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Question: 1

Adriana works for a company that provides basic short-term disability insurance. The employees have the option to purchase additional coverage for an additional cost. Which type of disability coverage does Adriana's company offer?

- A. Voluntary
- B. Traditional
- C. Contributory
- D. Core buy-up

Answer: D

Explanation:

Core buy-up provides the employee with a specified level of coverage paid for by the employer. The employee may choose to pay out of pocket for more robust coverage. Voluntary coverage (option A) is when the employee pays the entire cost for disability insurance. For traditional coverage (option B), the employer covers the entire premium. For contributory coverage (option C), the employer and the employee share the cost of the insurance premiums.

Question: 2

The declarations for a commercial general liability (CGL) policy normally lists a general aggregate limit. Which of the following best describes what "general limit" means?

- A. The maximum an insurer will pay on a single claim including medical payments
- B. The maximum an insurer will pay for all claims occurring within a five-year period
- C. The maximum an insurer will pay for a single occurrence including defense costs
- D. The maximum an insurer will pay for all claims occurring within one policy period

Answer: D

Explanation:

The general aggregate limit applies to a single policy period and would be the maximum the insurer would pay for all claims combined within that policy period. Option A describes the limit applied to each occurrence. Option B is incorrect because the general aggregate limit does not extend across multiple policy periods. For option C, the claim would be subject to the per occurrence limit. Whether or not the defense costs are applied against the available limits depends on the specific policy language.

Question: 3

Coverage D of a homeowners insurance policy reimburses the insured for loss of use including the cost of additional living expenses. What is the maximum time period that the policy will reimburse for additional living expenses?

- A. 12 consecutive months
- B. 6 months per policy period
- C. 90 consecutive days
- D. 45 days per policy period

Answer: A

Explanation:

The maximum time period for which an insured can claim additional living expenses related to a covered loss is 12 consecutive months.

Question: 4

Which of the following claims would not be subject to the NAIC Unfair Claims Settlement Practices Act?

- A. The insured reports a claim for hail damage to her 2018 Toyota Corolla.
- B. The insured reports an auto accident under his auto policy which includes personal injury protection coverage.
- C. The claimant reports to the insured's homeowners insurance company that she was bitten by the insured's beagle.
- D. The insured, a banking company, reports a claim involving an employee stealing company funds.

Answer: D

Explanation:

The NAIC Unfair Claims Settlement Practices Act does not apply to certain claim types. A claim for employee dishonesty is considered a claim involving fidelity. These claims are specifically excluded by the Act. For options A and B, the Act would be applicable because the claims are made under auto insurance policies. Option C would also be subject to the Act because the claim was made under a homeowners insurance policy.

Question: 5

Which one of the following scenarios would NOT result in a claim denial on a standard HO-3 policy?

- A. An insured has a house that was intentionally set on fire by their non-resident partner.
- B. An insured has an older roof that needs to be replaced due to age, wear and tear, and deterioration.
- C. An insured has a property that has foundation issues due to settling and shifting of the land.
- D. An insured has an oceanfront property that is damaged by flood waters during a hurricane.

Answer: A

Explanation:

If a non-resident member of the household intentionally sets the house on fire, then the claim would be covered under a standard HO-3 policy, as long as the insured had no prior knowledge regarding the arson.

There are exclusions in a standard HO—3 policy for damage caused by age, wear and tear, deterioration, earth movement (such as settling and shifting), and flood waters. These three scenarios would result in a claim denial.

Question: 6

Which of the following states/territories does NOT offer reciprocity for any other state's insurance adjuster's license?

- A. Florida
- B. District of Columbia
- C. New Jersey
- D. New York

Answer: D

Explanation:

The New York adjuster license is not reciprocal with any other state and requires passing the New York adjuster exam to work as an independent or public adjuster. California and Hawaii also practice this non-reciprocity.

Florida accepts reciprocal licenses from all other states except New York, California, and Hawaii. The District of Columbia and New Jersey do not require an adjuster's license.

Question: 7

Which of the following could be considered a violation of the Unfair Claims Settlement Practices Act?

- A. An adjuster's failure to respond to an insured's email within a month
- B. An adjuster not returning a phone call the day you left a message
- C. An insured not providing required documentation in a timely manner
- D. An insured not returning a phone call the day the insurance company left a message

Answer: A

Explanation:

Many states have laws that govern the amount of time within which an insurance company must respond to communication from an insured.

An adjuster's failure to respond promptly to an insured's email in a reasonable amount of time may be a violation of an Unfair Claims Settlement Practices Act.

An adjuster not returning a phone call the day you left a message is not a reasonable delay of the claims process.

The Unfair Claims Settlement Practices Act protects the insured in dealings with their insurance company and does not regulate the actions and timeliness of the insureds.

Question: 8

The business owners policy (BOP) includes a number of property loss conditions. Which of the following scenarios would invoke the appraisal clause of the property loss conditions?

- A. Ben disagrees with his insurer's appraisal of his auto body shop that was destroyed in a fire. He retains his own appraiser and submits a written demand for appraisal.
- B. Lauren believes her insurer undervalued the damage her flower shop sustained in a hailstorm. She retains an attorney and instructs him to file a lawsuit against the insurer.
- C. Caitlin's jewelry shop is broken into, and a significant portion of her inventory is stolen. She rejects her insurer's settlement offer. She then submits a written demand for arbitration.
- D. Chris runs a small IT services company. A heavy branch shatters a skylight during a severe thunderstorm, causing several computers to sustain water damage. The computers were all custom-built, and Chris believes his insurer's assessment of the damage is insufficient. He files a complaint with his state's Department of Insurance.

Answer: A

Explanation:

To trigger the Appraisal clause of the business owners policy (BOP), either the insured or insurer needs to make a written demand for appraisal. Once the appraisal clause is triggered, each side appoints an appraiser at their own expense. The appraisers then agree on an umpire who will intervene should the two appraisers be unable to reach a consensus on the appraisal value. For option B, filing a lawsuit is not part of the appraisal clause, so it would not automatically trigger further action. For option C, demanding arbitration may set the steps of the appraisal clause process in motion, but arbitration is not a required step. Option D would not invoke the appraisal clause.

Question: 9

Erin is a new college graduate who has just purchased a single-family home. She wants to ensure that her home has the most comprehensive coverage. She is less concerned about her personal property, as most of her furniture was handed down by relatives. Which of the following homeowners policy forms would best provide the coverage Erin is looking for?

- A. HO-2
- B. HO-1
- C. HO-3
- D. HO-6

Answer: C

Explanation:

The HO—3 policy would be the best fit for Erin. The HO—3 provides open peril coverage for the home and named perils coverage for the contents of the home. HO—2 (option A) and HO—I (option B) would provide less coverage than Erin is seeking, as both the property and the contents are only covered on a named peril basis in these forms. HO—6 (option D) would not be appropriate as it is intended for condominium owners.

Question: 10

In order for a claim to be valid, the insured and/or claimant must have incurred damage or injury of some kind. Which of the following is an example of general damages?

- A. A jury awards the plaintiff an additional \$50,000 because the defendant was extremely intoxicated at the time of the auto accident
- B. A claimant receives \$1,000 for her pain and suffering after being bitten by the insured's chihuahua.
- C. An insurance company issues a check for \$500 to a claimant for lost wages.
- D. A claimant incurred \$7,500 in medical bills from going to the emergency room following a slip and fall at the insured's gas station.

Answer: B

Explanation:

General damages are non-quantifiable damages for which there is no exact numerical value. For the scenario in option A, the damages are punitive in nature, as they are intended to punish the negligent party for egregious conduct. Options C and D would be examples of special damages, as wage loss and medical bills are quantifiable.

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