

## ILLINOIS PROPERTY & CASUALTY EXAM

1. An accident, including the continuous or repeated exposure to the same harmful conditions is known as a(n):
  - A. Accident
  - B. Peril
  - C. Occurrence
  - D. Hazard
  
2. All of the following are true regarding negligence EXCEPT:
  - A. It is also known as legal liability
  - B. It is defined as the failure to act as a reasonable and prudent person
  - C. It may have to be proven in court
  - D. It may exist even though no injury or damage was sustained
  
3. If a person hides in a store until after it is closed, then breaks down the door to escape with stolen goods, it is considered to be which type of crime:
  - A. Burglary
  - B. Theft
  - C. Robbery
  - D. Larceny
  
4. If a person enters a store through an unlocked door and walks out with stolen goods, it would be considered to be:
  - A. Burglary
  - B. Theft
  - C. Robbery
  - D. Larceny
  
5. The amount shown on the Declarations page that shows the most an insurer will pay after a covered claim is known as the:
  - A. Insured amount
  - B. Face amount
  - C. Limits of liability
  - D. Indemnification limitation



6. A Personal Auto Policy will pay collision losses on an depreciated value basis, which is also known as the:
  - A. Specified limit
  - B. Agreed amount
  - C. Stated amount
  - D. Actual cash value
  
7. The uncertainty of loss is another name for:
  - A. Risk
  - B. Hazard
  - C. Peril
  - D. Exposure
  
8. Icy sidewalks outside your store are a:
  - A. Risk
  - B. Hazard
  - C. Peril
  - D. Condition
  
9. The purpose of insurance is to restore a person to the same position they enjoyed prior to a loss, but not better, which is known as the Principle of:
  - A. Insurance
  - B. Restoration
  - C. Indemnity
  - D. Agency
  
10. An economic interest that an insured must have at the time of the loss is known as a(n) \_\_\_\_\_ interest:
  - A. Financial
  - B. Personal
  - C. Monetary
  - D. Insurable
  
11. Something sudden and unexpected that results in bodily injury or property damage that was not intended by the insured is known as an:
  - A. Accident
  - B. Event
  - C. Occurrence
  - D. Exposure

12. Replacement cost minus depreciation is the formula used to determine:
- A. Insurable interest
  - B. Actual cash value
  - C. Replacement cost
  - D. Appreciated value
13. A person who threatens a bank teller in an effort to get them to hand over the money is engaging in:
- A. Theft
  - B. Burglary
  - C. Robbery
  - D. Larceny
14. HO policies cover mysterious disappearance, which is also known as:
- A. Theft
  - B. Robbery
  - C. Larceny
  - D. Unexplained loss
15. To lower your premium, you should:
- A. Reduce your deductible
  - B. Eliminate your deductible
  - C. Increase your deductible
  - D. Leave your deductible unchanged
16. If an applicant for insurance fails to disclose a material fact, they may be guilty of:
- A. Concealment
  - B. Misrepresentation
  - C. Fraud
  - D. Perjury
17. Which of the following is true about representations made by an applicant on an application for insurance:
- A. They must be the truth to the best of his knowledge
  - B. Failure to tell the truth is a breach of warranty
  - C. Misrepresentation is considered to be fraud
  - D. They must be sworn statements of truth
18. All of the following are true about insurance binders of coverage EXCEPT:
- A. They are considered to be temporary insurance coverage
  - B. They must be in effect at the time of a loss
  - C. Insurers earn premiums for the period of time a binder is in effect
  - D. They guarantee that a policy will be issued by the time the binder expires



19. On a CGL, Personal Injury liability is designed to cover:
- A. Medical bills
  - B. Libel and slander
  - C. Damage to property
  - D. Pain and suffering
20. Coverage A on a CGL covers BI and PD to others relating to all of the following EXCEPT:
- A. Premises and operations
  - B. Products and completed operations
  - C. Personal injury and advertising
  - D. Insured contracts
21. A CGL will cover the insured's liability that they assume when they enter into:
- A. Any contract
  - B. Contracts listed on the application
  - C. Contracts approved by the underwriter
  - D. Insured contracts
22. The initial premium that an insured pays for a CGL:
- A. Is only a deposit
  - B. May not be increased
  - C. Pays up the policy for the entire year
  - D. May not be reduced
23. A building owner hires a contractor to make improvements to his building. In order to be sure that the contractor has adequate liability insurance, the building owner may ask the contractor to have his insurer send the building owner:
- A. A copy of his policy
  - B. A binder of coverage
  - C. A certificate of insurance
  - D. A copy of a receipt indicating that his premium was paid
24. Coverage for bodily harm, sickness, or disease, including required care, loss of services, pain and suffering and death is known as \_\_\_\_\_ liability:
- A. Property damage
  - B. Bodily injury
  - C. Personal injury
  - D. Errors and Omissions

25. If you are the defendant in a lawsuit, the injured party (plaintiff) suing you must prove that you are legally liable for their injuries. In order to do so, they must prove all of the following EXCEPT:
- A. That they sustained actual loss or damages
  - B. That your negligent act was the proximate cause of their injuries
  - C. That you failed to act as a reasonable and prudent person
  - D. That you had insurance in effect at the time of the loss



## ANSWERS & RATIONALES

1. **C** The definition of an occurrence is something that happens over a period of time. A peril is a cause of loss. A hazard is something that increases the risk. An accident is something that happens suddenly and accidentally.
2. **D** Negligence can not occur with actual injury or damage being sustained. For example, running a red light may be illegal, but it is not negligence unless you collide with another party, causing injury to them or damage to their property.
3. **A** On crime insurance, you can usually tell from the name of the policy what it covers. For example, a Premises Burglary requires forcible signs or entry or exit to your premises.
4. **B** Theft is any act of stealing. It does not require forcible signs of entry or exit. Robbery is a crime against a person that requires a threat of violence, like bank robbery.
5. **C** The limits of liability state the most that the insurer will pay and are found on Declarations page.
6. **D** Actual cash value (ACV) is also known as depreciated value. It may be found by subtracting the depreciation from the replacement cost, which is the same formula we discussed in our studies of property insurance.
7. **A** Risk is defined as the uncertainty, possibility or chance of loss. Insurance is defined as the transfer of risk to the insurer in consideration for the premium paid.
8. **B** A hazard is defined as something that increases the risk. A peril is a cause of loss. Remember, there are 3 types of hazards: 1) a physical hazard, such as ice on the sidewalk; 2) a moral hazard, which is presented by a dishonest person; and 3) a morale hazard, which is presented by a careless person or a person with a bad attitude.
9. **C** The Principle of Indemnity states that the purpose of insurance is to restore you financially after a loss, but not to a better position. In other words, insurance is designed to make you 'whole' again after a loss.
10. **D** Insurable interest is a pre-requisite to coverage. In other words, you cannot insure something unless you have an economic interest in. Insurable interest must exist at the time of the loss.
11. **A** This is the definition of an accident. Please refer to the rationale to question # 1 above for the definition of an occurrence, which includes an accident.
12. **B** Please refer to the rationale to question # 6 above. Auto physical damage claims are paid on an ACV basis.



13. **C** Please refer to the rationale to question # 4 above.
14. **D** HO policies cover both theft, which is any act of stealing, and mysterious disappearance, which is also known as an unexplained loss, or the probability of theft.
15. **C** The higher the deductible, the lower the premium and vice-versa. Although most liability policies are written without a deductible, the insured may add a per loss deductible to lower his premium.
16. **A** Concealment is defined as the failure to disclose a material fact that is important to the underwriter. Misrepresentation is lying about a material fact. Fraud is the intent to deceive. Perjury is lying under oath.
17. **A** Warranties or sworn statements of fact are not required on applications for insurance. Instead, applicants are required to tell the truth to the best of their knowledge, which are known as a representations.
18. **D** Binders of coverage, which may be made either verbally or in writing, are commonly used to provide temporary coverage until superceded by a policy. Binders are written for a limited period of time while a new application is pending and the premium starts to earn as of the effective date of the binder. However, binders do not guarantee that the policy will issued, since that decision is up to the underwriter. Losses occurring while an applicant is 'on binder' are covered.
19. **B** On a CGL, Coverage A is BI & PD to others; Coverage B is Personal Injury and Advertising liability; and Coverage C is Medical to others. Personal Injury liability does not cover Bodily Injury. It covers financial damages resulting from libel, slander, false arrest, etc.
20. **C** Personal Injury and Advertising liability is Coverage B on a CGL.
21. **D** Coverage A on a CGL covers liability assumed by contract, which is also known as 'contractual' liability. However, contractual liability does not cover liability relating to all contracts an insured enters into. It only covers those designated as 'insured contracts' in the policy, such liability related to rail road side track agreements, leases, and elevator maintenance agreements, etc.
22. **A** The initial premium paid on a CGL is only considered to be a deposit, which is based upon an estimate of what the insured's risk exposure might be during the one year policy period. The insurer has up to 3 years after policy expiration to audit the books of the insured and determine what the correct premium should be. If the insured underpaid his premium deposit, more is due. If he overpaid, a refund will be sent.
23. **C** In this question, the building owner really has two choices: 1) add independent contractor's liability to his own CGL to cover himself in case he is sued for something the contractor did; or 2) require the contractor to name the building owner as an additional insured on his CGL and have the contractor's insurer send the building owner a 'certificate of insurance' as proof of proper coverage.

24. **B** This is the definition of Bodily Injury liability. Errors and Omissions liability is a type of professional liability written to cover insurance agents and real estate agents for financial damages arising from making negligent mistakes.
25. **D** Anybody you injure can sue you for negligence, whether you have insurance or not.