

North Carolina Adjuster Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. Which homeowners policy coverage typically does NOT include a deductible?**
 - A. Personal property damage**
 - B. Fire Department Service Charge**
 - C. Liability coverage**
 - D. Dwelling coverage**
- 2. Which type of policy is specifically tailored for renters?**
 - A. HO-1**
 - B. HO-3**
 - C. HO-4**
 - D. HO-6**
- 3. What does the representation made by Scott during his auto insurance application include?**
 - A. His previous claims history**
 - B. His driving habits**
 - C. Details about his financial status**
 - D. All provided information about the vehicle and himself**
- 4. What document must an adjuster possess to legally adjust claims?**
 - A. A valid adjuster license**
 - B. A certificate of completion**
 - C. An insurance policy**
 - D. A bond of liability**
- 5. For what reason might an insurance company terminate a policy after a fraudulent claim?**
 - A. It is company policy**
 - B. To update the insurance policy**
 - C. To prevent further fraudulent activity**
 - D. To lower premiums for other policyholders**

- 6. Which of the following is a common type of insurance fraud?**
- A. Inflating the value of a claim**
 - B. Filing a claim for a lost item**
 - C. Seeking additional coverage**
 - D. Neglecting to report an incident**
- 7. Which of the following is NOT a duty of PAP holders after a loss?**
- A. Provide a police report**
 - B. Complete a driving safety course**
 - C. Inform the insurance company of the loss**
 - D. Submit a claim promptly**
- 8. What must an insurer avoid when settling a claim?**
- A. Modifying the terms of the claim.**
 - B. Using an application that was altered without the insured's knowledge.**
 - C. Requesting the insured to provide additional documentation.**
 - D. Communicating with the insured about the claim's status.**
- 9. What does "actual cash value" (ACV) mean in insurance terms?**
- A. The value based on market price only**
 - B. The replacement cost of an item minus depreciation**
 - C. The cost of the item at the time of the claim**
 - D. The total amount paid in premiums**
- 10. Where in the Standard Fire Policy can you find the explanation of losses covered and insurer obligations?**
- A. Conditions**
 - B. Exclusions**
 - C. Insuring Agreement**
 - D. Declarations**

Answers

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

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Explanations

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1. Which homeowners policy coverage typically does NOT include a deductible?

- A. Personal property damage**
- B. Fire Department Service Charge**
- C. Liability coverage**
- D. Dwelling coverage**

In homeowners insurance policies, certain coverages may or may not involve a deductible. The fire department service charge is one of the exceptions to the general rule regarding deductibles. This charge typically covers the cost of the local fire department when they respond to an incident but does not directly involve property damage or liability claims. It is designed to ensure that policyholders can access emergency services without a financial burden upfront. On the other hand, personal property damage, liability coverage, and dwelling coverage generally do have deductibles associated with them. The deductible represents the amount that the policyholder must pay out of pocket before the insurer pays the remaining balance of a covered loss. Therefore, the fire department service charge is unique in that it typically does not require a deductible to be paid by the insured.

2. Which type of policy is specifically tailored for renters?

- A. HO-1**
- B. HO-3**
- C. HO-4**
- D. HO-6**

The HO-4 policy, commonly known as tenant's insurance or renter's insurance, is specifically designed for individuals who rent their living space. This policy provides coverage for personal property against risks such as theft, fire, and vandalism, addressing the unique needs of renters who do not own the physical structure of the dwelling. It typically includes liability protection as well, which covers incidents that may occur within the rented premises. In contrast, the HO-1 is a basic homeowners policy that covers the dwelling and certain types of personal property but is not suited for renters since it pertains to homeowners who own their property. The HO-3 policy is a more comprehensive homeowners policy for those who own their homes, offering a broader range of protections for both the structure and personal belongings. The HO-6 policy is designed for condo owners, providing coverage for certain elements of the condo unit and personal property, which does not apply to renters either. Therefore, the HO-4 is the most appropriate option for those who do not own their home but require insurance for their belongings and liability.

3. What does the representation made by Scott during his auto insurance application include?

- A. His previous claims history**
- B. His driving habits**
- C. Details about his financial status**
- D. All provided information about the vehicle and himself**

The representation made by Scott during his auto insurance application encompasses all provided information about the vehicle and himself. In the process of applying for auto insurance, applicants are required to disclose a variety of details that are vital for the insurer to assess risk and determine appropriate coverage and premiums. This includes specifics about the vehicle such as its make, model, year, and any modifications, as well as personal information including driving history, claims history, and financial status. By choosing "all provided information," it reflects the comprehensive nature of the application process, where every piece of information is significant in determining the terms of the insurance policy. It highlights the importance of full disclosure in ensuring that the insurer can accurately evaluate the risks involved. Such thoroughness helps prevent issues that may arise from incomplete or inaccurate representations, which could affect claims in the future.

4. What document must an adjuster possess to legally adjust claims?

- A. A valid adjuster license**
- B. A certificate of completion**
- C. An insurance policy**
- D. A bond of liability**

An adjuster must possess a valid adjuster license to legally adjust claims. This license is a regulatory requirement that ensures that the adjuster has met the necessary educational and ethical standards set forth by the state's insurance department. Obtaining this license typically involves completing specific coursework and passing an examination that tests knowledge of insurance laws, claims processes, and ethical practices in the insurance industry. Having a valid adjuster license directly legitimizes the adjuster's ability to engage in the adjustment of claims, protecting the interests of both the insured and the insurance company. This licensing process also provides a level of consumer protection, ensuring that individuals who perform adjustments are knowledgeable and qualified to do so. While certificates of completion, insurance policies, and bonds of liability may be relevant to the insurance profession, they do not fulfill the requirement necessary for an adjuster to legally perform their duties in adjusting claims. The license is the critical document that grants the authority to operate as an adjuster in compliance with state regulations.

5. For what reason might an insurance company terminate a policy after a fraudulent claim?

- A. It is company policy**
- B. To update the insurance policy**
- C. To prevent further fraudulent activity**
- D. To lower premiums for other policyholders**

An insurance company may terminate a policy after a fraudulent claim primarily to prevent further fraudulent activity. Engaging in fraud undermines the trust and integrity of the entire insurance system, which is built on the premise that all parties act honestly. By terminating a policy involved in fraudulent behavior, the insurer not only protects its own interests but also sends a strong message to deter similar behaviors from other policyholders. The decision to terminate helps safeguard the insurer's financial health and ensures that resources are allocated to legitimate claims. Furthermore, it can also help protect the insurer's reputation and maintain fair pricing for all customers. This action is a critical component of risk management within the insurance industry, ensuring that the costs associated with fraudulent claims do not adversely affect the overall customer base or lead to increased premiums for honest policyholders.

6. Which of the following is a common type of insurance fraud?

- A. Inflating the value of a claim**
- B. Filing a claim for a lost item**
- C. Seeking additional coverage**
- D. Neglecting to report an incident**

Inflating the value of a claim is a common type of insurance fraud because it involves misrepresenting the actual value of a loss or damage in order to receive a greater payout than what is warranted. This dishonest practice undermines the integrity of the insurance system and can lead to increased premiums for all policyholders as insurers adjust their rates to account for fraudulent behavior. In contrast, filing a claim for a lost item, seeking additional coverage, and neglecting to report an incident do not inherently constitute fraud. Filing a legitimate claim for a lost item is a standard part of utilizing insurance. Seeking additional coverage is a proactive measure for better protection and does not imply any malfeasance. Neglecting to report an incident might involve less transparency, but it does not involve the direct deceit implied in inflating a claim's value.

7. Which of the following is NOT a duty of PAP holders after a loss?

- A. Provide a police report**
- B. Complete a driving safety course**
- C. Inform the insurance company of the loss**
- D. Submit a claim promptly**

The correct response highlights that completing a driving safety course is not a duty imposed on Personal Auto Policy (PAP) holders after a loss. The primary responsibilities of PAP holders immediately following a loss primarily involve notifying the insurance company, providing necessary documentation such as police reports if applicable, and submitting a claim in a timely manner. Engaging in a driving safety course is generally related to improving one's driving skills or potentially qualifying for discounts on insurance premiums, rather than a requirement following an incident. Therefore, while taking such a course can be beneficial for drivers in the long run, it is not obligatory as part of the post-loss procedure under the Personal Auto Policy guidelines.

8. What must an insurer avoid when settling a claim?

- A. Modifying the terms of the claim.**
- B. Using an application that was altered without the insured's knowledge.**
- C. Requesting the insured to provide additional documentation.**
- D. Communicating with the insured about the claim's status.**

An insurer must avoid using an application that has been altered without the insured's knowledge because this can lead to significant ethical and legal issues. When an insurer alters documentation without the insured's consent, it undermines the integrity of the claims process and violates the trust that forms the foundation of the insurer-insured relationship. Such actions can be perceived as deceptive and may result in allegations of bad faith, potentially damaging the insurer's reputation and exposing it to legal liability. Maintaining transparency and communication regarding the conditions and terms of a policy is vital in ensuring that both the insurer and the insured have a mutual understanding and agreement on the claims process. An altered application that the insured is unaware of disrupts this transparency and can skew the settlement in ways that are not aligned with the policyholder's original intentions or understanding. Therefore, it's crucial for insurers to operate with full disclosure and integrity during the settlement of claims. This approach not only upholds ethical standards but also fosters trust and cooperation between the parties involved.

9. What does "actual cash value" (ACV) mean in insurance terms?

- A. The value based on market price only**
- B. The replacement cost of an item minus depreciation**
- C. The cost of the item at the time of the claim**
- D. The total amount paid in premiums**

Actual cash value (ACV) in insurance is defined as the replacement cost of an item minus depreciation. This means that when an insurance policy defines a loss based on ACV, the insurer will calculate the value of the damaged or lost item by determining how much it would cost to replace it with a similar item, while also taking into consideration the wear and tear or aging of the item, which is represented by depreciation. For example, if a homeowner has a five-year-old roof that would cost \$10,000 to replace, and its value has depreciated by \$4,000 due to age and wear, the actual cash value would be \$6,000. This method of valuing property ensures that policyholders receive compensation that reflects the current value of their property rather than the original purchase price or the cost of replacing it with brand new materials. In this context, other options do not accurately represent ACV. The first option solely focuses on market price and does not account for depreciation. The third option suggests that ACV is simply the cost of the item at the time of the claim, which fails to include the necessary calculation of depreciation. The fourth option about premiums is irrelevant to the concept of ACV, since it relates to

10. Where in the Standard Fire Policy can you find the explanation of losses covered and insurer obligations?

- A. Conditions**
- B. Exclusions**
- C. Insuring Agreement**
- D. Declarations**

The Insuring Agreement is the section of the Standard Fire Policy that outlines the specific losses that are covered by the policy, as well as the obligations of the insurer. This section clearly defines what risks are insured and under what conditions. It establishes the foundation of the insurance contract by stating the commitment of the insurer to pay for covered losses, thus setting expectations for both the policyholder and the insurer regarding coverage. In contrast, other sections like the Conditions detail the responsibilities of both the insurer and the insured, Exclusions list the specific situations or types of losses that are not covered under the policy, and Declarations provide general information about the policy, such as the coverage limits and the insured property. However, it is the Insuring Agreement that encompasses the core intent of the policy, making it crucial for understanding what is guaranteed under the policy's terms.