

Hawaii Insurance License Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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

- 1. Which of the following is NOT a responsibility of the insurance holder?**
 - A. Reporting claims promptly**
 - B. Paying premiums**
 - C. Determining claim approvals**
 - D. Providing accurate information**
- 2. What is the minimum Personal Injury Protection (PIP) limit per person?**
 - A. \$5,000**
 - B. \$10,000**
 - C. \$15,000**
 - D. \$20,000**
- 3. What is the primary purpose of a deductible in an insurance policy?**
 - A. To increase coverage limits**
 - B. To eliminate small claims**
 - C. To ensure policy compliance**
 - D. To reduce insurance premiums**
- 4. What is covered under an unendorsed DP1 policy?**
 - A. Flood damage**
 - B. Volcanic eruption**
 - C. Theft coverage**
 - D. Personal liability**
- 5. Which term refers to deliberate behavior that leads to a loss covered by insurance?**
 - A. Morale hazard**
 - B. Insurable interest**
 - C. Moral hazard**
 - D. Risk assessment**

- 6. What is the definition of a risk in insurance?**
- A. A situation that guarantees loss**
 - B. An uncertainty of loss**
 - C. A known amount covered by a policy**
 - D. A liability to pay premiums**
- 7. Which type of coverage provides protection against liabilities arising from injuries to a third party?**
- A. Collision Coverage**
 - B. Liability Coverage**
 - C. Comprehensive Coverage**
 - D. Property Damage Coverage**
- 8. In insurance terms, what is an occurrence?**
- A. A pre-existing condition**
 - B. A gradual loss over time**
 - C. A sudden and unexpected accident or injury**
 - D. An intentional act**
- 9. Why is timely filing for workers' comp rates important?**
- A. To ensure accurate premium calculations**
 - B. To avoid penalties**
 - C. To facilitate better business reputation**
 - D. To expedite employee claims**
- 10. For a temporary partial disability, benefits are what percentage of the difference between wages before and after the injury?**
- A. 60%**
 - B. 66.7%**
 - C. 70%**
 - D. 75%**

Answers

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

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Explanations

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1. Which of the following is NOT a responsibility of the insurance holder?

- A. Reporting claims promptly**
- B. Paying premiums**
- C. Determining claim approvals**
- D. Providing accurate information**

The correct answer highlights a key distinction in the roles and responsibilities between the insurance holder and the insurance company. Determining claim approvals is primarily the responsibility of the insurance company, which conducts its own investigation based on the terms of the policy. The insurer assesses claims against policy stipulations and determines whether a claim is valid and how much compensation, if any, will be issued to the policyholder. On the other hand, the responsibilities of the insurance holder include reporting claims promptly, providing accurate information to assist in the claims process, and paying the required premiums to keep the policy active. These actions are essential for maintaining an effective insurance coverage. By reporting claims timely, the policyholder ensures that the insurer can begin the claims process efficiently. Providing accurate information is crucial for the insurer to evaluate the claim appropriately, and paying premiums is necessary for keeping the insurance policy in force. Thus, the insurance holder plays an active role in managing their policy, while the determination of claims approval lies with the insurer.

2. What is the minimum Personal Injury Protection (PIP) limit per person?

- A. \$5,000**
- B. \$10,000**
- C. \$15,000**
- D. \$20,000**

In Hawaii, the minimum Personal Injury Protection (PIP) limit is set at \$10,000 per person. This coverage is designed to provide medical and related expenses for individuals involved in an automobile accident, regardless of who is at fault. The PIP coverage can include not only medical expenses but also lost wages, rehabilitation costs, and other related expenses that arise from injuries sustained in a car accident. The amount of \$10,000 reflects the minimum requirement established by Hawaii's no-fault insurance system. It ensures that individuals have access to necessary medical care without delays that might occur due to determining fault. Given the nature of accidents, having a minimum PIP limit helps facilitate quicker medical treatment and provides some financial protection to accident victims. For the other options provided, they either fall below the statutory minimum or exceed the typical base requirement for PIP in Hawaii, making \$10,000 the correct and most relevant choice.

3. What is the primary purpose of a deductible in an insurance policy?

- A. To increase coverage limits
- B. To eliminate small claims**
- C. To ensure policy compliance
- D. To reduce insurance premiums

The primary purpose of a deductible in an insurance policy is to eliminate small claims. When a policyholder agrees to a deductible, they accept that they will pay a specific amount out-of-pocket before the insurance coverage kicks in. This mechanism discourages the submission of minor claims, which can be costly for insurance companies to process. By having a deductible, policyholders are less likely to file claims for small losses, hence streamlining administrative processes and keeping premiums more manageable for everyone in the insurance pool. In essence, deductibles help maintain the efficiency of the insurance system by filtering out claims that are too minor to warrant the administrative costs involved in processing them. This helps ensure that insurance can remain affordable and accessible for larger, more significant claims, ultimately benefiting the policyholders who require substantial coverage.

4. 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.

5. Which term refers to deliberate behavior that leads to a loss covered by insurance?

- A. Morale hazard**
- B. Insurable interest**
- C. Moral hazard**
- D. Risk assessment**

The term that describes deliberate behavior that leads to a loss covered by insurance is known as moral hazard. This concept refers to the risk that an individual or entity may take on more risk because they are insulated from its potential consequences, typically due to the presence of insurance. When individuals believe they will be compensated for losses caused by their own actions, they might engage in reckless or negligent behavior, thereby increasing the likelihood of a loss occurring. In the context of insurance, it's crucial for underwriters and insurers to understand moral hazard as it directly impacts their risk assessments and pricing. The presence of moral hazard can lead to higher overall claims, which can make it more costly for insurers to operate. It's essential for insurers to implement measures to mitigate moral hazard, such as requiring deductibles or co-pays, to encourage policyholders to act responsibly to prevent losses. Other concepts, while related to insurance, do not specifically address the deliberate nature of actions leading to insured losses. For example, morale hazard refers to an indifference to loss due to being insured, rather than the intentional actions of the insured. Insurable interest denotes the financial stake a person has in the property or life they insure, while risk assessment is the broader process of evaluating potential risks and determining coverage.

6. What is the definition of a risk in insurance?

- A. A situation that guarantees loss**
- B. An uncertainty of loss**
- C. A known amount covered by a policy**
- D. A liability to pay premiums**

In the context of insurance, risk is defined as an uncertainty of loss. This definition captures the essence of what risk entails in the realm of insurance; it refers to the potential for financial loss or damage to occur, which is uncertain and unpredictable. Risk encompasses various situations where policyholders may face losses, stemming from events such as accidents, natural disasters, theft, or health issues. Since these events may or may not happen, the unpredictability of loss is a core component of risk. Insurance companies assess and manage these risks by collecting premiums from policyholders in exchange for covering potential losses. In contrast, the other choices do not align with the fundamental concept of risk as understood in insurance. A situation that guarantees loss would not be considered risk but instead would denote a certainty or inevitability of loss. A known amount covered by a policy refers to the specific coverage limits outlined in an insurance contract, rather than the concept of risk itself. A liability to pay premiums is related to the financial obligation of the policyholder but doesn't address the uncertainties surrounding potential loss, which is the defining characteristic of risk in insurance.

7. Which type of coverage provides protection against liabilities arising from injuries to a third party?

- A. Collision Coverage**
- B. Liability Coverage**
- C. Comprehensive Coverage**
- D. Property Damage Coverage**

Liability coverage is specifically designed to protect individuals or businesses from financial liabilities that arise due to injuries or damages caused to third parties. This type of insurance typically covers legal costs and any settlements or judgments that the insured might be required to pay if they are found liable for injuring someone or damaging their property. In many insurance policies, particularly in auto and general liability insurance, liability coverage will pay for medical expenses, legal fees, and other related costs associated with third-party claims. This coverage is essential for providing peace of mind, as it helps insure against potentially devastating financial consequences that can arise from accidents or incidents involving third parties. Collision coverage, in contrast, pertains to damage to an insured's own vehicle resulting from a collision, and comprehensive coverage deals with non-collision-related incidents such as theft or vandalism. Property damage coverage, while it may include certain elements of liability, is generally focused specifically on damage to another person's property rather than encompassing the broader range of liabilities including bodily injuries. Thus, liability coverage is the most appropriate choice for addressing third-party injury claims.

8. In insurance terms, what is an occurrence?

- A. A pre-existing condition**
- B. A gradual loss over time**
- C. A sudden and unexpected accident or injury**
- D. An intentional act**

In insurance terminology, an occurrence refers to a specific event that results in liability or a claim under an insurance policy, typically characterized by being sudden and unexpected. This definition aligns closely with the description of a sudden and unexpected accident or injury. Such events can lead to unforeseen damages or losses, which are critical in determining the insurer's responsibility to cover claims. Occurrences are significant because they help define the scope of insurance coverage. For instance, many policies, especially liability insurance, specifically cover occurrences as they arise. These can include accidents like slips and falls, unexpected damages to property caused by unforeseen incidents, or injuries resulting from accidents. On the other hand, a pre-existing condition generally relates to health insurance and refers to any health issues that existed before a policy was taken out, which doesn't fit the occurrence definition. A gradual loss over time, such as wear and tear, is not considered an occurrence since it suggests a slow process that doesn't happen suddenly or unexpectedly. Intentional acts are also excluded from the definition of an occurrence in most insurance policies, as insurers typically do not cover claims arising from deliberate actions. Therefore, the identification of an occurrence specifically as a sudden and unexpected event is crucial for understanding liability and coverage in insurance.

9. Why is timely filing for workers' comp rates important?

A. To ensure accurate premium calculations

B. To avoid penalties

C. To facilitate better business reputation

D. To expedite employee claims

Timely filing for workers' compensation rates is crucial as it ensures accurate premium calculations. When a company submits its information on time, insurance carriers can manage their risk assessment effectively, leading to premiums that reflect the actual level of risk associated with the company's workforce. Accurate premium calculations take into account various factors such as the nature of the work, safety record, and number of employees. If filings are late, inaccuracies may arise, resulting in either overcharging or undercharging the business. This could lead to financial strain or the company facing unexpected liabilities down the line, which can adversely affect its financial positioning and operational capability. Furthermore, while avoiding penalties, maintaining a good business reputation, and expediting employee claims are also important, they emerge as secondary benefits that may result from timely filing, rather than the primary focus on ensuring that premium calculations are correct. Accurate premiums contribute directly to the overall efficacy of the workers' compensation system, making it essential for companies to be diligent in their filing practices.

10. For a temporary partial disability, benefits are what percentage of the difference between wages before and after the injury?

A. 60%

B. 66.7%

C. 70%

D. 75%

For temporary partial disability benefits, the percentage is specifically designed to address the financial impact of an injury on an individual's ability to earn income. The correct answer, which is two-thirds or 66.7% of the difference between the wages before and after the injury, reflects the intent to provide substantial, yet not complete, support during recovery. This percentage allows for a balance between supporting the injured worker while still incentivizing a return to work in some capacity. This calculation stems from a principle in workers' compensation systems, where the focus is to compensate for loss of earnings due to reduced capacity to work, rather than replacing the total income. The approach recognizes that while injured workers may still be able to earn some income, their overall earning capacity has been diminished due to the injury. Thus, the percentage reflects the need to supplement their reduced earnings adequately without fully replacing them.

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://hawaiiinsurancelicense.examzify.com>

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