

Insurance Practice Test Questions and Answers

1. What is a 'named peril' policy?

- A) A policy that insures only the named insured, not additional insureds
- B) A policy that covers only the specific perils listed in the policy
- C) A policy that excludes all natural disasters
- D) A policy covering only property owned by the insured

2. What is 'moral hazard' in insurance?

- A) The risk of natural disasters beyond human control
- B) The increased likelihood that having insurance causes an insured to take greater risks or be less careful
- C) The insurer's ethical obligation to pay valid claims
- D) The risk associated with insuring high-net-worth individuals

3. What is a 'Business Owner's Policy' (BOP)?

- A) A policy covering only the business owner's personal assets
- B) A package policy combining commercial property and general liability coverage at a discounted rate for small to mid-sized businesses
- C) A surety bond required to open a business
- D) A key-person life insurance policy

4. What is the function of a 'public adjuster'?

- A) A government official who regulates insurer claim practices
- B) A licensed professional hired by the insured (not the insurer) to negotiate and settle claims on their behalf
- C) An independent adjuster assigned by the insurer to investigate large losses
- D) An attorney who litigates insurance coverage disputes

Answers: 1-B 2-B 3-B 4-B

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