

- 8) The insured bought a building five years ago and paid \$70,000. Today that same building would cost \$120,000 to rebuild. If depreciation has been \$3,000 per year since the original purchase, the actual cash value today is
- A) \$70,000
 - B) \$85,000
 - C) \$105,000
 - D) \$120,000
- 9) According to a property policy, an insurance company is legally bound to pay
- A) all losses to the insured
 - B) all covered losses
 - C) whatever the insured feels is a reasonable amount
 - D) whatever state law mandates
- 10) The XYZ Construction Company owns a building upon which \$300,000 of insurance is carried. There is a \$100,000 mortgage which is recorded in the insurance policy. XYZ has dangerous explosives on the premises and they resulted in an explosion which totally demolished the building. The mortgagee can collect a maximum of
- A) \$0
 - B) \$75,000
 - C) \$100,000
 - D) \$300,000
- 11) Which of the following insurance concepts is utilized to eliminate the nuisance of small claims?
- A) Coinsurance
 - B) Pro Rata Liability
 - C) Pair and Set Clause
 - D) Deductible
- 12) The coverage required for a business to protect against loss from such events as a steam boiler explosion, the cracking of steam pipes or the extra cost of expediting a boiler repair would be available under
- A) Business Owner Policy
 - B) Equipment Breakdown
 - C) Building and Personal Property
 - D) Extra Expense
- 13) According to the terms of a property contract, insurable interest must exist
- A) when the policy is issued
 - B) at the time loss occurs
 - C) when the first premium payment is made
 - D) at some point during policy coverage
- 14) Mr. Grant owns a home which is insured with an HO 3 for \$125,000. His unattached garage and his home are totally lost due to fire. Mr. Grant will collect
- A) \$110,000
 - B) \$120,000
 - C) \$125,000
 - D) \$137,500
- 15) The removal of debris is covered under which of the following sections of a Homeowners policy?
- A) Coverage A - Dwelling
 - B) Coverage B - Other Structures
 - C) Coverage C - Personal Property
 - D) Additional Coverages
- 16) An insured has a fire policy with an 80% coinsurance clause. The building is worth \$90,000 but the insured only carries \$50,000 of insurance. In the event of a total loss, the insurance company will pay
- A) \$0
 - B) \$40,000
 - C) \$50,000
 - D) \$72,000
- 17) Which of the following is the duty of an insured after experiencing a property loss?
- A) Have the company assess the loss
 - B) Increase policy coverage, if necessary
 - C) Explain in writing how the loss can be avoided in the future
 - D) Engage in reasonable action which will reduce any further loss
- 18) An insured is covered by a Homeowners policy for his personal activities which cause bodily injury or property damage under which section of the policy?
- A) Personal Liability
 - B) Additional Coverage
 - C) Coverage C
 - D) None of the above
- 19) Under a homeowners contract, liability coverage is given for which of the following?
- I) Property damage
 - II) Personal injury
 - III) Bodily injury
- A) I only
 - B) I and II only
 - C) I and III only
 - D) I, II and III

- 20) Jim owns a computer repair shop and insures it under a Building and Personal Property Coverage Form for \$200,000 on the building and \$100,000 on personal business property. A fire causes \$20,000 to the building and \$40,000 to contents and there is a \$1,000 debris removal cost. The policy has a \$500 deductible, therefore what is the most Jim will receive from his insurer for the loss described.
- A) \$ 59,500
B) \$ 60,000
C) \$ 61,500
D) \$ 62,000
- 21) According to a Personal Property Floater, loss is covered when it
- A) occurs either in the United States or Canada
B) occurs within the borders of the United States
C) occurs only in the home of the insured
D) occurs anywhere in the world
- 22) An Open Peril or "All Risk" policy covers Personal Property by endorsement under which of the following type of basis
- A) Scheduled
B) Inflation Guard
C) All-Risk
D) Actual Cash Value
- 23) An insured files a proof of loss according to the requirements of the policy. All statements made are
- A) Warranties
B) Concealments
C) Representations
D) Affidavits
- 24) All of the following property types would be covered under Coverage A of a Building and Personal Property Coverage Form, except
- A) wall to wall carpeting
B) a permanently installed security system
C) lost income due to the damaged property
D) a central heating unit
- 25) The reason an insured may not receive \$30,000 for a \$20,000 loss is defined in the insurance principal known as
- A) Indemnity
B) Subrogation
C) Pro Rata Liability
D) Coinsurance
- 26) The National Flood Insurance Program covers which of the following losses?
- I) Sewer backup
II) Tidal waters which overflow
III) Damage done by a mudslide
- A) II only
B) III only
C) II and III only
D) I, II and III
- 27) Extra Expense insurance provides for which of the following?
- A) The extra cost associated with continuing a business after a loss
B) Waiver of any extra premium otherwise due after suffering a loss
C) It pays the payroll of a covered company after it has suffered a loss
D) It replaces the revenues lost to a business due to a loss
- 28) If a Homeowners policy is issued with \$125,000 of coverage on the dwelling, then what is the maximum amount of coverage on the contents?
- A) \$12,500
B) \$25,000
C) \$50,000
D) \$62,500
- 29) An HO 3 Form will cover all of the following property except
- A) the personal computer of the insured's son who is away attending college
B) the insured's pedigree French poodle valued at \$3,000
C) part of airplane which falls from the sky and damages the insured's patio
D) vandals who destroy the two shrubs valued at \$200 apiece
- 30) Regarding Proof of Loss, which of the following statements is accurate?
- A) It is not required in the event of a total loss
B) It is a statement that is sworn to by the insured
C) An insurance adjuster must sign it
D) An attorney must always supply it
- 31) The clause in a property contract which will require an insured to pay more than a deductible in the event of a partial loss is most likely to be which of the following?
- A) Subrogation
B) Pro Rata Liability
C) Limit of Liability
D) Coinsurance

- 32) An insurance applicant is denied coverage because of information contained in a consumer credit report which was used by the insurance company. According to the provisions of the Fair Credit Reporting Act, the applicant has all of the following rights, EXCEPT
- identifying himself to the reporting agency and asking to examine his file
 - demanding the insurance company send him a copy of the credit report issued by the reporting agency
 - discovering the identity of the reporting agency from the insurance company
 - having any incorrect information corrected and new reports issued to all entities which had received the erroneous report
- 33) The Appraisal clause of an insurance policy is used to do which of the following?
- Determine the liability amount
 - Determine the policy face amount
 - Determine the value of destroyed collectibles
 - Assess insurance cost
- 34) If an insured owns a rare set of silverware valued at \$97,000, the best form of coverage is
- HO 3
 - Personal Effects Floater
 - Personal Articles Floater
 - Excessive Jewelry Rider
- 35) "Risk" is best defined as
- Loss amount
 - Legal liability limit
 - Uncertainty of loss
 - Morale hazard
- 36) The Building and Personal Property Coverage Form covers all of the following property types, EXCEPT
- fixtures in the yard
 - tenant betterment
 - lawns and crops which are still growing
 - the personal property of a business
- 37) All of the following are reasons Exclusions are put into insurance contracts, EXCEPT
- they help the insured receive the broadest possible coverage
 - they stop coverage from being duplicated
 - they prevent the coverage of perils which are not insurable
 - they eliminate certain types of loss from being covered
- 38) What is the minimum number of parts that must be included in a Commercial Package policy?
- One
 - Two
 - Three
 - Four
- 39) The best definition of "Accident" is
- occurrence
 - the foreseeable increase of a physical hazard
 - an unexpected event which is unintended and sudden
 - a tendency toward a specific action
- 40) The Broad Form of a Homeowners policy specifies a limit of coverage for all of the following items, EXCEPT
- firearms
 - stereos
 - silverware
 - money
- 41) When an insurance company reduces a loss payment according to physical depreciation, it is known as
- Coinsurance
 - Actual Cash Value
 - Replacement Cost
 - Physical Reduction
- 42) The name and address of the insured as well as the coverage dates of a policy will be found in the
- Insurance Agreement
 - Declarations
 - Conditions
 - Exclusions
- 43) When adequate coverage is maintained in a policy with an 80% Coinsurance clause, any partial loss will be covered at which of the following percentages, minus the deductible?
- 100%
 - 80%
 - 50%
 - 20%
- 44) When a 7 year old television set is destroyed in a fire and the insurance company replaces it with a new set, this is an example of which of the following coverages?
- Inflation Guard
 - Replacement Cost
 - Actual Cash Value
 - Indemnification Noir

- 45) Usually there is NOT a deductible required under which of the following Homeowners coverages?
- A) Other Structures
 - B) Dwelling
 - C) Liability
 - D) Personal property
- 46) Mr. Morris carries \$150,000 of insurance under a policy with an 80% Coinsurance clause. The value of the building is \$300,000. Mr. Morris has loss to the property which is assessed at \$50,000. Under the terms of this contract, in order to be fully insured on partial claims, what amount of insurance is Mr. Morris required carrying?
- A) \$120,000
 - B) \$200,000
 - C) \$240,000
 - D) \$300,000
- 47) Of the following perils which is covered under the Broad Form but not under the Basic Form?
- A) Sinkhole Collapse
 - B) Weight of ice and snow
 - C) Vandalism
 - D) Riot
- 48) All of the following losses will be fully covered under an HO 3 Form of coverage , EXCEPT
- A) a coin worth \$100 is stolen from the premises
 - B) a mink coat worth \$2,000 is destroyed by fire
 - C) a rare gun worth \$2,000 is stolen from the premises
 - D) damage to a watercraft in the amount of \$500
- 49) The responsibilities of the insurance company and the insured are set forth in which of the following parts of the insurance contract?
- A) Insuring Agreement
 - B) Conditions
 - C) Standard Fire Policy
 - D) Declarations
- 50) An insured is covered by a Dwelling Property Broad Form (DP-2) for \$100,000 on the dwelling and \$40,000 on contents. A tree valued at \$1,000 is destroyed by a random act of vandalism. The maximum amount the insured will receive is
- A) \$250
 - B) \$500
 - C) \$750
 - D) \$1,000

ANSWER KEY FOLLOWS

ANSWER KEY TO PROPERTY SIMULATED PART 1

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

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

- 9) Mine subsidence refers to which of the following
- A) The collapse of man-made mines
 - B) Damage caused to tunnels by earthquake
 - C) Volcanic eruption
 - D) Landslide damage
- 10) When the insured cancels a policy and a refund is owed, such a refund is paid by the company on a
- A) pro rata basis
 - B) a full and complete basis
 - C) an administrative deduction policy
 - D) short rate basis
- 11) All of the following statements concerning the Consumer Affairs and information Department of an insurance company are correct except:
- A) A toll free phone number must be maintained
 - B) These departments are designed to help Illinois residents get questions answered or to deal with complaints.
 - C) All written inquiries must be responded to in writing within 30 days
 - D) All insurance companies issuing property or casualty contracts in Illinois must have one
- 12) Which of the following are acceptable uses of credit information by an insurer that uses such information to underwrite or rate risks?
- A) Cancel a policy solely based on credit information
 - B) Base renewal rates for personal insurance solely upon credit information
 - C) Not using the fact that a consumer has no credit card to take adverse action.
 - D) Use an insurance score that is calculated using the religion of the consumer as a factor
- 13) Laws on Hate Crimes apply to all of the following except
- A) Individuals
 - B) Educational Organizations
 - C) Dwellings
 - D) Religious Organizations
- 14) Regarding Day Care coverage when the day care is located in a home which of the following statements is true?
- A) An insurer may not issue a separate policy for such coverage
 - B) Coverage can be canceled if the agent who wrote the policy has left the insurer
 - C) The insurer can nonrenew if the day care is not properly licensed
 - D) An endorsement is not allowed

The following questions, numbers 15 - 44 represent a test of your knowledge of the basic common content outline of Illinois Insurance Law which are applicable to all line of insurance authority.

- 15) 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
- 16) 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
- 17) 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
- 18) 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.
- 19) 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

- 20) What is the total number of times the same individual may hold a temporary license in the same line of authority?
- Once
 - Twice
 - Three times
 - No more than once per decade
- 21) The continuing education requirement is best expressed as which of the following?
- 10 hours per year
 - 15 hours every two years
 - 30 hours every two years
 - 25 hours per year
- 22) An individual who wishes to sell Industrial life insurance must obtain which type of license?
- Limited Lines Producer
 - Producer
 - Temporary Insurance Producer
 - Temporary License in the Case of Death
- 23) 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?
- 10
 - 20
 - 30
 - At license renewal time
- 24) Regarding an applicant who fails to pass an insurance producer exam, which of the following statements is true
- He must pay another complete test fee to retake the test
 - He must successfully pass the entire exam upon retaking, even if he passed any section
 - He is limited to 4 attempts at passing in any 12 month period of time
 - He is eligible for a partial refund of the testing fee
- 25) Examples of rebating include;
- Selling property insurance to schoolteachers
 - Selling a homeowners policy to an elected official of a municipal government
 - Selling a life policy where at least \$5,000 of annual premium is involved
- I only
 - II only
 - Both I and II
 - Neither I, II nor III
- 26) The Illinois Insurance Guaranty Fund is designed to do which of the following?
- Protect policy owners from loss because of the financial insolvency of insurance companies
 - To help otherwise uninsurable risks obtain some form of basic coverage
 - Allow insurance companies to have some liquidity in the event of financial panic
 - Enable insurance companies to exchange information with each other about poor risks
- 27) Which statement(s) concerning the issuance of a temporary license in the case of the death of a producer is(are) true?
- May be issued to the executor of a licensee's estate
 - Maybe issued to the administrator of a licensee's estate
 - A person obtaining such a license may solicit new business
- I only
 - II only
 - Both I AND II
 - I, II and III
- 28) 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?
- 30
 - 45
 - 60
 - 90
- 29) In the normal course of business, an insurance producer may do all of the following except:
- Distribute brochures describing a competitor
 - Compare the relative strengths and weakness of a competitor's policy
 - Mislead a client with respect to premium cost between selected companies
 - Provide required documents
- 30) Illinois insurance law requires which of the following, if any, to be licensed as insurance producers?
- An employee of an Employers Association working with an insurer
 - Administrative and clerical employees of an insurance company whose compensation is not based on insurance sales production
 - A marketing consultant
 - None of the above

- 31) 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
- 32) 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
- 33) 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
- 34) "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
- 35) 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
- 36) 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
- 37) To be qualified when initially applying for an insurance producer license, the applicant must
- A) satisfactorily complete a preclicensing 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
- 38) 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
- 39) 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
- 40) 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
- 41) 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

- 42) 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
- 43) 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

- 44) 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 PROPERTY LAW EXAM PART II

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