

Hawaii Insurance License Practice Exam Sample Study Guide



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for each question.**

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SAMPLE

Questions

- 1. In a bond, who is referred to as the obligee?**
 - A. The person wanting the work done**
 - B. The person doing the work**
 - C. The guarantor of the bond**
 - D. The insurance Commissioner**
- 2. What is the term for the obligations of the insured or insurer within an insurance contract?**
 - A. Exclusions**
 - B. Conditions**
 - C. Limitations**
 - D. Terms**
- 3. Within how many days must name or address changes be reported to the Commissioner?**
 - A. 10 days**
 - B. 20 days**
 - C. 30 days**
 - D. 60 days**
- 4. Which of the following would typically not be covered under a standard homeowners policy?**
 - A. Personal property theft**
 - B. Earthquake damage**
 - C. Liability for guest injuries**
 - D. Fire damage**
- 5. Which of the following is NOT a type of property coverage?**
 - A. Comprehensive Coverage**
 - B. Liability Coverage**
 - C. Underinsured Motorist Coverage**
 - D. Workers' Compensation Coverage**

- 6. In Hawaii, a licensee must notify the commissioner of a change of address within:**
- A. 15 days**
 - B. 30 days**
 - C. 45 days**
 - D. 60 days**
- 7. Which factor influences the total payout in a homeowners insurance claim?**
- A. The insurance agent's experience**
 - B. The location of the home**
 - C. Coverage limits of the policy**
 - D. The time of year the claim is made**
- 8. What is covered under an unendorsed DP1 policy?**
- A. Flood damage**
 - B. Volcanic eruption**
 - C. Theft coverage**
 - D. Personal liability**
- 9. Which party in a bond is primarily concerned with the completion of the work?**
- A. Surety**
 - B. Principal**
 - C. Obligee**
 - D. Director**
- 10. What does excess coverage provide over underlying insurance?**
- A. Higher deductible**
 - B. Exclusively basic coverage**
 - C. Broader coverage than most underlying coverage**
 - D. Limited benefit increase**

Answers

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

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Explanations

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1. In a bond, who is referred to as the obligee?

A. The person wanting the work done

B. The person doing the work

C. The guarantor of the bond

D. The insurance Commissioner

In the context of a bond, the obligee is the individual or entity that requires a guarantee of performance or payment. This is typically the party that commissions a project or work to be completed. By being the obligee, they have a vested interest in ensuring that the terms of the bond are met, as they are the ones ultimately concerned with the completion of the work or the fulfillment of obligations as stated in the bond agreement. For instance, in a construction project, the obligee would be the property owner or the entity funding the project who expects the contractor to fulfill their responsibilities. They are protected by the bond which ensures that if the contractor fails to perform, the bond will provide compensation or guarantee that the work will be completed as agreed. The other parties mentioned in the choices, such as the worker or contractor, the guarantor of the bond, and the insurance commissioner, serve different roles and are not the focus of the bond's protections in the same way that the obligee is. Thus, option A accurately identifies the role of the obligee in a bonding context.

2. What is the term for the obligations of the insured or insurer within an insurance contract?

A. Exclusions

B. Conditions

C. Limitations

D. Terms

The obligations of both the insured and the insurer within an insurance contract are referred to as conditions. Conditions specify the duties and responsibilities that each party must fulfill for the insurance contract to remain valid. These may include requirements such as timely premium payments by the insured, the necessity for the insured to report losses promptly, and the insurer's duty to investigate and pay valid claims. This concept is crucial because it provides clarity on what each party can expect from the other, ensuring that the terms of the agreement are straightforward and enforceable. Conditions serve to protect both parties and uphold the integrity of the contract, allowing for a better understanding of the expectations surrounding coverage. In contrast, exclusions pertain to situations or events that are not covered by the policy, limitations typically refer to caps or restrictions on coverage, and terms encompass the broader agreement as a whole, but it is conditions that specifically detail the obligations of each party.

3. Within how many days must name or address changes be reported to the Commissioner?

- A. 10 days**
- B. 20 days**
- C. 30 days**
- D. 60 days**

The correct timeframe for reporting name or address changes to the Commissioner is 30 days. This requirement ensures that the insurance regulatory authority has up-to-date contact information for licensees, which is essential for maintaining clear lines of communication and ensuring compliance with state regulations. When changes occur, timely reporting helps prevent any disruptions in the insurance professional's ability to conduct business and keeps the licensing records accurate. Such regulations promote accountability within the insurance industry and provide transparency, aiding in the protection of consumers.

4. Which of the following would typically not be covered under a standard homeowners policy?

- A. Personal property theft**
- B. Earthquake damage**
- C. Liability for guest injuries**
- D. Fire damage**

The correct choice reflects a crucial aspect of standard homeowners insurance policies. Typically, standard homeowners policies do not cover earthquake damage. This type of catastrophic event is often excluded from basic coverage because the risks associated with earthquakes can be significant and vary greatly depending on location. Insurers typically offer earthquake insurance as a separate policy or as an endorsement that can be added to the homeowner's policy. This allows homeowners to specifically choose whether to add that coverage based on their risk exposures. In contrast, the other options represent coverage that is generally included in standard homeowners policies. Personal property theft, liability for guest injuries, and fire damage are all situations that homeowners insurance is designed to protect against, thus making them standard features of the policy. Understanding these coverage nuances is essential for homeowners to ensure they have appropriate protection based on their specific risks and circumstances.

5. Which of the following is NOT a type of property coverage?

- A. Comprehensive Coverage**
- B. Liability Coverage**
- C. Underinsured Motorist Coverage**
- D. Workers' Compensation Coverage**

Workers' Compensation Coverage is considered a type of liability insurance rather than property coverage. It's designed to provide benefits to employees who suffer work-related injuries or illnesses, covering medical expenses and lost wages. This coverage is fundamentally different from property coverage, which protects against loss or damage to tangible assets such as homes, vehicles, and personal belongings. Comprehensive Coverage, on the other hand, is a type of property insurance that protects against various risks such as theft, vandalism, and natural disasters for vehicles or other property. Liability Coverage safeguards the insured against claims for damages they may cause to another party's property or person. Underinsured Motorist Coverage provides protection in case the insured is involved in an accident with a driver whose insurance is insufficient to cover the damages, which pertains to the financial responsibility for damage rather than the direct protection of physical property itself. Understanding the nuances of these different types of coverage helps clarify why Workers' Compensation does not fit into the category of property coverage.

6. In Hawaii, a licensee must notify the commissioner of a change of address within:

- A. 15 days**
- B. 30 days**
- C. 45 days**
- D. 60 days**

In Hawaii, a licensee is required to notify the commissioner of any change of address within a specified timeframe to ensure that all records are updated and correspondence can be effectively maintained. The correct timeframe is 30 days. This requirement emphasizes the importance of accurate and current contact information within the insurance regulatory framework, allowing for seamless communication between the licensee and the commissioner. By notifying the commissioner within this time limit, licensees help ensure compliance with state regulations, reduce potential complications that could arise from outdated information, and maintain their good standing within the industry.

7. Which factor influences the total payout in a homeowners insurance claim?

- A. The insurance agent's experience**
- B. The location of the home**
- C. Coverage limits of the policy**
- D. The time of year the claim is made**

The coverage limits of the policy are a fundamental factor that directly influences the total payout in a homeowners insurance claim. Each homeowners insurance policy outlines specific coverage limits, which represent the maximum amount the insurer will pay for a covered loss. When a claim is filed, the insurer assesses the damage or loss based on the terms stated in the policy and will only pay up to these limits. If the loss exceeds the coverage limit, the policyholder will have to bear the difference, meaning adequate coverage is crucial to ensure financial protection in the event of a claim. Other aspects like the experience of the insurance agent, the home's location, or the timing of the claim may play roles in the claims process, such as the assessment of damages or service quality, but they do not determine the maximum amount that can be received from the insurance coverage itself. Thus, understanding coverage limits is essential for homeowners to ensure they are adequately protected against potential losses.

8. What is covered under an unendorsed DP1 policy?

- A. Flood damage**
- B. Volcanic eruption**
- C. Theft coverage**
- D. Personal liability**

An unendorsed DP1 policy, which stands for Dwelling Policy 1, is a type of insurance that primarily covers specific perils associated with dwelling properties. One of the perils typically included in a DP1 policy is volcanic eruption. This coverage is significant in Hawaii, where volcanic activity is a common concern. The standard coverage in a DP1 policy usually encompasses fire, lightning, windstorm, hail, explosion, and specific events like volcanic eruptions. The options that are not applicable under a basic DP1 policy include flood damage, theft coverage, and personal liability. Flood damage typically requires a separate flood insurance policy, as it is not covered under a standard DP1. Likewise, theft is not included in basic coverage and would require specific endorsement or a different form of policy to cover such risks. Personal liability is also not part of a DP1 policy; this type of protection generally falls under a different category of insurance, often included in comprehensive homeowner policies. Understanding these distinctions is crucial for choosing the appropriate insurance coverage tailored to the risks faced, especially in areas prone to specific natural disasters like volcanic eruptions.

9. Which party in a bond is primarily concerned with the completion of the work?

- A. Surety**
- B. Principal**
- C. Obligee**
- D. Director**

The principal in a bond is primarily responsible for completing the work defined in the contract. This party undertakes the obligations outlined in the agreement, such as fulfilling the terms of construction or providing a service. Because the principal stands to gain from the successful completion of their work, they are directly concerned with ensuring that all aspects of the project are carried out as specified. In the context of bonds, the surety provides a guarantee that the principal will fulfill their obligations. While the surety has a vested interest in the completion of the work, their focus is more on the risk management aspect and ensuring that the principal adheres to the terms of the bond. The obligee, on the other hand, is the entity that requires the bond to protect their interests, and their concern lies more with receiving the services or products rather than the actual execution of the work itself. These distinctions clarify why the principal is the party that is primarily concerned with the completion of the work in a bond scenario.

10. What does excess coverage provide over underlying insurance?

- A. Higher deductible**
- B. Exclusively basic coverage**
- C. Broader coverage than most underlying coverage**
- D. Limited benefit increase**

Excess coverage is designed to provide additional protection beyond what is offered by the underlying insurance policies. It serves as a secondary layer of coverage that kicks in when the limits of the primary policy have been exhausted. This additional layer often includes broader coverage terms that can address risks not sufficiently covered by the underlying policy. By providing a wider range of protection, excess coverage can fill in gaps that may exist in the underlying policies, ensuring that policyholders have greater security against significant losses. This is particularly crucial in situations where claims exceed the limits of primary insurance, which can occur in scenarios involving large damages or catastrophic events. While other choices mention various aspects of coverage, they do not accurately reflect the primary function of excess coverage. For instance, higher deductibles do not relate specifically to the role of excess coverage, and limited benefits do not capture the expansive nature of the additional security that excess coverage offers.