

IDAHO PROPERTY AND CASUALTY PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 is the main purpose of liability insurance for professionals?**
 - A. To cover operational expenses
 - B. To protect against claims arising from negligence or malpractice
 - C. To provide health insurance for employees
 - D. To offer discounts on taxes
- 2. Which of the following indicates a disrupted chain of events that frees the defendant from liability?**
 - A. Lost cause
 - B. Concurrent causation
 - C. Proximate cause
 - D. Intervening cause
- 3. Because only the insurance company makes a promise to pay a future covered claim, the insurance contract is:**
 - A. Aleatory
 - B. Bilateral
 - C. Conditional
 - D. Unilateral
- 4. For Policyholder L with a DP-1 and a Coverage A amount of \$300,000, how much will L's policy pay after a covered loss of \$275,000 and a detached swimming pool loss of \$30,000?**
 - A. \$275,000
 - B. \$300,000
 - C. \$250,000
 - D. \$305,000
- 5. What can an insurance coverage gap lead to?**
 - A. Increased protection against losses
 - B. Financial strain due to uncovered losses
 - C. Improved clarity in terms and conditions
 - D. Guaranteed payment for all claims

- 6. What type of insurance may be required by a mortgage lender?**
- A. Liability insurance
 - B. Health insurance
 - C. Homeowner's insurance
 - D. Flood insurance
- 7. What does the term "scope of coverage" refer to in an insurance policy?**
- A. The costs associated with insurance premiums
 - B. The procedures for filing a claim
 - C. The range of risks and perils covered under the terms of the policy
 - D. The documentation required to underwrite a policy
- 8. All of the following are true of a Businessowners Coverage Form, except?**
- A. Section III of the coverage form contains the Common Policy Conditions
 - B. Land, including land on which the property is located, is not covered
 - C. Employee dishonesty is automatically included in each policy
 - D. The most the insurer will pay for loss or damage arising out of any occurrence is the limit of insurance shown in the Declarations
- 9. What are the minimum limits of auto liability required?**
- A. \$25,000, \$50,000, \$10,000
 - B. \$15,000, \$50,000, \$25,000
 - C. \$25,000, \$50,000, \$15,000
 - D. \$50,000, \$25,000, \$15,000
- 10. Section I of the Boatowners policy provides which type of coverage and settlement option?**
- A. It provides open perils coverage, and losses are settled on an actual cash value basis
 - B. It provides named perils coverage, and losses are settled on a replacement cost basis
 - C. It provides named perils coverage, and losses are settled on an actual cash value basis
 - D. It provides open perils coverage, and losses are settled on a replacement cost basis

Answers

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

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Explanations

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1. What is the main purpose of liability insurance for professionals?

- A. To cover operational expenses
- B. To protect against claims arising from negligence or malpractice**
- C. To provide health insurance for employees
- D. To offer discounts on taxes

Liability insurance for professionals primarily serves to protect against claims arising from negligence or malpractice. This type of insurance is essential for individuals such as doctors, lawyers, and other professionals whose work carries the risk of lawsuits due to their professional actions or advice. When a client or patient believes that a professional has failed in their duty, resulting in harm or financial loss, liability insurance provides coverage for legal fees, settlements, or judgments that may arise from those claims. This protection is vital as it ensures that professionals can continue their work without the constant fear of financial ruin due to potential lawsuits. It also promotes accountability, encouraging professionals to adhere to standards of care and operate with diligence, knowing they have a safety net in place should disputes arise. The other options, while important in their respective contexts, do not align with the primary purpose of liability insurance. Operational expenses, employee health insurance, and tax discounts do not address the fundamental risk professionals face in relation to their conduct and the potential for legal claims made against them.

2. Which of the following indicates a disrupted chain of events that frees the defendant from liability?

- A. Lost cause
- B. Concurrent causation
- C. Proximate cause
- D. Intervening cause**

The concept of an intervening cause is crucial in understanding liability and how it can be affected by subsequent events. An intervening cause refers to an event that occurs after the initial act that creates the potential for liability, which alters the chain of causation between that act and the harm that occurs. If an intervening cause is deemed to be significant enough, it can break the connection between the original action and the resultant injury, effectively exonerating the defendant from liability. In legal cases, if it can be shown that the intervening cause was unexpected and unrelated to the defendant's original action, the defendant may not be held responsible for the consequences that resulted from that intervening cause. This recognition of an intervening cause is essential for determining liability, as it addresses the issue of whether the defendant's actions were the sole or primary cause of the harm suffered. Understanding this principle is vital for anyone studying property and casualty insurance, as it helps clarify how liability is determined in various situations, particularly when unexpected events influence the outcome of a claim.

3. Because only the insurance company makes a promise to pay a future covered claim, the insurance contract is:

- A. Aleatory
- B. Bilateral
- C. Conditional
- D. Unilateral**

The insurance contract is classified as unilateral because only one party, the insurance company, is making a promise to perform an obligation—in this case, to pay for future claims that are covered under the policy. This means that the insurer is bound to fulfill its promise when a covered event occurs, while the insured has not promised to make a payment in exchange for this promise of performance in the same binding manner. In unilateral contracts, one party's obligations are contingent on the occurrence of a particular event, and the other party does not have a corresponding obligation. The insured pays premiums, and in return, the insurer agrees to provide coverage and pay claims, but the insured does not guarantee any particular action or performance to the insurer apart from the payment of premiums. While other options might describe different characteristics of contracts (such as bilateral, where both parties exchange promises, or conditional, which pertains to the stipulations under which coverage is provided), they do not accurately capture the unique aspect of insurance contracts where only the insurer bears the responsibility to pay in response to a valid claim. Hence, this delineation solidifies the insurance contract as unilateral.

4. For Policyholder L with a DP-1 and a Coverage A amount of \$300,000, how much will L's policy pay after a covered loss of \$275,000 and a detached swimming pool loss of \$30,000?

- A. \$275,000
- B. \$300,000**
- C. \$250,000
- D. \$305,000

In the scenario provided, Policyholder L has a DP-1 policy, which is a basic dwelling policy typically used for rental properties or homes that are not owner-occupied. This type of policy covers certain perils but may have some limitations regarding additional structures and losses. The Coverage A amount of \$300,000 pertains to the primary dwelling itself. When a covered loss occurs, such as the \$275,000 damage to the dwelling, the policy will pay up to the Coverage A limit. Since the loss amount (\$275,000) is less than the Coverage A limit (\$300,000), the full loss amount is covered. Additionally, the loss of the detached swimming pool is not covered by the DP-1 policy because specific structures can be excluded depending on the terms of the policy. Detached structures may be subject to additional coverage limits or not covered at all under a basic policy like the DP-1. In this case, since the loss to the swimming pool is not accounted for in the coverage, the payment for the covered loss will only reflect the damage to the dwelling. Therefore, L's policy will effectively pay the full Coverage A amount for the covered loss to the dwelling, which is \$275,000. However, because

5. What can an insurance coverage gap lead to?

- A. Increased protection against losses
- B. Financial strain due to uncovered losses**
- C. Improved clarity in terms and conditions
- D. Guaranteed payment for all claims

An insurance coverage gap can lead to financial strain due to uncovered losses. When a policyholder has gaps in their coverage, it means that there are certain risks or types of damages that are not insured. If an unforeseen event occurs that falls within these gaps, the policyholder will have to bear the full financial burden of the loss themselves. This can result in significant out-of-pocket expenses, which may lead to debt or financial instability. The other options do not accurately reflect the impacts of an insurance coverage gap. Increased protection against losses is not possible if coverage is lacking, and clarity in terms and conditions would not necessarily be improved by gaps in coverage; in fact, it could complicate understanding of what is and is not covered. Lastly, guaranteed payment for all claims is not realistic if there are gaps in coverage, as the insurer will not cover losses that fall outside the defined policy terms. Understanding these concepts is vital for effective risk management in insurance.

6. 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.

7. What does the term "scope of coverage" refer to in an insurance policy?

- A. The costs associated with insurance premiums
- B. The procedures for filing a claim
- C. The range of risks and perils covered under the terms of the policy**
- D. The documentation required to underwrite a policy

The term "scope of coverage" in an insurance policy specifically refers to the range of risks and perils that are covered under the terms of the policy. This concept is crucial for understanding what is included in an insurance contract and what is excluded. Essentially, the scope of coverage defines the extent of the insurer's obligation to pay for claims resulting from specified events or conditions that are detailed in the policy. When reviewing an insurance policy, it is essential for the insured to understand which particular risks are insured and to what extent. For example, a homeowner's insurance policy may cover events like fire, theft, and vandalism, but may exclude natural disasters such as floods or earthquakes, which would require separate coverage. This clarity helps the policyholder assess their risk exposure and make informed decisions about additional insurance that may be necessary to fully protect themselves. By understanding the scope of coverage, policyholders can ensure they have the right amount of protection for their specific needs, thus mitigating potential financial losses resulting from unexpected events.

8. All of the following are true of a Businessowners Coverage Form, except?

- A. Section III of the coverage form contains the Common Policy Conditions
- B. Land, including land on which the property is located, is not covered
- C. Employee dishonesty is automatically included in each policy**
- D. The most the insurer will pay for loss or damage arising out of any occurrence is the limit of insurance shown in the Declarations

The statement that employee dishonesty is automatically included in each policy is not accurate, making it the correct choice for the exception. Typically, a Businessowners Coverage Form provides a range of protections for businesses; however, employee dishonesty is generally not included as a standard coverage. Instead, it may be available as an optional endorsement that businesses can choose to add to their policy for additional protection against losses resulting from the dishonest acts of their employees. On the other hand, the inclusion of common policy conditions in Section III of the coverage form is standard practice, as this section outlines the essential conditions that apply to many types of coverage and policies. Additionally, land and the land on which insured property is situated is not covered under this type of coverage, which is a common limitation in property insurance. Lastly, it is standard for insurance policies, including the Businessowners Coverage Form, to stipulate that the insurer's liability for loss or damage is capped at the limit specified in the Declarations, ensuring clarity on the extent of coverage. This understanding is crucial for business owners in managing their expectations regarding potential losses and the coverage limits provided by their policy.

9. What are the minimum limits of auto liability required?

- A. \$25,000, \$50,000, \$10,000
- B. \$15,000, \$50,000, \$25,000
- C. \$25,000, \$50,000, \$15,000**
- D. \$50,000, \$25,000, \$15,000

The minimum limits of auto liability required are set to ensure that drivers have adequate coverage to pay for bodily injury and property damage they may cause to others while operating a vehicle. In Idaho, the correct minimum limits of liability insurance for private passenger vehicles are \$25,000 for injury to one person, \$50,000 for total bodily injury per accident, and \$15,000 for property damage. Choosing \$25,000, \$50,000, \$15,000 correctly aligns with these state requirements, ensuring that a driver can cover at least the minimum potential costs associated with accidents they may cause. This acts as a critical safety net for victims of automobile accidents and helps maintain responsibility among drivers on the road. Therefore, it is essential that drivers meet these minimum limits to comply with Idaho state laws and protect themselves financially in case of an accident.

10. Section I of the Boatowners policy provides which type of coverage and settlement option?

- A. It provides open perils coverage, and losses are settled on an actual cash value basis**
- B. It provides named perils coverage, and losses are settled on a replacement cost basis
- C. It provides named perils coverage, and losses are settled on an actual cash value basis
- D. It provides open perils coverage, and losses are settled on a replacement cost basis

The correct choice indicates that Section I of the Boatowners policy offers open perils coverage, with losses settled on an actual cash value basis. Open perils coverage means that risks are covered unless specifically excluded in the policy. This broadens the coverage, making it beneficial for policyholders, as it addresses a wide array of potential damages or losses to the boat. Settling losses on an actual cash value basis takes into account depreciation, meaning that the amount paid to the insured is the replacement cost minus depreciation. This provides a fair financial settlement reflecting the true value of the boat at the time of the loss. It contrasts with replacement cost coverage, which would cover the full cost to replace the item without taking depreciation into account, often resulting in a higher payout. In the context of boat policies, many insurers tend to lean toward open perils for comprehensive protection, and using actual cash value offers a more economical settlement term for both the insurer and the insured. This blend of coverage and settlement method aligns with common practices within marine insurance, providing a balance of protection and fair compensation.

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://idaho-propertyandcasualty.examzify.com>

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

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