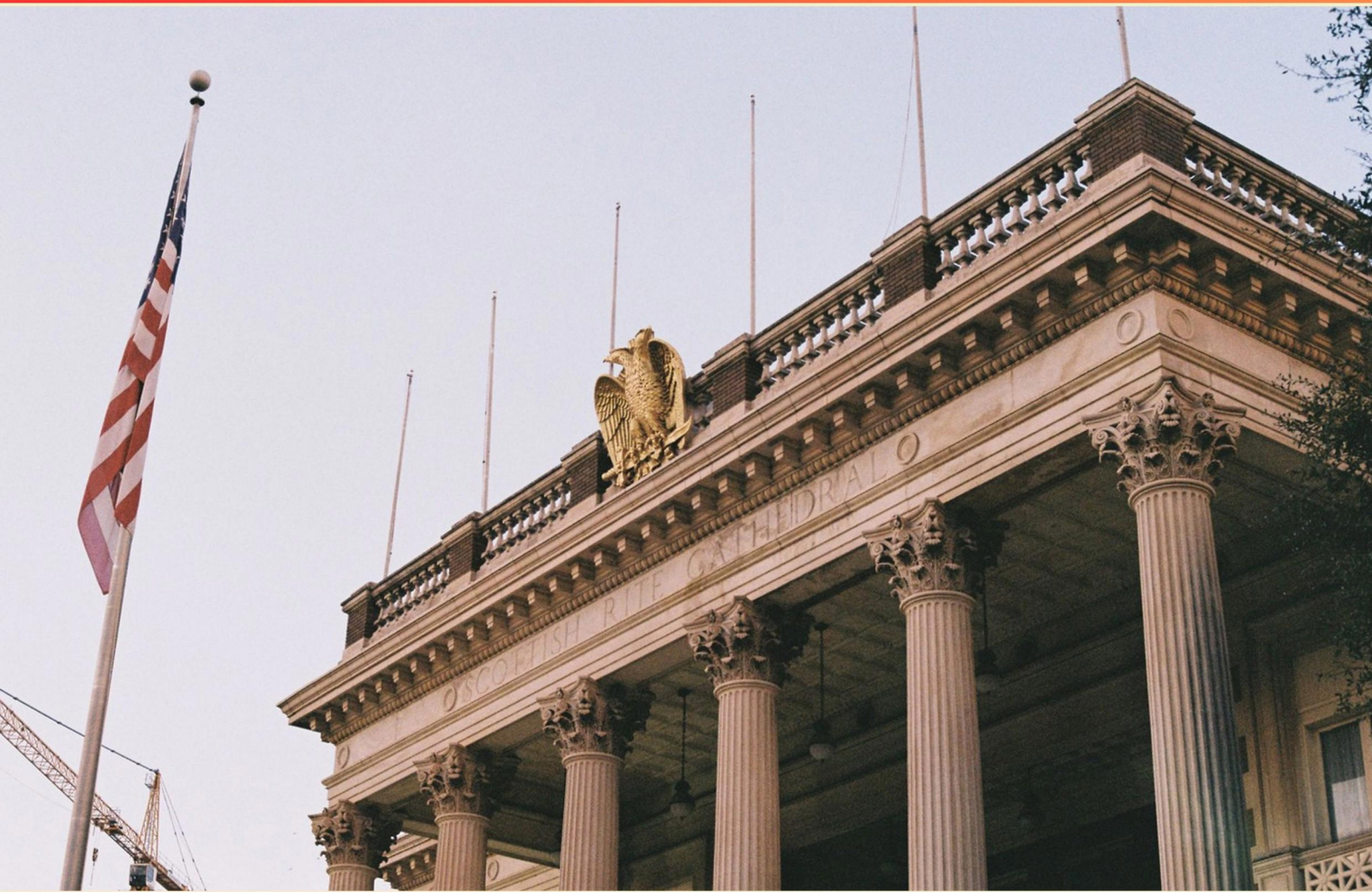


NORTH CAROLINA INSURANCE STATUTES AND REGULATIONS PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

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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

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- 1. 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
- 2. What criteria must a health insurer meet under North Carolina law when deciding to cancel a policy?**
 - A. The cancellation must be based on valid grounds as stated in the policy terms
 - B. The insurer must notify the policyholder within 30 days
 - C. The cancellation must be approved by state regulators
 - D. There are no specific criteria for cancellation
- 3. Under what condition might an insurance claim be denied?**
 - A. If the policy has been maintained for less than a year
 - B. If the insured fails to report a loss in a timely manner
 - C. If the insurance agent is unavailable
 - D. If the claim amount is too small
- 4. To whom must the NC Rate Bureau report its findings on insurance rates?**
 - A. The Federal Insurance Commissioner
 - B. The Governor of North Carolina
 - C. The NC Department of Insurance
 - D. The general public
- 5. 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

- 6. 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
- 7. Which type of insurance policy is exempt from having a contestability period in North Carolina?**
- A. Term life policy
 - B. Guaranteed issue policy
 - C. Universal life policy
 - D. Whole life policy
- 8. What role do actuaries play in insurance?**
- A. They handle customer service inquiries
 - B. They analyze risk and set premiums based on statistical data
 - C. They process claims for insurance payments
 - D. They sell insurance policies to clients
- 9. If a licensed insurance agent moves to a new state, how long do they have to apply for a license in that state?**
- A. 30 days
 - B. 60 days
 - C. 90 days
 - D. 120 days
- 10. Which of the following is typically covered under a standard homeowners insurance policy?**
- A. Flood damage
 - B. Theft of personal belongings
 - C. Automobile accidents
 - D. Business liabilities

Answers

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

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Explanations

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1. 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.

2. What criteria must a health insurer meet under North Carolina law when deciding to cancel a policy?

- A. The cancellation must be based on valid grounds as stated in the policy terms**
- B. The insurer must notify the policyholder within 30 days
- C. The cancellation must be approved by state regulators
- D. There are no specific criteria for cancellation

A health insurer in North Carolina is required to base any cancellation of a policy on valid grounds that are explicitly stated in the terms of the policy. This means that the cancellation cannot be arbitrary or capricious; it must align with the reasons and conditions that have been outlined in the insurance policy itself. Such grounds might include non-payment of premiums, fraudulent claims, or violation of policy terms. Maintaining this requirement helps ensure fairness and transparency in the insurance process, as policyholders have a clear understanding of the conditions under which their policy may be canceled. This is crucial for consumer protection, as it holds insurers accountable for their actions and helps prevent unjust cancellations that could leave individuals without necessary coverage. The other options reflect different aspects of insurance regulation or general practices but do not accurately capture the specific legal requirement for cancellation grounded in the policy terms. For example, while notification of cancellation may be part of standard procedures, it is the validity of the cancellation grounds that holds significant legal weight in the context of North Carolina law.

3. Under what condition might an insurance claim be denied?

- A. If the policy has been maintained for less than a year
- B. If the insured fails to report a loss in a timely manner**
- C. If the insurance agent is unavailable
- D. If the claim amount is too small

In the context of insurance claims, timely reporting of a loss is crucial for the claims process to proceed smoothly. If an insured individual fails to report a loss within the time frame specified in their policy, the insurer may have grounds to deny the claim. This condition often stems from the need for the insurance company to investigate the claim while evidence is still fresh and available. Delayed reporting can impair the insurer's ability to assess the claim accurately, increasing the risk of fraud and complicating the claims handling process. Policies typically include specific language regarding the time frame within which a claim must be reported after a loss occurs. Failure to adhere to these provisions can lead to a denial of the claim outright, as the insurer may argue that the insured did not fulfill their obligations under the contract. The other conditions mentioned, such as the duration of the policy or the availability of the insurance agent, do not directly impact the validity of filing a claim or the insurer's assessment of that claim in the same critical manner that timeliness does. While policy duration and claim amount may influence other aspects of insurance coverage, they are not primary factors for denying a claim compared to the obligation to report losses promptly.

4. To whom must the NC Rate Bureau report its findings on insurance rates?

- A. The Federal Insurance Commissioner
- B. The Governor of North Carolina
- C. The NC Department of Insurance**
- D. The general public

The North Carolina Rate Bureau is required to report its findings on insurance rates to the NC Department of Insurance. This is essential because the Department of Insurance is the state regulatory body responsible for overseeing and ensuring that insurance practices, including rate-setting, adhere to legal standards and are fair to consumers. By submitting their findings to this department, the Rate Bureau enables proper regulatory review, which helps maintain the integrity of the insurance market in North Carolina. The other entities mentioned have distinct roles, but their responsibilities do not include direct oversight of insurance rate findings from the Rate Bureau. The Federal Insurance Commissioner does not have authority over state insurance matters as insurance regulation is primarily a state function. The Governor might be involved in broader regulatory discussions but is not the designated recipient of rate findings. Similarly, while the general public may benefit from understanding insurance rates, they do not receive direct reports from the Bureau. The structured communication between the Rate Bureau and the NC Department of Insurance is vital for maintaining a well-regulated insurance environment.

5. 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.

6. 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.

7. Which type of insurance policy is exempt from having a contestability period in North Carolina?

- A. Term life policy
- B. Guaranteed issue policy**
- C. Universal life policy
- D. Whole life policy

A guaranteed issue policy is designed to provide coverage regardless of the applicant's health status or medical history, making it a unique type of insurance. Because these policies are issued without any medical underwriting, they typically do not include a contestability period. In general, contestability periods allow insurers to investigate claims during a set time frame after issuing a policy, usually to prevent fraud. However, since guaranteed issue policies are issued without regard for health, there is no need for a contestability period, as they are meant to provide immediate coverage. On the other hand, term life policies, universal life policies, and whole life policies usually include a contestability period of two years. This period allows insurers to contest or deny claims based on misrepresentations made by the insured during the application process, which is not applicable for guaranteed issue policies.

8. What role do actuaries play in insurance?

- A. They handle customer service inquiries
- B. They analyze risk and set premiums based on statistical data**
- C. They process claims for insurance payments
- D. They sell insurance policies to clients

Actuaries play a crucial role in the insurance industry by analyzing risk and setting premiums based on statistical data. Their primary function involves evaluating the likelihood of events occurring and quantifying the financial impact those events could have on an insurance company. This analysis involves using mathematical and statistical methods to assess risk, which enables insurers to establish appropriate pricing for their policies. By integrating various data sources and sophisticated models, actuaries help determine how much premium should be charged to cover potential claims and ensure that the insurance company remains financially viable. Their work is essential in ensuring that insurance products are priced correctly, allowing for adequate coverage while also maintaining the company's profitability. The other options describe roles that do not accurately reflect the specific functions of actuaries. Customer service inquiries, processing claims, and selling policies are tasks typically associated with customer service representatives, claims adjusters, and insurance agents, respectively, rather than actuaries.

9. If a licensed insurance agent moves to a new state, how long do they have to apply for a license in that state?

- A. 30 days
- B. 60 days
- C. 90 days**
- D. 120 days

If a licensed insurance agent moves to a new state, they typically have 90 days to apply for a license in that state. This timeframe aligns with the regulations that allow individuals to establish residency in a new state while still being able to conduct their insurance business in that state under a provisional period. The 90-day window is designed to provide agents a reasonable period to transition their operations and start the licensing process, ensuring they meet the legal requirements to operate as a licensed professional in their new location. Other timeframes, like 30, 60, or 120 days, do not conform to the standard guidelines set by most states, which is why the 90 days is the correct duration. Understanding these time limits is crucial for agents to maintain compliance and avoid any potential lapses in their ability to serve clients during their relocation.

10. Which of the following is typically covered under a standard homeowners insurance policy?

- A. Flood damage
- B. Theft of personal belongings**
- C. Automobile accidents
- D. Business liabilities

A standard homeowners insurance policy is designed to cover various risks associated with owning a home, and theft of personal belongings falls within this category. Typically, if personal items are stolen from the insured property or anywhere on the premises, homeowners insurance will provide coverage for those losses up to the specified limits in the policy. This coverage generally includes items such as electronics, furniture, clothing, and other personal possessions. In contrast, flood damage is usually not included in a standard homeowners policy and requires a separate flood insurance policy for coverage. Automobile accidents are also not covered by homeowners insurance; rather, they require auto insurance specifically designed for vehicle-related incidents. Similarly, business liabilities that arise from running a business are not covered under a standard homeowners policy, as these businesses typically need separate commercial liability insurance to address such risks. Understanding the scope of coverage in homeowners insurance is important for ensuring adequate protection against potential losses.

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:

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

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