

# North Carolina Property and Casualty State Practice Exam (Sample)

## Study Guide



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

**Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.**

**ALL RIGHTS RESERVED.**

**No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.**

**Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.**

**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>5</b>
<b>Answers</b> .....	<b>8</b>
<b>Explanations</b> .....	<b>10</b>
<b>Next Steps</b> .....	<b>16</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. 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 does the claims settlement for personal property under DP-2 and DP-3 rely on?**
  - A. Replacement cost for all items**
  - B. Actual cash value**
  - C. Fixed value per item**
  - D. Weighted average depreciation**
- 2. What is the liability coverage limit for business property in a home day care business according to North Carolina policy endorsements?**
  - A. \$1,500 off premises and \$5,000 on premises**
  - B. \$2,500 on premises and none off premises**
  - C. \$5,000 on premises and \$2,500 off premises**
  - D. No coverage for business property**
- 3. What type of insurance agent can only represent one insurance company?**
  - A. Independent Agents**
  - B. Direct Writers**
  - C. Brokers**
  - D. Agents**
- 4. What is the maximum flat amount for coverage of money and bank notes?**
  - A. \$200**
  - B. \$500**
  - C. \$1,000**
  - D. \$1,500**
- 5. In which situation might a court favor the insured when interpreting an insurance contract?**
  - A. When the contract is ambiguous.**
  - B. When the insured has multiple claims.**
  - C. When the insurer is larger than the insured.**
  - D. When the insured failed to read the contract.**

- 6. Who are the members of the North Carolina Joint Underwriting Association (FAIR PLAN)?**
- A. Only government agencies providing insurance**
  - B. Only private mutual insurance companies**
  - C. All admitted companies writing direct loss property insurance coverage in North Carolina**
  - D. Firms with over ten years of experience in the insurance market**
- 7. What is classified as a "covered auto" under a Personal Auto Policy?**
- A. Any vehicle regardless of weight**
  - B. Vehicles weighing over 14,000 pounds**
  - C. Private passenger autos and similar weighted vehicles**
  - D. Only vehicles owned by the named insured**
- 8. What is one responsibility of the North Carolina Rate Bureau?**
- A. To provide insurance directly to consumers**
  - B. To prepare and recommend proposed policy forms and rates**
  - C. To issue grants for property improvement**
  - D. To regulate insurance companies' marketing practices**
- 9. What type of theft coverage is available for owner-occupied dwellings?**
- A. Limited Theft Coverage**
  - B. Broad Theft Coverage**
  - C. Personal Liability Coverage**
  - D. Dwelling Policy Coverage**
- 10. What is included in the Declarations Page of an insurance policy?**
- A. Exclusions and conditions**
  - B. The parties to the contract and the policy term**
  - C. Only the amount of insurance purchased**
  - D. Definitions of terms used in the policy**



## **Answers**

SAMPLE

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

SAMPLE

## **Explanations**

SAMPLE

**1. What does the claims settlement for personal property under DP-2 and DP-3 rely on?**

- A. Replacement cost for all items**
- B. Actual cash value**
- C. Fixed value per item**
- D. Weighted average depreciation**

The claims settlement for personal property under the DP-2 and DP-3 forms primarily relies on the actual cash value (ACV). This method calculates the value of the property by taking into account its replacement cost minus depreciation, effectively providing the insured with a payout that reflects the item's current worth at the time of loss rather than its original cost or replacement cost. The use of ACV is particularly important for personal property, as it ensures that policyholders receive an equitable reimbursement that corresponds with the item's value at the time of loss, which may be less than what they initially paid for it due to depreciation. This approach is in line with industry standards for personal property under the DP-2 and DP-3 policies, acknowledging the natural wear and tear that occurs over time. In contrast, the other options suggest methodologies that do not align with the DP-2 and DP-3 forms. For instance, using replacement cost for all items would imply that policyholders would receive a new-for-old replacement without considering the actual depreciation of items, which is not consistent with the settlement practice for these policies. The fixed value per item is typically not how personal property is evaluated under these forms, as it doesn't account for the individual value fluctuation over time.

**2. What is the liability coverage limit for business property in a home day care business according to North Carolina policy endorsements?**

- A. \$1,500 off premises and \$5,000 on premises**
- B. \$2,500 on premises and none off premises**
- C. \$5,000 on premises and \$2,500 off premises**
- D. No coverage for business property**

In North Carolina, the liability coverage limit for business property in a home day care business is typically established to reflect the unique needs of home-based businesses. The correct response indicates that there is a coverage limit of \$2,500 for business property when it is located on the premises, while indicating that there is no coverage for business property when it is located off the premises. This structuring of coverage is intended to acknowledge the specific nature of home day care operations, where most equipment and materials will be utilized within the home setting. The limit on premises allows for some support to business owners in case of losses or damages affecting their business property in their home. The absence of coverage for off-premises property reflects a standard policy approach, meaning that business owners must understand the risks associated with transporting equipment or materials outside their home, and might need to seek additional coverages or endorsements to fully protect those assets. Understanding these limits is crucial for anyone operating a home business, as it underscores the importance of maintaining adequate insurance coverage tailored to their specific situation.

**3. What type of insurance agent can only represent one insurance company?**

- A. Independent Agents**
- B. Direct Writers**
- C. Brokers**
- D. Agents**

The correct response highlights that a direct writer is an insurance agent who is employed by and only represents a single insurance company. This means all the policies and products they sell come exclusively from that one insurer. Because of this employment relationship, direct writers typically have a deep understanding of their company's offerings and often have specialized training in the products they represent. In contrast, independent agents have the flexibility to sell policies from multiple companies, providing wider options for consumers. Brokers, too, act on behalf of the consumer and can access a variety of insurers. On the other hand, the general term "agents" can refer to both independent agents and direct writers, but it does not exclusively imply that they represent only one company. Therefore, only direct writers fit the specific description in the question regarding representation of a single insurer.

**4. What is the maximum flat amount for coverage of money and bank notes?**

- A. \$200**
- B. \$500**
- C. \$1,000**
- D. \$1,500**

In North Carolina, the maximum flat amount for coverage of money and bank notes is set at \$200. This limit is important for homeowners and property policies, as it defines the extent of coverage in the event of theft or loss of cash and similar instruments. Understanding this limit helps policyholders recognize the need for additional coverage or riders if they regularly handle significant amounts of cash, as the standard coverage may not be sufficient to protect against losses adequately. Policies typically delineate these specific limits to provide clarity and allow consumers to make informed decisions about their insurance needs. With regard to the other choices, amounts like \$500, \$1,000, or \$1,500 exceed the established limit, underscoring the importance of knowing the standard coverage provisions to ensure that individuals are aware of what is included in their property insurance policies.

**5. In which situation might a court favor the insured when interpreting an insurance contract?**

- A. When the contract is ambiguous.**
- B. When the insured has multiple claims.**
- C. When the insurer is larger than the insured.**
- D. When the insured failed to read the contract.**

A court may favor the insured when interpreting an insurance contract primarily in situations where the contract is ambiguous. Insurance contracts are often complex documents with specific terms and conditions. If a particular term is vague or can be interpreted in more than one way, courts typically follow the principle of contra proferentem. This principle means that any ambiguity in the contract is interpreted in favor of the party who did not draft the contract, which is usually the insured. This practice aims to protect the insured, who may not have the same level of knowledge, bargaining power, or legal expertise as the insurer. The rationale is to ensure that insurance coverage is provided as understood by the average policyholder, who may not have the experience to interpret complex legal language. In contrast, the other situations presented do not carry the same weight in influencing a court's decision favoring the insured. Multiple claims filed by the insured may not inherently favor the insured's interpretation of the contract. The size of the insurer compared to the insured does not directly affect the interpretation of contract terms. Lastly, if an insured fails to read the contract, courts generally hold that individuals are responsible for understanding the agreements they enter into, which would not typically favor the insured in a dispute over ambiguous language.

**6. Who are the members of the North Carolina Joint Underwriting Association (FAIR PLAN)?**

- A. Only government agencies providing insurance**
- B. Only private mutual insurance companies**
- C. All admitted companies writing direct loss property insurance coverage in North Carolina**
- D. Firms with over ten years of experience in the insurance market**

The North Carolina Joint Underwriting Association, commonly known as the FAIR PLAN, is designed to provide property insurance coverage to individuals and businesses that are unable to obtain coverage in the standard market due to high risk. The correct answer points out that all admitted companies writing direct loss property insurance coverage in North Carolina are members of this association. This inclusion ensures that a broad range of insurers can collaborate to offer necessary coverage options, promoting stability and access to insurance for properties that might otherwise face coverage challenges. This framework creates a collaborative mechanism allowing insurers to pool their resources and spread the risk associated with insuring properties that might be subject to environmental factors or other risks deemed uninsurable by traditional carriers. As a result, the FAIR PLAN serves both consumers and insurers by helping to maintain a balance in the property insurance market while addressing the needs of insured parties in high-risk scenarios.

**7. What is classified as a "covered auto" under a Personal Auto Policy?**

- A. Any vehicle regardless of weight**
- B. Vehicles weighing over 14,000 pounds**
- C. Private passenger autos and similar weighted vehicles**
- D. Only vehicles owned by the named insured**

A "covered auto" under a Personal Auto Policy specifically includes private passenger autos and vehicles of a similar weight. This category encompasses a range of vehicles such as cars, trucks, vans, and SUVs, provided they are used primarily for personal purposes. The definition is structured to ensure that the policyholder is adequately protected while driving these common types of vehicles. The classification of a vehicle as "covered" takes into account its weight and use. While some policies might extend to additional types of vehicles, the foundational understanding is that it primarily protects personal, light-duty vehicles. This focus helps tailor the policy to suit the needs of the average driver, who typically uses personal vehicles rather than commercial or specialized vehicles. Understanding this classification is crucial, as it informs policyholders about the extent of their coverage and the types of vehicles they can operate under their Personal Auto Policy without facing potential gaps in liability or physical damage coverage.

**8. What is one responsibility of the North Carolina Rate Bureau?**

- A. To provide insurance directly to consumers**
- B. To prepare and recommend proposed policy forms and rates**
- C. To issue grants for property improvement**
- D. To regulate insurance companies' marketing practices**

The North Carolina Rate Bureau plays a critical role in the state's insurance system by preparing and recommending proposed policy forms and rates for various types of insurance, particularly in areas such as property and liability. This responsibility encompasses conducting research, analyzing data, and considering factors like loss experience and industry trends to determine appropriate rates that are both adequate for ensuring that insurers can meet their obligations to policyholders and competitive enough to attract consumers. This function is important as it provides a level of consistency and fairness in the rates charged by insurance providers in the state, helping to prevent price-gouging or undercharging that can lead to financial instability in the insurance marketplace. The Rate Bureau works closely with the insurance department and the companies to ensure that the recommendations meet regulatory standards and reflect the economic realities of the insurance market in North Carolina. The other options reflect activities that do not align with the primary responsibilities of the Rate Bureau. While certain elements of insurance oversight and consumer protection exist in the marketplace, they are outside the specific purview of the Rate Bureau's role in setting and recommending rates and policy forms.

**9. What type of theft coverage is available for owner-occupied dwellings?**

- A. Limited Theft Coverage**
- B. Broad Theft Coverage**
- C. Personal Liability Coverage**
- D. Dwelling Policy Coverage**

Broad Theft Coverage is the correct answer when discussing theft coverage for owner-occupied dwellings. This type of coverage typically protects against various types of theft, providing a wider range of protections compared to limited options. It covers personal property belonging to the insured that is stolen under specific circumstances such as breaking and entering or theft that occurs off the premise. Because owner-occupied dwellings usually house personal belongings subject to theft, broad theft coverage is designed to adequately protect the homeowner's assets. The other options do not directly pertain to the coverage of theft in residential settings. Limited Theft Coverage, as the name suggests, offers minimal protection and wouldn't be sufficient for a homeowner's needs. Personal Liability Coverage is focused on protecting the insured from legal responsibility for injuries or damage they may cause to another person or their property, rather than covering theft. Dwelling Policy Coverage primarily addresses the physical structure of the home and the risks associated with it—not theft specifically. Thus, Broad Theft Coverage stands out as the appropriate option for comprehensive protection against theft in a residential context.

**10. What is included in the Declarations Page of an insurance policy?**

- A. Exclusions and conditions**
- B. The parties to the contract and the policy term**
- C. Only the amount of insurance purchased**
- D. Definitions of terms used in the policy**

The Declarations Page of an insurance policy plays a crucial role in summarizing key information relevant to the contract. This section specifically outlines the parties involved—typically the insurer and the insured—and details the policy term, which includes the effective dates of coverage. This foundational information establishes the essential parameters of the coverage agreed upon and serves as a reference point throughout the life of the policy. While exclusions, conditions, definitions, and amounts of insurance are important components of the insurance policy as a whole, they do not belong to the Declarations Page specifically. Instead, they can be found in various other sections of the policy, where they provide further detail about the coverage, limitations, and terminology. Understanding the purpose of the Declarations Page helps in recognizing its significance in clarifying the core details of the insurance agreement, making it an essential part of anyone's insurance documentation.



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

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