

CIC Commercial Property Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

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- 1. In which scenario are Temporary Portable Storage Units covered under Business Personal Property (BPP)?**
 - A. Only if they are attached to vehicles**
 - B. For no more than \$10,000 for 90 days**
 - C. With no time limit but a \$5,000 limit**
 - D. For \$1,000 total without time restrictions**
- 2. What is a benefit of adding broadening endorsements to a commercial property policy?**
 - A. They reduce the cost of insurance premiums significantly.**
 - B. They expand coverage to include additional perils or reduce restrictions on coverage.**
 - C. They eliminate all exclusions from the policy.**
 - D. They guarantee claims will be paid in full.**
- 3. What does 'force majeure' refer to in commercial property insurance contracts?**
 - A. Unexpected marketing successes.**
 - B. Events that are foreseeable and manageable.**
 - C. Events beyond the control of parties that may prevent contract fulfillment.**
 - D. Standard operational risks associated with business.**
- 4. What concept is associated with offering additional coverage without extra cost under a policy?**
 - A. Amendment clause.**
 - B. Exclusionary clause.**
 - C. Liberalization clause.**
 - D. Limitation clause.**
- 5. Why is it important for a business to accurately determine property values when getting insured?**
 - A. To avoid penalties during audits**
 - B. To ensure sufficient coverage in the event of a loss**
 - C. To lower the insurance premiums**
 - D. To meet industry regulations**

- 6. What is the coverage limit for Property Off-Premises extension?**
- A. \$2,500**
 - B. \$5,000**
 - C. \$10,000**
 - D. \$25,000**
- 7. What defines "Extra Expense" in commercial property coverage?**
- A. Damage incurred to property during restoration**
 - B. Costs that would not have occurred without a covered loss**
 - C. Loss of business income during the restoration period**
 - D. Operational costs for maintaining inventory**
- 8. What is meant by liability limit in insurance terms?**
- A. The total amount of the premium paid**
 - B. The maximum amount paid for a covered claim**
 - C. The deductible amount on the policy**
 - D. The duration of the insurance coverage**
- 9. Which of the following extensions covers valuable papers and records?**
- A. Newly Acquired Property**
 - B. Property Off-premises**
 - C. Valuable Papers and Records**
 - D. Increased Cost of Construction**
- 10. Which of the following is NOT considered an exclusion under the Anti-Concurrent Causation?**
- A. Earth movement**
 - B. Utility services**
 - C. Weather conditions**
 - D. War**

Answers

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

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Explanations

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1. In which scenario are Temporary Portable Storage Units covered under Business Personal Property (BPP)?

- A. Only if they are attached to vehicles**
- B. For no more than \$10,000 for 90 days**
- C. With no time limit but a \$5,000 limit**
- D. For \$1,000 total without time restrictions**

Temporary Portable Storage Units are covered under Business Personal Property (BPP) policies for a specific duration and monetary limit under certain conditions. When the correct answer indicates coverage for no more than \$10,000 for a period of 90 days, it aligns with the common provisions in commercial property insurance policies that provide time-limited coverage for specific items not permanently located on the premises. This limited coverage recognizes the transient nature of portable storage units, while also giving businesses some protection against loss or damage during their short-term presence. The specified monetary limit reflects a standard approach in commercial insurance that acknowledges risk management—allowing a business to secure adequate, albeit temporary, protection for the contents stored in these units. The duration of 90 days is also commonplace as it represents a reasonable timeframe for temporary operations without permanently altering the business's insurance coverage structure. In contrast, alternatives suggest less favorable conditions or parameters that might not align with common insurance practices. For instance, other options propose either lower coverage limits or extended periods without limits, which typically would not reflect the standard policies guiding BPP, thus reinforcing why the chosen answer is the most appropriate.

2. What is a benefit of adding broadening endorsements to a commercial property policy?

- A. They reduce the cost of insurance premiums significantly.**
- B. They expand coverage to include additional perils or reduce restrictions on coverage.**
- C. They eliminate all exclusions from the policy.**
- D. They guarantee claims will be paid in full.**

Adding broadening endorsements to a commercial property policy enhances the scope of coverage provided by the policy. These endorsements serve to expand the insurance protection to cover additional perils that might not be included in the base policy or to mitigate certain restrictions that may apply to the coverage. For instance, a standard commercial property policy might exclude certain risks or limit protection to specific scenarios. By incorporating broadening endorsements, businesses can gain coverage for events such as equipment breakdown, natural disasters, or other specific types of damage that enhance their overall risk management strategy. This added flexibility is crucial for businesses that want comprehensive protection against a wider array of risks, enabling them to align their coverage with their operational needs. The other options lack the specificity or reality of how broadening endorsements function. They do not significantly reduce insurance premiums, cannot eliminate all exclusions from a policy, and do not guarantee that all claims will be paid in full, as claims are subject to the terms and conditions of the policy.

3. What does 'force majeure' refer to in commercial property insurance contracts?

- A. Unexpected marketing successes.**
- B. Events that are foreseeable and manageable.**
- C. Events beyond the control of parties that may prevent contract fulfillment.**
- D. Standard operational risks associated with business.**

In commercial property insurance contracts, 'force majeure' refers to events that are beyond the control of the parties involved in the contract and may prevent them from fulfilling their obligations. This concept typically includes natural disasters, such as earthquakes, floods, or hurricanes, as well as other unforeseen circumstances like riots or war. The essence of force majeure is that it provides relief to the affected party, acknowledging that certain situations are unavoidable and can impede contractual performance. By recognizing force majeure, contracts often contain clauses that outline the conditions under which the parties may be excused from performance due to such extraordinary events. This allows for a degree of flexibility and understanding in the contract, ensuring that parties are not penalized for situations they could not possibly manage or foresee. The other options do not accurately capture the essence of force majeure. Unexpected marketing successes do not hinder contractual obligations, while foreseeable and manageable events do not fall under the category of force majeure, as those are anticipated and can typically be planned for. Standard operational risks are also part of normal business operations and do not excuse parties from fulfilling their contract.

4. What concept is associated with offering additional coverage without extra cost under a policy?

- A. Amendment clause.**
- B. Exclusionary clause.**
- C. Liberalization clause.**
- D. Limitation clause.**

The concept associated with offering additional coverage without extra cost under a policy is known as the liberalization clause. This provision allows the insurer to extend the benefits of any improvements or enhancements in coverage to existing policyholders without requiring them to pay additional premiums. Essentially, if the insurer decides to broaden coverage terms or add new benefits to their policies, these changes automatically apply to all current policies in effect. This clause serves to enhance customer satisfaction and can help in retaining clients, as policyholders feel they are receiving more value without any extra financial burden. The liberalization clause reflects the insurer's commitment to keeping up with changing market conditions and offering competitive coverage. It is common in many commercial property insurance policies and reinforces the relationship between the insurer and the insured by assuring that policyholders benefit from enhancements that may be introduced subsequently.

5. Why is it important for a business to accurately determine property values when getting insured?

- A. To avoid penalties during audits**
- B. To ensure sufficient coverage in the event of a loss**
- C. To lower the insurance premiums**
- D. To meet industry regulations**

Accurately determining property values is crucial for ensuring sufficient coverage in the event of a loss. When a business evaluates its property correctly, it allows for a more precise assessment of how much insurance is needed to fully cover potential losses. If the property is underinsured due to inaccurate valuations, a loss may result in inadequate compensation, leaving the business financially vulnerable and unable to recover fully from the incident. This process helps in mitigating risks because it addresses the specific needs of the business in terms of property protection. By aligning the insurance coverage with the correct property value, businesses can ensure they are prepared for various scenarios, whether it's damage from natural disasters, theft, or other unforeseen events. While other options may hold some relevance in the broader context of insurance practices, they do not directly address the critical need for accurate property valuation in relation to coverage sufficiency during potential losses.

6. What is the coverage limit for Property Off-Premises extension?

- A. \$2,500**
- B. \$5,000**
- C. \$10,000**
- D. \$25,000**

The coverage limit for the Property Off-Premises extension is indeed \$10,000. This extension is part of the commercial property insurance policy that provides coverage for business personal property that is temporarily located away from the insured premises. This limit is designed to protect businesses in the event of loss or damage to their property while it is in transit or stored at a location that is not the primary business location. Understanding the significance of this limit is essential for businesses managing their risk exposure, as it dictates how much coverage is available for property situated elsewhere. If a company has valuable equipment, inventory, or other properties that are often located off-premises, knowing this limit helps in planning appropriately for insurance needs and potential purchases of additional coverage or endorsements if necessary. Options with lower limits, such as the choices of \$2,500 or \$5,000, would not provide adequate protection for businesses that frequently move property away from their premises, while higher amounts like \$25,000 exceed the standard limit and may not be applicable under typical terms without special endorsement or added coverage. Thus, \$10,000 serves as a balanced amount that offers reasonable coverage for off-premises property in standard situations.

7. What defines "Extra Expense" in commercial property coverage?

- A. Damage incurred to property during restoration**
- B. Costs that would not have occurred without a covered loss**
- C. Loss of business income during the restoration period**
- D. Operational costs for maintaining inventory**

"Extra Expense" in commercial property coverage specifically refers to the costs that a business incurs as a result of a covered loss that is over and above the normal expenses they would have incurred if no such loss had occurred. This typically pertains to expenses necessary to continue operations during a time of restoration or repair after a covered event, such as a fire or flooding. The distinction of extra expense is crucial because it emphasizes that these costs are necessitated solely by the situation resulting from the loss, thereby allowing the business to resume operations or minimize business interruption. For instance, a company might need to rent temporary office space or equipment while their own property is being repaired. These costs would not have existed without the covered loss, making them a valid part of the extra expense coverage. This concept is beneficial as it enables businesses to maintain some level of operation and mitigate further losses during the recovery phase, which aligns with the broader aim of property coverage—to support businesses in regaining their footing after a disruptive event.

8. What is meant by liability limit in insurance terms?

- A. The total amount of the premium paid**
- B. The maximum amount paid for a covered claim**
- C. The deductible amount on the policy**
- D. The duration of the insurance coverage**

Liability limit refers to the maximum amount that an insurance company will pay for a covered claim under a liability insurance policy. This limit is crucial because it establishes the insurer's financial obligation in the event of a loss arising from liability, such as bodily injury or property damage caused to others. For instance, if a business has a liability limit of \$1 million and faces a claim for \$1.5 million due to an incident, the insurance company will only pay up to the established limit of \$1 million, leaving the business responsible for the remaining balance. Understanding the liability limit helps policyholders assess their risk exposure and determine if they need to purchase additional coverage or a higher limit to adequately protect against potential claims. The other options represent different aspects of insurance. The total amount of the premium paid pertains to the cost of obtaining the insurance coverage, while the deductible is the portion of a claim that the policyholder must pay out-of-pocket before insurance kicks in. The duration of coverage simply refers to the period during which the policy is active and does not relate to the financial limits on claims.

9. Which of the following extensions covers valuable papers and records?

- A. Newly Acquired Property**
- B. Property Off-premises**
- C. Valuable Papers and Records**
- D. Increased Cost of Construction**

The correct answer is the option that specifically addresses the coverage of valuable papers and records. This extension is designed to protect important documents and records that are irreplaceable or whose value exceeds their physical form. This could include items such as contracts, historical documents, blueprints, or any other documents that hold significant value either financially or operationally. By focusing on this specific extension, the coverage ensures that businesses are safeguarded against the loss, destruction, or damage of crucial documents, which can have grave consequences for operations. It is critical for businesses to have coverage that recognizes the unique nature and value of these intangible assets. The other options relate to different types of coverage but do not focus specifically on valuable papers and records. For example, one option deals with property that has been acquired recently, which would cover new additions to physical assets. Another option pertains to property that is temporarily off-premises, while the last one deals with the rising expenses related to construction improvements. Each serves different needs within a commercial property insurance policy and does not directly address the coverage of valuable documents.

10. Which of the following is NOT considered an exclusion under the Anti-Concurrent Causation?

- A. Earth movement**
- B. Utility services**
- C. Weather conditions**
- D. War**

In the context of commercial property insurance, exclusions under the Anti-Concurrent Causation (ACC) clause are elements that are specifically listed as not covered by the policy. The ACC clause is important because it clarifies how certain causes of loss that occur simultaneously can impact coverage. Weather conditions typically encompass a range of effects such as storms, hail, and related phenomena that could be the cause of a loss in a property insurance context. Therefore, it does not fall under the typical exclusions found in an ACC clause, which often includes factors like war, earth movement, and utility services that are distinctly laid out as non-covered events. In contrast, earth movement (including earthquakes and landslides), utility services interruptions (which address failures of water, gas, electric, or other services), and losses due to war are clearly understood as exclusions. These exclusions are part of the standard language in many commercial property policies, meaning that insured parties should be aware that such causes will not be compensated under the policy. Thus, recognizing that weather conditions are generally not deemed an exclusion under the ACC clause helps clarify the coverage expectations of a commercial property insurance policy. This understanding reinforces the importance of reading and understanding the specifics of the insurance policy's terms and how they frame the coverage.