

# Oklahoma Property and Casualty Practice Test (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**

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- 1. What is "business interruption insurance"?**
  - A. Coverage that pays for equipment repairs**
  - B. Coverage that replaces lost income due to a covered business disruption**
  - C. Insurance for employee health benefits**
  - D. Coverage for liability in workplace accidents**
  
- 2. What is the primary purpose of property insurance?**
  - A. To provide a source of income during retirement**
  - B. To protect against loss or damage to physical assets**
  - C. To cover legal expenses in lawsuits**
  - D. To enhance personal wealth through investments**
  
- 3. Which risk is primarily covered by homeowners insurance?**
  - A. Liability for injuries on the property**
  - B. Damage to the home and personal property**
  - C. The cost of utilities**
  - D. Natural disaster damage only**
  
- 4. An insurer may use which principle to predict future losses based on past data?**
  - A. Risk assessment**
  - B. Law of Large Numbers**
  - C. Behavioral finance**
  - D. Cost-benefit analysis**
  
- 5. What does a "concurrent causation" clause address?**
  - A. Claims arising from single covered perils only**
  - B. Losses caused solely by negligence**
  - C. Losses caused by multiple factors, including both covered and non-covered perils**
  - D. Claims that exceed the policy limit**

**6. What is the primary purpose of an "endorsement" in an insurance policy?**

- A. To cancel the existing insurance policy**
- B. To modify or add specific coverage to the base policy**
- C. To validate the insurance policy with state authorities**
- D. To exclude coverage for particular risks**

**7. What is the main purpose of a "liability waiver"?**

- A. To ensure a party is compensated for inaction**
- B. To release one party from liability for certain actions**
- C. To restrict insurance payouts in liability cases**
- D. To allow for partial refunds in cases of negligence**

**8. What role does an insurance binder play in the process of obtaining coverage?**

- A. It permanently establishes policy terms and conditions**
- B. It provides temporary evidence of coverage**
- C. It adjusts premiums based on risk factors**
- D. It creates a comprehensive claims history**

**9. In property insurance, what does "coinsurance" entail?**

- A. A reward for loyalty to the insurance provider**
- B. A requirement to insure property at a certain value**
- C. A shared risk arrangement with multiple insurers**
- D. An optional feature for increasing coverage limits**

**10. What is defined as negligence in the context of insurance?**

- A. The act of making false claims to the insurer**
- B. The failure to act as a reasonable and prudent person would under similar circumstances**
- C. The intentional act of causing harm to another**
- D. The process of mitigating losses during an event**

## **Answers**

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

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## **Explanations**

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## 1. What is "business interruption insurance"?

- A. Coverage that pays for equipment repairs
- B. Coverage that replaces lost income due to a covered business disruption**
- C. Insurance for employee health benefits
- D. Coverage for liability in workplace accidents

Business interruption insurance is a type of coverage that addresses the financial impact of a disruption to a business's operations. It is designed to replace lost income that a business would have earned if not for a covered event, such as a fire, natural disaster, or other incidents that lead to temporary closure or significant operational disruptions. This type of insurance is critical for ensuring that businesses can continue to pay fixed expenses such as rent, utilities, and employee salaries during the period they are unable to operate normally. For example, if a small business is forced to close for several weeks due to a fire, business interruption insurance would help cover the loss of revenue that the business would have generated during that time, allowing it to maintain cash flow and remain solvent until it can reopen. The other options refer to different types of coverage that do not pertain to the replacement of lost income due to business disruptions. Equipment repairs, employee health benefits, and liability for workplace accidents are important aspects of a comprehensive insurance program, but they do not specifically address the income losses incurred during interruptions of business operations.

## 2. What is the primary purpose of property insurance?

- A. To provide a source of income during retirement
- B. To protect against loss or damage to physical assets**
- C. To cover legal expenses in lawsuits
- D. To enhance personal wealth through investments

The primary purpose of property insurance is to protect against loss or damage to physical assets. This type of insurance is designed to provide financial coverage for loss resulting from perils such as fire, theft, vandalism, or natural disasters affecting tangible property like homes, cars, and other personal belongings. By ensuring that individuals or businesses can recover financially from such losses, property insurance plays a crucial role in risk management and financial stability. The other options do not align with the primary function of property insurance. For instance, while covering legal expenses is an important feature of some insurance products, it pertains more to liability insurance than to property insurance specifically. Additionally, providing a source of income during retirement and enhancing personal wealth through investments fall outside the realm of property insurance, as these concepts are more associated with life insurance and investment vehicles. Thus, option B clearly identifies the fundamental objective of property insurance within the insurance industry.

### 3. Which risk is primarily covered by homeowners insurance?

- A. Liability for injuries on the property
- B. Damage to the home and personal property**
- C. The cost of utilities
- D. Natural disaster damage only

Homeowners insurance is designed to provide a broad range of coverage, with a primary focus on protecting the dwelling itself and the personal property within. This includes coverage for damages to the physical structure of the home resulting from various perils, such as fire, theft, vandalism, and certain natural disasters. Additionally, personal property such as furniture, clothing, and appliances is also protected under this policy, ensuring that homeowners have the necessary financial support to repair or replace their belongings in the event of an insured loss. While liability for injuries on the property is an essential part of homeowners insurance, it is typically considered a secondary aspect of the coverage, with a primary emphasis on property protection. The cost of utilities, such as water or electricity, is not addressed in homeowners insurance as it falls outside the scope of property or casualty coverage. Regarding natural disaster damage, homeowners insurance may cover some types of natural disasters, but it is not limited to just that; it encompasses a wider range of damages. Thus, coverage for damage to the home and personal property serves as the cornerstone of homeowners insurance policies.

### 4. An insurer may use which principle to predict future losses based on past data?

- A. Risk assessment
- B. Law of Large Numbers**
- C. Behavioral finance
- D. Cost-benefit analysis

The Law of Large Numbers is a fundamental principle in insurance that allows insurers to predict future losses based on past data. This statistical concept suggests that as the size of a sample increases, its average will get closer to the expected value. In the context of insurance, when an insurer collects data from a large pool of similar risks, they can more accurately estimate the likelihood of future claims and losses. This principle is crucial because it provides a foundation for underwriting and risk assessment. Insurers rely on historical data from a broad range of policyholders to determine premium rates and reserve funds needed for expected future claims. The more data the insurer has, the more reliable its predictions become, allowing for improved financial stability and risk management. In contrast, while risk assessment involves evaluating potential risks, it does not specifically predict losses based on historical data. Behavioral finance addresses psychological influences on investors and economists, which is less relevant to the core actuarial practices of predicting losses. Cost-benefit analysis, although important in many business contexts, does not focus directly on using past loss data to forecast future occurrences. Thus, the Law of Large Numbers stands out as the principle most pertinent to predicting future losses through historical data analysis.

## 5. What does a "concurrent causation" clause address?

- A. Claims arising from single covered perils only
- B. Losses caused solely by negligence
- C. Losses caused by multiple factors, including both covered and non-covered perils**
- D. Claims that exceed the policy limit

The "concurrent causation" clause addresses situations where a loss results from multiple causes, including both covered and non-covered perils. This is an important consideration in insurance policies because it outlines how claims will be handled when a loss can be attributed to multiple factors. For example, if a property is damaged due to a fire (a covered peril) but that damage is exacerbated by a lack of maintenance (a non-covered peril), the concurrent causation clause clarifies how the insurance policy will respond. It helps to determine whether the claim can still be covered despite the presence of a non-covered cause alongside a covered cause. By understanding this concept, policyholders can better navigate their coverage and recognize how different contributing factors to a loss may influence the claims process. It's significant for insured parties to be aware that if a covered peril contributes to a loss, the insurer may still need to provide coverage, even if other non-covered factors are involved.

## 6. What is the primary purpose of an "endorsement" in an insurance policy?

- A. To cancel the existing insurance policy
- B. To modify or add specific coverage to the base policy**
- C. To validate the insurance policy with state authorities
- D. To exclude coverage for particular risks

The primary purpose of an endorsement in an insurance policy is to modify or add specific coverage to the base policy. Endorsements serve as amendments that allow policyholders to tailor their insurance coverage to better fit their individual needs or circumstances. For instance, an endorsement can include additional types of coverage, increase coverage limits, or provide protection for specific items that are not covered under the standard policy. This flexibility is crucial for both the insurer and the insured, as it ensures that the policy accurately reflects the needs of the policyholder while maintaining the integrity of the overall insurance framework. By attaching an endorsement, the policyholder can address specific risks or situations that the base policy does not cover, ultimately enhancing their protection. Understanding endorsements is essential because they illustrate how dynamic and customizable insurance policies can be, catering to the varied and unique needs of individuals and businesses. This adaptability is a vital component in the realm of property and casualty insurance.

## 7. What is the main purpose of a "liability waiver"?

- A. To ensure a party is compensated for inaction
- B. To release one party from liability for certain actions**
- C. To restrict insurance payouts in liability cases
- D. To allow for partial refunds in cases of negligence

A liability waiver primarily serves the purpose of releasing one party from liability for certain actions. When a person signs a liability waiver, they agree that they will not hold the other party legally responsible for any injuries or damages that may occur as a result of specified activities or events. This is often used in situations where there is a risk of injury, such as in adventure sports, recreational activities, or even certain contracts for services. The effectiveness of a liability waiver is based on the understanding that the person signing it is fully aware of the risks involved and voluntarily chooses to accept those risks. By signing, the individual relinquishes their right to seek compensation for any potential claims arising from those risks, thereby protecting the entity providing the service from legal repercussions associated with events that are explicitly covered in the waiver. Understanding this purpose is critical in contexts such as legal liability, risk management, and contractual agreements, where protecting against unforeseen claims is necessary for businesses and organizations operating in potentially hazardous environments.

## 8. What role does an insurance binder play in the process of obtaining coverage?

- A. It permanently establishes policy terms and conditions
- B. It provides temporary evidence of coverage**
- C. It adjusts premiums based on risk factors
- D. It creates a comprehensive claims history

An insurance binder serves as a temporary agreement between the insurer and the insured that provides immediate evidence of coverage until a formal policy is issued. This is particularly useful in situations where the insured needs proof of insurance right away, such as when closing on a property or starting a new business. The binder confirms that initial coverage is in place, giving both parties time to finalize the details of the policy without leaving the insured vulnerable to potential liabilities or damages. Unlike a permanent policy, which lays out all terms and conditions in detail, a binder typically includes basic information about the coverage but does not permanently establish policy terms. Therefore, the understanding that a binder is a temporary measure is critical for the insurance process, as it allows for necessary coverage while the complete policy is being prepared and finalized. Other aspects, such as adjusting premiums based on risk factors or creating a comprehensive claims history, do not align with the role of an insurance binder. The binder's primary function is to provide temporary security and evidence of coverage during the transition to a fully bound policy.

## 9. In property insurance, what does "coinsurance" entail?

- A. A reward for loyalty to the insurance provider
- B. A requirement to insure property at a certain value**
- C. A shared risk arrangement with multiple insurers
- D. An optional feature for increasing coverage limits

Coinurance in property insurance refers to a requirement for policyholders to insure their property for a specific percentage of its value, often 80%, 90%, or 100%. This aspect is built into many property insurance policies to ensure that the insured maintains a certain level of coverage that aligns with the actual value of the property. If the property is insured for less than the required coinsurance percentage, the policyholder may face a penalty when filing a claim, receiving only a proportionate amount based on coverage and actual value at the time of loss. Understanding coinsurance is important because it encourages property owners to adequately insure their property, mitigating the risk insurance companies face when providing coverage. This requirement helps stabilize insurance premiums and maintains fair rates for all policyholders.

## 10. What is defined as negligence in the context of insurance?

- A. The act of making false claims to the insurer
- B. The failure to act as a reasonable and prudent person would under similar circumstances**
- C. The intentional act of causing harm to another
- D. The process of mitigating losses during an event

Negligence in the context of insurance is fundamentally characterized as the failure to act as a reasonable and prudent person would under similar circumstances. This definition is rooted in the concept that individuals are expected to exercise a certain standard of care in their actions to avoid causing harm to others. When someone fails to meet this standard, resulting in damage or injury, they can be deemed negligent. In the realm of insurance, demonstrating negligence is essential for understanding liability claims. If a policyholder's actions—or lack of appropriate action—lead to injurious outcomes for another party, the consequences may fall under the purview of a liability claim. The evaluation of negligence is critical, as it determines whether an insurer should cover damages arising from such incidents. The other options provided represent different concepts unrelated to negligence. For instance, making false claims to an insurer constitutes fraud rather than negligence; deliberately causing harm refers to torts or intentional acts, not the failure to act properly; and the process of mitigating losses addresses damage control and response after an incident has occurred rather than evaluating one's behavior or decision-making leading up to that incident.

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

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

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