

ARKANSAS PROPERTY AND CASUALTY PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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.

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!

Questions

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1. What does the term "policy renewal" mean?

- A. The cancellation of an existing insurance policy
- B. The process of increasing coverage limits on an existing policy
- C. The process of extending the coverage of an insurance policy beyond its initial term
- D. The adjustment of policy premiums at expiration

2. What does "fidelity bonding" protect against?

- A. Injury to third parties
- B. Theft of personal items
- C. Employee dishonesty or fraud
- D. Damage to company property

3. If a 15 year old dwelling valued at \$100,000 is insured for \$60,000 on an HO-3 policy with a \$250 deductible and incurs a \$10,000 loss, how much will the insured receive from the insurance company?

- A. \$9,750
- B. \$10,000
- C. \$9,500
- D. \$8,750

4. What is a "coverage gap"?

- A. An area where the insurer has excess coverage
- B. A situation where certain risks are not covered by an insurance policy
- C. A discount applied to the premium
- D. A type of insurance policy extension

5. What is "Property Damage Liability" coverage?

- A. Coverage for legal fees incurred during a claim
- B. Coverage for damages to someone else's property caused by the insured
- C. Coverage for damages to the insured's own property
- D. Coverage for medical expenses incurred by the insured

- 6. Which is not considered a surety bond?**
- A. A Blanket Position Bond
 - B. A Construction Bond
 - C. A Performance Bond
 - D. A Warranty Bond
- 7. Who has the unlimited right to cancel an insurance policy?**
- A. The insurance company
 - B. The insured consumer
 - C. The underwriter
 - D. The agent
- 8. Which of the following is not typically considered a common hazard in property insurance?**
- A. Fire
 - B. Theft
 - C. Natural disasters
 - D. Unpredictable market shifts
- 9. What does "conversion" mean in terms of insurance?**
- A. The process of ending an insurance policy
 - B. The method of reapplying for insurance after cancellation
 - C. The process of changing an insurance policy to a different form or type
 - D. The negotiation process for lower premiums
- 10. What Act provides Workers Compensation coverage for persons involved in interstate transportation, such as railroad workers?**
- A. The Employee Compensation Act
 - B. The Rail Workers Compensation Act
 - C. The Federal Employer's Liability Act
 - D. The Interstate Worker's Compensation Act

Answers

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

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Explanations

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1. What does the term "policy renewal" mean?

- A. The cancellation of an existing insurance policy
- B. The process of increasing coverage limits on an existing policy
- C. The process of extending the coverage of an insurance policy beyond its initial term**
- D. The adjustment of policy premiums at expiration

The term "policy renewal" refers to the process of extending the coverage of an insurance policy beyond its initial term. This typically involves the insurer reviewing the policy and determining whether to continue, adjust, or terminate coverage based on various factors, such as updated risk assessments or changes in information about the insured. When a policy is renewed, the insured usually has the opportunity to reassess their coverage needs, possibly making changes to the limits or types of coverage included in the policy. Renewal can also involve discussions about the premium, which may be adjusted based on claims history or market conditions at the time of renewal. While increasing coverage limits or making adjustments to premiums may occur during the renewal process, the fundamental aspect of policy renewal itself is about extending the period of coverage. This ensures that there is no lapse in protection for the policyholder, helping to guarantee ongoing financial security against potential risks.

2. What does "fidelity bonding" protect against?

- A. Injury to third parties
- B. Theft of personal items
- C. Employee dishonesty or fraud**
- D. Damage to company property

Fidelity bonding is a type of insurance that specifically protects businesses against the risk of employee dishonesty or fraud. This coverage is designed to safeguard the employer from financial losses that may occur due to dishonest acts committed by employees, such as theft of money, securities, or property. Having a fidelity bond is crucial for businesses as it not only mitigates the financial risks associated with employee malfeasance but also helps build trust with clients and stakeholders, who may be more confident knowing that there are protections in place against potential dishonest behavior. This makes fidelity bonding an important aspect of risk management for employers in various industries. In contrast, the other options relate to different types of insurance needs, such as liability coverage for third-party injuries, personal property coverage for theft, and property insurance for damages to company assets, but they do not pertain to the protection specifically provided by fidelity bonding.

3. If a 15 year old dwelling valued at \$100,000 is insured for \$60,000 on an HO-3 policy with a \$250 deductible and incurs a \$10,000 loss, how much will the insured receive from the insurance company?

A. \$9,750

B. \$10,000

C. \$9,500

D. \$8,750

To determine how much the insured would receive from the insurance company after a \$10,000 loss under an HO-3 policy, it is crucial to look at the coverage limits and the deductible amount. Firstly, the dwelling is insured for \$60,000, which is below its full replacement value of \$100,000. Thus, it is essential to apply the principle of actual cash value and the applicable deductible. In the event of a partial loss (which \$10,000 is in this case), the insured's payout is calculated as follows: 1. **Calculate the loss minus the deductible**: The total loss is \$10,000, and there is a \$250 deductible. To find the payout, subtract the deductible from the loss: $\$10,000 - \$250 = \$9,750$ 2. **Evaluate the coverage amount**: Since the dwelling is insured for \$60,000, which is above the \$9,750 calculated after applying the deductible, the coverage limit does not restrict the payout in this case. Therefore, the insured would receive \$9,750, which reflects the amount of loss minus the deductible while staying within the policy limits.

4. What is a "coverage gap"?

A. An area where the insurer has excess coverage

B. A situation where certain risks are not covered by an insurance policy

C. A discount applied to the premium

D. A type of insurance policy extension

A "coverage gap" refers to a situation where certain risks or liabilities are not covered by an insurance policy. This can occur for various reasons, such as exclusions outlined in the policy, limits on coverage amounts, or specific situations that the insurer has chosen not to insure against. These gaps can leave policyholders vulnerable, as they may face financial losses for events that occur but are not covered by their insurance. Understanding these gaps is vital for policyholders to ensure they have sufficient coverage for potential risks they may encounter. The other choices suggest different concepts related to insurance. For example, a scenario describing excess coverage refers to situations where a policy might provide more coverage than necessary, while a discount applied to the premium relates to cost rather than coverage specifics. Lastly, a type of insurance policy extension pertains to additional options or benefits provided within a policy, distinct from the idea of a gap where coverage is lacking.

5. What is "Property Damage Liability" coverage?

- A. Coverage for legal fees incurred during a claim
- B. Coverage for damages to someone else's property caused by the insured**
- C. Coverage for damages to the insured's own property
- D. Coverage for medical expenses incurred by the insured

Property Damage Liability coverage is designed specifically to protect an individual against financial responsibility for damages they may cause to someone else's property. This type of insurance typically comes into play in situations where the insured has inadvertently caused damage, for example, in a car accident where the insured's vehicle collides with another person's property, such as a fence or a parked car. When opting for this coverage, the insured can be assured that if they are found liable, the insurance will help cover the costs associated with repairing or replacing the damaged property. This coverage does not apply to damages incurred by the insured themselves, nor does it cover legal fees unrelated to property damage or medical expenses. This means that it effectively provides financial protection against the risks associated with causing damage to others' belongings, thereby mitigating the insured's potential out-of-pocket expenses in such scenarios.

6. Which is not considered a surety bond?

- A. A Blanket Position Bond**
- B. A Construction Bond
- C. A Performance Bond
- D. A Warranty Bond

A blanket position bond is indeed not classified as a surety bond. Surety bonds typically involve a three-party agreement wherein the surety guarantees the obligations of one party (the principal) to another party (the obligee). The guarantee provided by the surety ensures that the principal will fulfill their contractual obligations, such as completing a project or making payments. In contrast, a blanket position bond provides coverage in a broader context, often protecting against loss due to dishonest acts of employees, rather than guaranteeing the fulfillment of a specific obligation or contract as seen in surety bonds like construction or performance bonds. The scope of a blanket position bond is more about overall employee conduct and less about fulfilling a contractual promise, which differentiates it from the typical role of surety bonds. Construction bonds, performance bonds, and warranty bonds all serve the function of ensuring various obligations are met. For example, a performance bond guarantees that a contractor will complete a project according to the contract, while a warranty bond provides assurance that goods or services will meet specified standards over a set period.

7. Who has the unlimited right to cancel an insurance policy?

A. The insurance company

B. The insured consumer

C. The underwriter

D. The agent

The insurance company has the unlimited right to cancel an insurance policy. This authority is typically outlined within the policy itself and is governed by state regulations. Insurance companies retain this right as part of their overall risk management strategy. They may choose to cancel a policy for various reasons, such as non-payment of premiums, changes in underwriting guidelines, or a discernible increase in risk as determined by the insurer's assessment. In practice, while the insured consumer can also request cancellation of their policy, this action usually results in a refund of the unearned premium. However, the insurance company retains the ultimate authority to decide upon the terms and conditions under which a policy may be canceled. Additionally, underwriters possess the responsibility to evaluate risks and set terms but do not directly control the cancellation process. Agents act as intermediaries between the insured and the insurance company, facilitating transactions but also do not hold the right to unilaterally cancel policies. Thus, the power to cancel lies fundamentally with the insurance company, reflecting its role in managing the insurance contract.

8. Which of the following is not typically considered a common hazard in property insurance?

A. Fire

B. Theft

C. Natural disasters

D. Unpredictable market shifts

In the context of property insurance, common hazards typically encompass events that can directly damage or cause loss to physical property. Fire, theft, and natural disasters are all widely recognized risks that property insurance is designed to protect against. Fire can result in significant destruction of property, leading to substantial financial loss, which is why property insurance policies often include coverage for fire-related incidents. Theft presents a risk to personal belongings and can also result in major financial implications; hence, it is covered under various property insurance policies. Natural disasters, such as hurricanes, earthquakes, and floods, are also common hazards as they can lead to widespread damage to homes and businesses, often resulting in costly claims. In contrast, unpredictable market shifts are considered economic risks rather than hazards that affect physical property itself. Market fluctuations do not directly translate to physical damage or loss to the insured property, so they fall outside the realm of common hazards typically addressed in property insurance policies. Thus, this makes unpredictable market shifts the correct answer to the question, as it does not align with the typical risks that property insurance is designed to mitigate.

9. What does "conversion" mean in terms of insurance?

- A. The process of ending an insurance policy
- B. The method of reapplying for insurance after cancellation
- C. The process of changing an insurance policy to a different form or type**
- D. The negotiation process for lower premiums

In the context of insurance, "conversion" refers to the process of changing an insurance policy to a different form or type. This process allows policyholders to adapt their coverage to better meet their needs without completely starting over. For example, a policyholder may convert a term life insurance policy into a whole life policy. This conversion can occur under specific provisions outlined in the policy, often allowing for coverage to continue without the need for additional underwriting. Understanding conversion is essential in insurance as it helps clients maintain uninterrupted coverage while adjusting to changes in their circumstances, such as age or health status. It provides flexibility and options, enabling individuals to keep their protections in place while tailoring the policy to align with their evolving needs.

10. What Act provides Workers Compensation coverage for persons involved in interstate transportation, such as railroad workers?

- A. The Employee Compensation Act
- B. The Rail Workers Compensation Act
- C. The Federal Employer's Liability Act**
- D. The Interstate Worker's Compensation Act

The Federal Employer's Liability Act (FELA) provides Workers Compensation coverage specifically for individuals involved in interstate transportation, including railroad workers. This federal law allows injured employees of railroads to sue their employers for damages resulting from workplace accidents or injuries. FELA was enacted to ensure that railroad workers receive compensation for their injuries, recognizing the unique hazards they face due to the nature of their work, which often involves interstate travel and operations. Unlike state workers' compensation laws, which typically cover a broad range of employment scenarios within a state, FELA is specifically designed to handle the nuances associated with railroad employment and interstate commerce. It allows for more extensive liability beyond what standard workers' compensation programs may cover, thereby ensuring railroad employees have critical legal protections. By targeting the specific needs of railroad workers and the circumstances of interstate commerce, FELA addresses the gaps left by state workers' compensation laws, making it a vital piece of legislation for those in the railroad industry.

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://arkansaspropertycasualty.examzify.com>

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

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