

PROPERTY NONSUPERVISED EXAM

COMPLETE IN “OPEN BOOK” FASHION

80 questions; 56 correct is the minimum passing score. (2 Hour time limit)

You must complete this exam and transfer your answers onto the NONSUPERVISED EXAM ANSWER SHEET and then return it to Dohrn Insurance Training for scoring. All passing scores result in the successful completion of the Line completed and will be reported by Dohrn to the Illinois Department of Insurance according to insurance regulation.

PLEASE NOTE: Anyone who fails to achieve at least 70% correct answers will be supplied with a different “makeup” exam. If the makeup exam is failed then the course has been failed and you must take a prelicensing course from a different provider to whom you will have to pay a new course fee required. There are no refunds for anyone who fails to pass this course. SO PLEASE TAKE YOUR TIME AND REFER TO THE MATERIALS TO GET THE HIGHEST SCORE POSSIBLE.

- 1) A standard fire policy covers direct loss by all of the following except:
 - A) Fire
 - B) Removal
 - C) Explosion
 - D) Lightening
- 2) Which of the following items IS NOT part of the Declarations portion of a Property contract?
 - A) The face amount of the policy
 - B) The exchange of promises between the insured and insurer
 - C) The names of the insured and insurer
 - D) Policy dates and coverage length of time
- 3) For which of the following reasons may property coverage be suspended or restricted?
 - A) When the insurance goes to reasonable lengths to limit a potential loss.
 - B) When a covered building is occupied by an owner or tenant
 - C) When adequate premiums are paid in a timely fashion
 - D) When the hazard is increased by any means within the knowledge of the insured
- 4) Which of the following property types are excluded from coverage in a SFP?
 - I) Evidence of debt, money or securities
 - II) Currency
 - III) Deeds
 - A) I and II Only
 - B) I and III Only
 - C) II and III Only
 - D) I, II and III
- 5) Of the following businesses which would be eligible for a Businessowners policy?
 - A) Bank branch office
 - B) Hair Salon
 - C) Auto body shop
 - D) Movie Theater
- 6) Which of the following statements is most accurate concerning the relationship between the Standard Fire Policy (SFP) and the Dwelling Program?
 - A) The SFP is more comprehensive
 - B) The Dwelling Program is less recent
 - C) SFP language is included and made a part of Dwelling Program
 - D) There is no relationship between the two.
- 7) DP1, the basic form, insures against direct loss from all of the following except:
 - A) Fire
 - B) Smoke from a fireplace
 - C) Lightening
 - D) Explosion
- 8) Additional forms which can be purchased with DP1 include all of the following except:
 - A) All Risk/Open Perils
 - B) Extended Coverage
 - C) Vandalism
 - D) Malicious Mischief

- 9) DP2, the Broad Form, covers everything in DP1 plus broadens coverage. DP2 does not broaden coverage to which of the following perils?
- A) Explosion
 - B) Hail
 - C) Vehicle Damage
 - D) Smoke
- 10) Which of the following statements is most accurate concerning the types of coverage granted under DP3, the Special Form?
- A) All covered perils are named in the policy
 - B) DP3 offers less comprehensive coverage than DP2, but more comprehensive coverage than DP1
 - C) All perils are covered unless specifically named in the exclusions.
 - D) DP3 only covers one peril per form of coverage purchased.
- 11) All of the following are main differences between Dwelling and Homeowners contracts except Dwelling
- A) Does not include theft.
 - B) Does not include liability
 - C) Provides coverage on money
 - D) Does not contain limits on certain types of personal property
- 12) Dwelling and Contents Coverage C, Personal Property, excludes all of the following from Coverage except:
- A) Personal property that is usual to the dwelling
 - B) Animals, birds and fish
 - C) Automobiles
 - D) Deeds
- 13) An insured suffers a loss and will incur additional expenses because his property is unfit for use and will not earn income from his tenant. In a Dwelling Policy, which of the following insuring agreements will supply funds for consequential type of loss?
- I) Coverage C
 - II) Coverage D
 - III) Coverage E
- A) I Only
 - B) II and III Only
 - C) I and II Only
 - D) I, II and III
- 14) In a Dwelling Broad and Special forms of coverage, damage done to lawns, plants shrubs and trees are insured up to which of the following maximum amounts?
- A) 5% of the face coverage on the dwelling up to \$500 maximum per plant
 - B) 10% of the face coverage on the dwelling up to a \$250 maximum per plant
 - C) \$500 for all plants
 - D) Landscape expenses are excluded
- 15) All three Dwelling property forms exclude the following perils except:
- A) Water damage from sewer or drain backup
 - B) Flood
 - C) Radioactive Contamination
 - D) Earthquake resulting in a fire and the fire creates a direct loss
- 16) Comprehensive Personal Liability offers coverage to an insured when legal liability arises out of all of the following activities except:
- A) Business pursuits
 - B) Personal activities causing property damage to another
 - C) Personal activities causing bodily injury to others
 - D) The action of a domestic employee, in the course of employment, who resides at the insured's location
- 17) A Homeowners policy offers all of the following insuring agreements except
- A) Appurtenant
 - B) Personal Property
 - C) Fair Rental Value
 - D) Dwelling
- 18) Under Coverage B of a Homeowners policy, which of the following would not be excluded from coverage even if it was located in the insured's detached garage?
- A) If it was used as a hardware store
 - B) If it was used as a small manufacturing business
 - C) If it was used to house the insured's personal automobile
 - D) If it was rented to someone other than a tenant of the dwelling

- 19) Additional Coverage available under the Homeowners does not provide coverage for which of the following?
- A) Removal of debris as a result of a loss
 - B) Reimbursing the cost of reasonable repairs in protecting property from further damage
 - C) Loss up to \$1,000 due to theft or unauthorized use of a credit card
 - D) Coverage for lost traveler's checks
- 20) Which of the following are reasons for a business to purchase Commercial Property Insurance?
- I) Lessees tend to make extensive alterations or improvements in order to occupy rented space
 - II) A business has insurable interest in its equipment, machinery and inventory
 - III) The Business owner wishes to cover a personal auto
- A) I Only
 - B) II Only
 - C) I and II Only
 - D) I, II and III
- 21) Under Commercial Building and Personal Property forms, loss from all of the following are covered except
- A) Machinery and Equipment
 - B) Underground pipes
 - C) The building and all extensions
 - D) Permanent fixtures
- 22) Commercial building and Personal Property forms is not offered in which of the following forms?
- A) Extended Form
 - B) Broad Form
 - C) Special Form
 - D) Basic Form
- 23) The Business Owner Policy is designed to meet the needs of:
- A) Landlords who lease space to businesses
 - B) Major corporations
 - C) Apartment dwellers
 - D) Owners of small businesses
- 24) A standard Business Owner Policy
- A) Is equivalent to Broad form coverage
 - B) Only pays on an Actual Cash Value basis
 - C) Is not part of a Commercial Package Policy
 - D) May be used for a business operated from a Mobile Home
- 25) Which of the following is true of Business Income insurance?
- I) When a covered peril results in the inability of a business to continue operation, lost income is replaced
 - II) It is also known as time element coverage
 - III) The cost of resuming operation of the business is covered until the damaged location is restored without regard to time
- A) I Only
 - B) II Only
 - C) I and II Only
 - D) I, II and III
- 26) Coverage which used to be known as Boiler and Machinery coverage is now known as
- A) Equipment Breakdown
 - B) Explosion
 - C) Comprehensive
 - D) Business Interruption
- 27) Equipment Breakdown includes coverage for which of the following, if any?
- I) Depletion
 - II) Leaking Valves
 - III) Explosion due to unconserved fuel or gas within the furnace
- A) I Only
 - B) I and II Only
 - C) I, II and III
 - D) None of the Above
- 28) An insureds restaurant has a fire and smoke damage results on damage to the walls inside the building. Water used to put out the fire cause much damage to the floors and tables and chairs. The water damage is
- A) Indirect Loss
 - B) Consequential Loss
 - C) Direct Loss
 - D) Time Element Loss
- 29) Inland Marine coverage extends to
- A) Personal property transported by sea
 - B) Personal property while transported other than by sea
 - C) Real estate located by large bodies of water
 - D) Boats and ocean vessels while docked and not in use on a body of water

- 30) Coverage on an all risk basis for travelers or tourists, protecting them against loss or damage to personal belongings while traveling, is called:
- A) Inland Marine
 - B) Traveler's Rider
 - C) Personal Articles Floater
 - D) Personal Effect Floater
- 31) Eligibility under a Businessowner Policy will extend to all of the following except:
- A) A Service or processing risk with gross sales of \$4,000,000 as long as a maximum of 25% of gross sales are derived from off premises locations.
 - B) Apartment buildings not higher than six stories and not exceeding 60 units for dwelling.
 - C) A Mercantile risks with 15,000 square feet of space whose gross sales do not exceed \$1,500,000.
 - D) Office buildings not higher than six stories with maximum of 100,000 square feet of space.
- 32) Which of the following statement about Flood Insurance (FI) is not accurate?
- A) If a borrower does not purchase FI within 45 days of notice the lender may buy it for him
 - B) It is federally subsidized with tax dollars
 - C) The highest total limit is \$200,000
 - D) Deductibles are applied separately to the building and the contents
- 33) In the Dwelling and Contents form, all of the following perils are covered by Extended Coverage, except:
- A) Windstorm and Hail
 - B) Explosion
 - C) Riot or civil commotion
 - D) Bursting water pipes
- 34) Exclusions in an insurance policy:
- A) Set forth the absence of coverage when concealment occurs.
 - B) List the duties of the parties
 - C) Limit the scope of coverage offered
 - D) Describe and define the conditions under which assignment may occur.
- 35) Under A Mobile Home policy which of the following statements is accurate?
- A) Coverage can not exceed \$100,000 total
 - B) A mobile home can be insured as an appreciating asset
 - C) Cash value coverage is not available
 - D) It is only available as a special homeowner endorsement
- 36) Commercial Building and Personal Property policies can be independently written in each of the following cause of loss forms except
- A) Special
 - B) Basic
 - C) Broad
 - D) Earthquake
- 37) The term "Law of Large Numbers" refers to the fact that
- A) More insurance costs more money
 - B) Risk can be spread more effectively among larger groups having similar exposures
 - C) That insurance counts on many people to spread information thus enabling risk transfer to grow
 - D) Property risk cannot be determined until after perils occur.
- 38) All of the following statements about Insurable Interest in a Property policy is true, except:
- A) It extends beyond mere ownership
 - B) When damage to property causes an individual to have a financial loss, that individual has insurable interest
 - C) Insurable interest need not exist at the time of a loss
 - D) If you would suffer no financial loss when property is destroyed, you have no insurable interest
- 39) "A chance to experience loss without a possibility to gain a profit from that loss" is the definition of:
- A) Risk
 - B) Pure Risk
 - C) Speculative Risk
 - D) Uninsurable Risk
- 40) A morale hazard is when you:
- A) Set fire to your own house intentionally
 - B) Leave a can of open gasoline next your lighted fireplace
 - C) Smoke in bed
 - D) Leave your home and forget to lock the front door
- 41) "An immediate specific event which causes a loss" is the definition of
- A) An Occurrence
 - B) An Accident
 - C) A Peril
 - D) A Hazard

- 42) When a loss is consequential (a result of a hazard or peril, but not actually caused by that hazard or peril) the loss is said to be:
- A) Unfortuitous
 - B) A nonrelating peril
 - C) Direct
 - D) Indirect
- 43) Contracts in which perils are not listed unless they are specifically excluded are called
- A) Low Risk , Closed Peril
 - B) All Risk, Open Peril
 - C) Specified Peril, Named Peril
 - D) Cause of Loss, Unnamed Peril
- 44) In order for a loss to be covered, the doctrine of Proximate Cause says:
- A) The peril must be the direct or indirect cause of a loss
 - B) Specified name endorsements must be attached to a fire policy in order to cover the loss involved
 - C) An unbroken series of events must lead to and form a cause and effect relationship as to a loss
 - D) Strangers to a property have no insurable interest in that property
- 45) When an insured must pay some portion of a loss such that the company will only pay amounts above that portion, the contract is referring to which of the following clauses:
- A) Replacement Cost Clause
 - B) Co-insurance Clause
 - C) Actual Cash Value Clause
 - D) Deductible Clause
- 46) The main concept of Indemnification is
- A) To allow a party to recoup a loss, but without profiting from that loss
 - B) To require individuals to own adequate amounts of property insurance
 - C) To allow an insured the right to purchase insurance in any amounts he so chooses.
 - D) To make a person better off from a loss, than prior to the loss
- 47) Property having a replacement value of \$10,000 is destroyed. Total depreciation on the property at the time of loss is \$3,000. What is the actual cash value of this property?
- A) \$3,000
 - B) \$7,000
 - C) \$10,000
 - D) \$13,000
- 48) If the amount of money paid to an insured at the time of loss is the exact amount needed to buy the identical property again, the policy is paying:
- A) Actual Cash Value
 - B) Replacement Cost
 - C) Coinsurance
 - D) Limit of Liability
- 49) If a building worth \$90,000 suffers \$12,000 of damage, but is insured for \$50,000, then how much will the company pay on the loss under a contract with an 80% Coinsurance Clause, without regard to a deductible?
- A) \$6,666
 - B) \$8,333
 - C) \$10,000
 - D) \$12,000
- 50) Which of the following policy forms would best protect a business that cannot shut down after suffering a loss?
- A) Gross Earnings
 - B) Contingent Business Interruption
 - C) Business Income
 - D) Extra Expense
- 51) The main purpose of the Coinsurance clause is
- A) To void coverage when property is not adequately insured
 - B) Make the insured pay 80% of all losses when such a clause is part of a contract
 - C) Raise the insured's risk exposure for older property
 - D) Make the insured pay a higher percentage of partial losses when there is not adequate insurance carried
- 52) Which of the following perils is not covered under a Building and Personal Property Coverage with a Causes of Loss-Basic Form attached?
- A) Sinkhole Collapse
 - B) Earth Movement
 - C) Smoke
 - D) Sprinkler Leakage
- 53) Inland Marine insurance would cover all of the following except:
- A) Automobiles
 - B) Jewelry
 - C) Stamps
 - D) Camera Equipment

- 54) Which of the following statements about occurrence is true?
- I) Occurrence is a broader term than accident
 - II) Every Occurrence is an accident
 - III) Occurrence can be a continuous or repeated exposure to a condition resulting in loss
- A) I Only
 - B) III Only
 - C) I and III Only
 - D) I, II and III
- 55) Under a pro rata refund, the insured:
- A) Gets all premiums not used or applied to premium cost
 - B) Has some fees deducted over the refund amount
 - C) Receives nothing
 - D) Receives a full refund, even for coverage already provided.
- 56) When a property is not in use and is unfurnished, it is considered:
- A) A moral Hazard
 - B) An insurable interest
 - C) Vacant
 - D) Unoccupied
- 57) Appurtenant means
- A) A Dwelling
 - B) Personal Property
 - C) A Floater
 - D) A detached Structure
- 58) All of the following statements Umbrella coverage are correct except
- A) The umbrella provides broader coverage than does underlying policies
 - B) Umbrella coverage can have exclusions
 - C) People with little or no assets would not be good candidates to purchase an umbrella
 - D) Premiums are very expensive
- 59) When an individual causes a loss and incurs an obligation to pay for that loss
- A) Negligence has occurred
 - B) Liability exists
 - C) An Accident has happened
 - D) An intentional act has occurred
- 60) The greatest threat to achieving full replacement cost coverage under Homeowners policy is
- A) Disability
 - B) Unemployment
 - C) Inflation
 - D) Property Coverage
- 61) Negligence is:
- A) A criminal matter
 - B) An intentional, deliberate act to harm another
 - C) A tort or civil law procedure
 - D) Willful and wanton behavior
- 62) A possibility which will give an increase to the chance that a peril will occur is called:
- A) Accident
 - B) Hazard
 - C) Occurrence
 - D) Insurable Interest
- 63) Risk best defined as
- A) A possibility that an accident may cause loss
 - B) A societal vehicle for handling loss
 - C) A basic uncertainty as to an insured loss
 - D) The concept of gambling
- 64) All of the following are required to write a Mobile Home policy except
- A) The home must be used for year round living
 - B) The home has to be at least ten feet wide
 - C) A vacation camper is eligible
 - D) Portability is required
- 65) The limit of liability of a property contract can be found in which of the following parts of an insurance contract?
- A) Declarations
 - B) Insuring
 - C) Conditions
 - D) Exclusions
- 66) Which statement is true about the Fair Credit Reporting Act?
- A) An insurer does not need the applicant's permission to obtain a credit report
 - B) The insurer must send the applicant a copy of any obtained credit report
 - C) An insurer must obtain a credit report on all applicants for property coverage
 - D) The applicant has a way to correct misinformation in their credit report

67) Which of the following statements regarding a property contract, loss and recovery are true?

- I) The insured is named in the declarations page of the contract
- II) A party must have an insurable interest in property at the time loss occurs in order to recover in the event of loss
- III) A party not specifically named in a contract, but who has insurable interest in property at the time of loss, is always entitled to recover.

- A) I Only
- B) II Only
- C) I and II Only
- D) I, II and III

68) In the event of loss, the duties of the insured include all of the following, except:

- A) Providing immediate notice
- B) Preventing further loss, even if the likelihood of personal injury is certain
- C) Inventory the loss
- D) Separating damaged from undamaged property

69) Assignment is part of which of the following parts of an insurance contract?

- A) Exclusions
- B) Declarations
- C) Insuring
- D) Conditions

70) When a company cancels a contract and a mortgagee is involved, the company must provide how many days of notice to the mortgagee that the policy will be canceled?

- A) 10 Days
- B) 20 Days
- C) 30 Days
- D) 60 Days

71) How many days does an insured have in which to file proof of loss in a property contract?

- A) 10 Days
- B) 20 Days
- C) 30 Days
- D) 60 Days

72) Within what period of time is the insured bound to Notify the company in the event of loss?

- A) 5 Days
- B) 10 Days
- C) 30 Days
- D) As soon as it is reasonably possible

73) What is the purpose of an umpire in the appraisal process?

- A) To protect the insurance company interests
- B) To protect the insured's interest
- C) To cast the deciding vote in settling a dispute between the parties to the contract
- D) To decide which side has the best chance of winning a lawsuit

QUESTIONS 74 & 75) Under Pro rata liability, solve for the following set of facts:

Property is valued at \$100,000 and is insured as follows:

Company A : \$30,000

Company B : \$30,000

Company C : \$40,000

There is a \$200 deductible and a \$25,000 loss.

74) How much of the loss will be paid for by Company A?

- A) \$10,000
- B) \$ 7,440
- C) \$ 7,500
- D) \$ 9,920

75) How much of the loss will be paid for by Company C?

- A) \$ 7,300
- B) \$ 7,440
- C) \$ 9,920
- D) \$10,080

76) Transferring some or all rights from one party to another, under a property and casualty contract is

- A) Not Permitted
- B) Is allowed with written permission
- C) Valid when orally agreed to
- D) Coverage Transfer

- 77) An insurance company pays a claim to the insured and then sues the party who was responsible for causing the loss to be reimbursed the amount paid to the insured. The insurance company is allowed to do this because of which clause?
- A) Mortgagee Rights
 - B) Assignment
 - C) Subrogation Clause
 - D) Arbitration Clause
- 78) Policy conditions common to a Commercial Package Policy include all of the following except
- A) A cancellation provision
 - B) Describing the business involved
 - C) A requirement that premiums must be paid on time
 - D) Stating that the first named insured can make allowable changes
- 79) When an insured fails to disclose a known material fact, it is an example of
- A) Warranty
 - B) Representation
 - C) Concealment
 - D) Voidable
- 80) Coverage placed immediately which remains effective, even if later rejection occurs, is possible through
- A) A Conditional receipt
 - B) A Subrogation
 - C) A Consummate Insurability
 - D) A Binder

MAKE CERTAIN TO TRANSFER ALL YOUR RESPONSES ACCURATELY TO THE EXAM ANSWER SHEET

RETURN YOUR RESPONSES TO DOHRN INSURANCE TRAINING FOR GRADING AND CERTIFICATION OF SUCCESSFUL COMPLETION TO THE ILLINOIS DEPARTMENT OF INSURANCE.

YOU MUST SCORE 70% (56 CORRECT OF 80 TOTAL) OR GREATER TO PASS. THIS IS AN OPEN BOOK EXAM.

IF YOU FAIL THIS OPEN BOOK EXAM, ILLINOIS INSURANCE REGULATION REQUIRES US TO PROVIDE YOU WITH A MAKEUP EXAM. IF THE MAKEUP EXAM IS FAILED, THEN YOU MUST TAKE ANOTHER PRELICENSING COURSE FROM ANOTHER PROVIDER AT YOUR OWN EXPENSE.

THERE IS NO REFUND FOR A FAILED PRELICENSING COURSE.

THE NONSUPERVISED EXAM FOR PROPERTY ENDS HERE.

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