

# Hawaii Insurance License Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of 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.

# 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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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**

- 1. For how many years must licensees retain their Continuing Education records after completing a course?**
  - A. 2 years**
  - B. 3 years**
  - C. 4 years**
  - D. 5 years**
- 2. What is the term for the value of insured property after accounting for depreciation?**
  - A. Market Value**
  - B. Replacement Cost**
  - C. Actual Cash Value**
  - D. Cost Basis**
- 3. If a business has \$10K in contents and \$3K in cash stolen with a \$250 deductible, how much will the insurance payout be?**
  - A. \$9,250**
  - B. \$9,500**
  - C. \$9,750**
  - D. \$10,000**
- 4. The renewal of an insurance policy is known as:**
  - A. Reinstatement**
  - B. Endorsement**
  - C. Termination**
  - D. Coverage extension**
- 5. What homeowners insurance form offers the least amount of coverage for perils?**
  - A. HO3**
  - B. HO5**
  - C. HO8**
  - D. HO2**



- 6. What is the definition of a contract that involves indemnification?**
- A. Liability agreement**
  - B. Surety bond**
  - C. Insurance**
  - D. Service contract**
- 7. What will a Personal Auto Policy (PAP) cover in relation to accidents involving unlicensed drivers?**
- A. Only damages to the insured vehicle**
  - B. Injuries sustained by the unlicensed driver**
  - C. Injuries to other parties involved**
  - D. Injuries when a truck driver hits you**
- 8. When an insured and insurer are in disagreement regarding the amount of loss, each will choose?**
- A. Mediation**
  - B. Appraisal**
  - C. Negotiation**
  - D. Arbitration**
- 9. What is the benefit of having an appraisal clause in an insurance policy?**
- A. It guarantees full payment**
  - B. It allows for a quicker claim settlement**
  - C. It defines loss parameters**
  - D. It helps resolve disputes over the amount of loss**
- 10. What is typically sent to an insured when a claim is not reported promptly?**
- A. Endorsement**
  - B. Exclusion**
  - C. Reservation of Rights**
  - D. Claim denial letter**

## **Answers**

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

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## **Explanations**

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**1. For how many years must licensees retain their Continuing Education records after completing a course?**

- A. 2 years**
- B. 3 years**
- C. 4 years**
- D. 5 years**

Licensees are required to retain their Continuing Education records for four years after completing a course. This timeframe ensures that there is adequate documentation available to verify compliance with the state's continuing education requirements, which can be essential during audits, renewals, or other regulatory checks. Maintaining these records for four years provides a balance between the need for sufficient documentation and avoiding excessive retention of outdated information. This requirement underscores the importance of ongoing education in the insurance industry and helps ensure that agents remain knowledgeable about current practices and regulations. The established retention period also serves to support licensees in demonstrating that they have fulfilled their educational requirements, thus helping to maintain the integrity of the profession.

**2. What is the term for the value of insured property after accounting for depreciation?**

- A. Market Value**
- B. Replacement Cost**
- C. Actual Cash Value**
- D. Cost Basis**

The term that refers to the value of insured property after accounting for depreciation is Actual Cash Value. This concept represents the market value of the property at the time of loss, taking into consideration any depreciation that may have occurred since the property's purchase or last appraisal. Actual Cash Value is often calculated using the formula:  $\text{Actual Cash Value} = \text{Replacement Cost} - \text{Depreciation}$ . Understanding Actual Cash Value is vital in insurance because it affects the amount an insured will receive in the event of a claim. This value reflects a more realistic picture of what the property is worth at the point of loss, rather than just the original purchase price or the cost to replace it with new items. The other terms in the choices have different meanings: Market Value reflects the price that buyers are willing to pay for the property in the open market; Replacement Cost is the amount it would take to replace the property with a similar one at current prices without factoring in depreciation; and Cost Basis is the original value of an asset, accounting for any adjustments, but does not represent the current value after depreciation.

**3. If a business has \$10K in contents and \$3K in cash stolen with a \$250 deductible, how much will the insurance payout be?**

- A. \$9,250**
- B. \$9,500**
- C. \$9,750**
- D. \$10,000**

To determine the insurance payout in this scenario, you need to combine the values of the business contents and the cash stolen, and then subtract the deductible amount. The total value of the items stolen includes \$10,000 in contents and \$3,000 in cash, bringing the total to \$13,000. After this total is established, the deductible of \$250 is applied. The deductible is the portion of a loss that the insured must pay out of pocket before the insurance coverage kicks in. Therefore, the correct calculation is as follows: 1. Total stolen: \$10,000 (contents) + \$3,000 (cash) = \$13,000 2. Subtract the deductible: \$13,000 - \$250 = \$12,750 However, the output of \$12,750 does not correspond to any listed choices, indicating the previous assumptions about coverage might not fully account for the specifics in the options. If we are considering the total take-home payout for the covered items alone (contents, since cash is sometimes treated differently in some policies), that calculation would simply be \$10,000 - \$250 = \$9,750. This value represents the payout concerning only the contents, where the cash might not

**4. The renewal of an insurance policy is known as:**

- A. Reinstatement**
- B. Endorsement**
- C. Termination**
- D. Coverage extension**

The renewal of an insurance policy is appropriately termed as reinstatement. This process entails the continuation of policy coverage beyond the original term, often requiring the insured to pay a premium to activate the policy for the new term. Reinstatement allows the insured to maintain benefits without undergoing an entirely new application process or changing the terms of the coverage significantly. In the context of insurance, reinstatement is particularly relevant when a policy has lapsed or expired without being renewed within the designated grace period. It allows the insured to bring their coverage back into effect, ensuring continuity of protection. Understanding this concept is crucial, as policyholders may need to act promptly to avoid lapses in coverage. The other terms may often surface in discussions about insurance but refer to different concepts. Endorsements are amendments or additions to existing policies; termination refers to the cessation of a policy, and coverage extensions involve broadening the scope of protection but do not necessarily align with the renewal process. Thus, recognizing the distinction between these terms aids in appreciating the unique role of reinstatement in insurance operations.

**5. What homeowners insurance form offers the least amount of coverage for perils?**

- A. HO3
- B. HO5
- C. HO8**
- D. HO2

The homeowners insurance form that offers the least amount of coverage for perils is the HO8 form. This specific form is designed primarily for older homes and provides a limited amount of coverage based on the actual cash value of the property rather than the replacement cost. It typically covers a more restricted set of perils compared to other policies, such as the HO2, HO3, and HO5 forms, which offer broader coverage options. The HO8 form is particularly useful for homeowners who are concerned about insuring properties with unique characteristics or historical significance, where full replacement cost coverage may not be viable or appropriate. This form generally excludes coverage for certain types of risks that are often included in more comprehensive forms, thus aligning with its purpose of providing a basic level of protection. In contrast, the other policies, such as the HO2, HO3, and HO5, offer more extensive coverage. The HO2 provides named peril coverage, while the HO3 includes open peril on the dwelling and named peril on personal property. The HO5 goes even further, typically covering both the dwelling and personal property on an open peril basis. Thus, the HO8 is clearly identified as the form with the least amount of coverage for perils available within homeowners insurance options.

**6. What is the definition of a contract that involves indemnification?**

- A. Liability agreement
- B. Surety bond
- C. Insurance**
- D. Service contract

A contract that involves indemnification is best defined as insurance. Indemnification in the context of insurance refers to the obligation of the insurer to compensate the insured for covered losses, damages, or liabilities incurred. This contractual relationship establishes a protective mechanism whereby the insurer takes on the financial risks associated with certain unforeseen events. In an insurance contract, the insurer agrees to indemnify the policyholder for covered claims, which means they will restore the policyholder to the financial position they were in prior to the loss, subject to the terms and conditions outlined in the policy. This principle is fundamental to most types of insurance, including property, liability, and health insurance, where the covered individual receives financial protection against losses or damages. Other choices, such as a liability agreement, typically refer to arrangements focusing on the allocation of risk and responsibility for specific liabilities between parties, but they don't encapsulate the broader protective nature of insurance. A surety bond is a third-party guarantee typically used in construction or contractual obligations rather than indemnification directly against loss. Lastly, a service contract mainly involves the provision of services rather than risk management or financial compensation associated with loss events, making it distinct from the concept of indemnification.

**7. What will a Personal Auto Policy (PAP) cover in relation to accidents involving unlicensed drivers?**

- A. Only damages to the insured vehicle**
- B. Injuries sustained by the unlicensed driver**
- C. Injuries to other parties involved**
- D. Injuries when a truck driver hits you**

A Personal Auto Policy (PAP) is intended to provide coverage for a variety of situations, particularly those involving the policyholder and authorized drivers. However, the phrasing in the question suggests confusion about the specific context of accidents involving unlicensed drivers. In such scenarios, the coverage typically extends to injuries sustained by third parties and liabilities incurred as a result of the accident, regardless of the licensing status of the driver at fault, as long as the insured vehicle is involved. The policy is designed to protect not only the policyholder but also passengers and other individuals affected by the accident. Therefore, injuries to other parties involved in the accident would be covered under a PAP, which includes liability coverage. This means that if an unlicensed driver is at fault in an accident while driving the insured vehicle, the policy would generally cover the damages resulting from injuries to other parties, as well as property damage. While option D mentions a truck driver hitting you, this scenario does not directly relate to the core purpose of a Personal Auto Policy concerning unlicensed drivers. The correct understanding focuses primarily on the liability aspect for injuries to third parties.

**8. When an insured and insurer are in disagreement regarding the amount of loss, each will choose?**

- A. Mediation**
- B. Appraisal**
- C. Negotiation**
- D. Arbitration**

When an insured and insurer are in disagreement regarding the amount of a loss, the process of appraisal is specifically designed to resolve disputes that arise in this context. In insurance, the appraisal clause is a provision included in many property insurance policies, allowing both parties to engage in a structured process to determine the value of a loss. In this scenario, each party—typically the policyholder (the insured) and the insurance company (the insurer)—will select their own appraiser. These appraisers evaluate the loss independently and attempt to agree on the value. If the two appraisers cannot reach an agreement, a third appraiser, known as an umpire, may be brought in to mediate the differences between them. This procedural approach allows for a fair and impartial determination based on specific expertise in evaluating damages. Mediation, on the other hand, involves a neutral third party facilitating a conversation to help the parties reach a voluntary agreement, which may not necessarily focus solely on the financial aspects of the loss as appraisal does. Negotiation refers to direct discussions between the parties involved, which may not always be effective in resolving specific disagreements over loss amounts. Arbitration is a more formal procedure where a third party makes a binding decision based on the evidence presented, but it is



**9. What is the benefit of having an appraisal clause in an insurance policy?**

- A. It guarantees full payment**
- B. It allows for a quicker claim settlement**
- C. It defines loss parameters**
- D. It helps resolve disputes over the amount of loss**

An appraisal clause in an insurance policy is designed to assist in resolving disputes regarding the amount of a loss. When an insurer and the policyholder cannot agree on the value of a claim or the amount of loss, the appraisal clause allows either party to request an appraisal. This process typically involves hiring independent appraisers to evaluate the loss and provide their assessments. If the appraisers cannot reach an agreement, an additional neutral umpire may be involved to help settle the dispute. Having this clause in the policy is beneficial because it provides a structured method for both the insured and the insurer to obtain a fair and unbiased assessment of loss, rather than resorting to litigation, which can be time-consuming and costly. The goal is to ultimately facilitate a fair resolution in a more efficient manner, thus streamlining the claims process and helping both parties arrive at a satisfactory conclusion regarding the claim.

**10. What is typically sent to an insured when a claim is not reported promptly?**

- A. Endorsement**
- B. Exclusion**
- C. Reservation of Rights**
- D. Claim denial letter**

In the context of insurance claims, when a claim is not reported promptly, a Reservation of Rights is often sent to inform the insured that the insurance company may still investigate the claim but reserves the right to decline coverage based on the delay in reporting. This notice serves to protect the insurer's interests, allowing them to maintain the ability to evaluate whether the late reporting affects their obligation to cover the claim. A Reservation of Rights effectively communicates that while the insurer is not denying the claim outright, they are also not accepting full responsibility at that moment due to the circumstances surrounding the late report. This may impact future decisions regarding the claim and outlines that the insurer may assert certain defenses if they decide to deny the claim later. In contrast, other options such as endorsements or exclusions do not directly address the delay in reporting a claim. An endorsement typically modifies the policy, and an exclusion specifies certain circumstances under which coverage is not provided. A claim denial letter is definitive and indicates that the claim is rejected outright, which is not the same as reserving the rights for further investigation. Thus, the Reservation of Rights is a crucial step in managing claims that are reported late and allows for a fair evaluation while safeguarding the interests of both the insured and the insurer.

## 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](mailto:hello@examzify.com).**

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

**<https://hawaiiinsurancelicense.examzify.com>**

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