

Nevada Personal Lines Insurance 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. Who bears the cost of examinations conducted on insurance companies?**
 - A. The state government**
 - B. The insurance companies themselves**
 - C. The clients of the insurance companies**
 - D. Insurance agents**
- 2. Which of the following is NOT covered under the DP2 (Broad Form)?**
 - A. Falling objects**
 - B. Burglary damage**
 - C. Flood damage**
 - D. Accidental discharge of water**
- 3. In the context of insurance, what does "contribution by equal shares" facilitate?**
 - A. Equal payment by all insurers until full loss is covered**
 - B. Random allocation of payment based on provider choice**
 - C. Prioritization of one insurer over another during claims**
 - D. Pro rata payment distribution across all policies**
- 4. Is insurance a state-run industry?**
 - A. True, it is managed by federal regulations**
 - B. False, it is entirely private**
 - C. True, insurance regulations are state-specific**
 - D. False, but it requires federal licenses**
- 5. How is risk defined in the context of insurance?**
 - A. The probability of winning a gamble**
 - B. The potential for financial loss**
 - C. The cause of an insurable event**
 - D. The protection against uncertainty**

- 6. What is covered under bodily injury in insurance terms?**
- A. Property loss due to theft**
 - B. Direct damage to a person's body**
 - C. Loss of wages due to an accident**
 - D. Injury claims made against the insurance company**
- 7. Which of the following terms best describes a policy that has lapsed?**
- A. A policy that is still active but at risk of cancellation**
 - B. A policy that is terminated due to unpaid premiums**
 - C. A policy that has been upgraded with additional coverage**
 - D. A policy that is under investigation for fraudulent claims**
- 8. What is meant by "right of salvage" in property insurance?**
- A. The insurer's ability to repair damaged property**
 - B. The insurer's right to take possession of damaged property after payment**
 - C. The policyholder's decision to sell the damaged property**
 - D. The obligation of the insurer to restore property to its original condition**
- 9. What characterizes unintentional torts in insurance?**
- A. They result from intentional wrongdoing**
 - B. They are based on reasonable person's standards**
 - C. They cannot lead to coverage claims**
 - D. They are always related to property damage**
- 10. What is the time frame for examinations conducted by the insurance commissioner?**
- A. Every year**
 - B. Every five years**
 - C. In response to consumer complaints**
 - D. When the insurance company requests it**

Answers

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

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Explanations

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1. Who bears the cost of examinations conducted on insurance companies?

- A. The state government
- B. The insurance companies themselves**
- C. The clients of the insurance companies
- D. Insurance agents

The cost of examinations conducted on insurance companies is borne by the insurance companies themselves. This practice is rooted in regulatory requirements where state insurance departments periodically review the financial health and compliance of insurers. The rationale behind this is that insurance companies must ensure their operations adhere to state regulations, and since these examinations are essential for maintaining solvency and protecting policyholders, it is appropriate for the insurers to finance these assessments. Additionally, by having the insurance companies cover the costs, it helps avoid any potential conflicts of interest that could arise if the state or clients were to bear these costs. This ensures that the insurance companies are fully accountable for their operations and compliance, reinforcing the integrity of the insurance market as a whole.

2. Which of the following is NOT covered under the DP2 (Broad Form)?

- A. Falling objects
- B. Burglary damage
- C. Flood damage**
- D. Accidental discharge of water

The correct choice is the one that identifies coverage not included under the DP2 (Broad Form) policy. The DP2 policy provides a wider range of coverage compared to the basic DP1, including specific perils. However, it does not cover flood damage, which is a common exclusion in most homeowners and dwelling policies unless a separate flood policy is purchased through the National Flood Insurance Program (NFIP). The DP2 covers various risks, such as falling objects, burglary damage, and accidental discharge of water, all of which are typical perils included in the policy. Falling objects and accidental discharge of water are commonly covered because they can cause significant property damage, and burglary damage is included to assist policyholders in the event their property is vandalized or broken into. Conversely, flood damage requires distinct coverage options often designed to address the specific risks associated with flooding, emphasizing the need for a separate flood insurance policy. This distinction is crucial for understanding the limitations of standard property insurance coverage.

3. In the context of insurance, what does "contribution by equal shares" facilitate?

- A. Equal payment by all insurers until full loss is covered**
- B. Random allocation of payment based on provider choice**
- C. Prioritization of one insurer over another during claims**
- D. Pro rata payment distribution across all policies**

The concept of "contribution by equal shares" in insurance refers to a method used when multiple insurers are responsible for covering the same loss. In this scenario, each insurer pays an equal amount towards the total loss, up to the limit of their policy, until the full amount of the loss is covered. This means that if, for example, there are four insurers involved, they would each contribute equally to the settlement of the claim, splitting the total amount of the loss among themselves. This method ensures that no single insurer bears an unfair burden and that the insured party receives the full benefit for their loss without delay. It promotes fairness among insurers and ensures an organized approach to claims handling when multiple policies are in force. Thus, the answer reflecting "equal payment by all insurers until full loss is covered" accurately captures the essence of how this contribution method operates. The other approaches, such as random allocation or prioritizing one insurer over another, do not align with the principles of equitable distribution or shared responsibility that "contribution by equal shares" emphasizes. Similarly, while pro rata distribution may seem related, it typically involves payments in proportion to coverage limits rather than equal amounts, which distinguishes it from the concept in question.

4. Is insurance a state-run industry?

- A. True, it is managed by federal regulations**
- B. False, it is entirely private**
- C. True, insurance regulations are state-specific**
- D. False, but it requires federal licenses**

Insurance in the United States operates primarily as a state-regulated industry. Each state has its own insurance regulations and regulatory bodies that oversee the insurance market within their jurisdiction. This state-level regulation allows for the customization of insurance laws to reflect the specific needs and characteristics of the local population and businesses. The existence of state-specific regulations means that insurance companies must comply with a unique set of requirements in each state where they operate, such as licensing, rates, solvency measures, and consumer protections. This decentralized approach ensures that insurance is tailored to local market conditions and consumer needs. While there are federal regulations that affect certain aspects of the insurance industry—such as the Employee Retirement Income Security Act (ERISA) and the Health Insurance Portability and Accountability Act (HIPAA)—the core of insurance regulation remains within the purview of state governments. This is what makes the statement that insurance regulations are state-specific true and correct.

5. How is risk defined in the context of insurance?

- A. The probability of winning a gamble
- B. The potential for financial loss**
- C. The cause of an insurable event
- D. The protection against uncertainty

In the context of insurance, risk is defined as the potential for financial loss. This concept is fundamental to insurance, as it involves evaluating and managing the uncertainties associated with events that could lead to losses. Insurance companies assess the risk associated with different policyholders and the likelihood of certain events occurring, such as accidents, natural disasters, or illness. By calculating the potential for loss, insurers set premiums and develop policies to provide financial protection against those risks. Understanding that risk represents the chance of experiencing a loss helps to clarify the role of insurance in society. It allows individuals and businesses to transfer the financial burden of unexpected events to an insurance provider, who pools the resources of many policyholders to cover such risks. This collective sharing of risk is essential to the functioning of the insurance industry and provides peace of mind to the insured. Each of the other options captures different aspects of insurance or risk management but does not encapsulate the definition of risk itself as effectively. For example, while the probability of winning a gamble might involve elements of risk, it is not connected directly to the core definition of risk in the insurance context. Similarly, the cause of an insurable event and protection against uncertainty pertain to related concepts within insurance but do not specifically define what risk is.

6. What is covered under bodily injury in insurance terms?

- A. Property loss due to theft
- B. Direct damage to a person's body**
- C. Loss of wages due to an accident
- D. Injury claims made against the insurance company

Bodily injury coverage in insurance terms is primarily concerned with physical harm or injury sustained by an individual. This coverage typically addresses medical expenses, rehabilitation costs, and other associated expenses resulting from an accident or injury. Therefore, the correct answer, which highlights direct damage to a person's body, encapsulates the essence of what bodily injury coverage entails; it seeks to protect against the financial ramifications of injuries inflicted on individuals. The other options do not align with the definition of bodily injury. For instance, property loss due to theft pertains to property insurance rather than bodily injury coverage. Loss of wages due to an accident, although it can be related to the effects of bodily injury, specifically focuses on lost income rather than the physical injury itself. Lastly, injury claims made against the insurance company reference potential liabilities or claims related to coverage, which is outside the scope of bodily injury and speaks more to liability considerations. Thus, the emphasis on direct damage to a person's body clearly defines the core principle of bodily injury insurance coverage.

7. Which of the following terms best describes a policy that has lapsed?

- A. A policy that is still active but at risk of cancellation**
- B. A policy that is terminated due to unpaid premiums**
- C. A policy that has been upgraded with additional coverage**
- D. A policy that is under investigation for fraudulent claims**

A policy that is described as having lapsed specifically refers to a situation where the policy has been terminated because the premiums have not been paid. When a policyholder fails to make required premium payments by the due date, the insurance provider may allow a grace period, after which the policy can lapse if payment is not received. This lapse means that the policyholder no longer has coverage under that policy, and any claims made during this period would not be honored by the insurer. The other options do not fit the definition of a lapsed policy. A policy at risk of cancellation suggests that it is still active but may soon be terminated, which is not the same as being lapsed. A policy that has been upgraded relates to changes in coverage, and a policy under investigation for fraudulent claims remains active until the investigation concludes, regardless of the claims' legitimacy. Thus, the most accurate term for a policy that has lapsed is indeed one that has been terminated due to unpaid premiums.

8. What is meant by "right of salvage" in property insurance?

- A. The insurer's ability to repair damaged property**
- B. The insurer's right to take possession of damaged property after payment**
- C. The policyholder's decision to sell the damaged property**
- D. The obligation of the insurer to restore property to its original condition**

The concept of the "right of salvage" in property insurance accurately refers to the insurer's right to take possession of damaged property after a claim is paid. Once the insurer compensates the policyholder for a loss, the insurer retains the ability to recover some value from the damaged property, which is often referred to as "salvage." This process allows the insurer to mitigate their losses by selling the salvaged items or assets, which can help offset the costs incurred from the claim. The other options do not align with the definition of salvage. The ability to repair damaged property pertains to the insurer's role in restoring the property to a usable state but does not involve taking possession for salvage purposes. The policyholder's decision to sell damaged property does not reflect the insurer's claim or control over salvaged items, as that would imply a different process outside the salvage context. Lastly, the obligation to restore property to its original condition leans more towards the terms of the policy, focusing on restoration rather than the insurer's right to seize and salvage the property. Thus, the concept of the "right of salvage" is properly illustrated by the insurer's right to take possession of damaged property after payment.

9. What characterizes unintentional torts in insurance?

- A. They result from intentional wrongdoing
- B. They are based on reasonable person's standards**
- C. They cannot lead to coverage claims
- D. They are always related to property damage

Unintentional torts are characterized by the fact that they result from a failure to act with a reasonable standard of care, rather than from intentional wrongdoing. This is where the concept of a "reasonable person" standard comes into play. In legal terms, an unintentional tort occurs when an individual does not exercise the level of care that a reasonable person would in similar circumstances, leading to harm or injury to another person or their property. This means that the actions (or inactions) that lead to an unintentional tort are not deliberate; rather, they stem from negligence, which is the failure to take reasonable precautions. For example, a driver who accidentally runs a stop sign and causes an accident is committing an unintentional tort because their failure to stop was not malicious, but rather a lack of reasonable care. Coverage for unintentional torts is often included in liability insurance policies, which are designed to protect against claims arising from such negligent behavior. This understanding reinforces the importance of the "reasonable person" standard in assessing whether a tort is unintentional and whether it may lead to an insurance claim.

10. What is the time frame for examinations conducted by the insurance commissioner?

- A. Every year
- B. Every five years**
- C. In response to consumer complaints
- D. When the insurance company requests it

The correct choice indicates that the insurance commissioner conducts examinations every five years. This regular interval is important as it allows for a systematic review of insurance companies to ensure they are adhering to regulations and maintaining solvency. This periodic examination helps protect consumers by confirming that insurers operate financially sound and are following necessary guidelines to fulfill policyholder obligations. Conducting examinations every five years also allows the insurance department to manage its resources effectively while ensuring that all licensed companies are evaluated consistently. This time frame balances the need for oversight with the practicalities of resource allocation within the regulatory framework. Other responses do not align with the established frequency mandated by the insurance regulatory framework. For example, examinations based solely on consumer complaints or at the request of the insurance company would not provide the comprehensive, consistent oversight necessary to protect consumers and maintain industry standards.

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://nvpersonallinesinsurance.examzify.com>

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