

Pennsylvania Property And Casualty License 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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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

- 1. Which form covers the dwelling itself and any damage inside caused by common perils not specifically excluded?**
 - A. HO-3 Special Form**
 - B. HO-5 Comprehensive Form**
 - C. HO-6 Unit Owner's Form**
 - D. HO-4 Content's Broad Form**
- 2. The potential for an individual's house to light on fire is best classified as what type of risk?**
 - A. Speculative Risk**
 - B. Pure Risk**
 - C. Market Risk**
 - D. Operational Risk**
- 3. If a factory owner has a commercial property policy with pollutant clean-up coverage, how much would it pay out to clean up \$23,000 worth of industrial waste?**
 - A. \$5,000**
 - B. \$10,000**
 - C. \$15,000**
 - D. \$20,000**
- 4. What kind of insurance would a contractor need for an air-conditioning unit before installation?**
 - A. General liability insurance**
 - B. An installation floater**
 - C. Property insurance**
 - D. Equipment breakdown insurance**
- 5. Which section of an insurance policy describes the duties of the insurer following a covered loss?**
 - A. Declaration page**
 - B. The insuring agreement**
 - C. Exclusions section**
 - D. Conditions section**

- 6. What aspect of a commercial auto policy does an Individual Named Insured endorsement modify?**
- A. Coverage limits for commercial vehicles**
 - B. Definitions pertaining to the insured**
 - C. Exclusions for personal use vehicles**
 - D. Policy premium calculations**
- 7. What is the process by which an insurer appoints an individual to act on its behalf called?**
- A. Agency contract**
 - B. Policy agreement**
 - C. Insurance mandate**
 - D. Service arrangement**
- 8. What condition must be met to qualify for payment of funeral expenses?**
- A. Accident occurred within 12 hours**
 - B. Death within 24 hours of accident**
 - C. Accident occurred during commuting**
 - D. Death due to natural causes**
- 9. If a business owner insures a commercial vehicle for 60% of its value instead of the required 75%, how much will they pay out of pocket after a \$25,000 repair cost and a \$15,000 deductible?**
- A. \$15,000**
 - B. \$27,000**
 - C. \$17,000**
 - D. \$10,000**
- 10. Which of the following best describes the process of Needs Selling?**
- A. Promoting prestige policies regardless of client needs**
 - B. Assisting clients in identifying their specific insurance requirements**
 - C. Implementing a one-size-fits-all strategy for clients**
 - D. Advising clients to purchase bundled policies**

Answers

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

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Explanations

1. Which form covers the dwelling itself and any damage inside caused by common perils not specifically excluded?

- A. HO-3 Special Form**
- B. HO-5 Comprehensive Form**
- C. HO-6 Unit Owner's Form**
- D. HO-4 Content's Broad Form**

The HO-3 Special Form is designed to provide comprehensive coverage for the dwelling itself, which includes both the structure and any damages that occur inside the home due to common perils that are not explicitly excluded. This type of policy typically covers perils such as fire, theft, vandalism, and many others, protecting homeowners from financial loss resulting from these risks. It is crucial to understand that the HO-3 form uses a "special" coverage approach for the dwelling—it covers all perils except those that are specifically mentioned as exclusions in the policy. This makes it one of the most robust and widely used homeowners' policies. In contrast to the HO-3, other forms like the HO-5 provides even broader coverage but is not specifically focused only on the dwelling structure. The HO-6 Unit Owner's Form caters to condominium owners, covering personal property and certain improvements, while the HO-4 Content's Broad Form is intended primarily for renters, covering personal property rather than the structure itself. Understanding the specific coverage types helps ensure that homeowners choose the right policy to protect their property effectively.

2. The potential for an individual's house to light on fire is best classified as what type of risk?

- A. Speculative Risk**
- B. Pure Risk**
- C. Market Risk**
- D. Operational Risk**

The potential for an individual's house to catch fire is best classified as pure risk because it involves the possibility of loss or no loss, but no opportunity for gain. In the context of property insurance, pure risks are those that can result in a loss, such as damage to property, liability, or injury, without the possibility of a positive outcome. In contrast, speculative risks involve the chance of a gain or loss, such as investing in stocks or starting a business, which isn't applicable to the risk of a house fire. Market risk pertains to the fluctuations in the value of financial investments, unrelated to physical property. Operational risk involves risks related to the processes within an organization, such as fraud or system failures, and does not apply to personal property. Thus, classifying the risk from a fire as pure aligns with the definition of risks that exist solely for the potential downside, which is the essence of a pure risk scenario.

3. If a factory owner has a commercial property policy with pollutant clean-up coverage, how much would it pay out to clean up \$23,000 worth of industrial waste?

- A. \$5,000
- B. \$10,000**
- C. \$15,000
- D. \$20,000

In this situation, the coverage provided by the commercial property policy with pollutant clean-up coverage typically has a specific limit on how much it will pay for clean-up costs. In most standard policies, there is a maximum amount that the insurer will cover for clean-up expenses related to pollutants, often set at \$10,000 for each incident. Given that the clean-up costs amount to \$23,000, the policy would pay the maximum limit of \$10,000 rather than the total cost incurred by the factory owner for the clean-up. This amount is specifically structured to prevent excessive losses from pollution-related claims and reflects the insurer's underwriting guidelines for such risks. Therefore, regardless of the actual costs involved in the clean-up, the policy has established a cap, and in this case, it would pay out \$10,000, aligning with the typical limits offered in these types of commercial policies.

4. What kind of insurance would a contractor need for an air-conditioning unit before installation?

- A. General liability insurance
- B. An installation floater**
- C. Property insurance
- D. Equipment breakdown insurance

A contractor would need an installation floater for an air-conditioning unit before installation because this type of insurance specifically covers materials and equipment that are in transit or set aside for installation. An installation floater provides protection against loss or damage to the insured property while it is not yet part of the completed project. This is crucial for contractors who handle valuable equipment and materials, like an air-conditioning unit, since it ensures that financial losses are minimized if any issues arise before the installation is finalized. General liability insurance primarily protects against claims of bodily injury or property damage arising from the contractor's operations but does not specifically cover materials awaiting installation. Property insurance typically covers owned property that is already in use but would not provide coverage for items before they are installed. Equipment breakdown insurance focuses on coverage for machinery and equipment malfunction rather than protecting items that are temporarily in storage or awaiting installation. Hence, the installation floater stands out as the most relevant type of coverage in this scenario.

5. Which section of an insurance policy describes the duties of the insurer following a covered loss?

- A. Declaration page**
- B. The insuring agreement**
- C. Exclusions section**
- D. Conditions section**

The correct choice for identifying the section of an insurance policy that describes the duties of the insurer following a covered loss is the Conditions section. This part of the policy outlines the obligations and responsibilities that both the insurer and the insured must adhere to after a loss occurs. It generally includes critical elements such as the insurer's requirement to investigate claims, how claims should be reported, and any timeframes for claims submissions. The declaration page primarily provides an overview of the policy, including the insured party's details, coverage limits, and the premium amount, without delving into specific duties related to claims handling. The insuring agreement does explain what is covered under the policy but does not detail the responsibilities just following a loss. The exclusions section specifically lists what is not covered, meaning it does not pertain to the insurer's obligations. Therefore, understanding the Conditions section is essential as it provides clarity on the insurer's commitments, ensuring the insured knows what to expect in the event of a covered loss.

6. What aspect of a commercial auto policy does an Individual Named Insured endorsement modify?

- A. Coverage limits for commercial vehicles**
- B. Definitions pertaining to the insured**
- C. Exclusions for personal use vehicles**
- D. Policy premium calculations**

An Individual Named Insured endorsement specifically modifies the definitions within a commercial auto policy to include individuals as named insureds. This endorsement is particularly important because it extends certain coverages to an individual, allowing them to be recognized in the policy as a named insured, rather than just the business entity. This clarification can lead to a more comprehensive coverage for individuals who may be using company vehicles for both business and personal activities. In terms of the other aspects mentioned, while coverage limits can certainly be adjusted within a commercial auto policy, that is not the primary function of this endorsement. It does not directly alter exclusions related to personal use or make changes to how premiums are calculated for the policy, which are considered separate components of the insurance contract. The focus of an Individual Named Insured endorsement is clearly on the definition of who is insured under the policy, thereby addressing the relationship between the individual and the business's auto coverage.

7. What is the process by which an insurer appoints an individual to act on its behalf called?

- A. Agency contract**
- B. Policy agreement**
- C. Insurance mandate**
- D. Service arrangement**

The process by which an insurer appoints an individual to act on its behalf is referred to as an agency contract. This contract establishes the legal relationship between the insurer (the principal) and the agent (the individual). The agent is granted certain authority to represent the insurer in various capacities, which may include negotiating terms of insurance, binding coverage, and issuing policies. The specifics of the authority granted can vary based on the terms of the agency contract, but the fundamental aspect is that it allows the agent to conduct business as a representative of the insurer. In contrast, the other terms mentioned do not accurately describe this specific relationship. A policy agreement generally refers to the contract between the insurer and the insured outlining the terms of the coverage provided. An insurance mandate typically doesn't capture the nuanced responsibilities and rights that come with agency relationships. A service arrangement could imply a broader spectrum of service provision that might not be exclusive to agency functions, making it less precise in this context.

8. What condition must be met to qualify for payment of funeral expenses?

- A. Accident occurred within 12 hours**
- B. Death within 24 hours of accident**
- C. Accident occurred during commuting**
- D. Death due to natural causes**

To qualify for payment of funeral expenses in the context of insurance coverage, the condition that must be met is that death must occur within a specific timeframe following an accident, typically within 24 hours. This requirement ensures that there is a direct causal relationship between the accident and the resulting fatality, allowing the insurance company to provide coverage for funeral expenses. This condition is designed to limit coverage to situations where the death can be clearly linked to the incident for which the policyholder is insured. In certain plans, if the death does not occur within the specified timeframe, it may be deemed unrelated to the accident, making the insurer ineligible to pay for the funeral expenses. This requirement helps prevent potential abuse of coverage and maintains focused eligibility criteria.

9. If a business owner insures a commercial vehicle for 60% of its value instead of the required 75%, how much will they pay out of pocket after a \$25,000 repair cost and a \$15,000 deductible?

A. \$15,000

B. \$27,000

C. \$17,000

D. \$10,000

To determine how much the business owner will pay out of pocket after a \$25,000 repair cost and a \$15,000 deductible, we need to first establish the amount covered by the insurance and the implications of not insuring the vehicle for the required percentage of its value. The vehicle is insured for 60% of its value instead of the required 75%. This underinsurance means that, in the event of a loss, the insurance company will apply a penalty based on the proportion of the actual coverage to the required coverage. Therefore, if the total repair cost is \$25,000, and the policyholder has coverage for 60% of the value, the insurance will only cover a portion of the repair costs accordingly. Let's say the value of the commercial vehicle is represented by 'V.' The required insurance coverage would be 75% of 'V', but the owner has only insured it for 60% of 'V'. Thus, the relationship is: - Required coverage = $0.75V$ - Actual coverage = $0.60V$ When a claim is made, the insurance company uses the ratio of coverage to required coverage to determine the payout: $\text{Payout} = (\text{Actual Coverage} / \text{Required Coverage}) \times \text{Claim Amount}$

10. Which of the following best describes the process of Needs Selling?

A. Promoting prestige policies regardless of client needs

B. Assisting clients in identifying their specific insurance requirements

C. Implementing a one-size-fits-all strategy for clients

D. Advising clients to purchase bundled policies

The best description of Needs Selling is assisting clients in identifying their specific insurance requirements. This approach focuses on understanding the unique situations, goals, and risks faced by each client. By engaging in comprehensive discussions and evaluations, the agent can tailor insurance solutions that align with the individual needs of the client, ensuring appropriate coverage. This personalized service helps build trust and demonstrates the agent's commitment to the client's best interests, rather than pushing for a sale of pre-defined or standardized policies. In contrast, promoting prestige policies regardless of client needs or implementing a one-size-fits-all strategy overlooks the critical aspect of personalized service in insurance sales. Advising clients to purchase bundled policies, while potentially beneficial for some, does not address the core principle of assessing and prioritizing individual needs first before suggesting specific products. This makes the focus on identifying specific requirements essential to the Needs Selling approach.

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://pennsylvaniapropertyandcasualty.examzify.com>

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