

# Idaho Property and Casualty 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. What is the significance of a "claim history" in underwriting?**
  - A. It determines the applicant's eligibility for insurance**
  - B. It helps assess the risk level and potential premium**
  - C. It estimates the total value of insured property**
  - D. It sets the deductibles for the policyholder**
- 2. What type of insurance may be required by a mortgage lender?**
  - A. Liability insurance**
  - B. Health insurance**
  - C. Homeowner's insurance**
  - D. Flood insurance**
- 3. What is the difference between "primary" and "excess" insurance?**
  - A. Primary insurance pays last on a claim, while excess insurance pays first**
  - B. Primary insurance covers all types of risks, while excess insurance does not**
  - C. Primary insurance pays first on a claim, while excess insurance covers amounts above the primary policy limit**
  - D. Primary insurance is optional, while excess insurance is mandatory**
- 4. What does assessing risk involve in insurance?**
  - A. Calculating the total value of insured assets**
  - B. Evaluating the likelihood of a loss occurring and the potential cost associated with that loss**
  - C. Determining the premium rates for policyholders**
  - D. Setting the policy limits for coverage**



5. An insured has a homeowners broad form with a \$200,000 limit on the dwelling and the standard deductible. If the insured's \$2,500 boat and trailer are stolen from his driveway, what is the most the insured will collect from the policy?
- A. \$1,500
  - B. \$2,250
  - C. \$1,250
  - D. \$2,500
6. What is "negligence" in the context of liability coverage?
- A. A failure to follow insurance policy guidelines
  - B. A decision made in reasonable good faith
  - C. A failure to exercise the level of care that a reasonable person would under similar circumstances
  - D. A deliberate act causing harm
7. What is the responsibility of the insurance commissioner?
- A. To provide legal representation for insurance companies
  - B. To regulate the insurance industry and ensure that insurers comply with state laws
  - C. To sell insurance policies directly to consumers
  - D. To conduct annual audits of all insured properties
8. What is "flood insurance" designed to cover?
- A. Damage from earthquakes
  - B. Damage from theft
  - C. Damage from flooding, which is not typically covered by standard property insurance
  - D. General property damage from all perils
9. What is the difference between "first-party" and "third-party" coverage?
- A. First-party coverage pays for another's losses
  - B. Third-party coverage pays for the insured's losses
  - C. First-party coverage pays for the insured's own losses
  - D. Third-party coverage includes medical payments

**10. What is a loss ratio in insurance?**

- A. A measure of customer satisfaction**
- B. A measure of the losses paid out in claims compared to the premiums earned**
- C. A calculation of the total profit from premiums**
- D. A method for assessing policyholder risk**

## **Answers**

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

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## **Explanations**

**1. What is the significance of a "claim history" in underwriting?**

- A. It determines the applicant's eligibility for insurance**
- B. It helps assess the risk level and potential premium**
- C. It estimates the total value of insured property**
- D. It sets the deductibles for the policyholder**

The significance of a "claim history" in underwriting primarily revolves around its ability to help assess the risk level associated with potential policyholders and the corresponding premiums they may be charged. Claim history provides underwriters with crucial information about past incidents where the applicant has filed claims, which gives insight into their behavior and risk profile. A history of frequent or significant claims can indicate a higher risk, leading underwriters to adjust premiums accordingly to reflect that increased level of risk. Conversely, a clean claim history may suggest a lower risk profile and allow for more competitive premium rates. This focus on risk assessment is fundamental in the underwriting process because it not only helps insurers determine whether to accept an application but also how to price the coverage appropriately, ensuring that the insurance company can remain profitable while providing fair coverage to policyholders. Other options like determining eligibility, estimating property value, or setting deductibles, while relevant in their own contexts, do not capture the primary role of claim history as it pertains to evaluating risk and premium calculations.

**2. What type of insurance may be required by a mortgage lender?**

- A. Liability insurance**
- B. Health insurance**
- C. Homeowner's insurance**
- D. Flood insurance**

A mortgage lender typically requires homeowner's insurance as a condition of the loan. This type of insurance protects both the homeowner and the lender by providing coverage for the property against risks such as fire, theft, and certain types of damage. Since the property serves as collateral for the mortgage, it is in the lender's best interest to ensure that there is adequate coverage to protect that collateral. Homeowner's insurance not only covers the structure of the home but may also include personal property and liability coverage, reinforcing the lender's security in case of a loss. The lender wants to ensure that their investment is safeguarded, which is why the requirement for homeowner's insurance is standard practice in most mortgage agreements. While liability insurance can protect individuals from legal claims due to injuries or damages they cause to others, it does not specifically protect the property, which is the lender's primary concern. Health insurance deals with medical expenses and is unrelated to property matters. Flood insurance may be required in certain high-risk flood areas, but it is not universally required by all lenders, making homeowner's insurance the most common and consistent requirement.

### 3. What is the difference between "primary" and "excess" insurance?

- A. Primary insurance pays last on a claim, while excess insurance pays first
- B. Primary insurance covers all types of risks, while excess insurance does not
- C. Primary insurance pays first on a claim, while excess insurance covers amounts above the primary policy limit**
- D. Primary insurance is optional, while excess insurance is mandatory

The distinction between primary and excess insurance is crucial for understanding how insurance coverage works when there are multiple policies that could apply to a claim. Primary insurance refers to the policy that pays first in the event of a loss. This means it is the first line of coverage that responds to a claim, up to its policy limits. If there are costs that exceed those limits, excess insurance comes into play. Excess insurance provides additional coverage above the limits of the primary policy, ensuring that any costs above the primary policy's coverage are paid. This structure allows policyholders to have a basic level of coverage that is supplemented by excess insurance, which is useful for high-value risks or situations where the potential losses might exceed standard policy limits. Understanding this hierarchy is key, as it helps in assessing how claims will be handled and which policies will be responsible for payment in different scenarios.

### 4. What does assessing risk involve in insurance?

- A. Calculating the total value of insured assets
- B. Evaluating the likelihood of a loss occurring and the potential cost associated with that loss**
- C. Determining the premium rates for policyholders
- D. Setting the policy limits for coverage

Assessing risk in insurance primarily involves evaluating the likelihood of a loss occurring and the potential costs associated with that loss. This process is crucial for insurance companies, as it enables them to understand the potential exposure to claims they may face based on the characteristics of the insured individuals or entities, as well as the types of coverage they require. By analyzing various factors such as historical data, individual circumstances, and external conditions, insurers can determine the probability of different risks. This evaluation also includes estimating the financial implications of those risks, which is essential for setting appropriate premiums, ensuring that the insurer can cover future claims without incurring significant losses. Therefore, understanding the core aspects of risk assessment allows insurers to make informed decisions about underwriting policies and managing their overall financial stability effectively.

5. An insured has a homeowners broad form with a \$200,000 limit on the dwelling and the standard deductible. If the insured's \$2,500 boat and trailer are stolen from his driveway, what is the most the insured will collect from the policy?
- A. \$1,500
  - B. \$2,250
  - C. \$1,250**
  - D. \$2,500

In homeowners insurance policies, personal property coverage typically extends to items that are not located on the insured premises and under certain circumstances, certain types of vehicles and trailers may be included, but there are often limitations. In this scenario, the insured has a homeowners broad form policy that includes a limit on the dwelling but also applies personal property coverage, which likely has a separate limit based on the specific terms of the policy. Specifically, boats and trailers can sometimes be covered under the personal property section, but policy limits may apply. When a boat and trailer valued at \$2,500 are stolen, the insured would need to consider the policy provisions regarding theft as well as the deductible. In the case of a standard deductible, let's assume it is widely set, for example, at \$500. When this deductible is applied to the total value of the loss (\$2,500), the calculation becomes: \$2,500 (value of the boat and trailer) - \$500 (deductible) = \$2,000. However, it is common for homeowners policies to have a limit on specific types of personal property, which often caps coverage for items such as boats and trailers. If this particular policy has a limit for personal property theft or a specific

6. What is "negligence" in the context of liability coverage?
- A. A failure to follow insurance policy guidelines
  - B. A decision made in reasonable good faith
  - C. A failure to exercise the level of care that a reasonable person would under similar circumstances**
  - D. A deliberate act causing harm

Negligence refers to a situation where an individual or entity fails to take reasonable care to avoid causing injury or losses to another person. In the context of liability coverage, it is defined as a failure to exercise the level of care that a reasonable person would under similar circumstances. This concept is critical in determining whether a party can be held liable for damages that result from their actions or inactions. For example, if a driver does not stop at a red light and causes an accident, that driver may be found negligent because a reasonable person would have followed traffic signals and exercised caution while driving. Liability coverage in insurance policies often addresses scenarios that involve negligence, as insurers need to assess whether or not their policyholders' actions were negligent in order to determine coverage for claims that arise from such incidents. The focus of negligence is on the absence of reasonable care rather than intentional harm or adhering to policy guidelines, which distinguishes it from other concepts such as deliberate acts or policy violations. Thus, recognizing negligence is essential in the framework of liability insurance as it sets the foundation for claims related to unintentional harm to others.



**7. What is the responsibility of the insurance commissioner?**

- A. To provide legal representation for insurance companies**
- B. To regulate the insurance industry and ensure that insurers comply with state laws**
- C. To sell insurance policies directly to consumers**
- D. To conduct annual audits of all insured properties**

The responsibility of the insurance commissioner primarily involves regulating the insurance industry within the state and ensuring that all insurance companies adhere to the relevant state laws and regulations. This role is critical for maintaining fair practices within the insurance market, protecting consumers, and promoting a stable insurance business environment. The insurance commissioner monitors insurer practices, oversees licensing, conducts investigations of complaints and possible violations, and can enforce compliance with state insurance laws. This oversight helps ensure that policyholders are treated fairly and that companies remain solvent and capable of meeting their financial obligations. While other roles are important in the insurance sector, they do not fall under the responsibilities of the insurance commissioner. For example, providing legal representation for insurance companies is typically handled by legal counsel employed by the companies themselves. Selling insurance policies directly to consumers is a function performed by licensed insurance agents rather than regulators. Conducting annual audits of all insured properties is also generally not a function of the insurance commissioner; such audits are usually the responsibility of insurance companies or third-party evaluators.

**8. What is "flood insurance" designed to cover?**

- A. Damage from earthquakes**
- B. Damage from theft**
- C. Damage from flooding, which is not typically covered by standard property insurance**
- D. General property damage from all perils**

Flood insurance is specifically designed to cover damage resulting from flooding events, which are often not included in standard property insurance policies. This means that if a property is affected by a rise in water level due to heavy rainfall, storms, or other natural events that lead to water overflow, flood insurance provides financial protection and assistance for repairs and recovery. Unlike standard property insurance, which generally covers damages from fire, theft, or other specified perils, flood insurance targets the unique risks posed by flooding. This is particularly important for properties located in designated flood zones or areas prone to such natural disasters. By securing flood insurance, property owners ensure that they are financially safeguarded against losses specifically linked to flooding, which can lead to extensive and costly damage that typical homeowner's insurance policies do not address. In summary, flood insurance fills a critical gap in traditional property coverage by providing necessary protection against flood-related damages, ensuring property owners can recover more effectively from such events.

**9. What is the difference between "first-party" and "third-party" coverage?**

- A. First-party coverage pays for another's losses**
- B. Third-party coverage pays for the insured's losses**
- C. First-party coverage pays for the insured's own losses**
- D. Third-party coverage includes medical payments**

First-party coverage refers to insurance that pays for the insured's own losses. This type of coverage is designed to provide financial protection to the policyholder directly. For example, if a policyholder suffers damage to their home due to a covered peril, the first-party coverage would reimburse the policyholder for the repair costs, regardless of who caused that damage. This coverage is essential for individuals and businesses as it helps mitigate their own financial risks resulting from property damage, theft, or personal injury occurring on their property. It is distinct from third-party coverage, where the policy protects the insured against claims brought by others, such as bodily injury or property damage claims made by third parties due to the insured's actions. Understanding this distinction is crucial for policyholders to ensure they have the appropriate coverage for both their own losses and potential liabilities they might face due to the actions affecting others.

**10. What is a loss ratio in insurance?**

- A. A measure of customer satisfaction**
- B. A measure of the losses paid out in claims compared to the premiums earned**
- C. A calculation of the total profit from premiums**
- D. A method for assessing policyholder risk**

A loss ratio in the insurance industry is a critical financial metric that quantifies the losses paid out in claims relative to the premiums earned by the insurer. This ratio is calculated by taking the total incurred losses (including claims and claim adjustment expenses) and dividing it by the total premiums earned during a specific period. This measurement provides insight into the profitability and operational efficiency of an insurance company. A higher loss ratio indicates that a larger proportion of the premiums received is being paid out in claims, which could suggest potential issues with underwriting practices or reserving for future claims. Conversely, a lower loss ratio suggests a more favorable balance between premiums collected and claims paid, potentially reflecting stronger underwriting standards or lower loss occurrences. Understanding the loss ratio is essential for stakeholders, as it affects an insurer's financial stability, pricing strategies, and the overall health of the insurance market.

## 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://idaho-propertyandcasualty.examzify.com>**

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