

Insurance Dwelling Policy Practice Test (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. Which of the following is NOT an exclusion that applies in all three types of Dwelling Policies?**
 - A. Vandalism**
 - B. Earthquake**
 - C. Fire and lightning**
 - D. Neglect**
- 2. How does the “fire department service charge” work?**
 - A. It covers the cost of fire safety equipment**
 - B. It reimburses for charges from the fire department responding to a fire**
 - C. It pays for installing fire alarms in the building**
 - D. It is a fee for reviewing fire safety procedures**
- 3. What should tenants do to ensure their personal property is protected?**
 - A. Rely on the landlord's insurance**
 - B. Obtain renter's insurance**
 - C. Only insure valuable items**
 - D. Sign a policy with the landlord**
- 4. What happens to rental income if the property is uninhabitable due to a covered peril?**
 - A. Policyholders lose their rental income**
 - B. Rental income continues unless explicitly excluded**
 - C. Additional endorsements are required to cover losses**
 - D. Loss of rental income may be covered by Coverage D**
- 5. What is liability coverage in connection to a dwelling policy?**
 - A. Coverage for physical damage to the property**
 - B. Insurance against personal injury claims from police**
 - C. Protection against legal claims from injuries or damages on the property**
 - D. Coverage for natural disasters affecting the building**

- 6. What type of coverage would exclude losses due to normal wear and tear?**
- A. Replacement cost coverage**
 - B. Actual cash value coverage**
 - C. Guaranteed replacement cost coverage**
 - D. Basic form coverage**
- 7. Under a DP-2 Broad Form, which peril is usually covered?**
- A. Theft**
 - B. Flood**
 - C. Earthquake**
 - D. Intentional damage**
- 8. How does the law of large numbers benefit insurers?**
- A. It helps in maximizing profits from investments**
 - B. It allows for predicting future claims based on past claims data**
 - C. It reduces operational costs through better management**
 - D. It ensures all policyholders receive the same coverage**
- 9. What is the maximum coverage limit for trees, shrubs, and plants in a dwelling policy?**
- A. 5% of Coverage A**
 - B. \$500 per item**
 - C. \$1,000 total**
 - D. \$10,000 total**
- 10. Under the dwelling policy, if an insurer chooses to repair or replace damaged or lost property, it must inform the insured within how many days of receiving proof of loss?**
- A. 15 days**
 - B. 30 days**
 - C. 45 days**
 - D. 60 days**

Answers

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

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Explanations

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1. Which of the following is NOT an exclusion that applies in all three types of Dwelling Policies?

- A. Vandalism**
- B. Earthquake**
- C. Fire and lightning**
- D. Neglect**

Fire and lightning are typically covered under all three types of Dwelling Policies, which include the basic, broad, and special forms. These peril types are fundamental to property insurance, as fire is one of the most common risks associated with home ownership and is generally included in policy coverage. In contrast, the other options represent exclusions that do not apply universally across all dwelling policies. Vandalism can be excluded depending on the specific type of policy and whether the property has been vacant for a certain period. Earthquake is commonly excluded in many standard policies and may require a separate endorsement or a different policy altogether. Neglect relates to a property owner's responsibility to maintain their property and can be a ground for exclusion if the owner allows the property to deteriorate. Understanding which perils are typically covered can help policyholders make informed decisions about additional coverage they may need for certain risks.

2. How does the “fire department service charge” work?

- A. It covers the cost of fire safety equipment**
- B. It reimburses for charges from the fire department responding to a fire**
- C. It pays for installing fire alarms in the building**
- D. It is a fee for reviewing fire safety procedures**

The “fire department service charge” is designed to reimburse the insured for the costs incurred when the fire department responds to a fire at their property. This coverage typically applies when the fire department assesses a service charge for their response. It's important to understand that this is not a general fee for all fire-related services or equipment; rather, it specifically addresses the charges that the fire department may impose for attending to a fire emergency. In the context of other choices, while fire safety equipment, installation of fire alarms, and reviewing fire safety procedures are undoubtedly important for overall fire safety management, they fall outside the scope of what the fire department service charge specifically covers. This charge is narrowly focused on the direct response and related financial implications when a fire department is called out to a scene, emphasizing its role in providing financial assistance for those emergency services rather than preventive or municipal functions.

3. What should tenants do to ensure their personal property is protected?

- A. Rely on the landlord's insurance**
- B. Obtain renter's insurance**
- C. Only insure valuable items**
- D. Sign a policy with the landlord**

Tenants should obtain renter's insurance to ensure their personal property is protected. Renter's insurance provides coverage for personal belongings in the event of theft, fire, or other damages. This type of insurance is specifically designed for renters and addresses the significant gap in coverage that can occur since the landlord's insurance typically only covers the physical structure of the property and not the tenants' personal items. By having renter's insurance, tenants gain peace of mind knowing their belongings, such as furniture, electronics, clothes, and other personal items, are protected. It can also provide liability coverage, which is beneficial if someone is injured in the rented space. This investment in a renter's policy can be relatively low-cost compared to the potential financial loss from replacing personal property. The other options do not adequately provide for the tenant's needs. Relying on the landlord's insurance overlooks the fact that it does not cover tenants' personal belongings. Only insuring valuable items may leave other possessions unprotected, while signing a policy with the landlord may not provide any coverage for personal property at all. Thus, obtaining renter's insurance is the most effective way for tenants to safeguard their possessions.

4. What happens to rental income if the property is uninhabitable due to a covered peril?

- A. Policyholders lose their rental income**
- B. Rental income continues unless explicitly excluded**
- C. Additional endorsements are required to cover losses**
- D. Loss of rental income may be covered by Coverage D**

When a property becomes uninhabitable due to a covered peril, Coverage D of the dwelling policy is specifically designed to address the loss of rental income. This coverage is often referred to as "Loss of Use" or "Fair Rental Value," and it provides compensation for income that a property owner would have received from renting out the property during the time it is uninhabitable. In this context, Coverage D ensures that the financial impact on the property owner is mitigated by providing benefits for lost rental income, as it recognizes the owner's potential loss. This is particularly important for landlords who rely on rental income to cover ongoing expenses, such as mortgage payments and property taxes, even when they cannot rent the property due to factors outside their control. Therefore, the coverage under Section D is vital for protecting the financial interests of property owners during such unforeseen events.

5. What is liability coverage in connection to a dwelling policy?

- A. Coverage for physical damage to the property**
- B. Insurance against personal injury claims from police**
- C. Protection against legal claims from injuries or damages on the property**
- D. Coverage for natural disasters affecting the building**

Liability coverage in connection to a dwelling policy is designed to protect homeowners against legal claims that could arise due to injuries or damages that occur on their property. This type of coverage is important because it helps cover expenses that may arise from lawsuits, including legal fees, medical bills, and any settlements or judgments. For instance, if a visitor to the home slips and falls, or if the homeowner accidentally causes damage to someone else's property, liability coverage can help defend against those claims. This protection is crucial for any property owner, as it provides peace of mind and financial security against unforeseen incidents that might lead to legal action. Other options such as coverage for physical damage to the property, personal injury claims from police, or coverage for natural disasters affect different aspects of a dwelling policy but do not pertain to the liability exposure associated with owning property. Therefore, the focus on protection against legal claims from injuries or damages on the property accurately describes the essence of liability coverage within a dwelling policy.

6. What type of coverage would exclude losses due to normal wear and tear?

- A. Replacement cost coverage**
- B. Actual cash value coverage**
- C. Guaranteed replacement cost coverage**
- D. Basic form coverage**

The best choice for excluding losses due to normal wear and tear is actual cash value coverage. This type of coverage pays for the current market value of an item at the time of loss or damage, which inherently considers depreciation. As a result, it does not cover losses that occur simply from deterioration, aging, or standard maintenance issues, which would be classified under normal wear and tear. In contrast, replacement cost coverage and guaranteed replacement cost coverage aim to provide funds for replacing an item without accounting for depreciation. Basic form coverage specifically refers to a policy with a limited scope of perils covered, but it does not necessarily relate to depreciation and wear and tear in the same way that actual cash value does. Thus, actual cash value is correctly associated with the exclusion of losses due to normal wear and tear.

7. Under a DP-2 Broad Form, which peril is usually covered?

- A. Theft**
- B. Flood**
- C. Earthquake**
- D. Intentional damage**

In a DP-2 Broad Form, which is designed to provide coverage for specific listed perils, theft is indeed one of the perils that is typically covered. This type of policy offers a wider range of coverage compared to the more basic DP-1 policy, making it suitable for homeowners who require more comprehensive protection for their dwelling and personal property. The DP-2 form includes coverage for various perils, including but not limited to fire, lightning, windstorm, hail, explosion, riot, civil commotion, and, importantly, theft. Coverage for theft is significant because it protects homeowners against the loss of personal property due to unlawful taking, which can occur in various ways, such as burglary or shoplifting. In contrast, flood and earthquake are generally not covered under standard dwelling policies without the purchase of separate endorsements or policies specifically designed to protect against those risks. Additionally, intentional damage is typically excluded from coverage, as insurance is not designed to protect against losses resulting from the insured's deliberate actions. Thus, theft stands out as a clear peril covered under the DP-2 Broad Form, aligning with the policy's goal of providing enhanced protection for insured properties.

8. How does the law of large numbers benefit insurers?

- A. It helps in maximizing profits from investments**
- B. It allows for predicting future claims based on past claims data**
- C. It reduces operational costs through better management**
- D. It ensures all policyholders receive the same coverage**

The law of large numbers is a fundamental principle in insurance that allows insurers to predict future claims more accurately by analyzing historical claims data. This statistical concept states that as the number of similar exposure units increases, the actual loss experience will more closely approximate the expected loss experience. By having a large sample size of policies and claims, insurers can establish patterns and averages, leading to improved predictability in their risk assessments. This means that they can estimate how much they need to set aside for future claims, determine premium pricing more effectively, and ultimately ensure that they can meet their future obligations to policyholders. The other options present valid considerations for an insurer's business operations but do not directly relate to the core benefit of the law of large numbers. For example, while investment profits can be important, they are not the direct result of the law of large numbers. Similarly, operational cost reductions and equitable coverage for policyholders are influenced by various factors, including management practices and regulatory requirements, rather than solely by the statistical principles underlying the law of large numbers.

9. What is the maximum coverage limit for trees, shrubs, and plants in a dwelling policy?

A. 5% of Coverage A

B. \$500 per item

C. \$1,000 total

D. \$10,000 total

The maximum coverage limit for trees, shrubs, and plants within a dwelling policy is indeed 5% of Coverage A. This means that if you have a dwelling policy with a Coverage A limit of, for example, \$200,000, you would be eligible for up to \$10,000 in coverage for trees, shrubs, and plants—5% of the dwelling's coverage amount. This feature is significant as it reflects the policy's intent to provide protection for landscaping, which can be an important part of a homeowner's property value. The percentages in dwelling policies are designed to give homeowners a reasonable level of coverage for their landscaping while also managing the overall exposure of the insurance company. Other options, such as fixed amounts per item or total, may have limits in different types of coverages but do not accurately represent the specific percentage provision that applies to trees, shrubs, and plants in a standard dwelling policy.

10. Under the dwelling policy, if an insurer chooses to repair or replace damaged or lost property, it must inform the insured within how many days of receiving proof of loss?

A. 15 days

B. 30 days

C. 45 days

D. 60 days

Under a dwelling policy, when an insurer decides to repair or replace damaged or lost property, it is required to notify the insured within 30 days of receiving proof of loss. This timeframe is established to ensure that the insured is kept informed about the progress and decisions regarding their claim, facilitating a smoother claims process and providing clarity on how their loss will be addressed. Timely communication is essential in maintaining transparency and trust between the insurer and the insured, allowing the insured to manage expectations regarding their property restoration or 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://insurancedwellingpolicy.examzify.com>

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