

# New Hampshire Property and Casualty Insurance 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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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>6</b>
<b>Answers</b> .....	<b>9</b>
<b>Explanations</b> .....	<b>11</b>
<b>Next Steps</b> .....	<b>17</b>

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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**

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- 1. What does "Retention" in risk management mean?**
  - A. Passing risks to another party**
  - B. Accepting risks and their consequences**
  - C. Avoiding risks completely**
  - D. Reducing the impact of risks**
  
- 2. What do mutual insurers potentially provide to their policyholders?**
  - A. A guaranteed payout**
  - B. Dividends that are not guaranteed**
  - C. Stock options**
  - D. Annuities**
  
- 3. What type of coverage does the BOP Special Form provide?**
  - A. Basic liability coverage**
  - B. All-risk on building and contents**
  - C. Partial replacement cost basis**
  - D. Actual cash value on contents**
  
- 4. What do "no-fault" insurance laws allow insured parties to do?**
  - A. Collect damages only from the at-fault party**
  - B. Collect damages from their own insurer regardless of fault**
  - C. Obtain insurance without any premiums**
  - D. File a lawsuit against all parties involved**
  
- 5. Which of the following is true about product liability coverage?**
  - A. It covers losses incurred during production**
  - B. It excludes coverage for recall costs**
  - C. It provides automatic worldwide coverage**
  - D. It includes coverage for lost income from recalls**

**6. What type of damage does collision coverage specifically address?**

- A. Damage from theft or vandalism**
- B. Damage to your vehicle in a crash**
- C. Damage caused by natural disasters**
- D. Damage to another person's property**

**7. Which of the following can be considered a catastrophic risk?**

- A. Homeowner's insurance claims**
- B. Car accident liability**
- C. Natural disasters**
- D. Small business property loss**

**8. Which of the following is typically NOT covered by a standard homeowners policy?**

- A. Electrical appliances**
- B. Jewelry valued over a specific amount**
- C. Personal income**
- D. Furniture**

**9. Which of the following is NOT typically covered by a fidelity bond?**

- A. Employee theft**
- B. Intentional fraud**
- C. Natural disasters**
- D. Misappropriation of funds**

**10. What does premium financing refer to?**

- A. Paying premiums in advance for a discount**
- B. A type of insurance that pays for associated costs**
- C. Arrangements to pay premiums over time rather than in a lump sum**
- D. Using personal loans to cover insurance premiums**

## **Answers**

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

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## **Explanations**

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## 1. What does "Retention" in risk management mean?

- A. Passing risks to another party
- B. Accepting risks and their consequences**
- C. Avoiding risks completely
- D. Reducing the impact of risks

"Retention" in risk management refers to the practice of accepting risks and the associated consequences rather than transferring those risks to another entity, avoiding them, or attempting to reduce their impact. This notion of retention indicates that an individual or organization acknowledges the existence of a risk and decides to bear the financial consequences if that risk materializes. Retention can be a strategic choice, especially when the cost of transferring the risk (for instance, through insurance) is greater than the potential loss from the risk itself. Organizations may retain risks that are low in frequency and severity, meaning that while the risk exists, they determine that they are equipped to handle any resulting losses or damages themselves. The other options describe different risk management strategies. For example, passing risks to another party is known as risk transfer, typically involving insurance policies. Avoiding risks completely involves actions that eliminate any possibility of the risk occurring, and reducing the impact of risks pertains to risk mitigation strategies designed to lessen the effects should the risk occur. In contrast, retention is characterized by a willingness to accept the risk and manage it directly.

## 2. What do mutual insurers potentially provide to their policyholders?

- A. A guaranteed payout
- B. B dividends that are not guaranteed**
- C. C stock options
- D. D annuities

Mutual insurers operate on a unique model where the policyholders are also the owners of the company. This structure allows them to share in the financial success of the insurer. As such, mutual insurers may provide dividends to their policyholders based on the insurer's performance, but these dividends are not guaranteed. This means that while policyholders may receive a dividend if the company has a profitable year and decides to distribute funds, there is no promise of a dividend in every year or of a specific amount. The concept of dividends in mutual insurance is tied to the overall financial health of the organization. Therefore, when discussing the benefits mutual insurers provide, focusing on the potential for dividends (though they are not guaranteed) is key to understanding their value proposition to policyholders. This highlights the relationship they have with their policyholders, aligning the interests of the insurer with those of the insured, as owners may benefit when the company performs well financially. The other options, such as guaranteed payouts, stock options, or annuities, do not reflect the mutual insurance model accurately or may imply features that are not typically associated with mutual insurers.

### 3. What type of coverage does the BOP Special Form provide?

- A. Basic liability coverage
- B. All-risk on building and contents**
- C. Partial replacement cost basis
- D. Actual cash value on contents

The Business Owners Policy (BOP) Special Form provides all-risk coverage for both buildings and contents, which means it covers a wide range of perils. This type of coverage is broader and more inclusive compared to basic or named peril policies, which only protect against specific risks explicitly outlined in the policy. All-risk coverage is advantageous for policyholders because it protects against various unforeseen events that could cause damage to property, except for a few exclusions specified in the policy. This can include incidents like theft, fire, vandalism, and certain natural disasters. In contrast, other types of coverage, such as basic liability or actual cash value policies, do not offer the same level of comprehensive protection that the all-risk coverage of the BOP Special Form does. Basic liability coverage typically protects against claims related to bodily injury and property damage for which the policyholder may be legally liable but does not cover damage to the insured property itself. The actual cash value option considers depreciation in calculating losses, which can result in lower payouts compared to replacement cost scenarios under all-risk policies. Thus, the BOP Special Form's provision of all-risk coverage is what makes it a preferred option for many businesses seeking robust protection for both their buildings and contents.

### 4. What do "no-fault" insurance laws allow insured parties to do?

- A. Collect damages only from the at-fault party
- B. Collect damages from their own insurer regardless of fault**
- C. Obtain insurance without any premiums
- D. File a lawsuit against all parties involved

"No-fault" insurance laws enable insured parties to collect damages from their own insurer regardless of who is at fault in an accident. This system is designed to streamline the claims process and reduce the need for lengthy legal battles over liability. Under no-fault insurance, individuals can receive compensation for certain damages, such as medical expenses and lost wages, directly from their insurance company. This allows for quicker access to funds to cover immediate needs without the requirement of proving fault, which can often be time-consuming and contentious. This type of system contrasts with traditional liability insurance, where damages are typically sought from the at-fault party and involve legal considerations to establish fault. This makes it easier for those involved in minor accidents, as it eliminates disputes over liability and encourages faster resolution of claims. The emphasis is placed on providing quick compensation for injuries rather than getting entangled in the complexities of determining who is responsible for the accident.

**5. Which of the following is true about product liability coverage?**

- A. It covers losses incurred during production**
- B. It excludes coverage for recall costs**
- C. It provides automatic worldwide coverage**
- D. It includes coverage for lost income from recalls**

Product liability coverage is designed to protect businesses from claims related to injuries or damages caused by their products. Understanding the nuances of what this coverage entails is essential for anyone involved in manufacturing or distributing goods. The assertion regarding the exclusion of recall costs is a critical point. Product liability insurance typically does not cover the financial costs associated with recalling a product that has been deemed defective or harmful. Recalls can be costly and may include expenses for notifying customers, retrieving products, and replacing or repairing them. Since such expenses are anticipated to be borne by the manufacturer as part of the risk of producing goods, they fall outside the typical scope of product liability coverage. In contrast, the other options regarding production losses, automatic worldwide coverage, and coverage for lost income from recalls are inaccurate interpretations of what product liability insurance covers. Losses incurred during production are generally not covered, as product liability focuses mainly on damages arising after the product has entered the stream of commerce. Automatic worldwide coverage might vary by policy and insurer and isn't a given. Lastly, losses from recalls pertain to business interruption or lost income, which are usually addressed under different kinds of insurance policies, such as business interruption insurance, not under product liability coverage. Understanding these distinctions helps clarify the specific protections that product

**6. What type of damage does collision coverage specifically address?**

- A. Damage from theft or vandalism**
- B. Damage to your vehicle in a crash**
- C. Damage caused by natural disasters**
- D. Damage to another person's property**

Collision coverage specifically addresses damage to your vehicle that occurs as a result of a crash, regardless of who is at fault. This type of insurance is designed to cover the costs of repairs to your car or, in the event of a total loss, the replacement value of your vehicle. It is important for drivers to have this coverage to protect their own financial interests in the event of an accident, as it ensures that they can repair or replace their vehicle without having to bear the full cost out-of-pocket. Other types of insurance, such as comprehensive coverage, would cover damage due to theft or vandalism, natural disasters, or damage to someone else's property, but collision specifically focuses on incidents involving a collision with another vehicle or object. This focus makes collision coverage a vital part of a comprehensive auto insurance policy for anyone who wants to safeguard their vehicle against the risks associated with driving.

**7. Which of the following can be considered a catastrophic risk?**

- A. Homeowner's insurance claims**
- B. Car accident liability**
- C. Natural disasters**
- D. Small business property loss**

Catastrophic risk refers to the potential for significant loss or damage that can impact a large number of people or a community at once. Natural disasters, such as earthquakes, hurricanes, floods, and wildfires, fit this definition perfectly because they can lead to widespread destruction and affect thousands of individuals and businesses simultaneously. These events often result in extensive property damage, injuries, and even loss of life, making them particularly severe in terms of their consequences on a broader scale. In contrast, homeowner's insurance claims, car accident liability, and small business property loss tend to relate more to individual entities or households. While these events can result in significant financial implications for those directly involved, they generally do not reach the same level of widespread impact as natural disasters. Catastrophic risks typically involve scenarios that exceed standard risk accumulation, causing disruption that extends far beyond individual claims. Therefore, natural disasters are a clear example of catastrophic risk due to their ability to affect entire communities and economies.

**8. Which of the following is typically NOT covered by a standard homeowners policy?**

- A. Electrical appliances**
- B. Jewelry valued over a specific amount**
- C. Personal income**
- D. Furniture**

In a standard homeowners policy, personal income is not typically covered. Homeowners insurance is primarily designed to protect physical property and associated liabilities, and it does not extend to insuring financial income or earnings. The policy focuses on tangible assets like the home itself, personal belongings, and liability coverage for accidents that occur on the property. In contrast, the other options represent types of property that might be covered under various provisions of a homeowners policy. Homeowners insurance generally protects against risks associated with electrical appliances, furniture, and even personal items, although there may be limits or exclusions for high-value items such as jewelry over a specified amount. Thus, while personal belongings are covered, the income one earns from employment or investments falls outside the scope of what homeowners insurance is intended to protect.

**9. Which of the following is NOT typically covered by a fidelity bond?**

- A. Employee theft**
- B. Intentional fraud**
- C. Natural disasters**
- D. Misappropriation of funds**

A fidelity bond is a type of insurance designed to protect businesses from losses caused by dishonest acts of employees, including theft, fraud, or misappropriation of funds. These bonds provide coverage for specific acts of dishonesty but do not extend to other types of risks. Natural disasters, such as earthquakes, floods, or hurricanes, are typically covered under different types of insurance policies, such as property insurance. These events fall outside the realm of employee misconduct and are not related to fidelity or dishonesty, which is why they are not covered by fidelity bonds. In contrast, employee theft, intentional fraud, and misappropriation of funds are all acts of dishonesty that a fidelity bond is specifically designed to cover. This type of bond helps businesses safeguard their assets against potential losses resulting from the unethical actions of their employees. Understanding the specific coverages and exclusions of fidelity bonds is crucial for proper risk management within a business.

**10. What does premium financing refer to?**

- A. Paying premiums in advance for a discount**
- B. A type of insurance that pays for associated costs**
- C. Arrangements to pay premiums over time rather than in a lump sum**
- D. Using personal loans to cover insurance premiums**

Premium financing refers to arrangements that allow policyholders to pay their insurance premiums over time rather than requiring a single lump sum payment at the policy's inception. This practice can make insurance more accessible by lowering the immediate financial burden on the insured, allowing them to manage their cash flow more effectively. For instance, in commercial insurance, where premiums may be significantly high, premium financing becomes an invaluable option. Policyholders can take out a loan or enter into a financing agreement which covers the premium amount, enabling them to pay it back in installments over a set period. This alleviates the pressure of having to pay large sums upfront and can help businesses maintain their cash reserves for other operational needs. In contrast, paying premiums in advance for a discount would be a different billing strategy without extending the payment timeframe. The type of insurance that pays for associated costs does not accurately depict the financing scheme used for premiums. Lastly, while using personal loans to cover insurance premiums may conceptually seem close, it does not encompass the structured financial arrangement specifically aimed at spreading out premium payments, which is the essence of premium financing.

# 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://newhampshirepcinsurance.examzify.com>**

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

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