

PENNSYLVANIA PROPERTY AND CASUALTY LICENSE PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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 of the following would be excluded from a commercial auto policy?**
 - A. Damage to rental vehicles
 - B. Vehicle theft outside business operations
 - C. Loss attributable to employee negligence
 - D. Theft of personal items within the vehicle

- 2. What does it mean for a contract to have a legal purpose in the context of enforceability?**
 - A. The contract is signed by both parties
 - B. The contract must comply with state laws
 - C. The performance of the contract is lawful
 - D. The contract is negotiated in good faith

- 3. What coverage typically offers protection against claims arising from lawsuits?**
 - A. Property Insurance
 - B. Liability Insurance
 - C. Health Insurance
 - D. Workers' Compensation Insurance

- 4. What is an example of a situation that would be covered under a contractor's general liability policy?**
 - A. Injuries to employees
 - B. Damage caused to another property
 - C. Loss of tools
 - D. Accidental damage to the contractor's own property

- 5. What term describes an increase in the chance of loss?**
 - A. Risk
 - B. Hazard
 - C. Perils
 - D. Insurance

- 6. Coverage for loss of business personal property that is caused by the dishonest acts of the insured's employees is...?**
- A. a mandatory coverage in a business owners policy
 - B. an optional coverage in a business owners policy
 - C. not covered under any circumstances
 - D. only covered under specific endorsements
- 7. If a building insured under an HO-8 homeowners policy form suffers a total loss from a fire, how much does the insured owner of the building receive from the insurer?**
- A. Replacement cost of the building
 - B. Building's equity
 - C. Actual cash value of the building
 - D. Building's market value
- 8. What action can an insurer of an equipment breakdown policy take if equipment is found to be unsafe?**
- A. Immediately suspend coverage on the unsafe piece of equipment
 - B. Provide a warning to the insured
 - C. Offer an immediate repair service
 - D. Pay for the damages caused
- 9. What is the added loss assessment coverage for named personal injury offenses in a homeowners policy with a Personal Injury endorsement?**
- A. \$500
 - B. \$1,000
 - C. \$1,500
 - D. \$2,000
- 10. Uninsured Motorists Coverage will apply if:**
- A. a vehicle is borrowed from a friend
 - B. a bodily injury liability bond exists, but coverage is denied
 - C. the owner is not named on the insurance policy
 - D. the accident involves a parked vehicle

Answers

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

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Explanations

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1. Which of the following would be excluded from a commercial auto policy?

- A. Damage to rental vehicles
- B. Vehicle theft outside business operations
- C. Loss attributable to employee negligence**
- D. Theft of personal items within the vehicle

A commercial auto policy is designed primarily to cover vehicles used for business purposes, and it includes coverage for various risks associated with business vehicle use. However, it does have specific exclusions that are critical to understand. The correct answer highlights that losses attributable to employee negligence are generally not covered under a commercial auto policy. This is because employee negligence can often fall under the realm of employer liability, which is typically addressed through employment practices liability or workers' compensation insurance rather than through an auto policy. Negligence claims related to employment may require a specific type of coverage to handle the liability created by an employee's actions while performing their duties. On the other hand, the other options involve situations that could be misunderstood but are more likely to be covered or not excluded outright under a commercial auto policy. Damage to rental vehicles may be covered if the rental is necessary for business operations, and vehicle theft outside of business operations could also be included, depending on the policy provisions and context of use. Theft of personal items within the vehicle, while not typically covered in standard auto policies, is more related to personal property and could be subject to separate coverage under homeowners or renters insurance, but it does not pertain directly to the vehicle itself and would not usually be an exclusion from the

2. What does it mean for a contract to have a legal purpose in the context of enforceability?

- A. The contract is signed by both parties
- B. The contract must comply with state laws
- C. The performance of the contract is lawful**
- D. The contract is negotiated in good faith

For a contract to have a legal purpose, it means that the performance of the contract itself is lawful and does not violate any laws or public policy. This is a fundamental requirement for any contract to be enforceable in a court of law. If the purpose of the contract involves illegal activities—such as selling drugs, engaging in criminal acts, or other unlawful actions—the contract will be deemed void and unenforceable. The concept of legal purpose ensures that all agreements adhere to the legal framework established by state and federal laws, promoting fairness and justice in contractual relationships. Without this essential criterion, a contract cannot be enforced by either party, as the law won't support an agreement that contradicts established statutes or societal norms. In contrast, while having both parties sign the contract, compliance with state laws, and negotiating in good faith are all important aspects of contract formation and enforceability, they do not specifically address the necessity of the contract's purpose being lawful. Thus, having a legal purpose directly relates to the nature of the contract's performance and is a key determinant of whether a court will uphold the agreement.

3. What coverage typically offers protection against claims arising from lawsuits?

- A. Property Insurance
- B. Liability Insurance**
- C. Health Insurance
- D. Workers' Compensation Insurance

Liability insurance is designed specifically to protect individuals or businesses from claims arising from lawsuits or legal actions. When someone is held responsible for damages or injuries caused to another person or their property, liability insurance provides coverage for legal fees, court costs, and any settlements or judgments that may result. This type of insurance is crucial for mitigating the financial risks associated with legal claims, which can often be substantial. Property insurance, on the other hand, primarily focuses on physical assets such as buildings, equipment, or personal property, offering coverage for damage or loss due to events like theft, fire, or natural disasters. Health insurance covers medical expenses and health-related services, whereas workers' compensation insurance specifically addresses workplace injuries and provides benefits to employees who are injured on the job. This differentiation among these types of coverage highlights the unique role that liability insurance plays in protecting against legal claims.

4. What is an example of a situation that would be covered under a contractor's general liability policy?

- A. Injuries to employees
- B. Damage caused to another property**
- C. Loss of tools
- D. Accidental damage to the contractor's own property

A contractor's general liability policy is designed to protect businesses against claims resulting from injuries and damages that occur during the performance of their work. This includes coverage for personal injuries or property damage that may occur to third parties as a result of the contractor's operations, products, or work. The correct answer illustrates a common scenario where a contractor might be held liable. If a contractor accidentally damages a neighbor's property while performing work or construction, the general liability policy would provide coverage for that claim. This ensures that the contractor can meet financial obligations arising from such incidents without devastating consequences to their business. In contrast, injuries to employees would be covered under workers' compensation insurance, loss of tools would typically be addressed by a separate property insurance policy, and accidental damage to the contractor's own property may be covered under different policies, such as business personal property insurance. Therefore, the scenario where damage is caused to another's property aligns perfectly with the protective purpose of a contractor's general liability insurance.

5. What term describes an increase in the chance of loss?

- A. Risk
- B. Hazard**
- C. Perils
- D. Insurance

The correct term that describes an increase in the chance of loss is hazard. In the context of insurance and risk management, a hazard refers to a condition or situation that increases the likelihood of a peril occurring. Hazards can be physical (like an unsafe building), moral (like fraud), or legal (such as liability issues), and they create circumstances that elevate the risk of loss. Risk, on the other hand, is the broad concept of uncertainty about financial loss, which encompasses the existence of potential for loss without specifying the nature of that potential. Perils are specific causes of loss, such as fire, theft, or natural disasters. Insurance is a financial product designed to mitigate risk by providing compensation for losses under certain conditions, but it does not define the increase in the chance of loss itself. Understanding these distinctions is key to grasping foundational insurance concepts.

6. Coverage for loss of business personal property that is caused by the dishonest acts of the insured's employees is...?

- A. a mandatory coverage in a business owners policy
- B. an optional coverage in a business owners policy**
- C. not covered under any circumstances
- D. only covered under specific endorsements

Coverage for loss of business personal property caused by dishonest acts of the insured's employees is considered an optional coverage in a business owners policy (BOP). In a BOP, standard coverages typically include protection against fire, theft, and liability, but employee dishonesty is not part of that basic protection. To address the specific type of coverage regarding employee dishonesty, insurance companies often provide this as an endorsement that business owners can choose to add to their policy for an additional premium. This gives business owners flexibility, allowing those who feel they need extra protection against potential employee theft to customize their coverage according to their specific risk exposure. The other options do not accurately reflect how this coverage is structured. It is important for business owners to evaluate their individual needs and determine if they want to take on the risk of employee dishonesty or opt for the additional coverage through an endorsement.

7. If a building insured under an HO-8 homeowners policy form suffers a total loss from a fire, how much does the insured owner of the building receive from the insurer?

- A. Replacement cost of the building
- B. Building's equity
- C. Actual cash value of the building**
- D. Building's market value

When a building insured under an HO-8 homeowners policy form suffers a total loss, the insured owner will receive the actual cash value (ACV) of the building from the insurer. The HO-8 policy is specifically designed for older homes or homes that are not subject to standard replacement cost standards. Instead of providing coverage based on the replacement cost, which is typically the cost to rebuild or replace the structure with similar materials and standards, the HO-8 policy pays the actual cash value. ACV is calculated as the replacement cost minus depreciation. This means that for a total loss situation, the owner would not receive funds to cover the full replacement cost, but rather an amount that reflects the value of the building at the time of the loss, which accounts for depreciation and other factors affecting its market worth. This aligns with the intent of the HO-8 form, which aims to provide coverage for homes that might not have adequate replacement costs due to their age or condition, thus reflecting the realities of insuring such properties.

8. What action can an insurer of an equipment breakdown policy take if equipment is found to be unsafe?

- A. Immediately suspend coverage on the unsafe piece of equipment**
- B. Provide a warning to the insured
- C. Offer an immediate repair service
- D. Pay for the damages caused

An insurer of an equipment breakdown policy has the authority to immediately suspend coverage on any piece of equipment deemed unsafe. This action is justified because continuing coverage on unsafe equipment exposes the insurer to significant risk, especially if that equipment were to cause further damage or injury. When equipment is found to be unsafe, it becomes a liability concern; thus, the insurer must protect its interests and potentially mitigate losses. Suspending coverage ensures that the insurer is not liable for any incidents that occur while the equipment remains in an unsafe condition. This measure also encourages the insured to address and rectify the issues surrounding the equipment, ensuring compliance with safety standards. By taking such decisive action, the insurer fosters a safer operating environment and reduces the likelihood of future claims associated with equipment breakdowns.

9. What is the added loss assessment coverage for named personal injury offenses in a homeowners policy with a Personal Injury endorsement?

- A. \$500
- B. \$1,000**
- C. \$1,500
- D. \$2,000

The addition of the Personal Injury endorsement to a homeowners policy specifically enhances coverage for named offenses that can lead to personal injury claims, such as false arrest, defamation, and invasion of privacy. With this endorsement, the coverage limit for loss assessment in relation to these offenses is typically set at \$1,000. This coverage is particularly important as it provides financial protection for homeowners in the event they are found liable for these specific types of personal injury claims. The rationale for setting this limit at \$1,000 is based on the insurance industry's risk assessment and the likelihood of such claims arising, which are often less frequent than other types of liability claims in a standard homeowners policy. This makes \$1,000 an appropriate limit to offer policyholders some level of protection without overly increasing premiums.

10. Uninsured Motorists Coverage will apply if:

- A. a vehicle is borrowed from a friend
- B. a bodily injury liability bond exists, but coverage is denied**
- C. the owner is not named on the insurance policy
- D. the accident involves a parked vehicle

Uninsured Motorists Coverage is designed to protect individuals from damages caused by drivers who do not have insurance or do not have enough insurance to cover the damages resulting from an accident. In the context of the options provided, the choice highlighting a bodily injury liability bond that exists but coverage is denied is important because it illustrates a situation where the injured party may still be facing a considerable financial loss due to insufficient coverage on the part of the at-fault driver. In this scenario, the injured party could seek compensation under their own Uninsured Motorists Coverage, even though the at-fault driver has a liability bond. This is relevant particularly in circumstances where the bond may not cover the full extent of the injuries or if the insurer denies coverage under that bond for any reason. This showcases the protective nature of Uninsured Motorists Coverage, as it steps in when other forms of liability coverage are inadequate or denied, ensuring that individuals have some form of financial recourse in the event of an accident with an uninsured or underinsured driver.

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!

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