ILLINOIS PROPERTY INSURANCE BASIC PRINCIPLES PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. Which duty is NOT typically required after a loss?

A. Notify the insurer promptly

B. Protect the property from further damage

C. Hide evidence to prevent fraud

D. Cooperate with the adjuster

2. Depreciation is calculated as

A. Depreciation = % of Useful Life used up x Replacement Cost

B. Depreciation = Replacement Cost - Salvage Value

C. Depreciation = The deductible amount

D. Depreciation = Policy limit x depreciation rate

3. Which statement about mold coverage is true?

A. It provides broad mold coverage by default.

B. It never covers mold.

C. It covers mold when you have Flood Insurance.

D. It is typically limited; broader coverage available only through endorsements.

4. Under a Business Owners Policy for a small business, the liability coverage mirrors terms from which liability form?

A. Business Property Policy

B. Commercial General Liability form

C. Inland Marine Policy

D. Professional Liability Policy

5. Actual Cash Value (ACV) in relation to Replacement Cost is defined as:

A. ACV equals replacement cost plus depreciation

B. ACV equals replacement cost minus depreciation

C. ACV equals market value

D. ACV equals replacement cost divided by depreciation

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6. What is the insuring agreement in a property policy?

A. The insurer's promise to indemnify the insured for covered losses caused by specified perils, up to the policy limits.

B. Statement of all exclusions.

C. The insurer's claims procedure.

D. The appraisal process.

7. Indirect (consequential) Loss is a loss where the covered peril is not the direct cause; can money be a direct loss?

A. Money (paper) can never be a direct loss

B. Money can be a direct loss in some cases

C. Money is a direct loss only if damaged

D. Money is never involved in losses

8. Are losses due to theft generally covered under standard property coverage?

A. Yes, theft of covered property is typically covered, subject to limits and exclusions.

B. No, theft is never covered.

C. Theft is covered only if it occurs at a licensed facility.

D. Theft coverage is always automatic and unlimited.

9. An underwriter is the insurance company representative who does which of the following?

A. Decides the policyholder is eligible for coverage

B. Decides whether an application qualifies for coverage and what the premium charge should be

C. Appraises property losses after a claim

D. Reviews risk assessments after a loss

10. Named insured refers to

A. The person or organization named on the declarations page.

B. A person described on the declarations page but not specifically named (e.g., relative under 21).

C. An additional insured with mortgagee status.

D. The insurer.

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Answers

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1. C
2. A
3. D
4. B
5. B
6. C
7. A
8. A
9. B
10. A

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Explanations

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1. Which duty is NOT typically required after a loss?

A. Notify the insurer promptly

B. Protect the property from further damage

C. Hide evidence to prevent fraud

D. Cooperate with the adjuster

After a loss, you're expected to help the insurer move the claim forward by following standard duties: promptly notify the insurer, take reasonable steps to protect the property from further damage, and cooperate with the adjuster by providing access to documentation and truthfully describing the loss (including submitting proof of loss within the stated timeframe). Hiding evidence to prevent fraud is not a duty you are required to perform; in fact, it's illegal and considered fraud. It can void your coverage or lead to denial of the claim and potential legal consequences. So the duty that is not required is concealing or destroying evidence.

2. Depreciation is calculated as

A. Depreciation = % of Useful Life used up x Replacement Cost

B. Depreciation = Replacement Cost - Salvage Value

C. Depreciation = The deductible amount

D. Depreciation = Policy limit x depreciation rate

Depreciation reflects the wear and tear on insured property and is used to determine its actual cash value. The way it's calculated here is by multiplying the portion of the property's useful life that has been consumed by its replacement cost. In other words, if replacement cost is high but the item is older and has used up a certain percentage of its useful life, that percentage gets applied to the replacement cost to find the depreciation amount. For example, with a replacement cost of 100,000 and 40% of useful life used, depreciation would be 40,000, so the actual cash value would be 60,000 (assuming no salvage or other adjustments). This approach specifically ties depreciation to age and wear, rather than to salvage value, deductible, or policy limits.

3. Which statement about mold coverage is true?

A. It provides broad mold coverage by default.

B. It never covers mold.

C. It covers mold when you have Flood Insurance.

D. It is typically limited; broader coverage available only through endorsements.

Mold protection in property insurance is not automatic; standard policies usually exclude or cap mold damage, and you'll typically need an endorsement to expand that protection. The statement that best fits this reality is that mold coverage is typically limited, with broader coverage available only through endorsements. Endorsements or riders specify how much mold damage is covered, when it applies, and often come with added costs or conditions, reflecting that mold is treated as a special risk rather than a standard part of the policy. Flood insurance is a separate policy and does not automatically provide broad mold coverage for a homeowner's policy; mold protection isn't guaranteed just because you have flood coverage.

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4. Under a Business Owners Policy for a small business, the liability coverage mirrors terms from which liability form?

A. Business Property Policy

B. Commercial General Liability form

C. Inland Marine Policy

D. Professional Liability Policy

In a Business Owners Policy, the liability protection is modeled on the Commercial General Liability form. This form provides the standard coverage terms for common small-business risks such as bodily injury and property damage arising from premises and operations, products and completed operations, and advertising injury. The BOP uses that language and structure to deliver a broad, ready-to-apply liability package without needing a separate CGL policy. The other options don't fit because: the Business Property Policy covers physical buildings and contents, not liability; Inland Marine covers property moving or floating property separate from the main premises; and Professional Liability covers negligence in professional services, which isn't included in the standard BOP liability.

5. Actual Cash Value (ACV) in relation to Replacement Cost is defined as:

A. ACV equals replacement cost plus depreciation

B. ACV equals replacement cost minus depreciation

C. ACV equals market value

D. ACV equals replacement cost divided by depreciation

Actual Cash Value shows what you receive for a claim after considering wear and tear. Replacement cost is how much it would cost today to replace the item with a new one of like kind and quality, but it doesn't account for age or use. Depreciation reflects that the item has aged and may be less valuable than a new one. So ACV is simply replacement cost minus depreciation. For example, if replacing a damaged item today would cost $1,000 but it's 20% worn, the depreciation is $200, leaving an ACV of $800. The other options don't fit because adding depreciation to replacement cost is incorrect, market value isn't the insurer's standard payment calculation for ACV, and dividing replacement cost by depreciation isn't how depreciation is applied.

6. What is the insuring agreement in a property policy?

A. The insurer's promise to indemnify the insured for covered losses caused by specified perils, up to the policy limits.

B. Statement of all exclusions.

C. The insurer's claims procedure.

D. The appraisal process.

The insuring agreement is the insurer's promise to indemnify the insured for covered losses caused by specified perils, up to the policy limits. It ties the premium paid to the insurer's obligation, stating that losses to the described property will be paid when they occur due to covered events, within the stated limits and subject to the policy terms. This section defines what is covered, which property is insured, and how much the insurer will pay. The other elements described are not the insuring agreement themselves: exclusions spell out what is not covered; the claims procedure explains how to report and adjust a loss; and the appraisal process addresses disputes over the value of the loss.

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7. Indirect (consequential) Loss is a loss where the covered peril is not the direct cause; can money be a direct loss?

A. Money (paper) can never be a direct loss

B. Money can be a direct loss in some cases

C. Money is a direct loss only if damaged

D. Money is never involved in losses

In property insurance, a direct loss is physical damage to the insured property caused by a covered peril. Indirect losses are the financial consequences that flow from that direct damage, such as business interruption or extra expenses. Money is not covered as a direct loss under standard property forms; cash and negotiable instruments are typically excluded from direct property coverage and would be addressed instead by crime/fidelity coverage or separate money-and-securities endorsements. Because of that exclusion, money loss isn't treated as a direct property loss in this framework, so it would not be considered a direct loss. If money is involved, you'd rely on those separate coverages to handle it.

8. Are losses due to theft generally covered under standard property coverage?

A. Yes, theft of covered property is typically covered, subject to limits and exclusions.

B. No, theft is never covered.

C. Theft is covered only if it occurs at a licensed facility.

D. Theft coverage is always automatic and unlimited.

The main idea is that theft losses are generally included in standard property coverage, but they're not unlimited. In typical property policies, direct physical losses to insured property caused by theft are covered up to the policy's limits for that property. That means if something covered is stolen, you can be paid for the loss, subject to the deductible and the overall limit for that category of property. However, there are important caveats. Some types of property have sublimits or aren't covered unless you add extra protection—jewelry, furs, cash, and other valuable items often have lower maximums unless you schedule them or buy a specific endorsement. There can also be exclusions or restrictions, such as theft from an unattended vehicle or theft of items not at the insured location under certain circumstances. If you need broader or higher limits for specific items, you can usually arrange this with endorsements or by scheduling those items. So, theft is typically covered under standard property coverage, but the amount paid is limited by policy limits and may be affected by exclusions or by requiring additional coverage for high-value items.

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9. An underwriter is the insurance company representative who does which of the following?

A. Decides the policyholder is eligible for coverage

B. Decides whether an application qualifies for coverage and what the premium charge should be

C. Appraises property losses after a claim

D. Reviews risk assessments after a loss

Underwriting analyzes the information in an application to decide if the applicant is insurable and how much to charge for the policy. The underwriter uses the company's guidelines to assess risk, determine eligibility for coverage, and set the premium that reflects that risk. They may request more information or decline coverage if the risk doesn't meet the insurer's standards. The other options describe activities after a loss—such as adjusting a claim or evaluating risk after a loss—which are roles of claims handlers or loss-control personnel, not underwriting. So deciding whether coverage is available and what the premium should be is exactly what an underwriter does.

10. Named insured refers to

A. The person or organization named on the declarations page.

B. A person described on the declarations page but not specifically named (e.g., relative under 21).

C. An additional insured with mortgagee status.

D. The insurer.

The named insured is the person or organization specifically listed by name on the declarations page. This is the main party to whom the policy provides coverage, with the rights and duties under the contract, including premium payment and claims handling. Other people who may be covered (like a relative under 21 or an additional insured such as a lender) are described in the policy, but they are not the named insured. The insurer is the company issuing the policy, not the named insured.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://ilpropertyinsurancebasicprin.examzify.com

We wish you the very best on your exam journey. You've got this!

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