \$100.
 - b. \$500.
 - c. \$5,000.
 - d. Replacement cost.
12. Which of the following characteristics of a dwelling is not used in determining a basic premium in the Homeowners manual?
 - a. Construction of the dwelling
 - b. Location of the dwelling
 - c. fire protection for the dwelling
 - d. Age of the dwelling
13. Coverage D—Medical Payments provides coverage in which of the following situations?
 - a. The neighbor's child falls out of a tree on the insured's premises and needs stitches.
 - b. The insured's son falls off of his swing and breaks his arm.
 - c. The insured trips and falls off of his porch.
 - d. The insured's mother, who lives with him, is injured while doing yard work on the premises.
14. Under Section II—Liability, coverage is provided for Damage to Property of Others. Which of the following statements is true regarding this coverage?
 - a. Replacement cost coverage is provided up to the limit selected by the insured.
 - b. It pays for damage, subject to the exclusions, without regard to negligence.
 - c. Property owned by a resident or a tenant is covered.
 - d. All of the above are true.
15. Under Section II—Liability, expenses incurred by the company to settle a claim are:
 - a. Included in the limit of insurance shown on the declarations page.
 - b. Paid in addition to the limit of insurance shown on the declarations page.
 - c. Charged back to the insured.
 - d. Deducted from the amount of insurance available to pay the claim.
16. On an HO-BT, loss of use coverage is computed at:
 - a. 20% of the Coverage A amount.
 - b. 20% of the Coverage B amount.
 - c. 20% of the current amount of rent paid by the insured annually.
 - d. A percentage determined by the insured and shown on the declarations page.
17. Which of the following property insured on a homeowners policy would not be covered off premises?
 - a. Jewelry
 - b. Money
 - c. Business property
 - d. Guns
18. Replacement cost coverage on personal property can be added by endorsement to:
 - a. The homeowners policy.
 - b. The Texas dwelling policy.
 - c. The tenant homeowners policy.
 - d. All of the above can be endorsed.
19. A new homeowners policy that has been in effect for more than 90 days may be canceled by the insurance company:
 - a. For nonpayment of premium.
 - b. For non-weather-related claims.
 - c. For a permitted business occupancy.
 - d. All of the above.
20. Which of the following locations would not be automatically covered as an "insured location" under the homeowners policy?
 - a. Vacant land, other than farm land, owned by the insured
 - b. A hotel room being used by the insured while on vacation
 - c. Rental property owned by the insured
 - d. The family cemetery plot
21. Which of the following statements regarding the Personal Auto Policy (PAP) is not true?
 - a. "Family members" include residents of the household related to the named insured by blood, marriage or adoption
 - b. "Covered autos" includes trailers owned by the named insured
 - c. In order to be covered for liability on the PAP, a household resident must be named on the policy.
 - d. The word "you" in the policy refers to the named insured and spouse.

22. Which of the following statements is not true regarding newly acquired vehicles on a PAP?
- A replacement vehicle has the same coverage as the vehicle it replaced.
 - If Coverage for Damage to Your Auto is to continue, the insured must notify the company within 30 days of acquisition.
 - Additional vehicles with liability only do not have to be reported to the company.
 - Additional vehicles have the broadest coverage of any vehicle on the policy for 30 days.
23. Which of the following would be covered by Part A–Liability Coverage on the Personal Auto Policy?
- Hospital bills for someone injured in an accident caused by the insured
 - Repair costs for a vehicle damaged in an accident caused by the insured
 - Defense costs incurred by the company to defend a claim against the insured
 - All of the above are covered
24. Which of the following expenses would be covered under Part B1–Medical Payments of the PAP?
- Necessary medical expenses & funeral expenses
 - Lost wages
 - Unlimited disability expenses
 - All of the above
25. Which of the following statements is true regarding Personal Injury Protection?
- PIP covers necessary medical expenses, funeral expenses and 80% of lost income as a result of an automobile accident.
 - PIP benefits are payable for the lifetime of the injured party, as long as the injury persists.
 - PIP benefits are payable to the insured and family members as well as anyone else occupying any auto the insured is driving.
 - PIP coverage is optional and must be requested in writing by the insured.
26. Which of the following statements regarding Uninsured/Underinsured Motorists coverage is true?
- This coverage is mandatory unless rejected in writing by the insured.
 - Damage to the insured’s personal property being transported in a covered auto is covered.
 - The uninsured motorist must be at fault in the accident.
 - All of the above are true.
27. Under Part D–Coverage for Damage to Your Auto, glass breakage caused by hitting a bird is payable under:
- Other Than Collision.
 - Collision.
 - Uninsured motorist.
 - Either a or b, at the option of the insured.
28. Which of the following statements is true regarding transportation expenses covered under Part D–Coverage for Damage to Your Auto?
- The insured must rent a car within 24 hours.
 - Coverage applies only in the event of the total theft of the covered auto.
 - Coverage provides \$40 per day to a maximum of \$800 for transportation expenses.
 - All of the above are true.
29. In the event of a loss covered under Part D–Coverage for Damage to Your Auto, the limit of liability would be:
- The actual cash value of the loss.
 - The amount stated in the declarations.
 - The amount necessary to repair or replace the damaged property.
 - Any of the above, whichever is less.
30. The policy territory of a Texas Personal Auto Policy is:
- The United States and its territories or possessions, Canada & Mexico.
 - The United States and its territories or possessions, Canada, Puerto Rico & Mexico.
 - The United States and its territories or possessions, Canada & Puerto Rico.
 - Texas only.

31. Which of the following vehicles would develop the lowest manual liability premium?
- The vehicle is used for pleasure only.
 - The vehicle is driven to and from work.
 - The vehicle is used in business by the insured.
 - The vehicle is used in farming activities.
32. Which of the following persons would be eligible for Personal Injury Protection benefits?
- The insured occupying his or her own auto
 - Another person occupying the insured's auto
 - The insured while walking along a road
 - All of the above are eligible
33. Which of the following does not fit the definition of an "uninsured motorist" in the PAP?
- A hit-and-run vehicle whose operator cannot be identified
 - A vehicle that runs the insured off the road but does not hit the insured
 - A vehicle that does not meet the minimum financial responsibility limit for the state
 - A vehicle that had insurance at the time of the accident but the claim was denied by the company
34. Kathy Adams has a Personal Auto Policy with a liability limit of \$100,000. While driving Sue Jones' car, Kathy has an accident that results in \$75,000 of damages for which she is liable. Sue Jones has a PAP with limits of \$50,000. Which of the following statements is true?
- Sue's policy would pay \$50,000 since it was her car involved in the accident. Since the policy limit is exhausted, there is no recovery for the remaining \$25,000.
 - Sue's and Kathy's policies will share the loss equally
 - Sue's policy is primary and pays the first \$50,000 and Kathy's policy is excess, paying the remaining \$25,000.
 - Kathy's policy would pay the full \$75,000 since she was driving.
35. Which of the following is considered an insured and eligible for benefits under Part C—Uninsured Motorists coverage?
- You or a family member riding in a neighbor's car
 - You or a family member while riding in your covered auto
 - A neighbor riding in your covered auto
 - All of the above are eligible for benefits
36. All of the following are covered for liability under a PAP except:
- An auto the insured rents while his is being repaired.
 - A vehicle borrowed by the insured's resident son from his girlfriend.
 - A travel trailer rented for the insured's family vacation.
 - A motorcycle the insured borrows from a friend.
37. Beth is insured under a PAP with liability limits of 100/300/50. An accident in which three people are injured results in suits against Beth for \$200,000, \$100,000 and \$50,000. If Beth is found liable for these damages, the policy would pay in total:
- \$350,000.
 - \$300,000.
 - \$250,000.
 - \$100,000.
38. Which of the following accidents would not be covered under the insured's PAP liability coverage?
- The insured's son causes an accident while delivering pizza in his father's car.
 - The insured leases his car to a neighbor for 6 months and the neighbor causes an accident.
 - The insured causes an accident while using his pickup in his sales business.
 - Neither b nor c would be covered.
39. After the Personal Auto Policy has been in effect for more than 60 days, the company may cancel for all of the following reasons except:
- Fraudulent claim.
 - Drunk driving conviction.
 - Nonpayment of premium.
 - Suspension of driver's license.
40. Which of the following coverages is not available from the TAIPA?
- Physical damage
 - Uninsured/Underinsured Motorists
 - Personal Injury Protection
 - Neither a nor c are available.

41. Which of the following is not a function of an umbrella policy?
- To provide additional limits of insurance after underlying policies have been exhausted
 - To provide coverage for some losses that may not be covered in the underlying policies,
 - To provide the insured with protection for all losses that are specifically excluded in the underlying policies.
 - To provide a higher limit of liability above the primary policies purchased by the insured
42. The insured has a \$1,000,000 umbrella policy with a self-insured retention of \$1,000. The insured is liable in an auto accident for \$120,000 bodily injury to one person. The underlying auto policy provides limits of 100/300/40. How much of the loss will the umbrella policy pay?
- \$120,000
 - \$20,000
 - \$119,000
 - \$19,000
43. Your insured has just purchased a 100hp outboard motorboat and has called you to obtain coverage. Assuming you have the option, which of the following is a good reason to insure the boat on a watercraft policy instead of by endorsement to the Homeowners policy?
- The insured will have a separate liability limit applying to the boat.
 - Medical payments coverage may apply to family members.
 - Coverage for physical damage to the boat usually can be included in the policy.
 - All of the above are good reasons.
44. Which of the following statements regarding flood insurance is true?
- Flood insurance may be written only in communities that have been declared eligible by the Federal Insurance Administration.
 - Flood insurance may be placed by any licensed property and casualty agent.
 - Flood insurance provides coverage in limited amounts as established by the federal program.
 - All of the above are true.
45. Which of the following items would not be covered by flood insurance?
- Personal property located inside the dwelling
 - Boat docks and swimming pools
 - Personal property located outside the dwelling
 - Neither b nor c would be covered
46. Which of the following extensions of coverage for indirect loss does the flood policy allow?
- Additional living expenses
 - Coverage for trees shrubs and plants
 - Loss of rental value
 - The flood policy does not cover indirect loss.
47. Which of the following articles cannot be insured on a Personal Articles Floater?
- Silverware
 - Cameras
 - Guns
 - Golf clubs
48. On a Personal Articles Floater, jewelry is valued at:
- Actual cash value.
 - Agreed amount.
 - Replacement cost.
 - Market value.
49. Coverage on a Personal Articles Floater is provided:
- On a named peril basis.
 - On an "all-risk" basis.
 - For theft only.
 - For those losses that the insured expects.
50. Which of the following losses to jewelry would be covered under a Personal Articles Floater but not covered under a homeowners policy, Coverage B?
- Theft
 - Mysterious disappearance
 - Burglary
 - All of the above are covered only under a PAF.