

# North Carolina Insurance Statutes and Regulations Practice Test (Sample)

## Study Guide



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

**This is a sample study guide. To access the full version with hundreds of questions,**

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**SAMPLE**

# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>6</b>
<b>Answers</b> .....	<b>9</b>
<b>Explanations</b> .....	<b>11</b>
<b>Next Steps</b> .....	<b>17</b>

# 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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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**

- 1. What is the primary purpose of insurance regulation in North Carolina?**
  - A. To increase profits for insurance companies**
  - B. To set affordable insurance rates**
  - C. To protect consumers and promote a competitive insurance market**
  - D. To limit the number of insurance providers**
- 2. What is the purpose of a risk retention group?**
  - A. To offer the lowest insurance rates possible**
  - B. To provide health insurance to a specific demographic**
  - C. To provide liability insurance by pooling risks among members**
  - D. To sell life insurance exclusively to business owners**
- 3. Under what circumstances can insurers refuse to renew a policy in North Carolina?**
  - A. Change of residence**
  - B. Nonpayment of premiums, fraud, or significant changes in risk**
  - C. Request from the policyholder**
  - D. Increase in age of the policyholder**
- 4. What is the minimum bond requirement for someone to be a broker?**
  - A. \$5,000**
  - B. \$10,000**
  - C. \$15,000**
  - D. \$20,000**
- 5. Is it mandatory for everyone seeking an insurance license to take exams?**
  - A. No**
  - B. Yes**
  - C. Only for brokers**
  - D. Only for life insurance**



- 6. What does it mean when an insurance policy is deemed "non-renewable"?**
- A. The policy will automatically renew after a year**
  - B. The policy cannot be renewed at the end of the policy term**
  - C. The policy offers increased coverage upon renewal**
  - D. The policy requires a review before renewal**
- 7. What authority does the Commissioner of Insurance have in terms of making laws?**
- A. Can create new laws**
  - B. Cannot make laws but can promulgate them**
  - C. Can amend existing laws**
  - D. Can enforce laws without any restrictions**
- 8. What amount of property damage indicates a major accident?**
- A. Above 1000**
  - B. 2500-3000**
  - C. Above 3000**
  - D. 1500-2500**
- 9. Which of the following is NOT one of the three parts of the NC Rate Bureau?**
- A. NC Fire Insurance Rating Bureau**
  - B. NC Health Insurance Rating Bureau**
  - C. NC Automobile Rate Admin Office**
  - D. Compensation Rating and Inspection Bureau of NC**
- 10. How long after an insurer's insolvency can claims arise and still be covered?**
- A. 30 days**
  - B. 60 days**
  - C. 90 days**
  - D. 120 days**

## **Answers**

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

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## **Explanations**

**1. What is the primary purpose of insurance regulation in North Carolina?**

- A. To increase profits for insurance companies**
- B. To set affordable insurance rates**
- C. To protect consumers and promote a competitive insurance market**
- D. To limit the number of insurance providers**

The primary purpose of insurance regulation in North Carolina is to protect consumers and promote a competitive insurance market. This framework is designed to ensure that insurance companies operate fairly and transparently, providing necessary safeguards for policyholders. By promoting fair competition, regulations help to maintain a marketplace where multiple insurance providers can offer diverse products, allowing consumers to choose policies that best meet their needs while ensuring that they are treated fairly. The focus on consumer protection includes enforcing standards that prevent discriminatory practices, ensuring that insurance products are financially sound, and maintaining ethical business practices. This regulatory environment fosters trust, allowing consumers to feel secure that their insurers will honor their claims and commitments. This approach does not center around increasing profits for insurance companies, as that would not align with the consumer protection mandate. Additionally, while affordable insurance rates are important, the primary goal is broader—encompassing overall market stability and consumer confidence rather than just pricing. Limiting the number of insurance providers contradicts the goal of a competitive market, which thrives on having a variety of options available to consumers.

**2. What is the purpose of a risk retention group?**

- A. To offer the lowest insurance rates possible**
- B. To provide health insurance to a specific demographic**
- C. To provide liability insurance by pooling risks among members**
- D. To sell life insurance exclusively to business owners**

The purpose of a risk retention group is to provide liability insurance by pooling risks among its members. This type of group is established under the federal Liability Risk Retention Act, allowing its members, who are typically involved in similar businesses or professions, to come together and share their risk exposures. By pooling their resources, members can create a more stable risk-sharing environment, which often results in lower insurance costs compared to what they might pay individually in the traditional insurance market. This arrangement allows the group to cater specifically to the liability needs of its members while promoting mutual support and financial sustainability. The other options don't align with the core function of risk retention groups. Offering the lowest rates, providing health insurance to a specific demographic, or selling life insurance exclusively to business owners does not reflect the primary objective of pooling risk for liability purposes. Thus, the correct answer accurately captures the essence of what risk retention groups are designed to do.

**3. Under what circumstances can insurers refuse to renew a policy in North Carolina?**

**A. Change of residence**

**B. Nonpayment of premiums, fraud, or significant changes in risk**

**C. Request from the policyholder**

**D. Increase in age of the policyholder**

Insurers in North Carolina can refuse to renew a policy primarily due to nonpayment of premiums, fraudulent behavior, or significant changes in risk. Nonpayment of premiums is a clear reason, as insurers need to ensure that policyholders are meeting their financial obligations. Fraudulent actions undermine the trust necessary for the insurance relationship and can lead to termination. Significant changes in risk refer to situations where the risk profile of the insured has altered, such as substantial changes in health, occupation, or the property being insured that would make it more susceptible to loss or damage. Other circumstances, such as change of residence or the aging of the policyholder, typically do not provide valid grounds for non-renewal under North Carolina law. Requests from policyholders to renew or terminate a policy do not give insurers the right to refuse renewal unless there are valid reasons, as listed above. Therefore, the correct circumstances for an insurer's refusal to renew a policy in North Carolina align closely with maintaining financial integrity and assessing risk fairly.

**4. What is the minimum bond requirement for someone to be a broker?**

**A. \$5,000**

**B. \$10,000**

**C. \$15,000**

**D. \$20,000**

In North Carolina, the minimum bond requirement for someone to operate as an insurance broker is established to protect clients and maintain the integrity of the insurance industry. A bond acts as a form of insurance that provides a financial guarantee that the broker will adhere to state regulations and ethical practices. The correct minimum bond amount of \$15,000 serves to ensure that there is sufficient coverage available to compensate clients in the event of any malpractice, fraudulent behavior, or failure to fulfill contractual obligations by the broker. This requirement helps foster trust between brokers and clients, ensuring that brokers have a financial stake in their professionalism and accountability. Understanding this bond requirement is crucial for those looking to establish themselves as brokers in North Carolina, as failing to meet this requirement can result in not being licensed to practice. Hence, the specified bond amount plays a vital role in regulating the industry and protecting consumers.

**5. Is it mandatory for everyone seeking an insurance license to take exams?**

**A. No**

**B. Yes**

**C. Only for brokers**

**D. Only for life insurance**

In North Carolina, it is mandatory for individuals seeking to obtain an insurance license to complete the necessary examinations. This requirement ensures that all prospective agents and brokers possess a fundamental understanding of insurance principles, state regulations, and ethical practices in the industry. The exams are designed to test knowledge pertinent to the specific lines of insurance for which a license is being sought, such as life, health, property, casualty, or other types of coverage. The purpose of these examinations is to protect consumers by ensuring that licensed individuals have sufficient competence and knowledge to provide appropriate advice and services. This regulatory approach fosters a standard of professionalism within the insurance industry, contributing to consumer confidence. While some might think that certain categories of insurance professionals, like brokers or those specializing in life insurance, might be exempt from this requirement, the reality is that all individuals looking to be licensed—regardless of the type of insurance they plan to work with—must successfully pass the relevant exams. This comprehensive requirement underscores the importance of regulatory measures in ensuring that all licensed individuals are adequately prepared to navigate the complexities of the insurance domain.

**6. What does it mean when an insurance policy is deemed "non-renewable"?**

**A. The policy will automatically renew after a year**

**B. The policy cannot be renewed at the end of the policy term**

**C. The policy offers increased coverage upon renewal**

**D. The policy requires a review before renewal**

When an insurance policy is deemed "non-renewable," it indicates that the policy cannot be renewed at the end of the policy term. This means that once the policy reaches its expiration date, the insurer is not obligated to offer a renewal, and the policyholder cannot extend the coverage for another term. This designation can be significant for policyholders because it means they will need to seek a new policy if they want to maintain coverage after the current policy ends. In contrast, the other options suggest scenarios that involve renewal in some capacity, whether through automatic renewal, increased coverage, or requiring a review prior to renewal. These options do not reflect the fundamental characteristic of a non-renewable policy, which is the absence of any possibility to renew once the term is complete. This distinction can impact someone's insurance planning and risk management strategies moving forward.

**7. What authority does the Commissioner of Insurance have in terms of making laws?**

- A. Can create new laws**
- B. Cannot make laws but can promulgate them**
- C. Can amend existing laws**
- D. Can enforce laws without any restrictions**

The Commissioner of Insurance in North Carolina operates primarily as an administrative authority and does not have the power to create new laws in the way a legislative body does. Instead, the Commissioner's role includes the ability to promulgate administrative rules and regulations to implement existing laws, which is what makes this choice accurate. Promulgation involves creating specific guidelines and rules within the framework of laws already established by the legislature. This ensures that the laws are applied effectively and address the practical complexities of the insurance industry in North Carolina. The other choices reflect powers that the Commissioner does not possess. For instance, creating new laws would require legislative authority, which is beyond the scope of the Commissioner's duties. Likewise, while the Commissioner plays a vital role in enforcing existing laws, this does not extend to amending those laws or enforcing them without restrictions. The enforcement of laws must adhere to legal frameworks and regulations. Therefore, the role is focused on administrative functions rather than legislative powers.

**8. What amount of property damage indicates a major accident?**

- A. Above 1000**
- B. 2500-3000**
- C. Above 3000**
- D. 1500-2500**

In North Carolina, a major accident is typically defined by the extent of property damage incurred. The threshold for what constitutes a major accident is set at damages above a specific monetary value, which reflects a significant incident requiring reporting and potentially involving serious consequences for insurance and law enforcement records. The correct answer indicates that property damage exceeding \$3,000 qualifies as a major accident. This delineation is important as it aligns with statutory requirements for reporting, regulatory assessment, and insurance implications. Incidents that surpass this financial threshold often lead to more complex claims processes and legal scrutiny, as they are deemed serious enough to potentially result in significant injuries or fatalities. Understanding the classification of accidents based on property damage assists both insurers and policyholders in navigating claims effectively and ensures that serious accidents are appropriately documented and managed within the framework of state regulations.



**9. Which of the following is NOT one of the three parts of the NC Rate Bureau?**

**A. NC Fire Insurance Rating Bureau**

**B. NC Health Insurance Rating Bureau**

**C. NC Automobile Rate Admin Office**

**D. Compensation Rating and Inspection Bureau of NC**

The correct answer is the NC Health Insurance Rating Bureau. This designation is not included in the three primary components of the NC Rate Bureau, which is primarily focused on establishing and regulating property and casualty insurance rates, rather than health insurance rates. The NC Rate Bureau's primary components are designed to address specific lines of insurance prevalent in North Carolina. For instance, the NC Fire Insurance Rating Bureau handles rates and statistics related to fire insurance. The NC Automobile Rate Administration Office oversees automobile insurance, ensuring rates are just and adequately reflect risk. The Compensation Rating and Inspection Bureau of NC deals with workers' compensation insurance, another crucial aspect of insurance regulation in the state. By understanding the main focuses of these bureaus, it's clear that health insurance, while a significant area of insurance coverage, is typically managed by different entities and not under the purview of the NC Rate Bureau.

**10. How long after an insurer's insolvency can claims arise and still be covered?**

**A. 30 days**

**B. 60 days**

**C. 90 days**

**D. 120 days**

Claims arising from an insurer's insolvency can be covered for a specific period after the insolvency event. In North Carolina, the relevant statute establishes a timeframe of 30 days for claims to be presented. This period starts from the date the insurer is declared insolvent. During this time, claimants can seek coverage for policy benefits that they are entitled to under the insurance policies. A 30-day period provides the necessary time for policyholders to file claims and ensure that they receive the benefits they are eligible for in situations where the insurer cannot meet its obligations due to insolvency. This short timeframe encourages prompt reporting of claims, which is crucial for the orderly processing and management of the insurer's remaining assets and claims. In contrast, longer periods such as 60, 90, or 120 days do not align with North Carolina's specific regulations on claims following insurer insolvency, which emphasizes swift action to help protect policyholders' rights while also facilitating the claims management process in insolvency situations. Therefore, understanding this 30-day limit is essential for individuals dealing with insurance claims in the context of insurer insolvency.

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

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