NEW JERSEY PROPERTY AND CASUALTY INSURANCE PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

https://njpropertycasualtyinsurance.examzify.com

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Table of Contents

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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 the Special risk definition for commercial lines under the act, what threshold defines a special risk?

A. Annual premium over $5,000

B. Annual premium over $10,000

C. Annual premium over $15,000

D. Annual premium over $20,000

2. The transfer of an insured's right of recovery to the insurer is known as

A. subrogation

B. endorsement

C. assignment

D. reinsurance

3. All of the following are typically covered by Other Than Collision (comprehensive) coverage EXCEPT

A. Theft of the Vehicle

B. Auto Body Damage Caused by a Roll-Over

C. Damage from Hail

D. Vandalism

4. Under the New Jersey FAIR Plan, a producer may do which of the following?

A. Set the insurance rates

B. Approve a claim

C. Cancel policies

D. Submit an application on an insurable property

5. Which of the following would be covered under the uninsured motorists section of a personal auto policy?

A. A hit-and-run driver who cannot be identified

B. A collision with a known uninsured driver

C. Damage from a hailstorm

D. A driver with liability coverage that meets minimum

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6. **A farm fertilizer company has four claims-made policies with retro-dates W1995, X1996, Y1997, Z1998. If a loss occurred in 1995 and a claim is made in 1997, which policy will pay this claim?**

A. W (1995)

B. X (1996)

C. Y (1997)

D. Z (1998)

7. **Which endorsement would extend homeowners insurance to cover a natural disaster such as an earthquake?**

A. Flood endorsement

B. Earthquake endorsement

C. Windstorm endorsement

D. Terrorism endorsement

8. **Under Coverage B - Other Structures of a dwelling policy, which structure would be covered?**

A. Copper pipe stored in the insured's plumbing business located at a different location

B. A garden shed used for personal lawn tools

C. A pool house attached to the dwelling used for parking

D. A guest house rented to tenants on the same property

9. **When a producer takes possession of insured's policies, the receipt for the policies MUST include all of the following information EXCEPT**

A. The date the material is to be returned

B. The policy numbers

C. The names of insured

D. The time and date of receipt

10. **Defense costs in liability claims are typically paid by the insurer in addition to settlements.**

A. Defense costs are paid by the insurer and are typically not counted against policy limits

B. Defense costs reduce the policy limits

C. Defense costs are paid by the insured only

D. Defense costs are not covered unless a judgment is obtained

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Answers

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

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Explanations

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1. Under the Special risk definition for commercial lines under the act, what threshold defines a special risk?

A. Annual premium over $5,000

B. Annual premium over $10,000

C. Annual premium over $15,000

D. Annual premium over $20,000

The concept being tested is how the act defines a "special risk" in commercial lines by a premium threshold. The act specifies that a risk becomes a special risk when the annual premium exceeds ten thousand dollars. So, any commercial policy with annual premium greater than $10,000 qualifies. For example, a policy with a $12,000 annual premium is a special risk, while a policy with $9,500 is not. The other dollar amounts listed do not meet the defined threshold.

2. The transfer of an insured's right of recovery to the insurer is known as

A. subrogation

B. endorsement

C. assignment

D. reinsurance

Subrogation is the transfer of the insured's right of recovery to the insurer after the insurer pays a claim. Once a loss is paid, the insurer can step into the insured's shoes and pursue the party responsible for the damage to recover the amount paid. This prevents the insured from obtaining a double recovery and allows the insurer to recoup its costs, helping keep premiums fair for everyone. The insured usually must cooperate with the subrogation process, and there can be policy terms or waivers that limit it in certain situations. Endorsements are policy changes, assignment is transferring rights to another party, and reinsurance is when an insurer buys risk protection from another insurer.

3. All of the following are typically covered by Other Than Collision (comprehensive) coverage EXCEPT

A. Theft of the Vehicle

B. Auto Body Damage Caused by a Roll-Over

C. Damage from Hail

D. Vandalism

Comprehensive coverage protects the car from non-collision perils, such as theft, vandalism, and weather-related damage like hail. It doesn't cover damage that results from a rollover in the typical sense, because a rollover is considered a collision loss (the damage arises from contact with the road, ground, or another object as the vehicle overturns). So damage from a roll-over is usually paid under collision coverage, not comprehensive. The other listed perils—theft of the vehicle, damage from hail, and vandalism—are classic examples of what comprehensive coverage covers. If the rollover happened as a result of colliding with something, that would fall under collision, not comprehensive.

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4. Under the New Jersey FAIR Plan, a producer may do which of the following?

A. Set the insurance rates

B. Approve a claim

C. Cancel policies

D. Submit an application on an insurable property

The NJ FAIR Plan exists to provide basic property insurance to applicants who can't get coverage in the standard market, and producers serve as the conduit to apply for that coverage. A producer's role is to gather the needed information and submit an application on behalf of the insured for an insurable property. Rates, underwriting decisions, and policy actions like claims handling or cancellations are not set or performed by the producer; those functions are handled by the FAIR Plan and the issuing insurer. Therefore, submitting an application on an insurable property is the action a producer may perform.

5. Which of the following would be covered under the uninsured motorists section of a personal auto policy?

A. A hit-and-run driver who cannot be identified

B. A collision with a known uninsured driver

C. Damage from a hailstorm

D. A driver with liability coverage that meets minimum

Uninsured motorist coverage protects you when the other driver lacks insurance or can't be identified after the crash. A hit-and-run where the driver can't be identified fits this scenario perfectly because there's no way to pursue the other party for damages through their liability insurance, so you rely on your own policy's uninsured motorist coverage for your injuries. The other options don't fit this specific protection: hail damage comes from a weather event and is handled by comprehensive coverage, not uninsured motorist; a driver with minimum liability isn't uninsured, so UM wouldn't apply; and a collision with an uninsured driver could involve UM for injuries but the situation described emphasizes the identity/insurance status issue that UM is designed to cover, which is most clearly illustrated by a hit-and-run.

6. A farm fertilizer company has four claims-made policies with retro-dates W1995, X1996, Y1997, Z1998. If a loss occurred in 1995 and a claim is made in 1997, which policy will pay this claim?

A. W (1995)

B. X (1996)

C. Y (1997)

D. Z (1998)

In claims-made policies, coverage depends on when the claim is made and the policy's retroactive date. The retroactive date sets the earliest date an act can occur and still be covered; acts before that date aren't covered, even if a claim is filed later. Here, the loss happened in 1995 and the claim is filed in 1997. To cover the 1995 incident, the policy must have a retroactive date of 1995 or earlier. Of the given options, only the policy with the 1995 retroactive date qualifies. Policies with retro dates of 1996, 1997, or 1998 would not cover a 1995 incident, even though the claim is made in 1997, because the underlying act occurred before their retroactive dates. Therefore, the policy with the 1995 retroactive date would pay the claim.

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7. Which endorsement would extend homeowners insurance to cover a natural disaster such as an earthquake?

A. Flood endorsement

B. Earthquake endorsement

C. Windstorm endorsement

D. Terrorism endorsement

Earthquakes aren't typically covered by a standard homeowners policy, so adding an endorsement specifically for earthquakes is how you extend coverage for that peril. An Earthquake endorsement modifies the policy to insure against damage caused by earthquakes and may involve a separate deductible or premium, and it can apply to dwelling, other structures, and personal property depending on the terms. Other endorsements address different disasters—flood coverage, wind damage, or terrorism—so they wouldn't provide earthquake coverage. The Earthquake endorsement directly targets the scenario described, making it the right choice.

8. Under Coverage B - Other Structures of a dwelling policy, which structure would be covered?

A. Copper pipe stored in the insured's plumbing business located at a different location

B. A garden shed used for personal lawn tools

C. A pool house attached to the dwelling used for parking

D. A guest house rented to tenants on the same property

Coverage B protects other structures on the insured's residence premises that are detached from the dwelling and used for private, non-business purposes. A garden shed qualifies because it's a detached structure on the property used for storing tools and lawn equipment, so it's covered under this section. A pool house that's attached to the dwelling isn't an "other structure" separate from the home; it's part of the dwelling and would be covered under the dwelling policy's main coverage. A guest house rented to tenants is typically not covered under Coverage B since structures that are rented out or used for business purposes aren't included unless a special endorsement is added. Storing copper pipe at a plumbing business located off the insured property isn't on the residence premises, so it isn't an eligible other structure under Coverage B.

9. When a producer takes possession of insured's policies, the receipt for the policies MUST include all of the following information EXCEPT

A. The date the material is to be returned

B. The policy numbers

C. The names of insured

D. The time and date of receipt

When a producer takes possession of insured policies, the receipt serves as a proof of custody and must clearly identify exactly which policies are being held and by whom and when possession started. The necessary elements are policy numbers (to pinpoint the exact policies), names of insured (to verify who the policies belong to), and the time and date of receipt (to establish the custody timeline and accountability). The date the material is to be returned is not required on the receipt. Return timing can vary and isn't needed to identify or track the policies or document possession. Including a return date could create rigidity if plans change.

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10. Defense costs in liability claims are typically paid by the insurer in addition to settlements.

A. Defense costs are paid by the insurer and are typically not counted against policy limits

B. Defense costs reduce the policy limits

C. Defense costs are paid by the insured only

D. Defense costs are not covered unless a judgment is obtained

Defense costs are the expenses incurred while handling a liability claim, such as attorney fees, expert fees, and court costs. In most liability policies, the insurer has a duty to defend the insured and will cover these defense costs in addition to paying any settlements or judgments. Importantly, defense costs are typically paid outside the policy limits, so they don't reduce the amount available to pay damages or settlements. This reflects the insurer's obligation to defend the claim regardless of the amount at issue in the settlement or judgment, and it means the insured isn't paying these costs out of pocket. Why this is the best understanding: it aligns with how standard liability coverage is structured, where defense costs accompany any settlement or judgment but do not erode the limits available to pay those damages. The idea that defense costs are paid by the insured, or that they only apply if a judgment is obtained, or that they reduce the policy limits, does not fit the typical framework of how defense costs are handled in most policies.

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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://njpropertycasualtyinsurance.examzify.com

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

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