

PERSONAL LINES INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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 laws are designed to protect an insured from drivers without insurance?**
 - A. Underinsured motorist laws
 - B. Uninsured motorists laws
 - C. Liability laws
 - D. Comprehensive coverage laws
- 2. What potential issue can be mitigated by obtaining an errors and omissions policy?**
 - A. Natural disasters
 - B. Professional negligence claims
 - C. Property damage liabilities
 - D. General business liabilities
- 3. Does the HO-6 condominium unit-owners form cover common grounds adjacent to the insured's property?**
 - A. True
 - B. False
 - C. Only if specified
 - D. Only for landscaping
- 4. Which type of coverage is included in the liability coverage of a personal auto policy?**
 - A. Bodily injury and property damage
 - B. Collision and comprehensive
 - C. Personal injury and property damage
 - D. Medical payments and underinsured motorist
- 5. A personal lines licensee is allowed to write what type of coverage over underlying auto or residential property insurance policies?**
 - A. Basic liability
 - B. Umbrella or excess liability
 - C. Collision coverage
 - D. Comprehensive coverage

- 6. What type of policy should a property owner purchase to avoid depreciation deductions after a loss?**
- A. Actual Cash Value
 - B. Replacement Cost
 - C. Market Value
 - D. Stated Amount Policy
- 7. Is sewer backup included in a standard homeowners insurance policy?**
- A. Yes, always included
 - B. No, sewer backup is typically excluded
 - C. Yes, but only with additional coverage
 - D. No, unless specifically stated in the policy
- 8. Which type of negligence allows recovery of damages only if the plaintiff is not at fault?**
- A. Modified
 - B. Pure
 - C. Contributory
 - D. Comparative
- 9. Is it permitted to charge different rates for males and females based on distinct mortality tables?**
- A. True
 - B. False
 - C. Only in certain circumstances
 - D. Depends on jurisdiction
- 10. Who primarily determines acceptable risks in insurance?**
- A. Adjusters
 - B. Agents
 - C. Underwriters
 - D. Actuaries

Answers

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

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Explanations

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1. What laws are designed to protect an insured from drivers without insurance?

- A. Underinsured motorist laws
- B. Uninsured motorists laws**
- C. Liability laws
- D. Comprehensive coverage laws

The correct choice focuses on the legal framework specifically aimed at protecting insured drivers from the financial repercussions of being involved in accidents with drivers who do not carry insurance. Uninsured motorist laws provide a safeguard by allowing individuals to recover damages from their own insurance companies if they are in an accident caused by an uninsured driver. These laws ensure that even if another driver lacks coverage, the insured can obtain compensation for medical expenses, lost wages, and other damages. Comprehensive coverage laws, while part of auto insurance, do not address the issue of insufficient insurance from other drivers. Liability laws pertain to the responsibility for causing damages but do not provide specific protections for insured drivers against uninsured motorists. Underinsured motorist laws, although important for scenarios involving drivers with insufficient insurance, do not pertain to those without any coverage at all. Thus, the focus of the question clearly aligns with the intent and function of uninsured motorist laws as the appropriate legal protections in this context.

2. What potential issue can be mitigated by obtaining an errors and omissions policy?

- A. Natural disasters
- B. Professional negligence claims**
- C. Property damage liabilities
- D. General business liabilities

An errors and omissions policy, often referred to as E&O insurance, is specifically designed to protect professionals against claims of negligence, errors, or omissions in the performance of their professional services. This type of insurance is crucial for individuals who provide specialized services, such as consultants, real estate agents, and legal professionals, as it covers the costs associated with defending against legal claims and any settlements or judgments that may arise from alleged professional negligence. When clients believe they have received inadequate service that resulted in financial loss, they may file claims against the professional. The errors and omissions policy mitigates these potential issues by covering defense costs, court fees, and damages awarded to the claimant, thus protecting the professionals' financial well-being from the consequences of mistakes made during the course of their work. While natural disasters, property damage liabilities, and general business liabilities are important aspects of risk management within businesses, they fall under different types of insurance coverage. Natural disasters typically require property insurance or business interruption insurance, while property damage and general business liabilities would be covered under general liability insurance.

3. Does the HO-6 condominium unit-owners form cover common grounds adjacent to the insured's property?

- A. True
- B. False**
- C. Only if specified
- D. Only for landscaping

The HO-6 condominium unit-owners form does not cover common grounds adjacent to the insured's property because the insurance coverage provided under this form is designed specifically for the individual unit itself rather than shared or common areas. In a condominium setup, common grounds, which may include lawns, walkways, or community facilities, are typically insured through the condominium association's master policy. This master policy provides coverage for these shared areas and is funded by the collective fees paid by all unit owners, including the insured. Thus, while the individual policy protects the personal property within the unit and some structural elements, it does not extend to cover the common areas outside the unit. Therefore, the answer to whether the HO-6 form covers common grounds is accurately stated as false.

4. Which type of coverage is included in the liability coverage of a personal auto policy?

- A. Bodily injury and property damage**
- B. Collision and comprehensive
- C. Personal injury and property damage
- D. Medical payments and underinsured motorist

The correct choice highlights the essential components of liability coverage in a personal auto policy, which includes bodily injury and property damage. Bodily injury liability coverage provides financial protection for the insured when they are found responsible for injuring another person in an auto accident. This can cover medical expenses, lost wages, and legal fees arising from such an incident. Property damage liability, on the other hand, covers the costs associated with damage to someone else's property due to an accident caused by the insured vehicle. This could include damages to another vehicle, a fence, a building, or any other property involved in the accident. Together, these two types of coverage are foundational to liability insurance in automobile policies, as they ensure that the policyholder can financially address claims made against them for harm caused to others. The other options presented do not accurately reflect the components included in standard liability coverage. Collision and comprehensive are types of coverage that deal primarily with damage to the insured's own vehicle rather than damages to others. Personal injury, while relevant to certain legal claims, does not specifically refer to the coverage generally included in auto liability protections. Medical payments provide coverage for the insured's own medical expenses, and underinsured motorist coverage protects against other drivers who may not have enough

5. A personal lines licensee is allowed to write what type of coverage over underlying auto or residential property insurance policies?

- A. Basic liability
- B. Umbrella or excess liability**
- C. Collision coverage
- D. Comprehensive coverage

The correct choice is umbrella or excess liability coverage. This type of insurance is designed to provide an additional layer of protection beyond the limits of underlying auto or residential property insurance policies. Essentially, it acts as a supplementary policy that kicks in when the liability limits of the underlying policies have been exhausted. Umbrella policies cover a wide range of liabilities and can include additional protection against claims like libel, slander, or malicious prosecution, which may not be covered by standard auto or homeowner's policies. This makes umbrella or excess liability coverage particularly valuable for individuals seeking comprehensive liability protection that safeguards their assets in the event of a claim exceeding their primary policy limits. In contrast, basic liability coverage is typically a fundamental component of auto and homeowner's policies rather than an additional layer of coverage. Collision and comprehensive coverages pertain specifically to the insurance of the vehicle itself rather than extending liability protection, and thus do not fit the criteria established in the question.

6. What type of policy should a property owner purchase to avoid depreciation deductions after a loss?

- A. Actual Cash Value
- B. Replacement Cost**
- C. Market Value
- D. Stated Amount Policy

A replacement cost policy is designed to reimburse the policyholder for the full cost of repairing or replacing damaged property without factoring in depreciation. This means that after a loss, the insured would receive the amount necessary to replace the damaged property with new materials of similar kind and quality, regardless of the property's current market value or age. In contrast, an actual cash value policy would only pay the replacement cost minus depreciation, which could result in a significantly lower payout in the event of a loss. Market value considers the price at which the property could be sold in the current market, which may not reflect the actual repair or replacement cost. A stated amount policy specifies a predetermined limit of coverage but may still lead to depreciation deductions if the limit is lower than the actual recovery cost needed after a loss. By choosing a replacement cost policy, property owners can ensure they are fully compensated for their losses without the financial impact of depreciation deductions.

7. Is sewer backup included in a standard homeowners insurance policy?

- A. Yes, always included
- B. No, sewer backup is typically excluded**
- C. Yes, but only with additional coverage
- D. No, unless specifically stated in the policy

Sewer backup is typically excluded from a standard homeowners insurance policy. Most standard policies focus on covering risks such as fire, theft, and certain types of water damage, but sewer backups specifically fall under a different category of risk. Homeowners may face significant damage due to a sewer backup, but insurance providers typically do not cover this event unless the homeowner has taken additional steps. Because sewer backups are considered a separate risk, homeowners interested in this coverage often need to purchase a specific rider or endorsement to add it to their policy. This means that understanding the nuances of policy exclusions is crucial for homeowners to ensure they are adequately protected against potential damages. In summary, while some might think sewer backup is part of standard coverage or can be included under certain conditions, it is generally excluded unless additional coverage is acquired.

8. Which type of negligence allows recovery of damages only if the plaintiff is not at fault?

- A. Modified
- B. Pure
- C. Contributory**
- D. Comparative

The correct choice refers to contributory negligence, which is a legal doctrine that prevents a plaintiff from recovering any damages if they are found to be at fault to any degree for the incident that caused their injuries. In jurisdictions that apply this principle, even a small amount of fault on the part of the plaintiff can bar them from receiving any compensation. This strict rule highlights the expectation for individuals to maintain a reasonable standard of care for their own safety and seek full accountability for their actions. In contrast, other forms of negligence, such as comparative negligence or pure negligence, allow for some recovery as long as the plaintiff's fault does not exceed a certain threshold or proportionately diminishes their damages based on their degree of fault. Modified negligence systems permit recovery only if the plaintiff's fault is below a specific percentage, while pure comparative negligence allows the plaintiff to recover damages regardless of their level of fault, although the recovery amount is reduced by their percentage of fault. Thus, contributory negligence is distinct for its stringent "all-or-nothing" standard, requiring that the plaintiff be entirely free of fault to recover damages.

9. Is it permitted to charge different rates for males and females based on distinct mortality tables?

- A. True
- B. False**
- C. Only in certain circumstances
- D. Depends on jurisdiction

The statement that it is not permitted to charge different rates for males and females based on distinct mortality tables is accurate because of regulatory mandates in many jurisdictions aimed at promoting gender equality in insurance pricing. In many places, particularly where the Equal Credit Opportunity Act or similar gender discrimination laws are upheld, charging different rates based solely on gender is considered discriminatory. This means that insurers are generally not allowed to use gender as a factor for setting premium rates, especially in personal lines insurance such as life and health insurance. Additionally, some jurisdictions have enacted legal statutes explicitly prohibiting the use of gender distinctions in pricing, leading to a standardized approach where all policyholders are charged based on their risk profile rather than their gender. This reflects a broader societal push towards eliminating gender biases in financial products and services. In conclusion, the practice of charging different insurance rates based on distinct mortality tables for males and females does not align with the legal and ethical frameworks that govern personal lines insurance in many areas, thus reinforcing the correctness of this stance.

10. Who primarily determines acceptable risks in insurance?

- A. Adjusters
- B. Agents
- C. Underwriters**
- D. Actuaries

The primary responsibility for determining acceptable risks in insurance lies with underwriters. Underwriters assess the details of insurance applications by evaluating the risks associated with providing coverage to an applicant. They analyze a variety of factors, including the applicant's history, characteristics, and the potential risk posed. The underwriter's role involves using guidelines and standards to decide whether to accept or reject an application for insurance and at what premium rate. Their expertise enables them to balance the insurer's need to mitigate risk while being open to providing coverage to potential policyholders. The other roles, while important in the insurance process, do not primarily focus on risk acceptance. Agents typically serve as intermediaries between the insurer and the insured, helping clients understand their options and facilitating the purchase of insurance policies. Adjusters are involved in the claims process, investigating claims to evaluate their validity and determining the amount to compensate for losses. Actuaries work with statistical data to calculate risks and determine pricing models but do not make decisions on individual policy applications.

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://personallinesinsurance.examzify.com>

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

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