

New Hampshire Insurance Licensing 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. What does loss cost include in insurance calculations?**
 - A. Operating expenses included**
 - B. Profits from coverage included**
 - C. Only pure claims data**
 - D. Indirect costs related to claims**
- 2. Which of the following describes competent parties in a contract?**
 - A. Individuals under 18 years of age**
 - B. Mentally stable and sober individuals**
 - C. People with a minimum of a high school diploma**
 - D. Competent legal counsel present**
- 3. What is implied authority in the context of an insurance agent?**
 - A. Authority that is directly stated in writing**
 - B. Authority based on the agent's regular activities**
 - C. Authority that can be denied by the principal**
 - D. Authority that is uncontested by consumers**
- 4. When was the basic cause of loss form introduced?**
 - A. 1978**
 - B. 1986**
 - C. 1990**
 - D. 2001**
- 5. What does the financial rating of insurers evaluate?**
 - A. Only insurer's premium rates**
 - B. Investment performance and management**
 - C. Number of claims filed**
 - D. State regulations compliance**

- 6. What does it mean if coverage is voided due to concealment?**
- A. The information was not deemed important**
 - B. The insurer discovered errors made unintentionally**
 - C. The insured deliberately hid material information**
 - D. The insurer must always pay regardless of disclosure**
- 7. Which statement about negligence is accurate?**
- A. It only applies in workplace settings**
 - B. It requires a demonstration of duty, breach, cause, and damages**
 - C. It absolves liability for any injuries**
 - D. It pertains only to physical damages**
- 8. What type of damage is covered under the "Accidental Discharge of Water" clause?**
- A. Intentional flooding**
 - B. Damage from storm surges**
 - C. Sudden and accidental leakage from pipes**
 - D. Water damage due to heavy rain**
- 9. In which jurisdiction is the Last Clear Chance Doctrine typically employed?**
- A. Strict liability jurisdictions**
 - B. Contributory negligence jurisdictions**
 - C. Comparative negligence jurisdictions**
 - D. Criminal negligence jurisdictions**
- 10. What is required for company-cancellation of a policy before its expiration?**
- A. No notice is required**
 - B. Advanced notice must be given**
 - C. Cancellation is automatic**
 - D. Only partial refunds are issued**

Answers

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

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Explanations

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1. What does loss cost include in insurance calculations?

- A. Operating expenses included
- B. Profits from coverage included
- C. Only pure claims data**
- D. Indirect costs related to claims

Loss cost in insurance calculations specifically refers to the pure claims data that reflects the anticipated losses an insurer expects to pay out for claims. This figure is derived from historical data and is crucial for actuaries and underwriters when determining premium rates. It serves as a foundational component of the overall premium calculation, focusing solely on the expected losses from claims, without the influence of operational costs, profit margins, or any other additional expenses. The importance of correct classification of loss cost lies in its application in risk assessment and pricing accuracy. By isolating pure claims data, insurers can more effectively manage risk and execute pricing strategies that ensure competitive yet sustainable premiums. The other options encompass aspects of the overall insurance operation that are not reflected in the loss cost itself. For instance, operating expenses (such as administrative costs) and profits are part of broader cost structures that help determine the final premium but do not contribute to the calculation of loss cost. Similarly, indirect costs related to claims might include things like legal fees or overhead, which again are not part of the pure claims data used to derive loss cost.

2. Which of the following describes competent parties in a contract?

- A. Individuals under 18 years of age
- B. Mentally stable and sober individuals**
- C. People with a minimum of a high school diploma
- D. Competent legal counsel present

Competent parties in a contract refer to individuals who have the legal capacity to enter into a binding agreement. This means they must fully understand the terms of the contract and be able to make informed decisions. Mentally stable and sober individuals satisfy these criteria because they are considered capable of comprehending the obligations and implications of a contract. Their mental clarity and sobriety allow them to operate within the legal confines required to agree to contractual terms. In contrast, individuals under 18 years of age generally lack the legal capacity to enter into contracts, as they are considered minors and their agreements are often voidable. While educational attainment, such as having a high school diploma, does not determine one's capacity to understand contracts, it is not a requirement for contractual competency. Additionally, the presence of competent legal counsel is not a prerequisite for all parties to be deemed competent; while it can assist individuals in understanding contracts, it does not substitute for the actual mental competency of the contracting parties themselves.

3. What is implied authority in the context of an insurance agent?

- A. Authority that is directly stated in writing
- B. Authority based on the agent's regular activities**
- C. Authority that can be denied by the principal
- D. Authority that is uncontested by consumers

Implied authority refers to the power that an insurance agent possesses based on the customary activities they engage in while conducting business on behalf of the insurer. This type of authority is not explicitly outlined in a written contract or agreement; instead, it arises from the agent's day-to-day actions and the reasonable assumptions that clients and other parties can make about the agent's capability to perform certain tasks. For example, if an agent routinely handles policy renewals and applications for clients, the insurer and clients can reasonably expect the agent to have the authority to carry out those functions. This understanding is essential because it allows agents to operate effectively in their roles without needing to seek explicit permission for every single action, thereby facilitating smoother transactions and interactions. The other answers focus on different types of authority that do not fit the definition of implied authority. Stated authority refers to direct, explicit agreements, while denied authority would imply restrictions or limitations placed by the principal, and uncontested authority lacks the necessary context to define the nature of agency authority accurately. Understanding implied authority is crucial for anyone involved in insurance to navigate the responsibilities and expectations inherent in various agency relationships.

4. When was the basic cause of loss form introduced?

- A. 1978
- B. 1986**
- C. 1990
- D. 2001

The basic cause of loss form was introduced in 1986 as part of the developments in property insurance. This form is instrumental as it outlines the perils covered under a property insurance policy, specifically addressing the standard risks that can result in loss or damage. By establishing clear definitions of covered losses, this form enhances consistency and understanding among policyholders and insurers alike. This introduction also signaled a shift in the insurance landscape towards more comprehensive coverage options, encouraging policyholders to better assess their risk exposures. Knowing the specific date of introduction is crucial for understanding the evolution of risk management and insurance policy development.

5. What does the financial rating of insurers evaluate?

- A. Only insurer's premium rates
- B. Investment performance and management**
- C. Number of claims filed
- D. State regulations compliance

The financial rating of insurers primarily evaluates their investment performance and management. This rating reflects the insurer's ability to meet its ongoing obligations to policyholders, particularly in terms of claims payouts. A strong financial rating indicates that the insurer is financially stable and has good management practices, which enables it to generate sufficient revenue through investments and premium collection to cover its liabilities. These ratings are typically assigned by independent rating agencies that assess various factors, including the insurer's asset base, liabilities, reserve levels, management effectiveness, and overall financial health. A solid financial rating instills confidence among policyholders, as it represents the insurer's capability to honor claims when they arise. The other options, while related to the operations of an insurance company, do not directly contribute to the financial ratings. For instance, premium rates might be influenced by other factors but do not reflect the insurer's financial strength or management quality. Similarly, the number of claims filed may indicate claims experience but does not assess financial stability. Compliance with state regulations is crucial for operation but is not a direct measure of financial performance.

6. What does it mean if coverage is voided due to concealment?

- A. The information was not deemed important
- B. The insurer discovered errors made unintentionally
- C. The insured deliberately hid material information**
- D. The insurer must always pay regardless of disclosure

When coverage is voided due to concealment, it indicates that the insured intentionally withheld or concealed material information that was relevant to the underwriting process. In insurance, material information is anything that could impact the insurer's decision to provide coverage or the terms of that coverage. If an insured party fails to disclose critical information—not because of oversight but with the intent to mislead or deceive—the insurer may consider this an act of concealment. As a result, the insurer has the right to void the policy, as the foundation for the risk assessment has been compromised. This scenario underscores the importance of full transparency and honesty during the application process, as insurers rely on the information provided to make informed decisions regarding policy issuance and pricing. The other options do not capture the essence of concealment; they either suggest unintentional acts or irrelevant information, which are not applicable in cases where policy voidance occurs due to intentional concealment of material facts.

7. Which statement about negligence is accurate?

- A. It only applies in workplace settings
- B. It requires a demonstration of duty, breach, cause, and damages**
- C. It absolves liability for any injuries
- D. It pertains only to physical damages

Negligence is a legal concept that involves a failure to exercise the care that a reasonably prudent person would exercise in similar circumstances. To establish a claim of negligence, four elements must be demonstrated: duty, breach, causation, and damages. First, there must be a duty of care owed by one party to another. This means that the defendant had a legal obligation to act in a certain way towards the plaintiff. Next, a breach occurs when that duty is not met, which can involve actions taken or omitted that lead to harm. Causation must then be established, showing that the breach directly caused the injuries sustained by the plaintiff. Finally, damages refer to the actual losses incurred as a result of the negligence, which can be physical, emotional, or financial in nature. This framework applies broadly, not just in workplace settings or limited to physical damages. Therefore, this comprehensive understanding of negligence crucially supports why the statement regarding the requirement to demonstrate duty, breach, causation, and damages is accurate.

8. What type of damage is covered under the "Accidental Discharge of Water" clause?

- A. Intentional flooding
- B. Damage from storm surges
- C. Sudden and accidental leakage from pipes**
- D. Water damage due to heavy rain

The correct answer is based on the nature of "Accidental Discharge of Water" coverage, which specifically addresses damage caused by sudden and unintended incidents involving water. This clause typically includes situations where there is a sudden and unforeseen leakage from plumbing systems, such as pipes, which can lead to water damage inside the property. In contrast, intentional actions, such as flooding that is done on purpose, would not be covered since insurance is designed to protect against unintentional events. Furthermore, damage from storm surges is typically classified under flood insurance and often excluded from homeowners policies. Similarly, water damage resulting from heavy rain is generally considered a weather-related event that may fall under different insurance provisions, not specifically under the accidental discharge coverage. Thus, the policy aims to cover those unforeseen water accidents that lead to property damage, which is why sudden and accidental leakage from pipes is the correct answer.

9. In which jurisdiction is the Last Clear Chance Doctrine typically employed?

- A. Strict liability jurisdictions**
- B. Contributory negligence jurisdictions**
- C. Comparative negligence jurisdictions**
- D. Criminal negligence jurisdictions**

The Last Clear Chance Doctrine is primarily utilized in contributory negligence jurisdictions. This legal principle provides that if a plaintiff contributes to their own injury, they may still recover damages if it can be proven that the defendant had the final opportunity to avoid the accident. In these jurisdictions, even if the plaintiff shares some degree of fault, they can still claim compensation if the defendant had a last clear chance to prevent the accident from occurring. In contributory negligence jurisdictions, any degree of fault on the part of the plaintiff can bar their recovery, making the Last Clear Chance Doctrine particularly significant. It allows the court to assess whether the defendant had the opportunity to avoid causing harm to the plaintiff despite the plaintiff's own negligence. This highlights the importance of evaluating the actions of both parties involved in an incident when determining liability. Other jurisdictions such as those that adopt strict liability, comparative negligence, or criminal negligence do not typically rely on this doctrine in the same manner as contributory negligence jurisdictions do. In strict liability cases, the focus is on the nature of the act rather than negligence. In comparative negligence jurisdictions, damages are adjusted based on the degree of fault rather than strictly barring recovery based on contributory fault. Meanwhile, criminal negligence pertains to reckless behavior that constitutes a crime rather

10. What is required for company-cancellation of a policy before its expiration?

- A. No notice is required**
- B. Advanced notice must be given**
- C. Cancellation is automatic**
- D. Only partial refunds are issued**

For a company to cancel a policy before its expiration, advanced notice must be given to the policyholder. This requirement is in place to ensure that insured individuals have adequate time to seek alternative coverage and adjust their financial planning accordingly. Insurance companies are obligated to communicate their intent to cancel a policy, often within a specific timeframe defined by state regulations. This practice promotes transparency and forewarning, allowing consumers to avoid sudden losses of coverage that could leave them vulnerable. The various options presented reflect different misconceptions about the cancellation process. Some might think no notice is required, which would not protect policyholders. Others may assume that cancellation is automatic, overlooking the contractual obligations that insurers have to inform their clients. It is also important to clarify that even though partial refunds might be issued in some circumstances upon cancellation, it does not pertain to the fundamental requirement of providing notice for cancellation before a policy's expiration.

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://newhampshireinsurance.examzify.com>

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