

North Carolina Adjuster Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. Which of the following actions would help reduce insurance fraud?**
 - A. Inventing more complex insurance products.**
 - B. Improving education on the implications of fraud.**
 - C. Limiting insurer transparency in claims processing.**
 - D. Reducing the penalties for fraudulent activities.**
- 2. What is a "loss run report"?**
 - A. A document detailing an adjuster's qualifications**
 - B. A report that details the claims history of an insured**
 - C. A list of denied claims**
 - D. A summary of insurance policies**
- 3. What does the term "adjuster's report" refer to?**
 - A. A summary of the insurer's past claims**
 - B. A formal document detailing the findings and conclusions of the adjuster's investigation**
 - C. A letter of approval from the insurance company**
 - D. A record of all communications with the insured**
- 4. Which homeowners policy coverage will pay for Dewayne's injuries after he accidentally knocks over a storage unit?**
 - A. Dewayne's home insurance**
 - B. Pat's Liability coverage**
 - C. Workers' Compensation**
 - D. Medical Payments coverage**
- 5. In what circumstances might an adjuster need to involve a specialist?**
 - A. In cases involving minor vehicle damages**
 - B. In cases involving complex damages, such as environmental hazards or extensive structural damage**
 - C. When the insured requests it**
 - D. When the claim is low-value**

- 6. What is the consequence of providing misleading information during a claims process?**
- A. Increased trust from stakeholders**
 - B. Potential criminal charges and penalties**
 - C. Faster claim resolution**
 - D. Improved claim outcomes for the insurer**
- 7. Which of the following statements about liability limits is true?**
- A. They cover only property damage**
 - B. They are defined per person and per accident**
 - C. They do not apply in hit-and-run scenarios**
 - D. They increase automatically each year**
- 8. What is the role of the North Carolina Department of Insurance in relation to adjusters?**
- A. To provide the license management system**
 - B. To regulate licensing, enforce laws, and ensure ethical practices within the industry**
 - C. To offer training programs for new adjusters**
 - D. To act as a mediator between adjusters and claimants**
- 9. Which of the following is considered an Unfair Claims Settlement Practice in North Carolina?**
- A. Requesting verification of facts without explaining the reason for doing so.**
 - B. Not responding to claims within a 30-day period.**
 - C. Not investigating a claim adequately.**
 - D. Offering a settlement lower than the estimated repair costs.**
- 10. 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**

Answers

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

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Explanations

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1. Which of the following actions would help reduce insurance fraud?

- A. Inventing more complex insurance products.**
- B. Improving education on the implications of fraud.**
- C. Limiting insurer transparency in claims processing.**
- D. Reducing the penalties for fraudulent activities.**

Improving education on the implications of fraud is a crucial action that can significantly help reduce insurance fraud. Increased awareness and understanding of what constitutes fraud, the potential consequences, and the impact on everyone involved—including policyholders, insurers, and the community—can deter dishonest behavior. When individuals are educated on the seriousness of insurance fraud and its repercussions, they are more likely to act within the bounds of ethical behavior regarding claims and transactions. Education can take various forms, from workshops and training sessions for both consumers and professionals in the insurance industry to public campaigns that inform the general public about the costs associated with fraud. By fostering a culture of integrity and understanding, the likelihood of fraudulent activities decreases, as individuals recognize the risks and ethical considerations involved. In contrast, other options do not effectively address the root causes of fraud. For instance, inventing more complex insurance products may actually confuse consumers and create opportunities for exploitation. Limiting insurer transparency in claims processing could lead to mistrust and more unreported fraudulent activities. Reducing penalties could imply a lack of seriousness regarding fraudulent actions, potentially encouraging more individuals to engage in such behaviors.

2. What is a "loss run report"?

- A. A document detailing an adjuster's qualifications**
- B. A report that details the claims history of an insured**
- C. A list of denied claims**
- D. A summary of insurance policies**

A "loss run report" is indeed a report that provides a detailed history of claims associated with a particular insured individual or entity. This document is crucial for underwriters and insurance providers as it includes information about claims that have been made, their outcomes, and any financial impacts. It allows insurers to assess the risk associated with an insured and make informed decisions about policy renewals, premiums, or eligibility for coverage. Having access to a loss run report helps insurers understand the past claims behavior of a client, which can be indicative of future risk. This historical data is beneficial for both the insured and the insurer in planning and managing potential future claims. Therefore, the identification of option B as the correct definition showcases the vital role that loss run reports play in the insurance industry and claims management process.

3. What does the term "adjuster's report" refer to?

- A. A summary of the insurer's past claims
- B. A formal document detailing the findings and conclusions of the adjuster's investigation**
- C. A letter of approval from the insurance company
- D. A record of all communications with the insured

The term "adjuster's report" specifically refers to a formal document that outlines the findings and conclusions drawn from the adjuster's investigation of a claim. This report serves as a comprehensive summary that includes details about the claim, evidence collected, interviews conducted, and evaluations made regarding the insured's situation. It plays a critical role in the claims process, as it informs the insurer about the adjuster's assessment, which will influence decision-making regarding the claim's resolution. This report is crucial for the insurer to understand the basis for the adjuster's recommendations concerning coverage, liability, and the amount of compensation due to the insured. The depth and accuracy of the adjuster's report can significantly affect the outcome of a claim, making it a key document in the insurance claims process.

4. Which homeowners policy coverage will pay for Dewayne's injuries after he accidentally knocks over a storage unit?

- A. Dewayne's home insurance
- B. Pat's Liability coverage
- C. Workers' Compensation
- D. Medical Payments coverage**

The correct answer is Medical Payments coverage. This coverage is specifically designed to provide immediate medical expense payments for injuries that occur on a property, regardless of who is at fault. In the scenario where Dewayne accidentally knocks over a storage unit and causes injuries, Medical Payments coverage would cover the medical costs associated with those injuries, up to the policy's limits. This type of coverage is separate from liability coverage, which typically would require proof of negligence or fault, making it a more immediate solution for covering medical expenses following an accident. It allows for quick access to funds for medical bills without the need for legal proceedings, ensuring that injured parties receive prompt care.

5. In what circumstances might an adjuster need to involve a specialist?

A. In cases involving minor vehicle damages

B. In cases involving complex damages, such as environmental hazards or extensive structural damage

C. When the insured requests it

D. When the claim is low-value

Involving a specialist is essential in cases where the damages are complex, such as environmental hazards or extensive structural damage, due to the specialized knowledge and skills required to accurately assess the situation. Adjusters often handle a variety of claims, but when the intricacies of a case go beyond their expertise—like interpreting environmental regulations or assessing extensive damage to a property's structures—they must engage specialists who have the knowledge in areas like engineering, environmental science, or other fields relevant to the specific damages. This collaboration ensures that claims are handled appropriately and that all factors are considered, leading to more accurate and fair resolutions. The other options typically do not warrant the need for a specialist. Minor vehicle damage usually falls within the adjuster's scope of expertise, and low-value claims may not have the complexity that necessitates a specialist's input. Additionally, a request from the insured does not automatically mandate the involvement of a specialist unless the circumstances of the claim justify it.

6. What is the consequence of providing misleading information during a claims process?

A. Increased trust from stakeholders

B. Potential criminal charges and penalties

C. Faster claim resolution

D. Improved claim outcomes for the insurer

Providing misleading information during a claims process can lead to serious legal and regulatory consequences. Misrepresentation or fraud in the claims process can result in potential criminal charges and penalties. This includes both civil and criminal repercussions, which might involve fines, restitution, or even imprisonment depending on the severity of the actions and the laws applicable in the jurisdiction. Misleading information undermines the integrity of the claims process and can erode trust between the insurer, the insured, and other stakeholders involved. It poses a risk not only to the individual providing the misleading information but also to the industry as a whole, as it can lead to higher premiums and stricter regulatory oversight. Effective claims management relies on honesty and transparency, and when these principles are violated, the consequences can be severe, reinforcing the importance of ethical conduct during claims processing.

7. Which of the following statements about liability limits is true?

- A. They cover only property damage**
- B. They are defined per person and per accident**
- C. They do not apply in hit-and-run scenarios**
- D. They increase automatically each year**

Liability limits are a key aspect of insurance policies, particularly when it comes to understanding the extent of coverage provided. The accurate statement regarding liability limits is that they are defined both per person and per accident. This means that the insurance policy sets a maximum amount that will be paid for injuries to a single individual (per person) as well as a total maximum amount for all injuries or damages resulting from a single incident (per accident). This structure is essential as it provides clarity on how much coverage is available for multiple claimants involved in a single event. For example, if an accident involves several people, the liability limits delineate how much can be allocated to an individual claimant and how much the insurer will cover in total for that particular incident. Understanding these limits is crucial for adjusters when assessing claims and determining the payout amounts. In contrast, some statements like those regarding coverage limitations to property damage only or the non-application of limits in hit-and-run situations do not accurately reflect the comprehensive nature of liability coverage. Additionally, the notion of automatic increases each year is not standard for all policies and would typically depend on the specific terms of an insurance policy or rider. Therefore, recognizing that liability limits are structured to apply both per incident and per individual provides a

8. What is the role of the North Carolina Department of Insurance in relation to adjusters?

- A. To provide the license management system**
- B. To regulate licensing, enforce laws, and ensure ethical practices within the industry**
- C. To offer training programs for new adjusters**
- D. To act as a mediator between adjusters and claimants**

The role of the North Carolina Department of Insurance encompasses a range of responsibilities aimed at maintaining the integrity of the insurance industry. Regulating licensing is a fundamental duty, ensuring that only qualified individuals are granted the authority to operate as adjusters. This includes oversight of the licensing process, setting eligibility requirements, and ensuring compliance with state laws. Enforcing laws is another critical aspect of this role. The Department ensures that adjusters adhere to legal standards and ethical practices, protecting consumers from potential misconduct. This enforcement helps to maintain public confidence in the insurance system, ensuring that claims are handled fairly and transparently. In addition to these regulatory functions, the Department is also tasked with promoting ethical practices throughout the industry. This involves developing standards and guidelines that adjusters must follow, which helps to foster a culture of accountability and integrity. While there may be other departments or organizations that provide training or support within the industry, the primary function of the North Carolina Department of Insurance is to regulate and oversee the licensing and ethical conduct of adjusters, making option B the most accurate choice.

9. Which of the following is considered an Unfair Claims Settlement Practice in North Carolina?

- A. Requesting verification of facts without explaining the reason for doing so.**
- B. Not responding to claims within a 30-day period.**
- C. Not investigating a claim adequately.**
- D. Offering a settlement lower than the estimated repair costs.**

In North Carolina, unfair claims settlement practices are actions by an insurer that do not align with fair and ethical treatment of policyholders during the claims process. Requesting verification of facts without explaining the reason can mislead or confuse a claimant, creating an environment of suspicion and lack of transparency. This lack of communication regarding the rationale behind the request is considered unfair because it may place an undue burden on the claimant and could lead to an unjust denial or delay of a claim. While other actions, such as failing to respond to claims in a timely manner, inadequate investigations, or offering low settlements, can also be viewed as unfair practices, the question specifically highlights the need for clarity in communication. The insurer's failure to adequately explain their actions could be detrimental to the claimant's understanding of the process and is why this action is categorized as an unfair claims settlement practice in North Carolina.

10. 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.