

North Carolina Property and Casualty State Practice Exam (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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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

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- 1. Transfer in the context of insurance refers to:**
 - A. Keeping all risks within a company**
 - B. Shifting the responsibility for loss to an insurer**
 - C. Accepting higher risk premiums**
 - D. Lowering premiums for lower risks**

- 2. Which of the following does NOT constitute an adverse underwriting decision?**
 - A. Issuing a policy at a higher rate**
 - B. Rejecting an insurance application**
 - C. Terminating an existing policy**
 - D. Increasing coverage limits without additional risk**

- 3. What is covered under the Special Form?**
 - A. Open peril coverage for physical loss**
 - B. Basic perils only**
 - C. Broad coverage excluding fire**
 - D. Vandalism only**

- 4. How are personal property losses typically settled under HO coverage?**
 - A. Based on full replacement cost**
 - B. On an actual cash value basis**
 - C. Through a functional replacement cost approach**
 - D. With no payment to the insured**

- 5. What constitutes a hit-and-run under uninsured motorist conditions?**
 - A. A driver who leaves the scene without providing information**
 - B. A driver who caused an accident without valid insurance**
 - C. A driver who is subsequently found and named in a claim**
 - D. A driver who is caught running traffic lights**

6. What is required along with the collection of non-public information under the Privacy Act?

- A. A single application form**
- B. A policy contract**
- C. A Notice of Information Practices and Disclosure Authorization Form**
- D. A customer satisfaction survey**

7. What action can the Board of Directors of the Post Assessment Insurance Guaranty Association take regarding insurers?

- A. Increase insurance premiums on all policies**
- B. Request examinations of insurers showing financial distress**
- C. Disband insurers not performing adequately**
- D. Release insurers from liabilities**

8. What is the primary purpose of underwriting in insurance?

- A. To increase policyholder premiums**
- B. To prevent bad business and ensure quality control**
- C. To manage agent commissions**
- D. To provide marketing strategies**

9. What is the cancellation notice period during the first 60 days of coverage for a dwelling policy?

- A. 5 days**
- B. 10 days**
- C. 15 days**
- D. 30 days**

10. What is an example of a hazard in the context of auto insurance?

- A. A crash due to poor weather conditions**
- B. Bald tires on a vehicle**
- C. A natural disaster affecting the area**
- D. A car accident resulting in injury**

Answers

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

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Explanations

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1. Transfer in the context of insurance refers to:

- A. Keeping all risks within a company**
- B. Shifting the responsibility for loss to an insurer**
- C. Accepting higher risk premiums**
- D. Lowering premiums for lower risks**

In the context of insurance, transfer refers specifically to the practice of shifting the responsibility for loss from an individual or entity to an insurance company. This is a fundamental concept in risk management and insurance. By purchasing a policy, an individual or business effectively transfers the financial risk associated with potential losses (such as property damage, liability claims, etc.) to the insurer. This way, they can protect their assets and limit their financial exposure in the event of a loss. This concept is crucial because it allows individuals and businesses to manage the risks they face without bearing the full burden of potential costs. The insurer, in return, charges a premium for assuming these risks, which are spread across all policyholders as part of the insurance model. The other options pertain to different concepts within insurance. Keeping all risks within a company does not align with the principle of transferring risk. Accepting higher risk premiums and lowering premiums for lower risks also address pricing strategies rather than the fundamental act of risk transfer itself. Thus, the notion of transferring risk to the insurer is key to understanding how insurance operates.

2. Which of the following does NOT constitute an adverse underwriting decision?

- A. Issuing a policy at a higher rate**
- B. Rejecting an insurance application**
- C. Terminating an existing policy**
- D. Increasing coverage limits without additional risk**

An adverse underwriting decision generally refers to actions taken by an insurance company that negatively impact a consumer's ability to obtain insurance or lead to higher costs for coverage. This can include denying applications, increasing rates based on risk assessments, or canceling policies. The situation where coverage limits are increased without imposing additional risk does not constitute an adverse underwriting decision because it represents a favorable action for the insured. By increasing coverage limits without charging higher premiums or identifying new risk factors, the insurer is improving the insured's coverage. This kind of decision reflects a positive underwriting stance rather than an adverse one. It does not create any barriers or increased costs for the consumer, thereby aligning with the concept of non-adverse outcomes. In contrast, actions like issuing a policy at a higher rate, rejecting an application, or terminating an existing policy all indicate unfavorable changes for the consumer, as they limit access to insurance protection or increase the financial burden.

3. What is covered under the Special Form?

- A. Open peril coverage for physical loss**
- B. Basic perils only**
- C. Broad coverage excluding fire**
- D. Vandalism only**

The Special Form, often referred to as "All Risks" or "Open Peril" coverage, provides comprehensive protection against a wide range of potential risks, covering physical loss or damage to property unless specifically excluded in the policy. This means that the policyholder is protected against any peril that is not expressly listed as an exclusion, making it a robust choice for securing property. This form of coverage is designed to give the insured peace of mind, as it does not limit the protection to a specific list of perils. In contrast, basic perils coverage focuses only on specific widely recognized risks, while broad coverage would encompass more perils but may still exclude certain significant risks like fire. Vandalism coverage is very narrow, only addressing damage from intentional acts, which does not reflect the extensive scope offered by the Special Form. Thus, the Special Form's open peril nature is why it is accurately associated with coverage for physical loss.

4. How are personal property losses typically settled under HO coverage?

- A. Based on full replacement cost**
- B. On an actual cash value basis**
- C. Through a functional replacement cost approach**
- D. With no payment to the insured**

Under Homeowners (HO) insurance coverage, personal property losses are typically settled on an actual cash value (ACV) basis. This means that the insurer will assess the value of the lost or damaged personal property by considering the replacement cost and then subtracting depreciation. Depreciation accounts for age, wear and tear, and obsolescence, leading to a payout that reflects the current market value of the property rather than its original purchase price. Settling losses this way is standard for many homeowners' policies because it aligns with the principle of indemnity, ensuring that the insured is compensated fairly without profiting from the loss. In contrast, full replacement cost coverage would provide the amount necessary to replace the property without considering depreciation, which is not typical for personal property under HO policies unless specifically endorsed. A functional replacement cost approach is used for certain types of property, which emphasizes using less expensive materials or methods to replace the property without necessarily restoring it to its original condition. Not providing any payment to the insured does not align with the purpose of insurance to protect against financial loss.

5. What constitutes a hit-and-run under uninsured motorist conditions?

- A. A driver who leaves the scene without providing information**
- B. A driver who caused an accident without valid insurance**
- C. A driver who is subsequently found and named in a claim**
- D. A driver who is caught running traffic lights**

In the context of uninsured motorist coverage, a hit-and-run occurs when a driver causes an accident and then leaves the scene without providing their contact information or insurance details. This is critical because uninsured motorist coverage is designed to protect individuals from financial losses that arise from accidents involving parties who either do not have insurance or, in this case, flee the scene, making it impossible to identify them. For a claim under uninsured motorist conditions, the essence of a hit-and-run is the anonymity of the responsible party, which directly impacts the victim's ability to recover damages. In North Carolina, as well as in many other jurisdictions, this situation allows the victim to seek compensation from their own uninsured motorist coverage because the at-fault driver is untraceable. The other scenarios provided do not align with the definition of hit-and-run in this context. The second option refers to a driver causing an accident without valid insurance, which doesn't necessarily involve fleeing the scene. The third option, identifying a driver later, means that the status of the driver is no longer that of a hit-and-run. The fourth option about running traffic lights does not pertain specifically to hit-and-run situations without the element of leaving the scene. Therefore, the first

6. What is required along with the collection of non-public information under the Privacy Act?

- A. A single application form**
- B. A policy contract**
- C. A Notice of Information Practices and Disclosure Authorization Form**
- D. A customer satisfaction survey**

The requirement for a Notice of Information Practices and Disclosure Authorization Form is essential in the context of the Privacy Act. This form serves as a clear communication tool that informs individuals about how their non-public information will be collected, used, and shared. It ensures transparency and provides individuals with the opportunity to understand their rights concerning their personal information. By using this Notice, organizations comply with legal obligations to protect consumer privacy, and it helps establish trust between the entity and the individual by outlining the specific practices involved in handling their non-public information. Furthermore, the Disclosure Authorization Form is crucial because it provides a mechanism for individuals to grant permission for their information to be used in particular ways, ensuring that their consent is informed and voluntary. In contrast, the other options do not fulfill the specific requirement of the Privacy Act related to the handling of non-public information. A single application form, policy contract, or customer satisfaction survey does not inherently communicate the necessary privacy practices or obtain informed consent from the consumer regarding the use of their information. Thus, the Notice of Information Practices and Disclosure Authorization Form is the correct choice, as it aligns directly with the Privacy Act's intent to protect consumer privacy.

7. What action can the Board of Directors of the Post Assessment Insurance Guaranty Association take regarding insurers?

- A. Increase insurance premiums on all policies**
- B. Request examinations of insurers showing financial distress**
- C. Disband insurers not performing adequately**
- D. Release insurers from liabilities**

The Board of Directors of the Post Assessment Insurance Guaranty Association has the responsibility to oversee the financial health of insurers. One of the key actions they can take is to request examinations of insurers showing financial distress. This is crucial because these examinations help assess the financial stability of an insurer and determine whether it can meet its obligations to policyholders. By closely monitoring insurers, the Board can ensure that financial risks are managed effectively, helping to protect policyholders and stabilize the insurance market. The other options present actions that either exceed the Board's authority or are not aligned with its primary mission. Increasing insurance premiums or disbanding insurers would typically fall under regulatory agency powers or corporate restructuring rather than the direct actions of a guaranty association. Additionally, releasing insurers from liabilities would undermine the purpose of the guaranty association, which is to provide financial backing to policyholders in the event of insurer insolvency, rather than absolving insurers of their obligations.

8. What is the primary purpose of underwriting in insurance?

- A. To increase policyholder premiums**
- B. To prevent bad business and ensure quality control**
- C. To manage agent commissions**
- D. To provide marketing strategies**

The primary purpose of underwriting in insurance is to prevent bad business and ensure quality control. Underwriting involves the evaluation and assessment of risks associated with insuring a potential policyholder. It includes analyzing various factors such as the applicant's health, financial stability, previous claims history, and the specific risks related to the coverage being requested. By carefully scrutinizing these factors, underwriters can determine whether to accept or reject a policy application, what premiums to charge, and what terms and conditions to impose. This process helps maintain the overall health of the insurance pool, ensuring that only those who meet the risk criteria are insured, thereby minimizing the likelihood of significant losses for the insurer. This risk management is crucial in maintaining financial stability for the insurance company and ensuring that premiums can appropriately cover potential claims. In contrast, the other choices focus on aspects that are either secondary or irrelevant to the fundamental objective of underwriting in the insurance process.

9. What is the cancellation notice period during the first 60 days of coverage for a dwelling policy?

- A. 5 days**
- B. 10 days**
- C. 15 days**
- D. 30 days**

In North Carolina, during the first 60 days of coverage for a dwelling policy, the insurer is required to provide a cancellation notice period of 10 days. This specific timeframe is set to allow for adequate communication between the insurer and the insured, ensuring that policyholders are informed about changes to their coverage in a timely manner. This cancellation notice period is important because it gives the insured a chance to understand the reason for the cancellation and respond accordingly, whether that means making necessary adjustments to their coverage or seeking alternative options. Policies beyond the initial 60 days may have different requirements regarding cancellation notices, which reinforces the significance of this distinction, as coverage stability is typically more established after that initial period.

10. What is an example of a hazard in the context of auto insurance?

- A. A crash due to poor weather conditions**
- B. Bald tires on a vehicle**
- C. A natural disaster affecting the area**
- D. A car accident resulting in injury**

In the context of auto insurance, a hazard refers to a condition or situation that increases the likelihood of a loss occurring. Bald tires on a vehicle serve as a prime example of a hazard because they diminish the tire's grip on the road, increasing the risk of an accident. When tires are worn down, it can lead to loss of control or longer stopping distances, thereby heightening the likelihood of a crash. The other options presented involve scenarios related to risks or potential incidents but do not define a hazard in the same way that bald tires do. Poor weather conditions can lead to accidents, but they are not a condition of the vehicle itself. A natural disaster affecting an area can cause widespread damage, but it is also external to the vehicle. Lastly, a car accident resulting in injury describes the result of a hazard rather than a condition that increases the risk of such an event happening. Therefore, bald tires represent a direct condition that increases the risk of loss, making it the correct choice in the context of hazards in auto insurance.

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:

<https://ncpropertyandcasualty.examzify.com>

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

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