

West Virginia Property and Casualty Licensing Practice Exam (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

- 1. What is the federal regulation also known as the "Financial Modernization Act of 1999"?**
 - A. Gramm-Leach-Bliley Act**
 - B. Fair Credit Reporting Act**
 - C. Consumer Protection Act**
 - D. Telemarketing Sales Rule**
- 2. What type of losses does Coverage E address?**
 - A. Impact damage**
 - B. Liability claims**
 - C. Fire damage**
 - D. Personal property losses**
- 3. Which type of policy allows for coverage of landlords?**
 - A. HO6**
 - B. HO4**
 - C. HO3**
 - D. DP2**
- 4. Which act can result in a \$1,000 penalty for West Virginia licensees?**
 - A. Collecting improper fees**
 - B. Unfair method of competition**
 - C. Failing to renew their license**
 - D. Misrepresentation of qualifications**
- 5. What types of incidents are covered under the DP2 (Broad Form) policy?**
 - A. Flood, theft, and vandalism**
 - B. Fire, lightning, and internal explosion**
 - C. Wear and tear, earthquakes, and machinery breakdown**
 - D. Civil disturbances and acts of terrorism**

- 6. A domestic user will be examined by the commissioner at least once every how many years?**
- A. 2 years**
 - B. 3 years**
 - C. 5 years**
 - D. 10 years**
- 7. What type of state permits companies to choose whether to provide workers compensation coverage?**
- A. Compulsory state**
 - B. Voluntary state**
 - C. Elective state**
 - D. Optional state**
- 8. What best describes "covered property" under the equipment breakdown coverage form?**
- A. Property owned by others**
 - B. Any property that the insured owns or is in the insured's care**
 - C. All physical assets of the business**
 - D. Property leased from another party**
- 9. What does the business income coverage with extra expense typically include?**
- A. Reimbursement for physical damages only**
 - B. Coverage for business expenses incurred after a loss**
 - C. Payment for marketing expenses**
 - D. Coverage for employee wages only**
- 10. What percentage tax must be collected by the surplus lines licensee?**
- A. 2%**
 - B. 3%**
 - C. 4%**
 - D. 5%**

Answers

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

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Explanations

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1. What is the federal regulation also known as the "Financial Modernization Act of 1999"?

- A. Gramm-Leach-Bliley Act**
- B. Fair Credit Reporting Act**
- C. Consumer Protection Act**
- D. Telemarketing Sales Rule**

The federal regulation known as the "Financial Modernization Act of 1999" is the Gramm-Leach-Bliley Act. This Act was significant because it repealed parts of the Glass-Steagall Act, allowing commercial banks, investment banks, and insurance companies to consolidate and operate under one roof. The primary aim of the Gramm-Leach-Bliley Act was to enhance competition among financial institutions and adapt to the changing nature of the financial services industry. This legislation also introduced requirements for protecting the privacy of consumers, mandating that financial institutions develop privacy policies to inform customers how their personal information is collected, used, and shared. This focus on consumer privacy alongside the modernization of financial services is why it remains a crucial component of financial legislation today. In contrast, the other options—Fair Credit Reporting Act, Consumer Protection Act, and Telemarketing Sales Rule—address different aspects of consumer rights and protections but do not relate to the consolidation of financial institutions or the modernization of financial regulations in the same way as the Gramm-Leach-Bliley Act.

2. What type of losses does Coverage E address?

- A. Impact damage**
- B. Liability claims**
- C. Fire damage**
- D. Personal property losses**

Coverage E specifically addresses liability claims in the context of insurance. This type of coverage protects individuals and businesses from financial losses arising from legal liabilities that occur due to injuries or damages caused by their actions or the actions of individuals for whom they are responsible. This might include instances where a person is injured on someone else's property, or where the insured unintentionally causes damage to someone else's property. Coverage E typically provides compensation for legal defense costs and any settlements or judgments that result from such claims, ensuring that the insured does not face financial ruin due to unforeseen liabilities. The other options relate to different types of coverage. Impact damage and fire damage pertain more to physical damages to property rather than legal liability, while personal property losses concern coverage for the loss or damage of personal belongings. Therefore, these do not fall under the scope of Coverage E, which is specifically designed to handle liability exposure.

3. Which type of policy allows for coverage of landlords?

- A. HO6
- B. HO4
- C. HO3
- D. DP2**

The choice of a DP2 policy is accurate for providing coverage to landlords because the DP2 form, known as the "Dwelling Fire Policy," is specifically designed for rental properties. This policy covers the dwelling itself against named perils, meaning it protects the physical structure of rental properties and can be tailored to meet the needs of landlords. It offers coverage for physical damage to the property, which is essential for landlords who need to protect their investment against risks such as fire, windstorm, vandalism, and other specified hazards. In contrast, the other options serve different purposes. For example, the HO6 policy is primarily designed for condominium owners and covers personal property while also offering limited protection for the walls and fixtures, but it does not cater to landlords. The HO4 policy, also known as renters' insurance, is intended for tenants and provides coverage for personal belongings, but again, it does not apply to landlords. The HO3 policy is a homeowner's insurance policy that covers residential properties occupied by the owner, not rental properties. In summary, the DP2 policy is the appropriate choice as it directly addresses the needs of landlords by providing essential coverage for their rental properties.

4. Which act can result in a \$1,000 penalty for West Virginia licensees?

- A. Collecting improper fees
- B. Unfair method of competition**
- C. Failing to renew their license
- D. Misrepresentation of qualifications

The answer is based on the specific regulations governing the behavior of insurance licensees in West Virginia. The Insurance Code in West Virginia outlines various violations and the corresponding penalties for licensees who do not comply with these regulations. In the case of an unfair method of competition, this refers to practices that are deemed unethical or deceptive in the marketing and selling of insurance products. Such practices undermine the integrity of the insurance market and can lead to a loss of trust among consumers. As a result, the law imposes a penalty of up to \$1,000 for licensees found engaging in these unfair practices. This reinforces the importance of competition being conducted in a fair manner to protect consumers and ensure a level playing field among insurers. Other options, while potentially serious violations, either do not carry the same specific penalty or are less clearly defined in terms of direct financial repercussions in this context. Engaging in unfair methods of competition is directly addressed by regulatory bodies, making it a serious issue with stipulated penalties to ensure compliance among all licensees in the industry.

5. What types of incidents are covered under the DP2 (Broad Form) policy?

- A. Flood, theft, and vandalism**
- B. Fire, lightning, and internal explosion**
- C. Wear and tear, earthquakes, and machinery breakdown**
- D. Civil disturbances and acts of terrorism**

The DP2 (Broad Form) policy provides coverage for specific perils, primarily focusing on risks associated with property loss. Among the covered incidents, fire, lightning, and internal explosion are significant because they represent common causes of property damage that a homeowner may face. Fire is one of the most prevalent risks, potentially resulting from accidents or natural causes, making it a critical component of property insurance. Lightning, while less frequent, can lead to severe damage to structures and the contents within, earning its inclusion in the policy's coverage. Internal explosion refers to incidents that occur within a covered structure, which can lead to substantial property loss as well. In comparison, other options present perils that are either not covered under a DP2 policy or do not align with the specific risks outlined in the policy. For instance, while flood and theft may seem like valid concerns for homeowners, these events are typically excluded from standard coverage unless additional endorsements are purchased. Similarly, wear and tear as well as machinery breakdown are considered maintenance issues rather than insurable perils. Lastly, civil disturbances and acts of terrorism are generally covered under specific policies or riders, but are not included in the typical DP2 coverage. The focus on fire, lightning, and internal explosion aligns with

6. A domestic user will be examined by the commissioner at least once every how many years?

- A. 2 years**
- B. 3 years**
- C. 5 years**
- D. 10 years**

The correct answer is based on the regulatory requirement that a domestic user, which typically refers to an insurance company incorporated or organized under the laws of West Virginia, is subject to periodic examinations by the state's insurance commissioner. This ensures that the insurer complies with all applicable laws and financial regulations to protect consumers and maintain market integrity. A five-year examination cycle is standard practice in many states, including West Virginia, as it allows the commissioner sufficient time to monitor the financial health and operational compliance of domestic insurers without overwhelming resources. Regular examinations help identify any issues early on and ensure the stability and solvency of the insurance market. This cycle also facilitates the thorough review necessary for ensuring that insurers manage their business practices effectively, maintain adequate reserves, and operate within the regulatory frameworks established to protect policyholders. Other options presented do not align with this five-year regulatory standard, which is crucial for maintaining the oversight of the insurance industry in West Virginia.

7. What type of state permits companies to choose whether to provide workers compensation coverage?

- A. Compulsory state**
- B. Voluntary state**
- C. Elective state**
- D. Optional state**

In an elective state, companies have the option to choose whether or not to provide workers' compensation coverage for their employees. This means that while some businesses may offer coverage and comply with the state's requirements, others may opt not to provide it. This arrangement allows for a certain degree of flexibility, as employers can weigh the costs and benefits of having workers' compensation coverage in their specific situation. Compulsory states, in contrast, require all employers to carry workers' compensation insurance, while voluntary and optional are not standard terms used in workers' compensation contexts in the same way that elective is. Therefore, identifying the correct category as elective is key to understanding the various workers' compensation system structures across different states.

8. What best describes "covered property" under the equipment breakdown coverage form?

- A. Property owned by others**
- B. Any property that the insured owns or is in the insured's care**
- C. All physical assets of the business**
- D. Property leased from another party**

In the context of equipment breakdown coverage, "covered property" refers specifically to any property that the insured owns or is in the insured's care. This definition is important because equipment breakdown coverage is designed to protect specific types of equipment and machinery that are essential for a business's operations. This means that if the insured has equipment or machinery that they own, or if they are responsible for equipment that belongs to another party (such as equipment they are leasing or borrowing), that property falls under the coverage provided by the policy. The distinction is crucial, as it ensures that businesses are protected against the financial losses associated with the breakdown of equipment that they are responsible for, regardless of ownership. The other options do not encompass the full scope of covered property as defined by the equipment breakdown coverage form. For instance, property leased from another party is typically viewed differently in insurance contexts, and property owned by others does not necessarily fall under the insured's coverage. Therefore, the correct understanding of "covered property" directly ties into the insured's ownership or caretaking responsibilities.

9. What does the business income coverage with extra expense typically include?

- A. Reimbursement for physical damages only**
- B. Coverage for business expenses incurred after a loss**
- C. Payment for marketing expenses**
- D. Coverage for employee wages only**

Business income coverage with extra expense is designed to help businesses recover financially following a loss that disrupts their operations. This type of coverage typically includes reimbursement for business expenses that continue even when the business is unable to operate, such as rent, utilities, and other fixed expenses. Additionally, it covers extra expenses incurred to minimize the impact of the loss and expedite the restoration of the business. In this context, coverage for business expenses incurred after a loss is vital because it helps businesses maintain some level of financial stability while they work to recover and resume normal operations. This reflects the insurance's intent to cover not just immediate losses, but also ongoing costs that could jeopardize the financial health of the business. Other options do not encompass the full scope of what this coverage entails. For instance, reimbursement for physical damages only would focus narrowly on property damage and overlook operational expenses. Payment for marketing expenses and coverage for employee wages only do not fully capture the broad range of ongoing expenses that businesses may face during a recovery period, hence not aligning with the purpose of business income coverage with extra expense.

10. What percentage tax must be collected by the surplus lines licensee?

- A. 2%**
- B. 3%**
- C. 4%**
- D. 5%**

The correct tax percentage that must be collected by the surplus lines licensee is 4%. Surplus lines insurance refers to coverage obtained from non-admitted insurers, which are not licensed in the state but provide specialized insurance products that may not be available from admitted carriers. In many jurisdictions, including West Virginia, surplus lines licensees are required to collect a tax from policyholders based on the premium amount. This tax is typically imposed to ensure that the state can maintain oversight of the insurance market and protect consumers. The 4% rate indicates a regulatory measure that applies specifically to surplus lines transactions, distinguishing them from traditional insurance placements where different tax rates may apply. The other options reflect incorrect tax percentages that do not align with the established regulations. Specifically, they might represent general rates applicable to standard insurance lines or may not account for the special nature of surplus lines insurance. Understanding this context is crucial for recognizing the unique role of surplus lines licensees in the insurance framework and the tax obligations that accompany their services.

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://wvpropertyandcasualty.examzify.com>

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