



Insurance Adjuster

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Practice Questions

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1. What is the term for the initial report a policyholder makes to begin a claim?

- A. First Notice of Loss
- B. Proof of Loss
- C. Reservation of Rights
- D. Subrogation Demand

2. A 'named peril' property policy covers loss:

- A. From any cause not excluded
- B. Only from perils specifically listed in the policy
- C. Only from flood
- D. Only from theft

3. Liability insurance protects the insured against:

- A. Legal responsibility for bodily injury or property damage to others
- B. Damage to the insured's own car
- C. Lost wages of the insured
- D. The insured's medical bills only

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4. The declarations page of a policy primarily states:

- A. The named insured, limits, premium, and policy period
- B. All exclusions in full
- C. The claims process steps
- D. The state insurance code



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5. A roof costs \$12,000 to replace, has a 20-year life, and is 5 years old. Straight-line depreciation reduces its value by:

- A. \$6,000
- B. \$3,000
- C. \$1,200
- D. \$12,000

6. Insurance fraud generally requires:

- A. A knowing misrepresentation made to obtain a benefit the person is not entitled to
- B. An honest mistake on a form
- C. A late premium payment
- D. A small claim

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7. An insurer owes its insured a duty of:

- A. Good faith and fair dealing in handling claims
- B. Maximizing its own profit at the insured's expense
- C. Secrecy about coverage
- D. Delay

8. In most states, a person who adjusts insurance claims for compensation must:

- A. Hold an adjuster license where required
- B. Have no qualifications
- C. Be an attorney
- D. Be an actuary

9. Under most property policies, an insured's duty after a loss includes all of the following EXCEPT:

- A. Promptly notifying the insurer
- B. Determining the policy's coverage limits before reporting
- C. Protecting the property from further damage
- D. Cooperating with the investigation

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10. Under an 'open peril' (all-risk) form, the burden of proof generally shifts so that:

- A. The insurer must show an exclusion applies to deny coverage
- B. The insured must prove a named peril
- C. Coverage never applies
- D. Only theft is covered

11. An insurer's duty to defend a liability claim is generally triggered when:

- A. The allegations potentially fall within coverage
- B. Liability is proven at trial
- C. The insured admits fault
- D. The claim is closed

12. The insuring agreement of a policy:

- A. Lists only the premium
- B. States the insurer's basic promise of what is covered
- C. Contains only definitions
- D. Cancels the policy

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13. Using the prior roof example, the actual cash value (ACV) the insurer would owe before the deductible is:

- A. \$9,000
- B. \$3,000
- C. \$12,000
- D. \$6,000

14. 'Soft' (opportunistic) insurance fraud typically involves:

- A. Staging an entire accident
- B. Padding or exaggerating an otherwise legitimate claim
- C. Arson for profit
- D. A fictitious policyholder

15. Bad faith in claims handling generally involves:

- A. Paying a claim promptly
- B. Unreasonably denying or delaying a claim without a reasonable basis
- C. Investigating thoroughly
- D. Explaining a denial clearly



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16. The primary state regulator overseeing insurance and adjusters is the:

- A. Federal Reserve
- B. Department (or Commissioner) of Insurance
- C. Department of Labor
- D. Securities and Exchange Commission

17. An adjuster sends a reservation of rights letter primarily to:

- A. Admit the claim is fully covered
- B. Deny the claim outright
- C. Investigate while preserving the right to later deny coverage
- D. Waive the policy's exclusions

18. In a homeowners policy, Coverage A typically insures:

- A. The dwelling structure
- B. Personal liability
- C. Medical payments to others
- D. Loss of use

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19. In liability coverage, 'bodily injury' typically refers to:

- A. Damage to a building
- B. Physical injury, sickness, or disease, including death resulting from it
- C. A financial loss only
- D. Reputational harm only

20. Exclusions in an insurance policy function to:

- A. Add new coverages
- B. Increase the premium
- C. Remove or limit coverage that would otherwise apply
- D. Define the insured only



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21. On a replacement cost policy, 'recoverable depreciation' is paid:

- A. Never
- B. Up front with the ACV payment
- C. After the insured completes repairs and submits proof of the actual cost
- D. Only if the insured sues

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22. 'Hard' insurance fraud refers to:

- A. Forgetting to report a loss
- B. Slightly overstating a value
- C. Deliberately fabricating or staging a loss that never occurred
- D. Paying premiums late

23. Unfair claims settlement practices acts typically prohibit:

- A. Prompt communication
- B. Fair investigation
- C. Misrepresenting policy provisions or coverage to claimants
- D. Documenting the file

24. To keep an adjuster license active, most states require:

- A. Nothing after the first issuance
- B. A new exam every month
- C. Periodic renewal and continuing education
- D. A federal permit

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25. A 'proof of loss' is best described as:

- A. A police report of the incident
- B. A photo log of the damage
- C. A sworn statement of the amount and cause of loss
- D. The declarations page



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26. Homeowners Coverage C generally insures:

- A. The dwelling
- B. Detached structures
- C. Personal property (contents)
- D. Liability to others

27. Property damage liability covers the insured's legal liability for:

- A. Injury to the insured
- B. The insured's own property
- C. Physical injury to or destruction of another's property
- D. The insured's medical bills

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28. Policy 'conditions' are:

- A. Requirements both parties must meet for coverage to apply
- B. Always exclusions
- C. The premium schedule
- D. The agent's commission

29. An insurer typically declares an auto a total loss when:

- A. Any damage occurs
- B. Repair costs (plus salvage) meet or exceed a threshold percentage of the vehicle's actual cash value
- C. The owner requests it
- D. The car is over 5 years old

30. A claim filed shortly after coverage is purchased or a limit is increased is:

- A. A potential red flag warranting closer review
- B. Automatic proof of fraud
- C. Always fraudulent
- D. Irrelevant



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Answer Key & Explanations

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1. A — First Notice of Loss

First Notice of Loss (FNOL) is the policyholder's initial report that triggers the claims process and starts applicable timelines for adjuster contact.

2. B — Only from perils specifically listed in the policy

Named-peril forms cover only the perils explicitly listed; the insured must show the loss was caused by a listed peril.

3. A — Legal responsibility for bodily injury or property damage to others

Liability coverage pays sums the insured becomes legally obligated to pay third parties for covered bodily injury or property damage, plus defense.

4. A — The named insured, limits, premium, and policy period

The declarations (dec) page summarizes the specific facts of the contract: insured, covered property, limits, deductibles, premium, and effective dates.

5. B — \$3,000

Depreciation = (age/life) x cost = (5/20) x \$12,000 = \$3,000, so ACV would be \$12,000 - \$3,000 = \$9,000 before any deductible.

6. A — A knowing misrepresentation made to obtain a benefit the person is not entitled to

Fraud requires a knowing, intentional false statement or act intended to obtain an undeserved insurance benefit; honest errors are not fraud.

7. A — Good faith and fair dealing in handling claims

The implied covenant of good faith and fair dealing requires insurers to handle claims honestly and fairly, considering the insured's interests.

8. A — Hold an adjuster license where required

Most states require adjusters to be licensed, meeting education, examination, and character requirements before handling claims for pay.

9. B — Determining the policy's coverage limits before reporting

Deciding coverage and limits is the adjuster's task. The insured's duties are notice, mitigation, protection of property, and cooperation.

10. A — The insurer must show an exclusion applies to deny coverage

Open-peril forms cover all direct physical loss except what is excluded, so the insurer bears the burden of proving an exclusion to deny.

11. A — The allegations potentially fall within coverage

The duty to defend is broader than the duty to indemnify and arises whenever the complaint's allegations potentially come within the policy's coverage.



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12. B — States the insurer's basic promise of what is covered

The insuring agreement is the core promise describing what the insurer will pay for, subject to the policy's conditions and exclusions.

13. A — \$9,000

ACV = replacement cost minus depreciation = \$12,000 - \$3,000 = \$9,000.

14. B — Padding or exaggerating an otherwise legitimate claim

Soft fraud is exaggerating a real loss, such as inflating the value of damaged items, as opposed to fabricating the entire event (hard fraud).

15. B — Unreasonably denying or delaying a claim without a reasonable basis

Bad faith is the unreasonable handling of a claim, such as denying or delaying without a reasonable basis, breaching the duty of good faith.

16. B — Department (or Commissioner) of Insurance

Each state's department of insurance, led by a commissioner or director, regulates insurers, agents, and adjusters within the state.

17. C — Investigate while preserving the right to later deny coverage

A reservation of rights notifies the insured that the insurer is investigating but may dispute coverage, preventing an unintended waiver of policy defenses.

18. A — The dwelling structure

Coverage A is the dwelling itself; other coverages address other structures, contents, loss of use, and liability.

19. B — Physical injury, sickness, or disease, including death resulting from it

Bodily injury means physical harm to a person; purely economic or reputational harm is usually addressed under other coverages.

20. C — Remove or limit coverage that would otherwise apply

Exclusions carve out certain perils, property, or losses from the otherwise broad insuring agreement.

21. C — After the insured completes repairs and submits proof of the actual cost

RCV policies first pay ACV, then release the held-back (recoverable) depreciation once the insured actually repairs/replaces and documents the cost.

22. C — Deliberately fabricating or staging a loss that never occurred

Hard fraud involves intentionally causing or completely fabricating a loss (e.g., staged collisions, arson) to collect insurance proceeds.

23. C — Misrepresenting policy provisions or coverage to claimants

Model unfair claims practices laws bar misrepresenting policy terms, failing to investigate, and other practices that harm claimants.

24. C — Periodic renewal and continuing education

Adjuster licenses must be renewed periodically, typically conditioned on completing continuing education to stay current on law and practice.

25. C — A sworn statement of the amount and cause of loss

A proof of loss is a formal, usually sworn document in which the insured states the amount claimed and



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supporting facts; many policies require it within a set period.

26. C — Personal property (contents)

Coverage C covers the insured's household personal property, usually on a named-peril basis under standard forms.

27. C — Physical injury to or destruction of another's property

This coverage applies when the insured is legally responsible for damaging someone else's tangible property.

28. A — Requirements both parties must meet for coverage to apply

Conditions are the rules of the contract, such as notice, cooperation, and proof of loss duties, that affect the insurer's obligation to pay.

29. B — Repair costs (plus salvage) meet or exceed a threshold percentage of the vehicle's actual cash value

A vehicle is totaled when repair cost relative to ACV exceeds the insurer's or state's total-loss threshold, making repair uneconomical.

30. A — A potential red flag warranting closer review

Recent inception or coverage increases just before a loss are red flags that justify added scrutiny, though they are not proof of fraud by themselves.



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