

Test Alert!

Arizona

Property and Casualty Insurance

License Exam Manual, 2nd edition

7/22/08

P&C

The information included in this release, in addition to your other Kaplan Financial Education materials, is designed to assist you in preparing for concepts that your exam may include. We urge you to read it carefully and take time to review the sample questions and rationale.

Be sure to visit Kaplan Financial Education's Website at www.kaplanfinancial.com for the latest updates to this *Test Alert!*

A. GENERAL CONTENT

1. LEGAL LIABILITY

The Building and Personal Property coverage form covers damage to property of others in the insured's care, custody or control, regardless of whether the insured is legally liable for that loss. The **legal liability coverage form** also covers damage to property of others while in the insured's control, but only if the insured is legally liable for the damage. An insured may choose this form to obtain a lower rate because it covers fewer types of losses. Payment is made on behalf of the insured. Coverage may apply to exposures arising from the insured's occupancy of another person's building or from having custody of the property of others, such as customers' goods.

2. UMBRELLA POLICIES—Examples of coverage

- a. If an insured has a homeowners policy with liability coverage of \$100,000, and a personal umbrella policy with coverage of \$1 million, the umbrella policy would pay for a covered loss after the limits of the homeowners policy were exhausted. For a \$600,000 loss, the homeowners policy would pay \$100,000, and the umbrella policy would pay \$500,000.
- b. For losses that are excluded by the underlying policy, the umbrella policy would cover the loss, minus the amount of the retention limit (which acts like a deductible and must be paid for out of pocket). If an insured has a homeowners policy with liability coverage of \$100,000, a personal umbrella policy with coverage of \$1 million, and a retention limit of \$5,000, then a \$600,000 loss excluded by the underlying policy would be paid by the umbrella policy in the amount of \$595,000. The first \$5,000 of the loss would be paid by the insured.

3. BUSINESSOWNERS POLICIES

The money and securities optional coverage also applies while the money and securities are at the insured's place of business.

B. ARIZONA STATE LAW

1. MECHANICAL VENDING MACHINES [20-293]

- a. Only a licensed insurance producer who is authorized by the director may solicit applications for and issue policies by means of mechanical vending machines.
- b. The producer must supervise each machine and issue policies only of insurers authorized to transact business in Arizona.
- c. A policy may not be solicited and issued through a machine if:
 - the kind of insurance or form of policy to be sold is unsuitable for sale and issuance through vending machines;
 - use of a vending machine may pose a risk of harm to the public; or
 - the proposed type of vending machine is not reasonably suitable and practical for the purpose.
- d. The insurance producer must display evidence of authority to solicit applications and issue policies. The evidence of authority must specify:
 - the name and address of both the insurer and the insurance producer;
 - the kind of insurance and type of policy to be sold;
 - the place where the machine is to be in operation; and
 - the machine's identification number.

Part II
New Sample Questions

There are no new sample questions at this time.

Part III
Answers and Rationales

There are no new answers at this time.

Part IV

Errata

1. Unit 2 Quiz

Question #7

The answer is listed as A. The correct answer is B.

2. Unit 4 Quiz

Question #1

Question should read, "Which of the following statements concerning the commercial package policy are NOT correct?"

3. Question #4

This question applies to the businessowner's policy and should appear in Unit 8.

4. Unit 6, p. 135

Individual named insured endorsement should read "CA 99 17."

5. Unit 8 Quiz

Question #9

The correct answer is B. The rationale is incorrect. Employee vandalism, weather conditions, and negligent work are excluded on the BOP.

6. Unit 10 Quiz

Question #1

The answer is listed as C. The correct answer is B.

7. Sample Exam

Question #9, p. 111

This question has more than one right answer. It will be rewritten in the next edition. Aircraft hull coverage can be written for a variety of circumstances, depending on what is listed in the declarations.

Question #68, p. 206

This question has more than one right answer. The listed answer, A, is incorrect. Business income is an available coverage, as is extra expense. There is no coverage specifically for consequential damage (which is just another name for a direct loss, generally) or business interruption (which is a type of business income coverage itemized in the commercial property coverage part).

To submit comments or suggestions, please send an email to errata@kaplan.com.