

# New Jersey Property and Casualty Insurance Practice test (Sample)

## Study Guide



**Everything you need from our exam experts!**

**Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.**

**ALL RIGHTS RESERVED.**

**No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.**

**Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.**

**SAMPLE**

# Table of Contents

**Copyright** ..... 1

**Table of Contents** ..... 2

**Introduction** ..... 3

**How to Use This Guide** ..... 4

**Questions** ..... 5

**Answers** ..... 8

**Explanations** ..... 10

**Next Steps** ..... 15

SAMPLE

# 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

SAMPLE

- 1. Which deductible may NOT apply to a coastal property policy?**
  - A. Liability**
  - B. Wind**
  - C. Hail**
  - D. Flood**
  
- 2. Under a Businessowners Policy (BOP) with no optional coverages, which property loss would be covered?**
  - A. Merchandise destroyed when a customer trips and knocks over a display of fragile gift items**
  - B. Building damage from a storm**
  - C. Employee theft**
  - D. Water damage to stored inventory**
  
- 3. In the described scenario, the total coverage across Policy A and Policy B equals 150,000.**
  - A. True**
  - B. False**
  - C. Cannot be determined**
  - D. It depends on premiums**
  
- 4. Which of the following is an example of an unfair claims practice by an auto insurance company?**
  - A. Delaying payment after settlement**
  - B. Denying claims without investigation**
  - C. Underpaying claims without investigation**
  - D. Requiring excessive documentation**
  
- 5. Under the Homeowners Policy described, vandalism is covered when the dwelling has been vacant for 20 days.**
  - A. True**
  - B. False**
  - C. Only with a rider**
  - D. Not specified**

- 6. What is a defining governance feature of a mutual insurance company?**
- A. It is owned by stockholders**
  - B. Policyholders elect the board of directors**
  - C. It is financed by private foundations**
  - D. It distributes profits to stockholders**
- 7. The analysis of information pertaining to an applicant that was obtained from various sources and the determination of whether the insurance should be issued or declined is**
- A. Underwriting**
  - B. Marketing**
  - C. Claims adjustment**
  - D. Policy administration**
- 8. An injured party must prove which elements to collect from the party responsible for the accident?**
- A. Duty Owed and Breach of Duty Only**
  - B. Causation and Damages Only**
  - C. Damages and Fault**
  - D. Duty Owed, Breach of Duty, Causation, and Damages**
- 9. What action does a subrogation clause authorize an insurer to take?**
- A. Sue the insured**
  - B. Sue the responsible third party**
  - C. Cancel the policy**
  - D. Pay the claim**
- 10. Under a Personal Auto Policy, Uninsured Motorsits coverage will pay bodily injury to the insured that results when the insured's auto is struck by what?**
- A. A Parked Car**
  - B. A Hit-and-Run Motor Vehicle**
  - C. A Vehicle Owned by an Uninsured Driver**
  - D. A Vehicle with Insufficient Liability Insurance**

## Answers

SAMPLE

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

SAMPLE

## **Explanations**

SAMPLE

**1. Which deductible may NOT apply to a coastal property policy?**

- A. Liability**
- B. Wind**
- C. Hail**
- D. Flood**

In a coastal property policy, deductibles apply to property losses from covered perils, not to liability claims. Deductibles are common for physical damage to the dwelling or contents caused by perils like wind or hail, and flood may even have its own policy deductible (often through a separate flood policy). Liability coverage, which handles injuries or damages you cause to others, typically has no deductible in standard forms—the insurer handles defense costs and settlements up to the policy limits without a deductible subtraction. So the deductible that cannot apply here is the one for liability.

**2. Under a Businessowners Policy (BOP) with no optional coverages, which property loss would be covered?**

- A. Merchandise destroyed when a customer trips and knocks over a display of fragile gift items**
- B. Building damage from a storm**
- C. Employee theft**
- D. Water damage to stored inventory**

A Businessowners Policy covers the insured's business personal property on the premises, including inventory or merchandise. When a customer trips and knocks over a display, the merchandise is directly damaged on the business's premises—this is a covered direct physical loss to the property the policy is designed to protect, and no extra endorsement is needed for this scenario. By contrast, employee theft isn't covered under the standard BOP without a fidelity endorsement, so that loss isn't automatically included. Water damage to stored inventory could be covered if it results from a covered peril (like a sudden, accidental discharge) but may be excluded for other water events (such as floods) unless a special endorsement is added. Building damage from a storm could be covered as well, but the example of the damaged inventory on display is the clearest, most straightforward property loss the base BOP covers.

**3. In the described scenario, the total coverage across Policy A and Policy B equals 150,000.**

- A. True**
- B. False**
- C. Cannot be determined**
- D. It depends on premiums**

The amount of coverage is determined by the policy limits, not by what you pay in premiums. If the scenario clearly states that the combined limits of Policy A and Policy B total 150,000, then that statement is true. In other words, the total coverage available across both policies adds up to 150,000 as described. Premiums don't set the coverage amount, though they do affect cost; the stated total is about the limits, not the price. If you ever needed to question it, you'd look at the actual limits of each policy and how they apply, but here the scenario already gives the total.

**4. Which of the following is an example of an unfair claims practice by an auto insurance company?**

- A. Delaying payment after settlement**
- B. Denying claims without investigation**
- C. Underpaying claims without investigation**
- D. Requiring excessive documentation**

Delaying payment after a settlement is a clear example of an unfair claims practice because once the insured and the insurer have reached an agreed-upon settlement, the insurer has a duty to pay promptly. Dragging out that payment undermines the insured's ability to use those funds and signals bad-faith handling of the claim. State laws prohibit this kind of delay to ensure claimants are treated fairly and paid without unnecessary hold-ups. Denying claims without investigation or underpaying claims without investigation also reflect bad-faith practices, but they occur when the claim is being evaluated or paid, not specifically after a settlement has been reached. Requiring excessive documentation can be a legitimate part of verification, unless it becomes a tactic to stall payment. The most direct illustration of an unfair practice in this scenario is the deliberate delay of payment after settlement.

**5. Under the Homeowners Policy described, vandalism is covered when the dwelling has been vacant for 20 days.**

- A. True**
- B. False**
- C. Only with a rider**
- D. Not specified**

The key idea is how vacancy affects vandalism coverage in a Homeowners Policy. Vandalism is typically a covered peril, but many policies include a vacancy clause that can reduce or remove coverage once the home has been unoccupied for a certain period. In the described policy, vandalism remains covered even if the dwelling has been vacant for 20 days, so the vacancy rule does not yet bar coverage. That's why this statement is true. Keep in mind that some policies or endorsements extend or limit this coverage based on longer vacancy periods (such as 30 or 60 days) or remove the exclusion with a rider. Always check the specific vacancy provisions in the policy.

**6. What is a defining governance feature of a mutual insurance company?**

- A. It is owned by stockholders**
- B. Policyholders elect the board of directors**
- C. It is financed by private foundations**
- D. It distributes profits to stockholders**

Policyholders elect the board of directors. In a mutual, the owners are the people who hold the policies, not outside investors. This gives policyowners real control over the company's leadership and major decisions, because the board is chosen by them and has fiduciary duties to serve their interests. Since there are no stockholders, profits stay with the mutual to benefit policyowners—often through lower premiums, dividends, or enhanced policy features—rather than being paid out to investors. This contrasts with stock insurers, where ownership rests with stockholders who elect the board and receive profits.

**7. The analysis of information pertaining to an applicant that was obtained from various sources and the determination of whether the insurance should be issued or declined is**

- A. Underwriting**
- B. Marketing**
- C. Claims adjustment**
- D. Policy administration**

Underwriting is the process of evaluating risk and deciding whether to issue a policy and on what terms. It involves analyzing information about the applicant gathered from various sources—application details, claims history, credit information where permitted, inspections, and other risk indicators—to determine insurability, appropriate premium, and any conditions. Based on this analysis, the underwriter may approve the risk with standard terms, approve with modifications (such as a higher premium or required endorsements), or decline coverage if the risk is too high or not insurable. This differs from marketing, which focuses on selling the policy; claims adjustment, which handles claims after a loss; and policy administration, which manages ongoing policy changes, billing, and renewals.

**8. An injured party must prove which elements to collect from the party responsible for the accident?**

- A. Duty Owed and Breach of Duty Only**
- B. Causation and Damages Only**
- C. Damages and Fault**
- D. Duty Owed, Breach of Duty, Causation, and Damages**

The key idea here is the four elements needed to prove a negligence claim: the injured party must show the defendant owed a duty of care, the duty was breached, the breach caused the injury (actual and proximate causation), and there are damages from the injury. Duty means the defendant had a legal obligation to act reasonably to avoid harming others. Breach happens when that standard isn't met. Causation ties the breach to the harm—the injury wouldn't have occurred but for the breach, and it was a foreseeable consequence. Damages are the actual losses suffered, such as medical bills, lost income, or pain and suffering. If any one of these elements is missing, there's no basis for recovery.

**9. What action does a subrogation clause authorize an insurer to take?**

- A. Sue the insured**
- B. Sue the responsible third party**
- C. Cancel the policy**
- D. Pay the claim**

Subrogation lets the insurer step into the insured's shoes after paying a claim and pursue recovery from the party at fault. The action authorized by this clause is for the insurer to sue the responsible third party to recover the amount paid on the claim. It doesn't involve suing the insured, nor does it authorize canceling the policy. Paying the claim is part of indemnification, while subrogation specifically relates to recouping costs from the third party at fault.

**10. Under a Personal Auto Policy, Uninsured Motorists coverage will pay bodily injury to the insured that results when the insured's auto is struck by what?**

**A. A Parked Car**

**B. A Hit-and-Run Motor Vehicle**

**C. A Vehicle Owned by an Uninsured Driver**

**D. A Vehicle with Insufficient Liability Insurance**

Uninsured motorist coverage protects you when the other driver at fault either doesn't have insurance or can't be identified. The scenario of being struck by a hit-and-run vehicle is the classic example: there's no identifiable at-fault driver to sue or claim against, so your own policy steps in to cover the bodily injuries you sustain. Hitting a parked car isn't a case of an uninsured motorist driving away or being unidentifiable, so it wouldn't trigger uninsured motorist benefits (that would typically be handled by collision coverage). A vehicle owned by an uninsured driver is also an uninsured-motorist situation in principle, but the standard teaching point used for uninsured motorist coverage is the hit-and-run scenario. If the other vehicle has liability limits that are too low, that situation falls under underinsured motorist coverage rather than uninsured motorist coverage.

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

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

SAMPLE