



- 6) A construction company builds a deck for a homeowner and six months after the job was finished the deck crashes to the ground and causes damage to the homeowner. Such an accident is a
- Products and Completed Operations Loss
  - Operations Loss
  - Premises Loss
  - Contractual Loss
- 7) Theft is defined as
- forcible removal of property
  - forced entry and subsequent removal of property
  - vanished property for which there is no explanation
  - any act of stealing
- 8) Which of the following statements about the Automobile Assigned Risk Program are accurate?
- The program decides which company is assigned to a particular insured
  - Several insurers are usually assigned to share any losses created by a single insured
  - Any agent can assign a company to a specific insured
- I only
  - II only
  - I and II only
  - I, II and III
- 9) The unintentional actions of one individual which result in causing injury to another individual is the concept of
- No fault
  - Carelessness
  - Legal Liability
  - Negligence
- 10) Cliff Hanger owns an office supply store and has Premises Burglary Insurance. Late one night a trusted employee breaks into the store and steals some office furniture. The policy will
- cover some of the loss
  - cover all of the loss
  - not cover the loss because such an act by an employee is excluded
  - not cover the loss because the worker had a right to be in the store
- 11) Bodily injury includes all of the following concepts EXCEPT
- pain and suffering
  - libel
  - death
  - medical expenses
- 12) Workers Compensation policies cover all of the following losses, EXCEPT
- employee medical expenses
  - income lost due to disability
  - reimbursement to the business owner for the lost services of an insured key employee
  - cost associated with rehabilitating an injured employee
- 13) The coverage provided under an insurance contract can be found in which of the following sections of a casualty contract?
- Insuring Agreement
  - Conditions Clause
  - Declarations
  - Exclusions
- 14) Workers Compensation Insurance Part One will provide payment for all of the following situations, EXCEPT
- the worker's negligence contributed to his injury
  - costs to defend the employer against third party lawsuits
  - the worker was hurt due to the negligence of a coworker
  - the worker was not properly trained to do the task at which he was injured
- 15) An unidentified party bores a drill through a lock to gain entry to a store and steals merchandise. The loss involves which peril?
- Fidelity
  - Robbery
  - Mysterious Disappearance
  - Burglary
- 16) An item which is missing without apparent explanation is referred to as a
- Theft
  - Mysterious Disappearance
  - Robbery
  - Burglary
- 17) Under a personal auto policy, if the insured drives his vehicle over a large rock, damage is paid under which coverage?
- Medical Payments
  - Collision
  - Comprehensive
  - Bodily injury and Property Damage

- 18) According to an automobile insurance contract, the insured owes a duty to do which of the following after an accident?
- Contact the police immediately
  - Complete an accident report with the Department of Motor Vehicles
  - Contact the Insurance Company as soon as possible
  - Take the vehicle to an auto body repair shop immediately for a damage estimate
- 19) A Products and Completed Operation Form will cover which of the following?
- Injury which happens after the possession of a product has been relinquished
  - Injury caused by a defective product
  - Injuries caused by a brewing company who makes a batch of beer that turns rancid because of a bottling error.
- I only
  - II only
  - I and II only
  - I, II and III
- 20) A building subcontractor is hired to install central heating into a building which is being contracted. As the subcontractor is removing the heating unit from its container, it slips and falls out and is damaged. Which of the following coverages, if any, will protect such a loss?
- Negligence Liability
  - Commercial General Liability
  - Products Liability
  - None of the Above
- 21) "Hold Harmless" agreements can create an exposure to loss which is best covered by which of the following types of insurance?
- Contractual Liability
  - Completed Operations Liability
  - Advertising Liability
  - None of the Above
- 22) An auto policy has a combined single limit of \$1,000,000 for Bodily injury and Property damage. If three parties are hurt and incur \$500,000 of bodily injury per victim, the policy will pay a maximum of
- \$ 500,000
  - \$ 800,000
  - \$1,000,000
  - \$1,800,000
- 23) "Replacement cost minus physical depreciation" is the definition of
- Actual Cash Value
  - Replacement Cost
  - Pro Rata Liability
  - Coinsurance
- 24) The sections of a casualty insurance contract which names the parties to the agreement is called the
- Insuring Agreement
  - Conditions
  - Declarations
  - Liability Section
- 25) The portion of an insurance contract which sets forth the duties and rights of the insured and of the insurance company is
- Exclusions
  - Conditions
  - Waivers
  - Declarations
- 26) Who is considered the insured under coverage from a Fidelity Bond?
- An employee
  - A creditor
  - An employer
  - A subcontractor
- 27) Clara Clumsy was the at-fault driver in an accident with Vinnie Victim. Vinnie's car was destroyed and he received \$50,000 for his bodily injuries while the passenger in his car, William Whiplash incurred \$10,000 in medical expenses. Clara's auto policy has Bodily Injury coverage of \$30,000 per person and \$60,000 per accident and Property damage coverage of \$5,000. Her policy will pay a maximum of
- \$45,000
  - \$50,000
  - \$60,000
  - \$65,000
- 28) Under all of the following coverage forms, payment will be made only to an insured with the exception of
- a fidelity blanket bond
  - bodily injury and property damage liability
  - commercial property building
  - auto other than collision coverage

- 29) A manufacturer makes toy riding vehicles for small children. If a toy is made defectively and results in the bodily injury of a child, which of the following coverages, if any, will provide protection?
- A) Contractors Liability
  - B) Commercial General Liability
  - C) Workers Compensation
  - D) None of the above
- 30) Robert Reckless is at-fault in an auto accident with Sally Sherbet and Sally's insurance company pays her claim and then legally goes after Robert to recover. This is an example of
- A) Pro Rata Liability
  - B) Subrogation
  - C) Appraisal
  - D) Negligence
- 31) An insurance company's representative inspects an insured building and notices loose carpeting on some of the stairs. This condition is known as a
- A) peril
  - B) risk
  - C) legal liability
  - D) hazard
- 32) The Commercial General Liability policy will cover which of the following loss exposures?
- I) Premises Liability
  - II) Insured Contracts
  - III) Completed Operations
- A) I only
  - B) III only
  - C) I and III only
  - D) I, II and III
- 33) Losses which arise out of which of the following operations will be covered in a Commercial General Liability policy?
- I) Those which are business and personal
  - II) Those which happen on the insured premises
  - III) Those which happen away from the insured premises
- A) II only
  - B) III only
  - C) II and III only
  - D) I, II and III
- 34) An event which takes place instantly and is unforeseeable is an example of
- A) an occurrence
  - B) an accident
  - C) an arbitration
  - D) a subrogation
- 35) An insured shall not gain economically from a policy in the event of loss. This is the
- A) Principle of Liberalization
  - B) Principle of Indemnification
  - C) Principle of Quid Pro Quo
  - D) Principle Assumption of Risk
- 36) Under a personal auto policy, if the insured's vehicle has a rock fly through her windshield, damage is paid due to which coverage?
- A) Medical Payments
  - B) Collision
  - C) Comprehensive
  - D) Bodily Injury and Property Damage
- 37) The term "Occurrence" includes all of the following concepts EXCEPT
- A) It is a time specific event
  - B) It can be a repeated exposure
  - C) It can be a continuous exposure
  - D) It is a much broader term than accident
- 38) Under an automobile policy a deductible applies to which of the following policy
- A) Medical Payments
  - B) Physical Damage
  - C) Car Rental
  - D) Property Damage Liability
- 39) Written agreements can lead to legal liability. To insure against such loss exposure the insured should purchase
- A) Completed Operations Liability form
  - B) Advertising Liability form
  - C) Contractual Liability form
  - D) Errors and Omission form
- 40) Under a personal auto policy, if the insured's vehicle comes into contact with a moose, damage is paid due to which coverage?
- A) Medical Payments
  - B) Collision
  - C) Comprehensive
  - D) Bodily Injury and Property Damage

- 41) "Liberalization" basically means
- A) expanded policy coverage is granted to older policy holders at no cost if a new form includes broader coverage
  - B) expanded policy coverage is granted to older policy holders at a discounted premium if a new form includes broader coverage
  - C) court decisions which alter contract meanings automatically change the contract to the same interpretation
  - D) insurance companies are allowed to expand premium cost and reduce coverage in times of economic uncertainty
- 42) "uncertainty of loss" is the basic definition of
- A) Uninsurability
  - B) Risk
  - C) Indemnification
  - D) Gambling
- 43) An applicant for automobile insurance states that he has not received a moving violation in the last 36 months. This statement is an example of
- A) Warranty
  - B) Omission
  - C) Representation
  - D) Concealment
- 44) An insured may cancel an automobile policy
- A) At any time by notifying the company
  - B) Upon providing 10 days written notice to the company
  - C) by completing the proper paperwork as required by the company
  - D) by contacting the state department of insurance
- 45) Which of the following actions is required by the Fair Credit Reporting Act?
- I) An insurance company must send a copy of a credit report to an insured upon request
  - II) An insurance company must notify an applicant in advance if an inspection report will be ordered.
  - III) An insurance company may not use any information which an applicant claims is inaccurate.
- A) I only
  - B) II only
  - C) I and II only
  - D) II and III only
- 46) Under a casualty Insurance contract, if the insurance company and the insured disagree on the amount of loss involved, which of the following will occur?
- A) The claim is automatically denied
  - B) The insurance company pays whatever it decides is fair
  - C) Each party selects an appraiser and each appraiser agrees upon a referee
  - D) Each party gets two estimates and the average of estimates is the amount paid.
- 47) If an insured has more than one policy on the same property with separate insurers, the contract provision that will apply in the event of loss is
- A) Indemnification
  - B) Subrogation
  - C) Over- Insurance
  - D) Pro Rata Liability
- 48) A newspaper carries \$1,000,000 coverage for Personal and Advertising Liability under the terms of a Commercial General Liability policy. The editor of the newspaper intentionally publishes a story which he knows to be slanderous and false. The paper is sued and a judgment is entered against them for \$2,000,000. The policy will pay
- A) \$2,000,000
  - B) \$1,000,000
  - C) \$ 500,000
  - D) Nothing
- 49) Under a Commercial General Liability policy a disagreement between the insurance company and the insured regarding the loss amount can be settled by
- A) A lawsuit
  - B) Subrogation
  - C) Averaging independent loss estimates from each party to the dispute.
  - D) Arbitration
- 50) When a car is entered into by a thief and an item of equipment is removed, coverage will exist under which of the following?
- A) Other than Collision (Comprehensive)
  - B) Collision
  - C) Burglary
  - D) Property Damage Liability

**ANSWER KEY  
FOLLOWS**

# CASUALTY

## ANSWER KEY TO SIMULATEDPART 1

- |       |       |
|-------|-------|
| 1) C  | 26) C |
| 2) B  | 27) A |
| 3) A  | 28) B |
| 4) B  | 29) B |
| 5) C  | 30) B |
| 6) A  | 31) D |
| 7) D  | 32) D |
| 8) A  | 33) C |
| 9) D  | 34) B |
| 10) C | 35) B |
| 11) B | 36) C |
| 12) C | 37) A |
| 13) A | 38) B |
| 14) B | 39) C |
| 15) D | 40) C |
| 16) B | 41) A |
| 17) B | 42) B |
| 18) C | 43) C |
| 19) C | 44) A |
| 20) D | 45) B |
| 21) A | 46) C |
| 22) C | 47) D |
| 23) A | 48) D |
| 24) C | 49) D |
| 25) B | 50) A |

**PROCEED TO ILLINOIS  
INSURANCE LAW EXAM  
FOR PROPERTY INSURANCE**



- 8) In which of the following automobile policies must a cancellation provision be included?
- A) A Policy covering five vehicles
  - B) Policies insuring automobiles at auto sales agencies or repair shops
  - C) A personal automobile policy
  - D) Autos covered by the Illinois Auto Insurance Plan
- 9) The Illinois Automobile Insurance Plan offers coverage for
- A) Uninsured motorists
  - B) Collision
  - C) Comprehensive
  - D) All of the above
- 10) The equipment exclusion applies to which of the following policy type?
- A) Extended Coverage
  - B) Fire Insurance
  - C) Automobile Insurance
  - D) Workers' Compensation Insurance
- 11) All of the following statements about the Defensive Driving Discount are false, EXCEPT:
- A) An Insured must be 55 years of age or older
  - B) The reduction is effective for 2 years
  - C) It applies to vehicles which are part of a fleet
  - D) A motor vehicle violation within the last year will not prevent the discount
- 12) A Personal Auto policy may be canceled more than 60 days after the effective dates for which of the following reasons?
- A) The insured's divorce decree becomes final
  - B) The insured's driver's license is suspended for a DUI conviction
  - C) The insured changes religions
  - D) The insured leaves teaching to become a hog farmer
- 13) Underinsured Motorist Coverage can best be described as
- A) Coverage when the other driver has no insurance
  - B) A "difference in coverage" up to prescribed limits
  - C) Protection against hit-and-run drivers
  - D) A program for low income families
- 14) An employee is entitled to retroactive disability benefits after how many weeks of disability?
- A) One
  - B) Two
  - C) Three
  - D) Four

- 15) In all of the following situations, Uninsured Motorist Protection provides coverage, EXCEPT:
- A) When death or injury is caused by an uninsured motorist
  - B) When death or personal injury occurs to an insured when he is a pedestrian
  - C) When death or injury is caused by a motorist who has inadequate amounts of insurance
  - D) When death or injuries are caused in an accident in which an uninsured driver is at fault

The following questions, numbers 16-46 represent a test of your knowledge of the basic common content outline of Illinois Insurance Law which is applicable to all line of insurance authority.

- 16) If an insurance producer has his license revoked, he may not apply for another license for which period of time?
- A) 6 months
  - B) 1 year
  - C) 2 years
  - D) 3 years
- 17) The general powers of the insurance director include which of the following?
- I) Make rules and regulations
  - II) Imprison offenders who violate insurance laws
  - III) The right to approve or reject any individual insurance applicant's offer to an insurance company for coverage.
- A) I only
  - B) I and II only
  - C) I and III only
  - D) Neither I, II nor III
- 18) Jim violated an insurance regulation, had a hearing and was notified his license would be suspended. What is the maximum suspension Jim could receive?
- A) 12 months
  - B) 24 months
  - C) 36 months
  - D) This is at the discretion of the Director
- 19) Karen was convicted of drug possession with the intent to distribute, a felony in Illinois, on May 1. What is the latest point in time she has to notify the Director of Insurance of this conviction?
- A) May 8
  - B) May 16
  - C) May 31
  - D) There is no requirement to report any conviction not involving insurance law or regulations.

- 0) All of the following statements concerning commissions are true except
- A) Service fees must be in writing
  - B) An insured can be charged a service fee for the processing of a cancellation
  - C) Deferred commissions may be paid
  - D) A person must have a producer license to receive insurance commission
- 21) What is the total number of times the same individual may hold a temporary license in the same line of authority?
- A) Once
  - B) Twice
  - C) Three times
  - D) No more than once per decade
- 22) The continuing education requirement is best expressed as which of the following?
- A) 10 hours per year
  - B) 15 hours every two years
  - C) 30 hours every two years
  - D) 25 hours per year
- 23) An individual who wishes to sell Industrial life insurance must obtain which type of license?
- A) Limited Lines Producer
  - B) Producer
  - C) Temporary Insurance Producer
  - D) Temporary License in the Case of Death
- 24) Jill moves her residence in Chicago from the north side of town to the south side. According to insurance regulation, Jill must notify the Director of insurance within how many days of making this move?
- A) 10
  - B) 20
  - C) 30
  - D) At license renewal time
- 25) Regarding an applicant who fails to pass an insurance producer exam, which of the following statements is true
- A) He must pay another complete test fee to retake the test
  - B) He must successfully pass the entire exam upon retaking, even if he passed any section
  - C) He is limited to 4 attempts at passing in any 12 month period of time
  - D) He is eligible for a partial refund of the testing fee
- 26) Examples of rebating include
- I) Selling property insurance to schoolteachers
  - II) Selling a homeowners policy to an elected official of a municipal government
  - III) Giving an insured a free infant car seat
- A) I only
  - B) II only
  - C) Both I and II
  - D) Neither I, II nor III
- 27) The Illinois Insurance Guaranty Fund is designed to do which of the following?
- A) Protect policy owners from loss because of the financial insolvency of insurance companies
  - B) To help otherwise uninsurable risks obtain some form of basic coverage
  - C) Allow insurance companies to have some liquidity in the event of financial panic
  - D) Enable insurance companies to exchange information with each other about poor risks
- 28) Which statement(s) concerning the issuance of a temporary license in the case of the death of a producer is(are) true?
- I) May be issued to the executor of a licensee's estate
  - II) Maybe issued to the administrator of a licensee's estate
  - III) A person obtaining such a license may solicit new business
- A) I only
  - B) II only
  - C) Both I AND II
  - D) I, II and III
- 29) Once an Illinois producer has obtained a policy from a company for delivery to a client, he is authorized to collect the first premium due on the contract within a maximum of how many days?
- A) 30
  - B) 45
  - C) 60
  - D) 90
- 30) In the normal course of business, an insurance producer may do all of the following except:
- A) Distribute brochures describing a competitor
  - B) Compare the relative strengths and weakness of a competitor's policy
  - C) Mislead a client with respect to premium cost between selected companies
  - D) Provide required documents

- 31) Illinois insurance law requires which of the following, if any, to be licensed as insurance producers?
- A) An employee of an Employers Association working with an insurer
  - B) Administrative and clerical employees of an insurance company whose compensation is not based on insurance sales production
  - C) A marketing consultant
  - D) None of the above
- 32) An insurance producer may have his license revoked by the Illinois Director of Insurance for all of the following reasons except:
- A) Conviction of a misdemeanor
  - B) Misappropriating client premiums
  - C) Willful violation of an insurance law
  - D) Engaging in fraudulent business practices
- 33) Any producer having his license revoked for cause could be faced with any of the following disciplinary actions, except
- A) a possible civil penalty fine if the violation was deemed willful
  - B) a possible civil penalty fine if the violation was not willful
  - C) never being able to apply for a producer license again
  - D) possible revocation or suspension of producer licensing
- 34) An insurance producer can be fined for all of the following actions concerning a written order of the Director except
- A) personally violating the order
  - B) helping a co-worker to violate the order
  - C) following the order as directed
  - D) disregarding the order and violating it unintentionally
- 35) "Controlled Business" applies to all of the following potential buyers except:
- A) The insurance producer himself
  - B) The insurance producer's best friend
  - C) The immediate family of the insurance producer
  - D) An employer of the insurance producer
- 36) An insurance producer is a week late in renewing his license. As a result,
- A) falls within the 30 day grace period as long as he pays the fee within this time.
  - B) he will be unable to renew and must retake his state licensing exam.
  - C) he has two years in which to reinstate his lapsed license.
  - D) he will be required to pay a double license fee
- 37) A producer who enters active duty with the armed forces of the US Military Service
- A) loses his license and must retake exam when service is complete.
  - B) is eligible for temporary licensing
  - C) Must pay a \$150 biannual license fee
  - D) Must complete continuing education or lose his license
- 38) To be qualified when initially applying for an insurance producer license, the applicant must
- A) satisfactorily complete a prelicensing course of study certified by the department of insurance
  - B) show appointment from an insurance company admitted under Illinois law
  - C) prove he or she has a satisfactory credit rating
  - D) purchase a surety bond
- 39) Which of the following statements regarding the authority of the insurance director is (are) true?
- I) The director has the authority to deny, revoke or suspend a producer license.
  - II) The director may subpoena and examine witnesses under oath.
- A) I - only
  - B) II - only
  - C) Both I and II
  - D) Neither I nor II
- 40) All of the following statements about business entities are true except
- A) They may pay commissions
  - B) They must pay a biannual license fee
  - C) They may hire producers
  - D) They never need a producer license

41) All of the following are unfair claims practices on the part of insurance companies except:

- A) Trying to settle a claim on the basis of an altered application
- B) Unfairly delaying the payment of a claim
- C) Seeking to enforce the contractual provisions of a policy against the policyholder
- D) Not providing required claims forms and instructions on how to use them

42) A person who sells insurance without any license

- A) Is guilty of committing a Class A misdemeanor
- B) Cannot be imprisoned
- C) Is guilty of a Class 4 felony
- D) Is not breaking any rule as long as the commission is generated solely for a recognized charity

43) Which of the following statements regarding an insurance producer license is not accurate?

- A) It is a perpetual license
- B) There is no annual fee
- C) Continuing education requirements must be fulfilled by renewal time
- D) Individuals convicted of misdemeanor violations will be automatically denied a license

44) A candidate for a casualty producer license must successfully complete a minimum of how many hours of prelicensing with a certified course provider?

- A) 7.5
- B) 10
- C) 15
- D) 30

45) When a producer establishes a Premium Fund Trust Account all of the following actions are rule violations except

- A) maintaining the account with a Federal Savings and Loan located in Iowa
- B) placing personal assets in the account along with premiums
- C) letting the balance fall below the amount deposited less any funds lawfully withdrawn
- D) returning premiums due to insureds

## ANSWER KEY FOR SIMULATED ILLINOIS CASUALTY LAW EXAM PART II

- |       |       |       |
|-------|-------|-------|
| 1) C  | 16) D | 31) D |
| 2) C  | 17) A | 32) A |
| 3) B  | 18) D | 33) C |
| 4) C  | 19) C | 34) C |
| 5) B  | 20) B | 35) B |
| 6) D  | 21) A | 36) D |
| 7) C  | 22) C | 37) B |
| 8) C  | 23) A | 38) A |
| 9) D  | 24) C | 39) C |
| 10) C | 25) A | 40) D |
| 11) A | 26) D | 41) C |
| 12) C | 27) A | 42) A |
| 13) B | 28) C | 43) D |
| 14) B | 29) D | 44) C |
| 15) C | 30) C | 45) D |