

# Indiana Independent Adjuster 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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# Table of Contents

|                                    |           |
|------------------------------------|-----------|
| <b>Copyright</b> .....             | <b>1</b>  |
| <b>Table of Contents</b> .....     | <b>2</b>  |
| <b>Introduction</b> .....          | <b>3</b>  |
| <b>How to Use This Guide</b> ..... | <b>4</b>  |
| <b>Questions</b> .....             | <b>6</b>  |
| <b>Answers</b> .....               | <b>9</b>  |
| <b>Explanations</b> .....          | <b>11</b> |
| <b>Next Steps</b> .....            | <b>17</b> |

# 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. How does CG 00 39 differ from CG 00 40?**
  - A. CG 00 40 provides coverage for fire damage**
  - B. CG 00 39 provides coverage for pollution cleanup costs**
  - C. CG 00 40 offers broader coverage**
  - D. There is no difference between them**
- 2. What type of policy is likely to cover improvements and betterments for renters?**
  - A. DP 1 policy**
  - B. Business owners policy**
  - C. DP 3 policy**
  - D. Commercial property policy**
- 3. What method of handling risk is used when someone pays for their own car damage without insurance?**
  - A. Transfer**
  - B. Retention**
  - C. Avoidance**
  - D. Insurance**
- 4. What type of claim involves damage or loss caused by a natural disaster?**
  - A. General claim**
  - B. Catastrophic claim**
  - C. Minor claim**
  - D. Special claim**
- 5. In which scenario does BAP cover liability arising from the escape of pollutants?**
  - A. A vehicle parked in a garage**
  - B. A covered delivery truck discharges diesel fuel into a stream when its fuel tank is ruptured in an accident**
  - C. An underground storage tank leak**
  - D. Water damage from a defective sprinkler system**



- 6. What does the term “underinsurance” refer to?**
- A. Having multiple insurance policies on the same property**
  - B. Insufficient insurance coverage to cover the total value of potential claims**
  - C. Having coverage that exceeds the property's value**
  - D. The situation when a policy is not renewed**
- 7. Which action is the Commissioner NOT authorized to perform?**
- A. Approve all requested limited lines of authority**
  - B. Examine insurers**
  - C. Enforce licensing laws**
  - D. Investigate insurance fraud**
- 8. What is an independent adjuster's "scope of loss" report?**
- A. A summary of all claims filed by a policyholder**
  - B. A document outlining the damages and necessary repairs**
  - C. An estimate of potential legal costs associated with a claim**
  - D. A report detailing the policy coverage limits**
- 9. What are “additional living expenses” in a homeowners insurance policy?**
- A. Coverage for rebuilding a home after a total loss**
  - B. Financial support for home improvement projects**
  - C. Coverage for temporary housing costs due to a covered loss**
  - D. Insurance coverage for personal belongings while traveling**
- 10. What does U.S. GAAP stand for in the context of accounting for insurance claims?**
- A. Generally Accepted Accounting Principles**
  - B. United States Guaranteed Accounting Practices**
  - C. General Association of Accounting Professionals**
  - D. Uniform Standards of Accounting Practices**

## **Answers**

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

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## **Explanations**

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**1. How does CG 00 39 differ from CG 00 40?**

- A. CG 00 40 provides coverage for fire damage
- B. CG 00 39 provides coverage for pollution cleanup costs**
- C. CG 00 40 offers broader coverage
- D. There is no difference between them

The correct choice highlights a key distinction between CG 00 39 and CG 00 40 in terms of the specific coverages they provide. CG 00 39, also known as the Pollution Liability Coverage Form, specifically addresses coverage related to pollution cleanup costs. This form is designed to cover the expenses incurred for the cleanup of pollution that may occur on or from a covered location, making it vital for businesses that handle potentially hazardous materials. On the other hand, CG 00 40 is focused more on the general liability aspects of coverage without specifically addressing pollution-related claims. Therefore, CG 00 39 is essential for businesses that may face liability due to pollution incidents, while CG 00 40 may not provide the same level of protection for those specific risks. This distinction emphasizes the importance of choosing the appropriate form based on the nature of the business and the associated risks it might face. The other options do not accurately reflect the unique aspects of the coverage provided by each form, with CG 00 40 not specifically offering broader coverage, and neither of the forms covering fire damage specifically. Thus, the role of CG 00 39 is clear in providing targeted pollution cleanup costs coverage, which is essential for specialized protection in certain industries.

**2. What type of policy is likely to cover improvements and betterments for renters?**

- A. DP 1 policy
- B. Business owners policy
- C. DP 3 policy**
- D. Commercial property policy

A DP 3 policy, also known as a Special Form Dwelling policy, is designed to provide comprehensive coverage for renters, specifically for improvements and betterments made to the rented property. This type of policy typically covers a broader range of risks, including theft and vandalism, along with damage to personal property. Importantly, renters often make enhancements to the property they occupy, such as remodeling a kitchen or adding fixtures. The DP 3 policy acknowledges these improvements by providing coverage for the value added through these enhancements up to a specified limit. This contrasts with more basic policies, which may not offer the same level of protection for changes made by the tenant. In contrast, other options might not provide the same extent of coverage for improvements and betterments. For example, a DP 1 policy generally offers limited coverage and is focused primarily on the structure itself rather than any added value from a renter's improvements. A Business Owners policy targets commercial ventures and their specific needs rather than residential renters, while a Commercial Property policy is similarly geared towards businesses and would not typically cover the personal improvements made by renters in a dwelling context. This makes the DP 3 policy the most suitable option for covering renters' improvements and betterments.

**3. What method of handling risk is used when someone pays for their own car damage without insurance?**

- A. Transfer**
- B. Retention**
- C. Avoidance**
- D. Insurance**

The method used when someone pays for their own car damage without insurance is retention. This approach refers to a situation where an individual assumes the financial responsibility for a risk they face, rather than transferring that risk to an insurance provider. By choosing to pay out of pocket, the individual is essentially "retaining" the risk, meaning they are absorbing the potential costs associated with the vehicle damage themselves rather than shifting that responsibility elsewhere. Retention can occur when an individual decides that the cost of insurance is not worth the potential benefits, or they feel that they can manage the risk more effectively on their own. This method is common among people who have adequate savings or who feel confident in their ability to cover such expenses if they arise. In contrast, the other methods listed involve different approaches to risk management: transferring risk involves purchasing insurance to shift the financial burden to an insurance company, avoidance entails taking measures to completely eliminate the risk, and the insurance method designates the purchase of an insurance policy for protection against certain types of risks.

**4. What type of claim involves damage or loss caused by a natural disaster?**

- A. General claim**
- B. Catastrophic claim**
- C. Minor claim**
- D. Special claim**

The correct choice relates to the term "Catastrophic claim," which specifically refers to claims that arise from significant losses due to natural disasters. These types of claims are typically extensive and often involve a large number of affected properties, where the damages can be severe and require substantial resources for assessment and resolution. In the context of insurance, catastrophic claims cover incidents such as hurricanes, earthquakes, floods, and wildfires. These events frequently lead to widespread destruction and high monetary losses, resulting in claims that are categorized as catastrophic due to their scale and impact. In contrast, other options like general claims, minor claims, and special claims do not necessarily denote the level of severity associated with natural disasters. General claims could refer to a wide range of losses without specifying significant damage, minor claims typically address less severe incidents, and special claims might pertain to unique or particular circumstances that do not inherently connect to catastrophic losses. Thus, the categorization of a claim as catastrophic is specifically linked to the severe implications of a natural disaster.

**5. In which scenario does BAP cover liability arising from the escape of pollutants?**

- A. A vehicle parked in a garage**
- B. A covered delivery truck discharges diesel fuel into a stream when its fuel tank is ruptured in an accident**
- C. An underground storage tank leak**
- D. Water damage from a defective sprinkler system**

The correct scenario in which a Business Auto Policy (BAP) covers liability arising from the escape of pollutants is when a covered delivery truck discharges diesel fuel into a stream following a ruptured fuel tank in an accident. This situation falls within the auto liability coverage of the policy, as it involves the operation of a covered vehicle and an incident that occurs during the use of that vehicle. Under the BAP, pollution coverage is typically limited to instances where a vehicle is involved in an accident that causes the release of pollutants. In this case, the truck was directly involved in the accident, leading to the discharge of diesel fuel, which constitutes a pollutant. In contrast, the other scenarios do not meet the criteria for coverage under a BAP. A vehicle parked in a garage does not involve an accident or operation that would trigger coverage for pollution liability. An underground storage tank leak is a separate issue related to property, and typically falls under environmental or commercial liability policies rather than vehicle liability. Water damage from a defective sprinkler system also does not involve vehicles and would generally be covered by property insurance rather than the BAP, which is focused on auto-related incidents.

**6. What does the term “underinsurance” refer to?**

- A. Having multiple insurance policies on the same property**
- B. Insufficient insurance coverage to cover the total value of potential claims**
- C. Having coverage that exceeds the property's value**
- D. The situation when a policy is not renewed**

The term “underinsurance” specifically refers to having insufficient insurance coverage to cover the total value of potential claims. When a policyholder is underinsured, it means that the amount of insurance they have purchased is less than the total value of the assets or risks they need to protect. This can lead to significant financial loss in the event of a claim since the insurance payout may not fully cover the loss or damage incurred. For example, if a homeowner's property is valued at \$300,000 but they only have \$200,000 in coverage, they are underinsured by \$100,000. This situation often arises from a lack of awareness about the true value of one's possessions or market fluctuations that increase property values over time. Understanding the concept of underinsurance is vital for both policyholders and adjusters to ensure adequate protection and to avoid severe financial repercussions following a loss.

**7. Which action is the Commissioner NOT authorized to perform?**

- A. Approve all requested limited lines of authority**
- B. Examine insurers**
- C. Enforce licensing laws**
- D. Investigate insurance fraud**

The Commissioner is responsible for overseeing the regulation of the insurance industry and has various powers and duties, including examining insurers, enforcing licensing laws, and investigating insurance fraud. The authority to approve requested limited lines of authority is not one that the Commissioner directly exercises. This function often rests with specific regulatory frameworks or entities within the insurance department, or it may require adherence to statutory guidelines that do not grant the Commissioner unilateral discretion. Consequently, the action in question does not fall under the Commissioner's authorized responsibilities, making this the correct answer. Understanding the structure and limitations of the Commissioner's authority is critical for independent adjusters, as it helps clarify the regulatory landscape within which they operate.

**8. What is an independent adjuster's "scope of loss" report?**

- A. A summary of all claims filed by a policyholder**
- B. A document outlining the damages and necessary repairs**
- C. An estimate of potential legal costs associated with a claim**
- D. A report detailing the policy coverage limits**

The "scope of loss" report prepared by an independent adjuster is crucial in the claims process as it outlines the damages incurred and specifies the necessary repairs needed to restore the affected property. This document serves as a comprehensive overview of the loss, detailing what has been damaged, the extent of the damage, and the specific repairs or replacements that are required. This report is essential not only for the insurance company to evaluate the claim but also for establishing a foundation for how much compensation the policyholder may be entitled to. It helps facilitate the claims process by providing a clear and detailed account of the situation, thereby allowing for informed decision-making regarding settlements. Other options focus on aspects that, while relevant to the overall claims process, do not specifically define the "scope of loss." For instance, a summary of all claims made by a policyholder does not provide the necessary details about damages and repairs. Similarly, an estimate of potential legal costs associated with a claim or a report detailing policy coverage limits addresses different facets of the insurance process, which are not encompassed in the scope of loss report itself.



**9. What are “additional living expenses” in a homeowners insurance policy?**

- A. Coverage for rebuilding a home after a total loss**
- B. Financial support for home improvement projects**
- C. Coverage for temporary housing costs due to a covered loss**
- D. Insurance coverage for personal belongings while traveling**

Additional living expenses, as defined in a homeowners insurance policy, refer specifically to the coverage that helps pay for temporary housing costs when the policyholder's home becomes uninhabitable due to a covered loss. This type of coverage is critical in situations such as fire damage or severe water damage, which may force the homeowner to seek alternative accommodations until repairs can be made. The importance of this coverage lies in its role during emergencies; it alleviates the financial burden of unexpected living expenses, such as hotel stays or rental housing, ensuring that displaced homeowners can maintain a semblance of normalcy as they deal with the repercussions of the damage. This coverage can include not just lodging, but also additional costs incurred for food and other necessary expenses that exceed the homeowner's usual living expenditures. In contrast, rebuilding costs after a total loss focus on the structure itself rather than the living arrangements during the rebuilding phase. Home improvement projects fall under different policy provisions and are not covered as additional living expenses. Lastly, insurance coverage for personal belongings while traveling covers items that are lost or damaged while away from home, which does not pertain to expenses incurred due to an inability to live in the insured home.

**10. What does U.S. GAAP stand for in the context of accounting for insurance claims?**

- A. Generally Accepted Accounting Principles**
- B. United States Guaranteed Accounting Practices**
- C. General Association of Accounting Professionals**
- D. Uniform Standards of Accounting Practices**

U.S. GAAP stands for Generally Accepted Accounting Principles, which are the standard framework of guidelines and rules that companies and organizations follow when preparing financial statements in the United States. This set of principles ensures that financial reporting is consistent, transparent, and comparable across different entities, which is crucial for stakeholders, including insurance companies, policyholders, and regulators. In the context of accounting for insurance claims, U.S. GAAP provides regulations on how claims should be recognized and measured, ensuring that they are reported accurately on an insurer's financial statements. The adherence to these principles helps maintain trust in financial reporting and facilitates the assessment of an insurance company's financial health and risk management practices. The other options do not accurately reflect the established accounting principles in the U.S. and therefore are not applicable to the context of accounting for insurance claims. Understanding and applying U.S. GAAP is essential for professionals in the insurance industry, particularly in ensuring compliance and providing accurate financial reporting.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://inindependentadjuster.examzify.com>**

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