

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

## Study Guide



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

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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.

# 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

- 1. What type of property can the NCIUA insure?**
  - A. Vehicles and agricultural land**
  - B. Beach area real property only**
  - C. Any property type without restrictions**
  - D. Properties without fixed locations**
  
- 2. Are insurance agents allowed to accept gratuity or remuneration from outside parties?**
  - A. Yes, with disclosure**
  - B. Yes, without restrictions**
  - C. No, they are not allowed**
  - D. Only from clients**
  
- 3. What is encompassed within property and liability insurance?**
  - A. Only property damage**
  - B. Medical expenses**
  - C. Death, injury, and damage to person or property**
  - D. Only disability insurance**
  
- 4. Which of the following is covered by motor vehicle insurance through the facility?**
  - A. Only property damage**
  - B. Bodily injury and medical payments**
  - C. Uninsured motorist coverage**
  - D. All of the above**
  
- 5. What is an insurance policy's "deductible"?**
  - A. The total amount the insurer pays for a claim**
  - B. The amount the policyholder must pay out of pocket before insurance coverage applies**
  - C. The percentage of the claim amount covered by the insurer**
  - D. The fees charged by the insurance agency**

- 6. In terms of motor insurance policies, what does the term 'non-renewal' refer to?**
- A. Changing the insurer**
  - B. Refusal to renew a policy at the end of its term**
  - C. Adjusting the premium based on risk**
  - D. Cancelling the policy mid-term**
- 7. What is a major consequence of failing to pay an insurance premium?**
- A. Increased coverage options**
  - B. Possible legal action**
  - C. Lapse of the insurance policy**
  - D. Higher renewal rates in the future**
- 8. What is the purpose of the postassessment insurance guaranty association?**
- A. To avoid excessive delay in payment**
  - B. To issue new policies**
  - C. To settle disputes between insurers**
  - D. To underwrite high-risk businesses**
- 9. What is the purpose of the safe driver incentive plan filed by the bureau?**
- A. To identify the safest drivers for discounts**
  - B. To distinguish various classes of drivers**
  - C. To penalize unsafe driving behaviors**
  - D. To provide free driver education programs**
- 10. Which category of insurance is specifically related to coverage for human life?**
- A. Property insurance**
  - B. Liability insurance**
  - C. Life and health insurance**
  - D. Commercial insurance**

## **Answers**

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

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## **Explanations**

**1. What type of property can the NCIUA insure?**

- A. Vehicles and agricultural land
- B. Beach area real property only**
- C. Any property type without restrictions
- D. Properties without fixed locations

The North Carolina Insurance Underwriting Association (NCIUA) is specifically designed to provide insurance coverage for certain properties that may be difficult to insure through standard markets, particularly properties at higher risk for coastal storms and flooding. This niche focus means that the association's scope is generally more specialized than covering all types of property. In this case, the NCIUA's ability to insure "beach area real property only" aligns with its purpose to facilitate insurance coverage in specific high-risk areas, such as coastal regions, where traditional insurers may hesitate to provide coverage due to the increased risk associated with hurricanes and other natural disasters. Other property types, such as vehicles and agricultural land, do not fall within the NCIUA's specific mandate, as the association is not focused on insuring personal property or agricultural assets. Additionally, "any property type without restrictions" suggests a broader coverage than what the NCIUA actually offers, which is constrained by typical risks associated with real estate in defined geographical areas. Finally, properties without fixed locations would not be applicable to the NCIUA's focus, which is on real property that has a specific geographic and physical presence.

**2. Are insurance agents allowed to accept gratuity or remuneration from outside parties?**

- A. Yes, with disclosure
- B. Yes, without restrictions
- C. No, they are not allowed**
- D. Only from clients

Insurance agents are not allowed to accept gratuity or remuneration from outside parties due to the ethical and legal implications involved in their fiduciary relationship with clients. The principal reason for this restriction is to prevent conflicts of interest that may arise if an agent were to prioritize compensation from external sources over the best interests of their clients. This prohibition helps maintain the integrity of the insurance profession and ensures that agents are solely focused on meeting the needs of their clients without undue influence from outside entities. By not allowing gratuities or outside remuneration, the regulations help promote trust and confidence in the insurance industry, as clients can be assured that their agents are acting in their best interests. Thus, the denial of acceptance of outside compensation is critical for maintaining ethical standards and ensuring the transparent operation of the insurance business in North Carolina.

**3. What is encompassed within property and liability insurance?**

- A. Only property damage**
- B. Medical expenses**
- C. Death, injury, and damage to person or property**
- D. Only disability insurance**

Property and liability insurance includes a broad range of coverage designed to protect individuals and businesses from financial losses due to various risks. Specifically, this type of insurance encompasses protection against death, injury, and damage to both people and property. This means that if an individual or entity is found liable for causing harm to someone else or their property, liability insurance will cover the resulting costs, which may include medical expenses for injuries and repairs or replacement for damaged property. In this way, liability insurance serves as a crucial form of protection against unforeseen accidents and events that could lead to significant financial burden. Furthermore, property insurance typically covers damage to physical assets, while liability insurance addresses claims resulting from negligence or harmful actions impacting others. This comprehensive approach of combining both property damage and liability makes option C the correct choice, as it captures the essence of both components of property and liability insurance. In contrast, the other options do not fully represent the scope of property and liability insurance: one centers solely on property damage, another on medical expenses without context of liability, and the last focuses exclusively on disability insurance, which is a different area of coverage.

**4. Which of the following is covered by motor vehicle insurance through the facility?**

- A. Only property damage**
- B. Bodily injury and medical payments**
- C. Uninsured motorist coverage**
- D. All of the above**

Motor vehicle insurance through the facility is designed to provide coverage for various aspects of automobile-related incidents. The inclusion of property damage, bodily injury, and medical payments, as well as uninsured motorist coverage, reflects a comprehensive approach to protecting insured individuals. Property damage coverage addresses the financial responsibility for damage caused to another party's property in the event of an accident. Bodily injury liability covers medical expenses, lost wages, and other damages incurred by another party due to the policyholder's negligence. Medical payments coverage provides for medical expenses for injuries sustained by the policyholder and passengers in their vehicle, regardless of fault. Uninsured motorist coverage is essential as it protects the insured when involved in an accident with a driver who lacks insurance. This coverage ensures that drivers are not left vulnerable to the financial impact of such accidents. By encompassing all these aspects, the facility's motor vehicle insurance offers a robust safety net for policyholders, indicating that D, which states all of the above, accurately reflects the full scope of coverage provided. Therefore, each component plays a crucial role in ensuring complete protection in the context of motor vehicle operation and risks associated with it.

**5. What is an insurance policy's "deductible"?**

- A. The total amount the insurer pays for a claim**
- B. The amount the policyholder must pay out of pocket before insurance coverage applies**
- C. The percentage of the claim amount covered by the insurer**
- D. The fees charged by the insurance agency**

The deductible in an insurance policy refers to the specific amount that the policyholder must pay out of pocket before the insurance coverage kicks in and the insurer begins to pay for a claim. This amount is established in the policy and is designed to mitigate minor claims and encourage the policyholder to be cautious in filing claims. For example, if a policy has a deductible of \$500 and the insured incurs a loss of \$1,500, the policyholder would be responsible for the first \$500, after which the insurance company would cover the remaining \$1,000 of the claim. This means that the deductible serves as a shared responsibility between the insurer and the insured, helping to keep premiums more affordable, as higher deductibles typically lead to lower insurance costs. This fundamental concept is crucial for policyholders to understand since it affects their out-of-pocket expenses during the claims process and overall insurance costs.

**6. In terms of motor insurance policies, what does the term 'non-renewal' refer to?**

- A. Changing the insurer**
- B. Refusal to renew a policy at the end of its term**
- C. Adjusting the premium based on risk**
- D. Cancelling the policy mid-term**

The term 'non-renewal' in the context of motor insurance policies specifically refers to the refusal to renew a policy at the end of its term. This means that as a policyholder approaches the expiration date of their current insurance coverage, the insurer may decide not to offer a renewal. This could occur for a variety of reasons, such as changes in the risk profile of the insured, the claims history, or the insurer's own underwriting guidelines. Understanding the distinction between non-renewal and other aspects of insurance policies is crucial. For example, if a policy is canceled mid-term, that would involve a different process and implications compared to non-renewal. Additionally, changing the insurer would imply seeking coverage from a different company altogether, rather than the insurer simply deciding not to continue the current policy. Adjusting the premium based on risk relates to how insurers evaluate and price policies rather than the status of renewal at the end of a term. Hence, non-renewal specifically reflects the decision of an insurer not to continue the contract after it expires.

**7. What is a major consequence of failing to pay an insurance premium?**

- A. Increased coverage options**
- B. Possible legal action**
- C. Lapse of the insurance policy**
- D. Higher renewal rates in the future**

Failing to pay an insurance premium leads to a lapse of the insurance policy. When premiums are not paid on time, the insurer typically has a grace period during which coverage remains in effect, but if payment is not made by the end of that period, the policy is terminated. This lapse means that the insured will no longer have coverage for claims that may arise after the policy has expired. This is a significant consequence as it leaves the individual unprotected and could result in financial loss in the event of an accident or disaster. The lapse of coverage can also complicate matters in the future when the individual seeks to reinstate the policy or purchase a new one, as insurers may view a history of missed payments as a risk factor. This underscores the importance of making premium payments timely to maintain continuous coverage.

**8. What is the purpose of the postassessment insurance guaranty association?**

- A. To avoid excessive delay in payment**
- B. To issue new policies**
- C. To settle disputes between insurers**
- D. To underwrite high-risk businesses**

The purpose of the postassessment insurance guaranty association is primarily to ensure that policyholders receive prompt and reliable compensation in the event that an insurance company becomes insolvent. This is vital for maintaining consumer confidence in the insurance market, as it provides a safety net for policyholders who might otherwise face significant financial hardship due to claims being unpaid. By facilitating timely payments to policyholders, the guaranty association plays a critical role in mitigating the risks associated with insurer insolvency. This helps to prevent excessive delays in payment, which can create additional stress and uncertainty for individuals and businesses relying on their insurance for financial protection. The other options, while related to various aspects of insurance operations, do not align with the specific purpose of the guaranty association. Issuing new policies, settling disputes between insurers, and underwriting high-risk businesses fall outside the scope of what the guaranty association is designed to accomplish.

**9. What is the purpose of the safe driver incentive plan filed by the bureau?**

- A. To identify the safest drivers for discounts**
- B. To distinguish various classes of drivers**
- C. To penalize unsafe driving behaviors**
- D. To provide free driver education programs**

The purpose of the safe driver incentive plan is to establish a framework for recognizing and rewarding safe driving behaviors among individuals by allowing for the categorization of drivers based on their safety records. This classification not only helps in promoting responsible driving habits but also aids insurance companies in setting premiums and discounts accordingly. By distinguishing various classes of drivers, the plan can incentivize safer driving through potential financial benefits for those considered safe drivers. The other options do not align with the primary function of such a plan. Identifying the safest drivers for discounts relates to rewarding those drivers, but the plan's core is about differentiation among driver behavior rather than simply offering discounts. Penalizing unsafe driving behaviors may be a consequence of these classifications but is not the main aim of the incentive plan. Similarly, providing free driver education programs would be more of a preventative measure against unsafe driving rather than the central mechanism of the incentive plan.

**10. Which category of insurance is specifically related to coverage for human life?**

- A. Property insurance**
- B. Liability insurance**
- C. Life and health insurance**
- D. Commercial insurance**

The category of insurance that is specifically related to coverage for human life is life and health insurance. This type of insurance focuses on providing financial protection in the event of death, disability, or medical expenses incurred due to health issues. Life insurance policies pay out a predetermined amount to beneficiaries upon the insured person's death, thereby offering peace of mind and financial security for families. Health insurance, part of this category, covers medical expenses, ensuring individuals have access to necessary healthcare services. Other categories of insurance, such as property, liability, and commercial insurance, focus primarily on non-human elements. Property insurance protects against loss or damage to physical assets, while liability insurance offers coverage for legal liabilities arising from injuries or damages to others. Commercial insurance encompasses various types of coverage for businesses, including property and liability insurance for commercial entities. Thus, life and health insurance stands out as the distinct category dedicated explicitly to addressing issues related to human life and well-being.

## 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!**