

# Nebraska Property and Casualty Practice Test (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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**SAMPLE**

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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. 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. The ABC Corporation has \$100,000 coverage on its building through Company A, and \$50,000 through Company B. When a \$24,000 loss occurs and the pro rata method is used, how much will each insurer pay?**
  - A. Company A will pay \$20,000; Company B will pay \$4,000**
  - B. Company A will pay \$12,000; Company B will pay \$12,000**
  - C. Company A will pay \$24,000; Company B will pay \$0**
  - D. Company A will pay \$16,000; Company B will pay \$8,000**
- 2. An additional loss that results from a direct loss of property is called a/an?**
  - A. Indirect loss**
  - B. Proximate loss**
  - C. Liability loss**
  - D. Punitive loss**
- 3. What is the role of a claims adjuster?**
  - A. To handle the policy application process**
  - B. To investigate and assess insurance claims to determine the insurer's liability**
  - C. To sell insurance policies**
  - D. To offer customer service support for policyholders**
- 4. What does subrogation involve in insurance?**
  - A. Ignoring minor claims to expedite processing**
  - B. Seeking reimbursement from a third party responsible for a loss**
  - C. Identifying potential risks before coverage begins**
  - D. Choosing a higher deductible**
- 5. Which of the following is NOT considered a misrepresentation as it pertains to unfair trade practices?**
  - A. Stating that the insurance policy is a share of stock**
  - B. Exaggerating the benefits provided in the policy**
  - C. Stating that the competitors will arbitrarily increase their premiums each year**
  - D. Making comparisons between different policies**



- 6. What is a "deductible" in property insurance?**
- A. The total amount of coverage provided by the policy**
  - B. The premium amount paid for the insurance policy**
  - C. The amount the policyholder pays out of pocket before the insurance company pays a claim**
  - D. The sum of money available for emergency repairs**
- 7. What function does a rider or endorsement serve in an insurance policy?**
- A. It limits coverage to specific situations**
  - B. It modifies the original insurance policy to add or change coverage**
  - C. It cancels the policy**
  - D. It increases the premium**
- 8. Which insurance typically covers damages caused by unforeseen events like theft or fire in a home?**
- A. Liability insurance**
  - B. Property insurance**
  - C. Health insurance**
  - D. Life insurance**
- 9. What is meant by "actual cash value" in insurance terms?**
- A. The replacement cost of property within a specific timeframe**
  - B. Replacement cost minus depreciation of the property**
  - C. The historical cost of acquiring the property**
  - D. The market value at the time of claim**
- 10. What obligation does an insurer have regarding property insurance policies?**
- A. To negotiate all claims for a better deal**
  - B. To fulfill claims as cited in regulations**
  - C. To pay valid claims as agreed in the policy**
  - D. To provide additional coverage upon request**

## **Answers**

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

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## **Explanations**

1. The ABC Corporation has \$100,000 coverage on its building through Company A, and \$50,000 through Company B. When a \$24,000 loss occurs and the pro rata method is used, how much will each insurer pay?
- A. Company A will pay \$20,000; Company B will pay \$4,000
  - B. Company A will pay \$12,000; Company B will pay \$12,000
  - C. Company A will pay \$24,000; Company B will pay \$0
  - D. Company A will pay \$16,000; Company B will pay \$8,000**

When applying the pro rata method to determine how much each insurer will pay in the event of a loss, the total insurance coverage is first identified. In this scenario, the total coverage consists of \$100,000 from Company A and \$50,000 from Company B, which sums up to \$150,000. Next, the proportion of coverage provided by each insurer is calculated. For Company A, the ratio is \$100,000 (its coverage) divided by \$150,000 (total coverage), which results in a proportion of 2/3. For Company B, the ratio is \$50,000 (its coverage) divided by \$150,000 (total coverage), leading to a proportion of 1/3. When a loss of \$24,000 occurs, the amount each insurer pays is determined by multiplying the loss by their respective ratios. - For Company A: (2/3) of \$24,000 equals \$16,000. - For Company B: (1/3) of \$24,000 equals \$8,000. Thus, using the pro rata method, Company A will pay \$16,000, and Company B will pay \$8,000, making the total

2. An additional loss that results from a direct loss of property is called a/an?

- A. Indirect loss**
- B. Proximate loss
- C. Liability loss
- D. Punitive loss

An additional loss that results from a direct loss of property is referred to as an indirect loss. This type of loss occurs when the original, direct loss triggers further financial impacts, such as lost rental income due to a property being uninhabitable after damage or business interruption resulting from a fire. Indirect losses are often consequential, indicating they arise as a result of the primary event or loss. Understanding indirect loss is crucial in insurance, as policies typically cover a variety of direct losses while providing specific terms for indirect losses, which may include business interruption or additional living expenses. This distinction helps policyholders assess their coverage needs and potential financial exposure in the event of a loss. The other options don't align with this concept; proximate loss relates more to the cause-and-effect relationship in risk assessment, liability loss pertains to legal responsibilities towards others, and punitive loss does not represent a standard insurance term as it relates to damages meant to punish rather than compensate for an injury.

### 3. What is the role of a claims adjuster?

- A. To handle the policy application process
- B. To investigate and assess insurance claims to determine the insurer's liability**
- C. To sell insurance policies
- D. To offer customer service support for policyholders

The role of a claims adjuster is primarily to investigate and assess insurance claims to determine the insurer's liability. This involves thoroughly reviewing the details of the claim, which may include speaking with the claimant, reviewing relevant documents, and inspecting any damaged property. The claims adjuster evaluates the circumstances surrounding the claim to decide whether the insurer is responsible for the payment and, if so, to what extent. This position is crucial because it ensures that claims are handled fairly and in accordance with policy terms. A claims adjuster's assessment directly influences the amount of compensation that may be provided to the policyholder, making their expertise vital in the claims process. Their work is grounded in both legal and insurance principles, which helps uphold the integrity of the insurance system as they work to manage and resolve claims effectively.

### 4. What does subrogation involve in insurance?

- A. Ignoring minor claims to expedite processing
- B. Seeking reimbursement from a third party responsible for a loss**
- C. Identifying potential risks before coverage begins
- D. Choosing a higher deductible

Subrogation is a critical concept in insurance that involves the insurer's right to pursue a third party to recover the costs of a claim that they have already paid to the insured. When an insurance company pays for a loss suffered by the policyholder, it may seek reimbursement from the responsible party, typically when that party's negligence or wrongful conduct caused the loss. This process not only helps insurers recover funds but also prevents the insured from profiting from the insurance payout, maintaining the principle of indemnity within insurance. In the context of this question, the option that describes subrogation accurately highlights the role of the insurer in reclaiming losses from a third party. Recognizing this process is essential for understanding how insurance works and the relationships between insurers, insureds, and third parties involved in claims. This knowledge underpins the broader mechanism of risk management and financial stability in the insurance industry. Other options do not correctly represent subrogation. For instance, ignoring minor claims pertains more to claim handling practices rather than the recovery process through third-party liability. Identifying potential risks relates to underwriting assessments, not subrogation. Choosing a higher deductible is a matter of policyholder decisions regarding out-of-pocket expense but does not involve the subrogation process at

**5. Which of the following is NOT considered a misrepresentation as it pertains to unfair trade practices?**

- A. Stating that the insurance policy is a share of stock**
- B. Exaggerating the benefits provided in the policy**
- C. Stating that the competitors will arbitrarily increase their premiums each year**

**D. Making comparisons between different policies**

Making comparisons between different policies is not considered a misrepresentation in the context of unfair trade practices. This activity can actually provide valuable information to consumers, helping them to make informed decisions based on the features, benefits, and coverage of various insurance products. As long as the comparisons are fair, accurate, and based on factual information, they are a legitimate part of the insurance sales process. In contrast, the other options involve misleading statements or exaggerations that could lead a consumer to form an incorrect impression about an insurance policy. For instance, stating that a policy is a share of stock could give the false impression that the policyholder will have ownership in a corporation or receive dividends, which can mislead potential buyers about the nature of the product. Similarly, exaggerating the benefits provided in a policy distorts the reality of what that policy offers, potentially creating unrealistic expectations. Lastly, stating that competitors will arbitrarily increase premiums is an unfounded claim that undermines the competitive nature of the market and can unfairly sway consumer opinion.

**6. What is a "deductible" in property insurance?**

- A. The total amount of coverage provided by the policy**
- B. The premium amount paid for the insurance policy**
- C. The amount the policyholder pays out of pocket before the insurance company pays a claim**
- D. The sum of money available for emergency repairs**

A deductible in property insurance refers to the amount that a policyholder must pay out of pocket before the insurance company contributes to a claim. This means that if a covered loss occurs, the insured party will first need to cover expenses up to this predetermined deductible amount. Once the deductible is paid, the insurer will cover the remaining eligible costs up to the policy limit. In this context, deductibles serve several purposes: they help to reduce the number of small claims made by policyholders, as individuals are incentivized to cover minor expenses themselves. Additionally, they often lead to lower premiums for policyholders, as taking on some of the risk reduces the insurer's overall liability. Understanding deductibles is crucial for property insurance policyholders, as it directly impacts out-of-pocket expenses during a claim and overall insurance costs.

**7. What function does a rider or endorsement serve in an insurance policy?**

- A. It limits coverage to specific situations**
- B. It modifies the original insurance policy to add or change coverage**
- C. It cancels the policy**
- D. It increases the premium**

A rider or endorsement is an addition or modification to the original insurance policy that serves to add coverage, change the terms of coverage, or otherwise adjust the policy to better fit the needs of the insured. This function allows policyholders to customize their insurance to address specific risks or circumstances that might not be covered under the standard policy. For instance, a homeowner might purchase an endorsement to add coverage for high-value items such as jewelry or fine art, which might have limited coverage in a standard homeowners policy. Similarly, an endorsement could modify the coverage limits or deductible amounts on an existing policy, providing flexibility to adapt the insurance according to the policyholder's requirements. The other options describe different concepts that do not align with the function of a rider or endorsement. Limiting coverage pertains to exclusions rather than enhancements. Cancelling the policy refers to terminating the agreement entirely, which is a separate action. Increasing the premium is a financial consideration that may result from adding coverage but is not the primary function of a rider or endorsement itself.

**8. Which insurance typically covers damages caused by unforeseen events like theft or fire in a home?**

- A. Liability insurance**
- B. Property insurance**
- C. Health insurance**
- D. Life insurance**

Property insurance is designed specifically to cover damages to physical property, including a home, caused by unforeseen events such as theft, fire, vandalism, or certain natural disasters. This type of insurance provides financial protection for the policyholder, ensuring that in the event of these damaging occurrences, they can recover the value of their lost or damaged possessions. Liability insurance, on the other hand, primarily protects individuals against claims resulting from injuries and damage to other people or their property. Health insurance focuses on medical expenses related to health care services, while life insurance provides financial support to beneficiaries in the event of the policyholder's death. Since the question pertains specifically to covering damages to a home caused by unforeseen events, property insurance is the most appropriate choice.



**9. What is meant by "actual cash value" in insurance terms?**

- A. The replacement cost of property within a specific timeframe**
- B. Replacement cost minus depreciation of the property**
- C. The historical cost of acquiring the property**
- D. The market value at the time of claim**

Actual cash value (ACV) is defined as the replacement cost of property minus depreciation. This means that when an insurance policy pays out based on actual cash value, the compensation reflects the current value of the property rather than what it would cost to replace it with a new equivalent. Depreciation accounts for wear and tear, age, and loss of value over time, ensuring that the payout is aligned with the property's diminished value at the time of loss. For this reason, other options do not accurately capture the term's meaning. While replacement cost refers to how much it would cost to replace the property at current market rates, it does not take depreciation into account. The historical cost option simply refers to what the item was originally purchased for, which could be significantly different from its value at a later date. Finally, market value at the time of the claim could involve various external factors impacting real estate and does not consider the specific depreciation of the property itself. Thus, understanding ACV as replacement cost minus depreciation is essential for grasping how insurance claims are assessed and paid out.

**10. What obligation does an insurer have regarding property insurance policies?**

- A. To negotiate all claims for a better deal**
- B. To fulfill claims as cited in regulations**
- C. To pay valid claims as agreed in the policy**
- D. To provide additional coverage upon request**

In the context of property insurance policies, an insurer has a fundamental obligation to pay valid claims as specified in the insurance contract. This commitment is central to the operation of insurance policies, where the insurer agrees to cover certain risks in exchange for premium payments. When a policyholder experiences a loss covered by the policy, the insurer is required to assess the claim and, if it meets the criteria outlined in the policy, provide compensation to the insured party. This obligation ensures that policyholders have financial protection against losses, aligning with the principles of risk management and sharing of risk that underlie insurance. The contract is a legally binding agreement, and fulfilling these promises builds trust between the insurer and the insured. Other options indicate various aspects of insurer responsibilities but do not capture this core obligation. Negotiating claims for a better deal may happen, but it isn't a mandated responsibility. Similarly, fulfilling claims as dictated by regulations speaks to broader legal frameworks rather than the specific commitments made within individual policies. Providing additional coverage upon request isn't a standard obligation; any changes to coverage must be agreed upon and documented as part of the policy terms.

# 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://nebraskapropertyandcausalty.examzify.com>**

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