

LAW – PROPERTY PRACTICE EXAM

41 Questions Time Limit: 75 minutes

● Answer key for law immediately follows the exam. This is a self scoring exam.

- 1) Which statement(s) is (are) correct?
 - I) Stock companies are owned by shareholders.
 - II) Mutual companies are owned by policy holders.
 - A) I only
 - B) II only
 - C) Both I and II
 - D) Neither I nor II
- 2) All of the following are true regarding the qualifications of approval of application for producer license except:
 - A) Must be at least 18 years old.
 - B) Must be competent and trustworthy
 - C) Must pay appropriate fees.
 - D) Must be appointed by an insurance company.
- 3) An insurance producer may be exempt from the bond requirement if
 - A) a producer certifies personal responsibility for all premium funds of which the producer takes possession.
 - B) the producer is employed by an insurance company that allows such activity without bonding.
 - C) the producer acts solely for one insurance company that assumes responsibility for funds in the same manner as would a surety issuing a bond.
 - D) the producer is employed by an agency that holds bonds on the principals of the agency.
- 4) What is the total cumulative minimum hours of course credit for pre-licensing for Life and Accident & Health combined?
 - A) 15 hours
 - B) 30 Hours
 - C) 60 hours
 - D) 75 hours
- 5) Which statement(s) is (are) true?
 - I) If you are scheduled to appear for an exam and do not appear, you automatically fail and will be required to reschedule and pay for a new examination.
 - II) All exam fees must be paid to Promissor.
 - A) I - only
 - B) II - only
 - C) Both I and II
 - D) Neither I nor II
- 6) All of the following statements concerning Nonresident producers are true except
 - A) they must be competent and trustworthy with a good business reputation.
 - B) they must pay the appropriate license fee.
 - C) if they move to a different state, they must file the change of address with the Director within 30 days.
 - D) the home state of the nonresident need not accept Illinois residents as nonresidents licensees.
- 7) The maximum bond amount that an insurance producer would be required to maintain in force is which of the following amounts?
 - A) \$10,000
 - B) \$30,000
 - C) \$40,000
 - D) \$50,000
- 8) In order to maintain a producer license all of the following conditions must be met except:
 - A) Must keep a bond in force unless exempt.
 - B) Optionally report any Felony judgments.
 - C) Must pay a renewal fee every two years
 - D) Must meet continuing education requirements.

- 9) Which of the following statements is true concerning the continuing education requirement?
- A) A producer may carry over a maximum of ten credit hours to the next biannual period.
 - B) A producer may not take course for credit prior to the original date of licensure to fulfill continuing education requirements.
 - C) Producers licensed continually for twenty years or longer are exempt.
 - D) A single course may be certified for thirty credit hours.
- 10) A producer license may be revoked for all of the following causes except:
- A) Misappropriation of business funds.
 - B) Failing to report a felony conviction.
 - C) Obtaining your producer license through fraud.
 - D) Failing to report a misdemeanor conviction within 30 days.
- 11) A producer who has his license suspended, revoked or denied:
- A) Has no right to request a hearing.
 - B) Can be fined for each cause.
 - C) Cannot be employed by a firm in an insurance related capacity.
 - D) Can be ordered by the director to serve up to 6 months in jail.
- 12) An individual whose producer license has been revoked is not eligible to apply for another license for a minimum of how many years?
- A) 1
 - B) 2
 - C) 3
 - D) 5
- 13) The Director of Insurance has the power to take all of the following actions except:
- A) make rules and regulations.
 - B) initiate legal proceedings to enforce the insurance code.
 - C) adjudicate the claim of an insured filed against their insurance company.
 - D) conduct investigations to determine if a violation of the Illinois insurance code has occurred.
- 14) Which of the following statements is correct about a Premium Fund Trust Account (PFTA)?
- A) PFTA money must be maintained in federally chartered banks.
 - B) PFTA funds may not be invested in a Certificate of Deposit.
 - C) If an insurance producers wants to keep interest accrued on a PFTA then he must obtain written permission of the insurance company .
 - D) All PFTA bank statements must be balanced at least annually and the balance at all times must be positive.
- 15) Everyone listed below may earn a commission from the sale of insurance policies without a permanent producer license except
- A) A loan officer of a bank
 - B) An actuary
 - C) An attorney
 - D) None of the above
- 16) 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.
- 17) All of the following statements concerning a limited lines producer are true, except
- A) they may represent more than one insurance company simultaneously.
 - B) they are appointed by an insurance company.
 - C) There is license fee.
 - D) They must complete a preclicensing course.
- 18) A producer who enters active duty with the armed forces of the US Military Service
- A) loses his license and must retake the license exam when service is complete.
 - B) is eligible for temporary licensing.
 - C) must pay the biannual license fee that applies to all producers.
 - D) must complete continuing education or lose his license.

- 19) In order to sell insurance, a business entity
- A) does not have to be licensed.
 - B) is not subject to any cause which would otherwise result in producer license suspension, revocation or denial.
 - C) must designate a licensed producer to be responsible for legal compliance.
 - D) must incorporate under the laws of Illinois.
- 20) What is the cash amount for breach of fiduciary capacity that rises to the level of a Class 3 felony?
- A) \$150 or more
 - B) In excess of \$150
 - C) Less than \$150
 - D) Exactly \$100
- 21) Which of the following statements concerning controlled business is (are) true?
- I) It includes premium collected on the lives of the producer and his spouse.
 - II) Excessive amounts of controlled business can lead to producer license denial.
- A) I - only
 - B) II - only
 - C) Both I and II
 - D) Neither I nor II
- 22) Which of the following can be a cause for the suspension or revocation of a producer license?
- A) The producer does not violate a provision of the insurance code.
 - B) Failure to pay an Illinois state income tax penalty.
 - C) Two or more insurance companies request the suspension or revocation of the producer's license.
 - D) The producer is convicted of three or more misdemeanors involving violations of federal laws not related to insurance.
- 23) Which of the following situations reflects a violation of the Illinois insurance law on rebating?
- A) A producer promises to review the insurance needs of an insured to see if changes in coverage are needed.
 - B) A Producer offers free website creation and maintenance services as an incentive to purchase a policy.
 - C) A producer provides an insured with stamped envelopes to use when paying monthly premiums.
 - D) A producer notifies an insured that he will receive a larger dividend on his policy than had been expected.
- 24) An insurance company is guilty of an unfair claims practice if it requires that an insured take which of the following actions in order to settle a claim?
- A) Provide a written proof of loss form.
 - B) Submit to a polygraph test.
 - C) Give statements under oath.
 - D) Give a police report.
- 25) If a producer changes his residential address, he must report this change to the Director within how many days?
- A) 30
 - B) 40
 - C) 50
 - D) 60
- 26) A temporary producer license may be issued to any of the following individuals except
- A) an executor for the estate of a deceased who was a licensed producer.
 - B) a person who enters active duty with the armed forces of the US military.
 - C) an individual who had a temporary license more than 20 years ago.
 - D) an insurance producer in the qualified training course of an approved insurance company.
- 27) The Life and Health Guaranty Association is funded by
- A) insurance producers.
 - B) the state government.
 - C) insurance companies.
 - D) the federal government.

- 28) An insurance company may be guilty of defamation if it is responsible for circulating a brochure or article
- A) criticizes a particular type of insurance.
 - B) contains misleading information about another insurance company's financial condition.
 - C) compares its dividend paying history to that of a rival company.
 - D) compares its industry rating with that of a rival company.
- 29) The maximum civil penalty, according to the General Penalties of the Illinois insurance code, can be assessed
- A) when a producer license is suspended.
 - B) when a producer license is revoked.
 - C) when an order of the director is violated.
 - D) only when there is no specific civil penalty provided in the code
- 30) Which of the following statements concerning a lapsed license is true?
- A) A \$50 reinstatement fee must be paid in addition to the biannual license fee.
 - B) The producer must retake the state insurance licensing exam once a lapse occurs.
 - C) A lapsed license can be reinstated after 1 year.
 - D) The total fee a producer would pay, after being just one day late with a biannual license renewal, is a double license fee.
- 31) Which of the following best describes the concept of "twisting"?
- A) It is the offer of a bribe by a producer to induce a sale.
 - B) It is the act of using a misleading comparison between the insurance policies of two different companies designed to motivate a consumer to switch contracts.
 - C) It is defamation.
 - D) It is when an insurer becomes insolvent and forces other companies to pay the losses of its own policy holders
- 32) The principal reason that insurance regulation exists is to
- A) assure insurance company profits.
 - B) allow insurers to make any investments they see fit
 - C) protect the public by making certain companies and producers are following the law.
 - D) assist consumers in selecting the proper coverages.
- 33) If a nonresident insurance producer in Illinois sells a property and casualty policy in this State, then the producer must
- A) use proper visual aids during the sale.
 - B) be underwritten by a domestic company.
 - C) be appointed by a carrier
 - D) have the appropriate producer license
- 34) For which of the following reasons may an insurance company cancel a Property policy?
- A) Because the writing agent is no longer employed at the company.
 - B) The insured failed to pay the premium.
 - C) The insured is protected under the "FAIR" plan.
 - D) None of the above
- 35) When an insured initiates cancellation, a refund of premium may be made upon which of the following basis?
- A) "Short Rate"
 - B) "Peril Basis"
 - C) "Pro Rata"
 - D) "Res Ipsa Loquiter"
- 36) A cancellation provision which outlines the manner in which an insurance company may cancel policies must be provided in all of the following policy types except
- A) an auto policy
 - B) a fire policy
 - C) an ocean marine policy
 - D) a homeowners policy

37) One purpose of the FAIR plan is

- A) to make basic fire coverage available to anyone having an insurable interest in eligible property who has been turned down for such coverage at least three times through normal channels.
- B) to make certain insurance companies in Illinois do not overcharge consumers for insured risk.
- C) to doggedly enforce anti-discrimination forces operating in the marketplace.
- D) to automatically send federal insurance information to a prospect or policy holder when requested.

38) Mine subsidence means

- A) loss caused to underground tunnels because of earthquakes.
- B) loss caused to coal mines only when loss is related to landslide, earthquake or volcanic eruption.
- C) loss caused by the vertical or lateral movement of structures from collapse of man made underground mines.
- D) Pre-existing condition

39) The insurance company may not refuse to renew a policy which insures against fire and extended coverage solely because

- A) of the age of the property
- B) the applicant has no insurable interest
- C) the property is uninsurable
- D) the premium is unpaid

40) A commercial lines policy can be canceled for all of the following reasons except

- A) The policy was obtained as the result of fraud.
- B) Violation of policy terms or conditions by the insured.
- C) The Director of insurance determines that the continuation of the policy will not violate the insurance code.
- D) The insured fails to pay premiums due.

41) If an Auto policy has been in effect for 60 days, which of the following is a reason for cancellation?

- A) The insured's actions which cause him not to violate policy terms and conditions.
- B) The insured successfully completes an accredited traffic safety course.
- C) The insured has a license revocation or suspension within the past 12 months prior to cancellation.
- D) The insured seeks rate quotations for insurance with another company without first obtaining the permission of his current company.

ANSWER KEY TO:**ILLINOIS INSURANCE LAW, RULES AND REGULATIONS –
PROPERTY with applicable property and casualty law**

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

**PLEASE REVIEW ALL
MISSED QUESTIONS.**