

Illinois Public Adjuster Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. In construction terminology, what does "pitch" refer to?**
 - A. The steepness of a roof**
 - B. The material used for roofing**
 - C. The quality of construction**
 - D. The design plan of the building**
- 2. How many days does an insured have to complete and submit a signed sworn proof of loss?**
 - A. 30 days**
 - B. 45 days**
 - C. 60 days**
 - D. 90 days**
- 3. What type of claim involves asking for a ruling on the terms of the policy?**
 - A. Litigation**
 - B. Declaratory action**
 - C. Subrogation**
 - D. Exclusion claim**
- 4. Which coverage is specifically excluded in policies regarding mine subsidence?**
 - A. Earthquake coverage**
 - B. Flood coverage**
 - C. Mine subsidence coverage**
 - D. Windstorm coverage**
- 5. Which of the following is NOT negotiable between the public adjuster and the insurance adjuster when negotiating a loss?**
 - A. The cause of loss**
 - B. The amount of the claim**
 - C. The type of coverage**
 - D. The deductible amount**

- 6. If there is a covered fire and explosion loss exceeding \$25,000 to a structure in Illinois, what must the insurer obtain before settling the claim?**
- A. A certificate that states that property taxes and demolition expenses are paid**
 - B. A signed waiver from the insured**
 - C. A detailed inspection report**
 - D. Proof of the insured's identity**
- 7. Which property coverage form is appropriate for a building under construction?**
- A. A builders risk form**
 - B. General liability form**
 - C. Equipment breakdown form**
 - D. Commercial property form**
- 8. A commercial property policy with basic causes of loss excludes which of the following acts of vandalism?**
- A. Theft of property**
 - B. Spray painting on a building's walls**
 - C. Fires caused by arson**
 - D. All of the above**
- 9. Commercial property insurance would exclude which of the following acts of vandalism?**
- A. Damage to a storefront window**
 - B. Destruction of business equipment**
 - C. Damage to an advertising sign on the sidewalk**
 - D. Vandalism of landscaping around the property**
- 10. What does the term 'indemnity' in insurance refer to?**
- A. Protection against monetary loss**
 - B. Reimbursement for actual losses**
 - C. Coverage against natural disasters**
 - D. Compensation for intangible losses**

Answers

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

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Explanations

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1. In construction terminology, what does "pitch" refer to?

- A. The steepness of a roof**
- B. The material used for roofing**
- C. The quality of construction**
- D. The design plan of the building**

In construction terminology, "pitch" specifically refers to the steepness or slope of a roof. It is a critical concept in roofing design and construction, as the pitch influences not only the visual aesthetics of a building but also its performance in shedding water and resisting various weather conditions. A steeper pitch generally facilitates better drainage and minimizes the risk of water pooling, which can lead to leaks and structural issues. Understanding pitch is essential for both design considerations and the proper installation of roofing materials. Therefore, the definition accurately aligns with the crucial role that roof pitch plays in construction and architecture.

2. How many days does an insured have to complete and submit a signed sworn proof of loss?

- A. 30 days**
- B. 45 days**
- C. 60 days**
- D. 90 days**

The correct answer highlights that in Illinois, an insured is typically required to complete and submit a signed sworn proof of loss within a 60-day period following a loss. This time frame is established to ensure that claims are promptly finalized and that the insurer has all necessary documentation to assess and process the claim effectively. Submitting a sworn proof of loss is a critical procedure, as it serves as a formal declaration detailing the specifics of the claim. By setting a deadline of 60 days, the law encourages policyholders to gather the relevant information and submit it in a timely manner, which helps both the insured and the insurer manage their responsibilities and expectations regarding the claims process. In some cases, extensions may be granted, but the standard timeline is 60 days, making it crucial for policyholders to be informed and proactive about their claims and submissions.

3. What type of claim involves asking for a ruling on the terms of the policy?

- A. Litigation**
- B. Declaratory action**
- C. Subrogation**
- D. Exclusion claim**

A claim that involves asking for a ruling on the terms of a policy is known as a declaratory action. This is a legal procedure where an individual or entity seeks a court's clarification or judgment regarding the interpretation or enforceability of a contract, such as an insurance policy. In the context of insurance, a declaratory judgment can determine whether a particular event is covered under the terms of the policy and the obligations of the parties involved. In the field of insurance, such actions are often pursued when there is a dispute over coverage or when the insurer's obligations are questioned by the insured. The ruling provided through a declaratory action helps clarify ambiguities in the policy language, ensuring that both the insurer and the insured understand their rights and responsibilities under the insurance agreement. This process ultimately aids in resolving misunderstandings before they escalate into more complex disputes or litigation. Although litigation refers broadly to the process of taking legal action, it does not specifically address clarifying policy interpretations. Subrogation deals with the right of an insurance company to pursue a third party that caused the loss to recover costs, which is distinctly separate from policy interpretation. An exclusion claim specifies circumstances or perils not covered by an insurance policy, which also does not pertain to asking for a ruling

4. Which coverage is specifically excluded in policies regarding mine subsidence?

- A. Earthquake coverage**
- B. Flood coverage**
- C. Mine subsidence coverage**
- D. Windstorm coverage**

The correct answer highlights a crucial aspect of insurance policies related to mine subsidence. Mine subsidence refers specifically to the surface movement or subsidence caused by underground mining activities. In many insurance policies, mine subsidence coverage is often excluded due to the unique nature and risks associated with mining operations. Insurers categorize this risk separately because it is generally regarded as a peril that falls outside typical property insurance coverage. Policies may offer other types of coverage, such as for earthquakes or floods, but these would be treated as distinct risks with their own specific exclusions and conditions. Understanding this helps clarify why mine subsidence coverage itself is not included within a standard policy, as it poses specific underwriting challenges and risk calculations that differ from other natural disasters or weather-related incidents.

5. Which of the following is NOT negotiable between the public adjuster and the insurance adjuster when negotiating a loss?

- A. The cause of loss**
- B. The amount of the claim**
- C. The type of coverage**
- D. The deductible amount**

The cause of loss is a factor that is generally established based on the terms of the insurance policy and the factual circumstances surrounding the claim. It refers to the event or series of events that led to the damage or loss, such as fire, flood, or theft. Insurers typically evaluate the cause of loss based on policy language and coverage limitations, which are predetermined and cannot be altered through negotiation. In contrast, other aspects such as the amount of the claim, type of coverage, and deductible amount may be subject to negotiation during the claims process. Adjusters from both sides can discuss and sometimes settle on different values for the claim amount, review the scope of coverage options, and address deductible amounts based on the details of the situation and the policy. Thus, the cause of loss remains a fixed, objective fact that cannot be changed through negotiations, making it the correct choice for the question.

6. If there is a covered fire and explosion loss exceeding \$25,000 to a structure in Illinois, what must the insurer obtain before settling the claim?

- A. A certificate that states that property taxes and demolition expenses are paid**
- B. A signed waiver from the insured**
- C. A detailed inspection report**
- D. Proof of the insured's identity**

In the context of handling claims for covered fire and explosion losses in Illinois, it is mandatory for insurers to obtain certain documentation before proceeding with a settlement. When a claim exceeds \$25,000, documentation regarding property taxes and demolition expenses is particularly crucial. This requirement helps to ensure that all financial obligations related to the property are settled prior to any insurance payout. The certificate confirming that property taxes and demolition expenses are paid mitigates the risk of potential liens on the property and ensures that the insured does not encounter any unresolved financial burdens as a result of the loss. This practice reinforces the importance of confirming financial responsibility and maintaining clear title on the property before settling the claim. By obtaining this certificate, the insurer is protecting both the insured and itself from future disputes or liabilities that might arise from unpaid debts associated with the property. Other options, while potentially relevant to the claims process, do not address the specific insurance requirements mandated by Illinois law pertaining to significant losses. For instance, a signed waiver from the insured does not serve the same purpose as confirming financial obligations. A detailed inspection report may inform the settlement but is not strictly necessary for processing payment in the context specified. Similarly, proof of the insured's identity is a standard requirement but does not pertain to the specific

7. Which property coverage form is appropriate for a building under construction?

A. A builders risk form

B. General liability form

C. Equipment breakdown form

D. Commercial property form

The builders risk form is specifically designed to provide coverage for buildings that are under construction. It addresses the unique risks associated with incomplete structures, such as damage from fire, theft, vandalism, or certain weather-related events during the construction process. This form often covers not just the structure itself, but also materials, fixtures, and equipment that are intended to become a permanent part of the building. In contrast, a general liability form primarily protects businesses from claims of bodily injury and property damage that occur on the premises, but it does not cover damage to the building being constructed. The equipment breakdown form is focused on coverage for mechanical and electrical breakdowns of machinery and equipment, which is not relevant to the coverage of a construction site. The commercial property form typically covers completed buildings and their contents but would not adequately address the specific needs and risks associated with a project that is still under construction. Thus, the builders risk form is the appropriate choice for a building undergoing construction.

8. A commercial property policy with basic causes of loss excludes which of the following acts of vandalism?

A. Theft of property

B. Spray painting on a building's walls

C. Fires caused by arson

D. All of the above

In the context of a commercial property policy with basic causes of loss, it's important to understand that these policies generally provide limited coverage for vandalism. The exclusions within these types of policies typically include acts that result in more severe damage or are not considered to fall under standard vandalism. The theft of property is not typically classified under vandalism, and instead, it usually falls under a separate coverage portion related to theft. This highlights that while vandalism, such as spray painting, may be covered, more serious offenses leading to a substantial loss or crime may not be included. Fire-related incidents, particularly those caused by arson, represent another category where basic causes of loss policies may not provide coverage. Arson is often treated as a criminal act rather than mere vandalism, therefore excluded from the basic coverage. Overall, when understanding these policy exclusions, it becomes clear that acts of vandalism such as minor defacement may be included, while the more serious acts like theft and arson are explicitly excluded, aligning with the rationale of not covering more severe or criminal acts under the basic vandalism protections.

9. Commercial property insurance would exclude which of the following acts of vandalism?

- A. Damage to a storefront window**
- B. Destruction of business equipment**
- C. Damage to an advertising sign on the sidewalk**
- D. Vandalism of landscaping around the property**

The correct choice highlights that commercial property insurance typically covers vandalism to physical structures and business equipment, but may have specific exclusions regarding certain items, such as landscaping. In the context of commercial insurance policies, coverage for vandalism is usually designed to protect against damage that directly impacts the business operations or the property itself. While damage to a storefront window and destruction of business equipment are generally covered as they are integral to the functioning of the business, landscaping is often considered part of the outdoor aesthetic rather than a critical component of the business's physical operation. Damage to advertising signs, although it might seem relevant, is more closely associated with property used for the business's advertisement, and may have specific provisions in the insurance policy regarding damage. Given the nature of landscaping, it is often excluded because insurers may view it as less critical compared to more direct impacts on the business property or equipment. Therefore, the exclusion of vandalism to landscaping aligns with how insurance policies may be structured, focusing on protecting the essential elements of the business.

10. What does the term 'indemnity' in insurance refer to?

- A. Protection against monetary loss**
- B. Reimbursement for actual losses**
- C. Coverage against natural disasters**
- D. Compensation for intangible losses**

Indemnity in insurance refers specifically to the concept of reimbursement for actual losses incurred by the policyholder. The principle ensures that the insured party is restored to their financial position prior to the loss, without allowing for profit from the situation. This means that the payout from an insurance policy will equate to the value of the actual damages suffered, rather than providing excess funds or a higher payout than what was lost. The focus of indemnity is central to the insurance industry, as it underscores the idea of insurance being a means of risk management rather than a way to generate profit. This principle prevents moral hazard, where an insured party might take excessive risks due to the safety net of their coverage. Thus, through indemnity, insurers aim to provide support that aligns strictly with the financial impact of the insured event.