

# NEW HAMPSHIRE PROPERTY AND CASUALTY INSURANCE 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. Which type of coverage is NOT provided by personal liability insurance?**
  - A. Legal defense fees
  - B. Injury to others
  - C. Medical expenses for the insured
  - D. Property damage to others
  
- 2. 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
  
- 3. In the context of insurance, what does the term 'deductible' refer to?**
  - A. The amount the insurer will pay in claims
  - B. The payment required by the insured before coverage applies
  - C. The monthly premium for the policy
  - D. The total amount covered by the policy
  
- 4. In what context is a fidelity bond most commonly used?**
  - A. In construction projects
  - B. In retail businesses
  - C. In employee management and honesty assurance
  - D. In automobile insurance
  
- 5. Which statement about replacement cost is true?**
  - A. It takes depreciation into account
  - B. It covers the full cost to replace the item
  - C. It is always lower than actual cash value
  - D. It applies to liability claims
  
- 6. Which of the following best describes the term "risk" in insurance?**
  - A. The uncertainty of loss or damage
  - B. The benefits provided by a policy
  - C. The total number of policies sold
  - D. The financial resources available to an insurer

**7. What is the purpose of a Peak Season Endorsement?**

- A. To lower premiums during off-seasons
- B. To increase coverage limits permanently
- C. To account for fluctuating inventories
- D. To adjust deductibles based on season

**8. What does not get covered under Farm Policies regarding vehicles?**

- A. Farm trucks used for deliveries
- B. Autos driven on the highway
- C. Tractors used on the farm
- D. Farm motorcycles owned by the farmer

**9. What does a Constructive Total Loss indicate?**

- A. The property is stolen and unrecoverable
- B. The cost of repairs exceeds the value of the property
- C. The property is completely ruined by fire
- D. The insurance policy has lapsed

**10. What is the significance of the "duty to defend" in liability policies?**

- A. It allows insured parties to select their legal representation
- B. It obligates the insurer to handle all legal claims, regardless of merit
- C. It defines the limits of the insurer's coverage in liability cases
- D. It establishes the process for appealing denied claims

## **Answers**

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

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## **Explanations**

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## 1. Which type of coverage is NOT provided by personal liability insurance?

- A. Legal defense fees
- B. Injury to others
- C. Medical expenses for the insured**
- D. Property damage to others

*Personal liability insurance is designed to protect individuals from claims arising due to injuries or damages that they may cause to others. It typically covers legal defense fees, injury to others, and property damage to others as part of its standard coverage offerings. When considering medical expenses, it's important to understand that coverage for medical expenses for the insured is typically not included in personal liability insurance. This coverage is generally found in health insurance policies or within specific personal injury protection options, rather than as part of a personal liability policy. Personal liability insurance focuses on protecting the policyholder from claims made by others, rather than covering the costs of injuries or medical expenses the insured faces themselves. This distinction clarifies why the type of coverage that is not included in personal liability insurance pertains to medical expenses for the insured.*

## 2. 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.*

### 3. In the context of insurance, what does the term 'deductible' refer to?

- A. The amount the insurer will pay in claims
- B. The payment required by the insured before coverage applies**
- C. The monthly premium for the policy
- D. The total amount covered by the policy

*The term 'deductible' refers specifically to the payment that the insured must make out-of-pocket before the insurance coverage kicks in. This amount is specified in the insurance policy, and it represents a portion of the loss that the insured agrees to pay. For example, if a policy includes a deductible of \$1,000 and the insured experiences a loss amounting to \$5,000, the insured would need to pay the first \$1,000 of that loss. The insurer would then cover the remaining \$4,000, as the deductible has been satisfied. This mechanism serves to reduce the number of small claims and encourages policyholders to be more cautious, thereby mitigating minor losses. The other options relate to different aspects of insurance. While the insurer's payment in claims signifies the financial responsibility of the insurer after the deductible has been met, it does not define what a deductible is. The monthly premium refers to the cost of maintaining the insurance policy rather than a deductible, and the total amount covered pertains to the policy limits. Each of these reflects distinct components of the insurance contract, but they do not encapsulate the definition of a deductible itself.*

### 4. In what context is a fidelity bond most commonly used?

- A. In construction projects
- B. In retail businesses
- C. In employee management and honesty assurance**
- D. In automobile insurance

*A fidelity bond is most commonly used in the context of employee management and honesty assurance. These bonds are designed to protect businesses from losses caused by dishonest acts of employees, such as theft or fraud. By obtaining a fidelity bond, an employer is essentially securing a guarantee that, in the event an employee engages in dishonest behavior leading to financial loss, the bond will provide compensation. This kind of bond acts as a risk management tool, instilling confidence in businesses that their assets are protected against potential employee misconduct. While fidelity bonds can be relevant in various contexts, such as in retail businesses where employees may have access to cash and inventory, or in construction projects involving subcontractors, their primary focus is on ensuring the integrity of employees and providing assurance against dishonest acts in the workplace. The aspect of employee management and honesty assurance captures the primary function of a fidelity bond and highlights its role in maintaining trust and security within the organization.*

## 5. Which statement about replacement cost is true?

- A. It takes depreciation into account
- B. It covers the full cost to replace the item**
- C. It is always lower than actual cash value
- D. It applies to liability claims

The correct statement regarding replacement cost is that it covers the full cost to replace the item. Replacement cost refers to the amount necessary to replace an asset with a new one of similar kind and quality, without considering depreciation. This means that in the event of a loss, the insured can receive an amount sufficient to purchase a new replacement item at current market prices, reinstating their condition prior to the loss without financial penalty for age or wear. In contrast, depreciation is factored into different types of coverage, such as actual cash value, which subtracts depreciation from the cost of replacing the item. Additionally, while it is often true that replacement costs can be higher than actual cash value, this is not a definitive rule and can fluctuate based on market conditions. Replacement cost does not apply to liability claims, as it pertains specifically to property insurance and the valuation of damaged or lost property instead of liabilities owed.

## 6. Which of the following best describes the term "risk" in insurance?

- A. The uncertainty of loss or damage**
- B. The benefits provided by a policy
- C. The total number of policies sold
- D. The financial resources available to an insurer

The term "risk" in insurance fundamentally relates to the uncertainty surrounding potential loss or damage. In the context of insurance, risk is a critical concept because it determines how insurers evaluate and underwrite policies. Insurers assess various risks associated with insured individuals or properties to calculate premiums and establish coverage terms. By defining risk as the uncertainty of loss or damage, it emphasizes that not all insured events will occur, and there is an inherent unpredictability in whether an individual will experience a loss that will be covered by their policy. This uncertainty is the basis for how insurance operates, as consumers seek coverage to mitigate the financial impact of unforeseen events. The other options do not adequately represent the definition of risk. Benefits provided by a policy pertain to the coverage and protection offered, rather than the uncertainty associated with loss. The total number of policies sold relates to sales and market strategies, not the inherent risk of loss. Finally, financial resources available to an insurer are an aspect of stability and capacity, not the statistical uncertainty that defines risk itself in the insurance domain.

## 7. What is the purpose of a Peak Season Endorsement?

- A. To lower premiums during off-seasons
- B. To increase coverage limits permanently
- C. To account for fluctuating inventories**
- D. To adjust deductibles based on season

A Peak Season Endorsement is specifically designed to address the variations in inventory levels that businesses may experience during different times of the year. Many businesses, particularly in retail or seasonal industries, have fluctuations in stock that correspond with peak seasons, such as holidays or summer periods. This endorsement allows for an increase in insurance coverage limits during these peak times when the risk of loss, theft, or damage to inventory is heightened due to higher stock levels. During off-peak seasons, businesses often hold less inventory, and the risk is relatively lower. The Peak Season Endorsement accommodates this variance by adjusting coverage accordingly, ensuring that the business has sufficient insurance protection when it needs it the most. This tailored approach helps businesses manage their insurance needs more effectively and provides greater flexibility in safeguarding their assets.

## 8. What does not get covered under Farm Policies regarding vehicles?

- A. Farm trucks used for deliveries
- B. Autos driven on the highway**
- C. Tractors used on the farm
- D. Farm motorcycles owned by the farmer

*Farm Policies are designed to provide coverage specifically for agricultural operations and typically include protection for various types of farm-related vehicles. However, certain types of vehicles are excluded from these policies, particularly those that operate primarily on public roads. Autos driven on the highway fall outside the scope of what Farm Policies usually cover. These policies are intended for vehicles used primarily for farming purposes, which can include farm trucks, tractors, and motorcycles that are used in the day-to-day operations of the agricultural business. Since vehicles used primarily for highway transportation do not align with the core intent of a Farm Policy, they are often excluded from coverage. In contrast, farm trucks used for deliveries, tractors, and farm motorcycles utilized for agricultural activities are typically included in the coverage because they support the farming operation directly. These vehicles are essential for farming tasks and do not primarily exist to transport people or goods on public highways, emphasizing their role in agricultural processes rather than general travel.*

## 9. What does a Constructive Total Loss indicate?

- A. The property is stolen and unrecoverable
- B. The cost of repairs exceeds the value of the property**
- C. The property is completely ruined by fire
- D. The insurance policy has lapsed

*A Constructive Total Loss occurs when the cost of repairing a damaged property exceeds the property's actual value. In this situation, even if the physical structure still exists, the economic viability of repairing it is diminished to the point where the owner essentially faces a financial loss that justifies treating the loss as total. For instance, if a building sustained severe damage during a storm, and the estimates for repairs are significantly higher than the market value of the property, the owner would typically choose not to proceed with repairs. Instead, they may opt to declare a loss and seek compensation through their insurance policy based on the actual cash value, which reflects the property's worth before the damage occurred. While other scenarios such as theft or total destruction from a fire indicate serious losses, they do not fit the specific criteria that define a Constructive Total Loss.*

## 10. What is the significance of the "duty to defend" in liability policies?

- A. It allows insured parties to select their legal representation
- B. It obligates the insurer to handle all legal claims, regardless of merit**
- C. It defines the limits of the insurer's coverage in liability cases
- D. It establishes the process for appealing denied claims

*The significance of the "duty to defend" in liability policies is fundamentally based on the insurer's obligation to manage legal claims brought against the insured, regardless of the merit of those claims. This means that as soon as a claim is made that falls within the coverage of the policy, the insurer is required to provide a defense for the insured, even if the allegations turn out to be unsubstantiated. This duty is pivotal in liability insurance because it serves a protective function for insured individuals and businesses, ensuring they have legal representation without needing to cover those costs out of pocket. The insurer assumes the responsibility to defend claims, which can prevent significant financial strain on the insured while also protecting their legal interests. This obligation often extends to various situations that may or may not involve direct coverage concerns, affirming that defense is about the potential liability rather than an assessment of actual liability at the outset. The other choices do not accurately capture the essence of the "duty to defend." While the insured may have some say in their legal representation, this is not what is meant by the "duty." Additionally, defining coverage limits pertains to how much the insurer will pay in a claim, rather than the duty to defend. Lastly, establishing the process for appealing*

## 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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