# PSI PROPERTY AND CASUALTY 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.

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# 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!

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# Questions

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1. **Under a commercial auto policy with drive other car coverage, which situation would provide coverage?**

   A. Driving an insured friend's auto

   B. Driving a rental vehicle from a rental agency

   C. Driving a neighbor's auto

   D. Driving a company vehicle

2. **Describe the term "negligence" in the context of insurance claims.**

   A. Intentional harm caused to another party.

   B. Failure to take reasonable care that results in damage or injury to another party.

   C. Ignoring safety regulations set by the insurance company.

   D. Providing false information on an insurance application.

3. **What type of risk is typically covered under a standard homeowners insurance policy?**

   A. Liability claims from guests

   B. Intentional damage by the homeowner

   C. Acts of terrorism

   D. Losses due to neglect

4. **What is the purpose of the National Flood Insurance Program (NFIP)?**

   A. To provide fire insurance to property owners

   B. To provide flood insurance to property owners, renters, and businesses

   C. To regulate flood zones

   D. To ensure loans for flood victims

5. **Under the Fair Credit Reporting Act, when can agencies include applicant information about bankruptcies older than 10 years?**

   A. If the applicant has been convicted of a felony or fraud.

   B. If the applicant is a public or political figure.

   C. If the applicant is seeking a transaction greater than $150,000.

   D. If the applicant is employed in the financial industry.

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**6. What is the purpose of subrogation in insurance?**

A. To allow the insured to claim for damages

B. To prevent double recovery for the same loss

C. To provide coverage for additional payments

D. To facilitate settlement of claims

**7. How are the Terrorism Risk Insurance Act and the National Flood Insurance Program similar?**

A. They both require universal coverage for all commercial properties

B. They both provide subsidies, loss sharing, or excess coverage

C. They both protect against personal liability claims

D. They are both optional insurance programs

**8. Which term describes the insurance company's right to seek recovery from responsible third parties?**

A. Concealment

B. Subrogation

C. Salvage

D. Fraud

**9. If an employee test-drives a customer's vehicle under the insured's garagekeepers insurance and causes an accident, what is the coverage outcome?**

A. Only the employee's injuries are covered

B. The customer's vehicle is covered for physical damage

C. The insured is liable for all costs

D. The customer must file a separate claim

**10. What is the standard limit for unendorsed homeowners insurance for personal property?**

A. Typically up to 70% of the dwelling coverage

B. Typically up to 100% of the dwelling coverage

C. Typically up to 50% of the dwelling coverage

D. Typically up to 30% of the dwelling coverage

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# Answers

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

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# Explanations

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## 1. Under a commercial auto policy with drive other car coverage, which situation would provide coverage?

A. Driving an insured friend's auto

B. Driving a rental vehicle from a rental agency

C. Driving a neighbor's auto

D. Driving a company vehicle

*Drive Other Car coverage in a commercial auto policy is designed to provide coverage for individuals when they are driving a vehicle that is not owned by them. This coverage typically applies to situations where the primary insured is using someone else's vehicle with the owner's permission. Driving a neighbor's auto falls under the category where coverage would be applicable. In this scenario, the insured is driving a vehicle that they do not own and are doing so with the permission of the vehicle's owner. This aligns with the intent of Drive Other Car coverage, which is to extend liability coverage to the insured when using an auto that is not listed on the commercial policy. In contrast, while driving an insured friend's auto, a rental vehicle, or a company vehicle may involve specific circumstances that might not be covered under Drive Other Car provisions, they do not typically fit within the intended context of this coverage, which is specifically tailored to provide flexibility for personal use in non-owned vehicles. Each of these other situations may rely on different types of coverage or existing policies that provide protection.*

## 2. Describe the term "negligence" in the context of insurance claims.

A. Intentional harm caused to another party.

B. Failure to take reasonable care that results in damage or injury to another party.

C. Ignoring safety regulations set by the insurance company.

D. Providing false information on an insurance application.

*Negligence, in the context of insurance claims, refers to the failure to take reasonable care to prevent harm or injury to another party. This concept is rooted in legal standards, where an individual or entity is expected to act with a degree of caution and diligence that a reasonably prudent person would exercise in similar circumstances. When negligence occurs, it can lead to various consequences, including personal injuries, property damage, or financial loss, which are the types of situations where insurance claims typically arise. For an insurance claim to be valid based on negligence, it must be demonstrated that the responsible party had a duty of care to the injured party, breached that duty, and caused harm as a direct result. This is crucial in determining liability and whether an insurance company will compensate for the damages incurred. In contrast, the other options focus on different concepts that do not accurately reflect negligence. Intentional harm, for instance, is classified as willful misconduct, while ignoring safety regulations pertains to regulatory compliance issues rather than negligence per se. Providing false information on an insurance application relates to fraud, which is also a separate matter that influences the validity of an insurance contract. Thus, understanding negligence is fundamental when evaluating the basis for many insurance claims, as it highlights how failure to act*

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## 3. What type of risk is typically covered under a standard homeowners insurance policy?

A. Liability claims from guests

B. Intentional damage by the homeowner

C. Acts of terrorism

D. Losses due to neglect

*Liability claims from guests are typically covered under a standard homeowners insurance policy because this aspect of coverage is designed to protect homeowners against financial losses arising from injuries or damages that occur on their property. For instance, if a visitor slips and falls while visiting, the liability portion of the homeowners policy can help cover medical expenses or legal fees if a lawsuit is filed as a result of that incident. This protection serves to ensure that homeowners are not solely financially responsible for accidents that might happen on their premises, which is a common concern for those who entertain guests or have visitors to their homes. In contrast, intentional damage by the homeowner typically falls outside the scope of coverage, as insurance is meant to cover unforeseen and accidental incidents rather than intentional acts. Acts of terrorism usually require specialized coverage or endorsements, separate from the standard homeowners policy, due to the specific risk and potential magnitude of such events. Losses due to neglect are also generally not covered, as homeowners are expected to maintain their property and address issues that could lead to damage; failure to do so does not qualify for insurance coverage.*

## 4. What is the purpose of the National Flood Insurance Program (NFIP)?

A. To provide fire insurance to property owners

B. To provide flood insurance to property owners, renters, and businesses

C. To regulate flood zones

D. To ensure loans for flood victims

*The National Flood Insurance Program (NFIP) was established primarily to provide flood insurance to property owners, renters, and businesses. The need for such a program arises from the fact that standard property insurance policies typically exclude coverage for flood damage. The NFIP aims to reduce the financial impact of flooding by offering insurance at reasonable rates while promoting sound floodplain management practices. By providing flood insurance, the NFIP helps protect individual investments and communities from the unpredictable nature of flooding, which is particularly relevant in areas prone to such disasters. This program also encourages mitigation and preparedness efforts, helping to improve community resilience against future flood events. In doing so, it plays a crucial role in fostering responsible development in flood-prone areas.*

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**5. Under the Fair Credit Reporting Act, when can agencies include applicant information about bankruptcies older than 10 years?**

A. If the applicant has been convicted of a felony or fraud.

B. If the applicant is a public or political figure.

C. If the applicant is seeking a transaction greater than $150,000.

D. If the applicant is employed in the financial industry.

*Under the Fair Credit Reporting Act (FCRA), there are specific guidelines regarding how long certain negative information, such as bankruptcies, can remain on a consumer's credit report. Generally, bankruptcies are allowed to remain on a credit report for up to ten years. However, there are exceptions where this duration can be extended, particularly when the application process involves significant financial transactions. The correct choice highlights that if an applicant is seeking a transaction greater than $150,000, agencies may include information about bankruptcies that are older than ten years. This provision aims to ensure that lenders have a comprehensive view of an applicant's financial history, especially when the stakes are higher and the risk to the lender is greater. In larger financial transactions, lenders are more entitled to scrutinize an applicant's past financial behavior to make informed decisions about creditworthiness. This exception acknowledges that significant financial transactions may warrant a deeper investigation into an applicant's background, thus allowing the inclusion of older bankruptcy records.*

**6. What is the purpose of subrogation in insurance?**

A. To allow the insured to claim for damages

B. To prevent double recovery for the same loss

C. To provide coverage for additional payments

D. To facilitate settlement of claims

*The purpose of subrogation in insurance is primarily to prevent double recovery for the same loss. When an insurance company pays a claim to the insured, it often has the right to pursue recovery of those costs from a third party responsible for the loss. This process ensures that the insured receives compensation for their damages without receiving more than what they are entitled to, thereby maintaining the principle of indemnity, which is a core concept in insurance. Subrogation serves the insurance industry by allowing them to recover the losses they have paid out, while also discouraging insured individuals from profiting from their insurance coverage or excessively inflating claims. In this way, it helps to maintain the integrity and sustainability of the insurance system.*

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## 7. How are the Terrorism Risk Insurance Act and the National Flood Insurance Program similar?

A. They both require universal coverage for all commercial properties

B. They both provide subsidies, loss sharing, or excess coverage

C. They both protect against personal liability claims

D. They are both optional insurance programs

*The Terrorism Risk Insurance Act (TRIA) and the National Flood Insurance Program (NFIP) share a similarity in that they both provide financial backing through mechanisms like subsidies, loss sharing, or excess coverage to help mitigate the risks faced by property owners due to specific catastrophic events. TRIA was created in response to the financial impact of terrorist attacks, ensuring that insurance companies can recoup some of their losses through federal government support after catastrophic terrorist events exceed a certain threshold. This program effectively allows for a shared responsibility between the government and insurers, enabling the private insurance market to remain stable in the face of extraordinary losses. Similarly, the NFIP offers flood insurance to property owners living in flood-prone areas, with the government subsidizing premiums to keep them affordable. In instances where claims exceed the program's income from premiums, the loss is shared with the federal government, highlighting a cooperative risk-sharing approach. Both programs are designed to address gaps in the insurance market for catastrophic events that are difficult for private insurers to underwrite, thereby maintaining stability in property insurance markets while providing necessary coverage to policyholders.*

## 8. Which term describes the insurance company's right to seek recovery from responsible third parties?

A. Concealment

B. Subrogation

C. Salvage

D. Fraud

*The term that describes the insurance company's right to seek recovery from responsible third parties is "subrogation." When an insured individual suffers a loss due to the actions of another party, the insurer pays the claim to the insured and then assumes the right to pursue recovery from the third party that caused the loss. This process allows the insurer to mitigate its own losses by recovering the amount it paid in claims. Subrogation serves multiple purposes: it helps to keep insurance premiums lower by allowing insurers to recoup some of their expenses, and it holds the responsible party accountable for their actions. This right is crucial for the financial stability of insurance companies, making subrogation a fundamental concept in property and casualty insurance. Other terms listed, such as concealment, salvage, and fraud, do not pertain to the recovery rights of an insurer from third parties. Concealment refers to the hiding of material information by the insured during the underwriting process, salvage relates to the insurer's right to recover and sell damaged property after a loss, and fraud involves wrongful or deceptive acts aimed at causing a loss or gain. Therefore, subrogation is accurately identified as the correct term for the insurer's recovery rights.*

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**9. If an employee test-drives a customer's vehicle under the insured's garagekeepers insurance and causes an accident, what is the coverage outcome?**

A. Only the employee's injuries are covered

B. The customer's vehicle is covered for physical damage

C. The insured is liable for all costs

D. The customer must file a separate claim

*When discussing the scenario where an employee test-drives a customer's vehicle and causes an accident under garagekeepers insurance, it is important to focus on how this type of insurance is structured. Garagekeepers insurance provides coverage for customers' vehicles while they are in the care, custody, or control of the insured, typically seen in auto repair shops or service stations. In this case, the customer's vehicle is indeed covered for physical damage resulting from the accident caused by the employee's action. Garagekeepers insurance is designed to protect the vehicle owner against losses that occur while their vehicle is being serviced, which includes incidents like an employee test-driving the vehicle. Therefore, the customer's vehicle is protected under the insured's policy during such situations, affirming that the physical damage incurred during the test drive is indeed covered. This outcome ensures that the vehicle owner does not bear the financial burden of damages that occur while their vehicle is in the possession of the insured business, aligning with the fundamental purpose of garagekeepers insurance.*

**10. What is the standard limit for unendorsed homeowners insurance for personal property?**

A. Typically up to 70% of the dwelling coverage

B. Typically up to 100% of the dwelling coverage

C. Typically up to 50% of the dwelling coverage

D. Typically up to 30% of the dwelling coverage

*The standard limit for unendorsed homeowners insurance for personal property is typically set at up to 50% of the dwelling coverage. This percentage reflects a common structure in many homeowners insurance policies, where coverage for personal property is directly related to the amount of coverage purchased for the dwelling itself. This means that if a homeowner has a policy with a dwelling coverage limit of $200,000, the personal property coverage would automatically provide $100,000 in coverage (50% of $200,000). This structure allows homeowners to have a baseline amount of coverage for their personal belongings, balancing the need for both property and personal asset protection. Understanding this limit is crucial for homeowners, as it ensures they can adequately assess and manage the value of their personal possessions against the insurance they have. For those looking to cover higher-value personal property, options to purchase additional coverage or endorsements are often available to meet individual needs.*

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# 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://psipropertycasualty.examzify.com

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

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