

NEBRASKA PROPERTY AND CASUALTY PRACTICE TEST (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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 a primary aim of regulatory bodies in property insurance?**
 - A. To enforce strict penalties on insurers
 - B. To ensure fair practices and protect consumers
 - C. To reduce the number of insurance providers
 - D. To guarantee the profitability of insurance companies
- 2. In property insurance, which term refers to the replacement cost of damaged property without depreciation?**
 - A. Actual cash value
 - B. Replacement cost
 - C. Intrusive damage
 - D. Stated value
- 3. Which of the following claims does NOT fall under the liability coverage of Section II of a homeowners policy?**
 - A. The named insured is borrowing a friend's jacket which is later damaged.
 - B. The named insured's child causes injury to a neighbor's child.
 - C. The named insured's dog bites a neighbor.
 - D. A visitor falls and injures themselves on the porch steps.
- 4. What type of insurance coverage typically applies to liability for injuries caused by the insured?**
 - A. Property insurance
 - B. Health insurance
 - C. General liability insurance
 - D. Auto insurance
- 5. Are insurance company underwriters allowed to discriminate?**
 - A. Yes, but only for gender
 - B. Yes, but not unfairly
 - C. No, higher risks pay higher premium
 - D. No, discrimination is an unfair practice

6. What function does a rider or endorsement serve in an insurance policy?

- A. It limits coverage to specific situations
- B. It modifies the original insurance policy to add or change coverage
- C. It cancels the policy
- D. It increases the premium

7. What does the term "deductible" refer to in insurance?

- A. The amount the insured must pay out of pocket before insurance coverage begins
- B. The total value of the property being insured
- C. The maximum amount the insurer will pay for a claim
- D. The percentage of loss that the insurer covers

8. Which insurance typically covers damages caused by unforeseen events like theft or fire in a home?

- A. Liability insurance
- B. Property insurance
- C. Health insurance
- D. Life insurance

9. What distinguishes "replacement cost" from "actual cash value" in property insurance?

- A. Replacement cost equals market value at the time of loss
- B. Replacement cost reimburses the cost of replacing damaged property, while actual cash value subtracts depreciation
- C. Replacement cost is limited to a cap set by the insurer
- D. Actual cash value provides full coverage for all damages regardless of the policy limits

10. What risks does cyber liability insurance protect against?

- A. Natural disasters affecting property
- B. Data breaches and cyber-attacks
- C. Employee negligence and misconduct
- D. General liability claims in business

Answers

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

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Explanations

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1. What is a primary aim of regulatory bodies in property insurance?

- A. To enforce strict penalties on insurers
- B. To ensure fair practices and protect consumers**
- C. To reduce the number of insurance providers
- D. To guarantee the profitability of insurance companies

The primary aim of regulatory bodies in property insurance is to ensure fair practices and protect consumers. These agencies are established to oversee the insurance industry, making certain that companies operate within the law and treat policyholders fairly. This includes regulating rates, ensuring that companies stay solvent to meet their obligations to policyholders, and preventing fraudulent or discriminatory practices. By protecting consumers, regulatory bodies foster public confidence in the insurance market, which is crucial for its overall stability and operation. The focus on consumer protection means that regulatory bodies work to balance the interests of insurers with the rights and needs of insured individuals. This includes mandates for transparency and accountability in policy terms, claims handling, and financial reporting. By prioritizing fair practices, regulatory bodies contribute to a well-functioning insurance market that adequately serves the needs of the community it serves.

2. In property insurance, which term refers to the replacement cost of damaged property without depreciation?

- A. Actual cash value
- B. Replacement cost**
- C. Intrusive damage
- D. Stated value

The term that refers to the replacement cost of damaged property without depreciation is replacement cost. Replacement cost coverage typically involves reimbursing the policyholder for the full cost to replace an item with a new one of similar kind and quality, regardless of the item's original purchase price or its depreciation over time. This type of coverage ensures that the insured can restore their property to its original condition without suffering a financial loss due to depreciation. In contrast, actual cash value takes into account depreciation, meaning that the payout would be based on the current market value of the property at the time of loss, not the cost to replace it. Intrusive damage and stated value are not standard terms used to express replacement cost; intrusive damage generally refers to damage that requires direct intervention, while stated value refers to an agreed-upon amount that is not necessarily tied to the replacement cost or actual cash value.

3. Which of the following claims does NOT fall under the liability coverage of Section II of a homeowners policy?

- A. The named insured is borrowing a friend's jacket which is later damaged.**
- B. The named insured's child causes injury to a neighbor's child.
- C. The named insured's dog bites a neighbor.
- D. A visitor falls and injures themselves on the porch steps.

The claim regarding the named insured borrowing a friend's jacket that is later damaged does not fall under the liability coverage of Section II of a homeowners policy. Liability coverage is designed to protect the insured against claims resulting from bodily injury or property damage to others for which the insured is legally responsible. In this instance, the damage to the friend's jacket does not involve an instance of liability toward a third party because the insured was not responsible for the jacket's damage in a way that would create a legal obligation to pay for that damage. The other options present scenarios that involve potential liability; for instance, if a child causes injury to another child or a dog bites a neighbor, the insured could be responsible for those actions and face claims filed against them. Additionally, if a visitor falls on the insured's property and gets injured, that could also lead to a liability claim. However, damaging a borrowed item like a jacket does not create a liability situation under the homeowners policy.

4. What type of insurance coverage typically applies to liability for injuries caused by the insured?

- A. Property insurance
- B. Health insurance
- C. General liability insurance**
- D. Auto insurance

General liability insurance specifically provides coverage for legal liability arising from bodily injury or property damage caused by the insured's actions or negligence. It is designed to protect businesses and individuals from claims resulting from injury to third parties, whether they occur on the insured's premises or as a result of the insured's operations. This coverage typically includes defense costs and settlements for claims made against the insured, making it a crucial protection for anyone engaged in business activities or providing services to the public. In contrast, property insurance mainly covers damage to the insured's own property or possessions rather than liability to others. Health insurance, on the other hand, is focused on covering medical expenses for the insured and their family, not for liability issues. Auto insurance provides coverage primarily for vehicles and associated liability, but it is specifically tailored to incidents involving vehicles rather than broader general liability. The unique aspects of general liability insurance make it the most suitable choice for addressing liability for injuries to third parties.

5. Are insurance company underwriters allowed to discriminate?

- A. Yes, but only for gender
- B. Yes, but not unfairly**
- C. No, higher risks pay higher premium
- D. No, discrimination is an unfair practice

The correct choice indicates that insurance company underwriters can discriminate, but this discrimination must not be unfair. Underwriters evaluate risks based on various factors that can include age, health, lifestyle, and market conditions to determine how likely an individual or entity is to file a claim. This risk assessment leads to differentiated pricing and policy terms. However, while underwriters are allowed some degree of discretion in their evaluations, there are regulations in place to prevent unfair discrimination. For instance, insurance practices must comply with laws that prohibit discriminating based on race, religion, gender (in many contexts), or other non-risk-related factors. This ensures that while risk-based discrimination is acceptable within certain limits, it must always adhere to ethical practices and legal guidelines aimed at promoting fairness and equity in the insurance market. Overall, underwriters utilize a combination of objective risk factors and established underwriting guidelines, but they must always navigate these responsibilities without crossing the line into unfair treatment of individuals based on arbitrary or non-essential criteria.

6. What function does a rider or endorsement serve in an insurance policy?

- A. It limits coverage to specific situations
- B. It modifies the original insurance policy to add or change coverage**
- C. It cancels the policy
- D. It increases the premium

A rider or endorsement is an addition or modification to the original insurance policy that serves to add coverage, change the terms of coverage, or otherwise adjust the policy to better fit the needs of the insured. This function allows policyholders to customize their insurance to address specific risks or circumstances that might not be covered under the standard policy. For instance, a homeowner might purchase an endorsement to add coverage for high-value items such as jewelry or fine art, which might have limited coverage in a standard homeowners policy. Similarly, an endorsement could modify the coverage limits or deductible amounts on an existing policy, providing flexibility to adapt the insurance according to the policyholder's requirements. The other options describe different concepts that do not align with the function of a rider or endorsement. Limiting coverage pertains to exclusions rather than enhancements. Cancelling the policy refers to terminating the agreement entirely, which is a separate action. Increasing the premium is a financial consideration that may result from adding coverage but is not the primary function of a rider or endorsement itself.

7. What does the term "deductible" refer to in insurance?

- A. The amount the insured must pay out of pocket before insurance coverage begins**
- B. The total value of the property being insured
- C. The maximum amount the insurer will pay for a claim
- D. The percentage of loss that the insurer covers

The term "deductible" in insurance refers to the amount that the insured must pay out of pocket before the insurance coverage begins to contribute towards a claim. This means that if an insured event occurs, the policyholder will first pay a specified amount of their own money, and only once that deductible is met will the insurance company start to pay for the remaining costs associated with the claim. For example, if a homeowner has a deductible of \$1,000 on their property insurance policy and incurs \$5,000 in damages, they will be responsible for paying the first \$1,000 themselves. Following this, the insurance company would cover the remaining \$4,000 of the costs, assuming all other policy conditions are met. Understanding deductibles is essential for managing insurance costs and coverage effectively. A higher deductible often results in lower premium payments, whereas a lower deductible typically comes with higher premiums, impacting the overall cost of maintaining insurance protection.

8. Which insurance typically covers damages caused by unforeseen events like theft or fire in a home?

- A. Liability insurance
- B. Property insurance**
- C. Health insurance
- D. Life insurance

Property insurance is designed specifically to cover damages to physical property, including a home, caused by unforeseen events such as theft, fire, vandalism, or certain natural disasters. This type of insurance provides financial protection for the policyholder, ensuring that in the event of these damaging occurrences, they can recover the value of their lost or damaged possessions. Liability insurance, on the other hand, primarily protects individuals against claims resulting from injuries and damage to other people or their property. Health insurance focuses on medical expenses related to health care services, while life insurance provides financial support to beneficiaries in the event of the policyholder's death. Since the question pertains specifically to covering damages to a home caused by unforeseen events, property insurance is the most appropriate choice.

9. What distinguishes "replacement cost" from "actual cash value" in property insurance?

- A. Replacement cost equals market value at the time of loss
- B. Replacement cost reimburses the cost of replacing damaged property, while actual cash value subtracts depreciation**
- C. Replacement cost is limited to a cap set by the insurer
- D. Actual cash value provides full coverage for all damages regardless of the policy limits

Replacement cost and actual cash value are two important concepts in property insurance that determine how claims are settled after a loss. The key distinction lies in how each method calculates the value of the damaged property. Replacement cost refers to the amount it would take to replace or repair the damaged property with a similar new item at current prices, without accounting for depreciation. This means if you have a house that has been damaged, the insurance would pay for the full cost of reconstructing it to its original state, regardless of how much its value has decreased over time. On the other hand, actual cash value (ACV) represents the replacement cost of the property minus depreciation. This means that when using ACV to settle a claim, the insurer considers not only the current cost to replace the item but also how much value has been lost due to age, wear and tear, and other factors. As a result, the payout under ACV is typically lower than under replacement cost, reflecting the reduced value of the property at the time of loss. Understanding this difference is crucial for property owners when choosing insurance policies, as it impacts the amount of compensation received after a claim. Therefore, the distinction between replacement cost and actual cash value highlights the financial implications for policyholders in the

10. What risks does cyber liability insurance protect against?

- A. Natural disasters affecting property
- B. Data breaches and cyber-attacks**
- C. Employee negligence and misconduct
- D. General liability claims in business

Cyber liability insurance specifically protects businesses from risks associated with digital incidents, such as data breaches and cyber-attacks. This type of insurance is designed to cover the costs that arise when sensitive information—like personal identification, financial data, or proprietary technology—is compromised by hackers or due to other cyber-related threats. This may include expenses related to notifying affected individuals, public relations efforts to mitigate reputational damage, legal fees, and costs incurred to restore lost data. As organizations increasingly rely on technology and store sensitive information online, the need for protection specifically against these types of risks has become crucial. In contrast, natural disasters affecting property are typically covered under standard property insurance policies, and employee negligence or misconduct might fall under employment practices liability insurance. General liability claims address a wider scope of incidents that do not specifically pertain to cyber risks. Therefore, the distinct focus of cyber liability insurance on the unique challenges posed by digital threats makes it a vital component of a comprehensive risk management strategy in today's digital landscape.

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://nebraskapropertyandcausalty.examzify.com>

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

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