

#186 – HOMEOWNERS INSURANCE VALUATION – FINAL EXAM

1. The California Residential Insurance Bill of Rights explains the _____ a consumer has when a loss has occurred.

- A. Legal rights
- B. Underwriter access
- C. Dollar amount
- D. Subrogated rights

2. Loss settlement provisions define the method used to determine the _____ the insured will receive for a claim.

- A. Loss ratio
- B. Replacement cost
- C. Amount of money
- D. Actual cash value

3. Additional living expense (Coverage D) is typically limited to _____% of coverage A.

- A. 10%
- B. 20%
- C. 33%
- D. 40%

4. Type I construction is considered _____.

- A. Fire resistive
- B. Non-combustible
- C. Ordinary
- D. Combustible

5. **Everett v. State Farm (2008)** concluded that homeowners, rather than property insurers had the duty to maintain limits equal to replacement costs. The passage of AB 2022 appears to effectively _____ Everett.

- A. Nullify
- B. Reinforce
- C. Somewhat cancel
- D. Detract from

6. Market value is not used by insurers as a loss valuation method.

- A. This is false
- B. This is a true statement
- C. No one knows
- D. It is sometimes used for replacement cost

7. Demand surge causes insured losses (prices for labor and materials) to rise significantly after _____.

- A. Summer
- B. Year end
- C. Certain large-scale disasters
- D. Every 10th year

8. Replacement cost coverage is intended to provide the cost to repair or replace a damaged dwelling without a deduction for _____.

- A. Actual cash value
- B. Discounts
- C. Depreciation
- D. Mold

9. Replacement cost estimates should NOT be based on

- A. Resale value of the land
- B. The outstanding balance of any loan
- C. A deduction for depreciation
- D. All of the above should be excluded from a replacement cost estimate

10. Guaranteed replacement cost coverage covers the full cost to repair or replace a damaged dwelling for a covered peril

- A. Up to a stated limit
- B. Regardless of the dwelling limits
- C. For exactly three times the dwelling limits
- D. For the actual cash value amount

11. Regarding agents and demand surge, an agent cannot include demand surge in valuation estimates, but he can apprise customers that _____.

- A. Nothing can be done
- B. It doesn't happen often
- C. Additional coverage may cover it
- D. It is nothing to be concerned about

12. Dwelling coverage is used more frequently for _____ and homes that do not qualify for standard or preferred ratings.

- A. Autos
- B. Landlord / tenant properties
- C. Mobile homes
- D. Condos

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13. Functional replacement cost is where an insurer covers replacement cost for an old vintage home using _____ . It is usually a cost-saving measure.

- A. New techniques and materials
- B. The best materials
- C. Old world materials
- D. The exact same materials

14. Houses with more outside corners are generally _____ .

- A. More expensive to replace
- B. Less expensive to rebuild
- C. The same as plain houses
- D. Not insurable

15. Extended replacement cost coverage provides additional coverage

- A. Above the dwelling limits
- B. Up to a stated percentage
- C. Up to a stated dollar amount
- D. Any of the above

--- END EXAM ---

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