

NORTH DAKOTA PROPERTY PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

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THE FULL VERSION STUDY GUIDE**

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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. In the context of forming an insurance contract, the principle that the insurer must rely on the statements in the application and the insured must trust the insurer to pay valid claims is called?**
 - A. Fair dealing
 - B. Utmost good faith
 - C. Equitable principles
 - D. Legal obligations
- 2. What is the maximum amount of earnest money that can be held in a transaction in North Dakota?**
 - A. It is limited to \$1,000
 - B. There is no maximum limit, but it must be reasonable
 - C. It cannot exceed 10% of the property sale price
 - D. Only \$5,000 can be held as earnest money
- 3. When an insurer markets a policy, they must avoid which of the following?**
 - A. Providing detailed policy options
 - B. Offering competitive rates
 - C. Engaging in false advertising
 - D. Stating clear policy exclusions
- 4. What section of an insurance policy details the perils that are not insured against?**
 - A. Conditions
 - B. Exclusions
 - C. Definitions
 - D. Endorsements
- 5. To qualify for replacement cost coverage, how much Coverage A would the insured need if the home's replacement value is \$60,000?**
 - A. \$30,000
 - B. \$48,000
 - C. \$58,000
 - D. \$60,000

- 6. In insurance, what does the term 'cancellation' refer to?**
- A. The termination of an insurance contract
 - B. A policy upgrade
 - C. An offer to renew a policy
 - D. The addition of endorsements
- 7. What is the standard expiration period for a real estate license in North Dakota?**
- A. One year
 - B. Two years
 - C. Three years
 - D. Five years
- 8. What is often a first step for tenants before considering legal action?**
- A. Writing a formal letter to the landlord
 - B. Seeking mediation
 - C. Posting online reviews
 - D. Contacting other tenants for support
- 9. Which of the following is typically included in the purchase agreement?**
- A. The seller's subjective opinions about the property
 - B. The commission rate for the real estate agent
 - C. The sale price and any contingencies
 - D. A detailed description of the buyer's future plans for the property
- 10. For a covered claim, what is the maximum payout from The Guaranty Association?**
- A. \$250,000
 - B. \$300,000
 - C. \$400,000
 - D. \$500,000

Answers

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

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Explanations

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1. In the context of forming an insurance contract, the principle that the insurer must rely on the statements in the application and the insured must trust the insurer to pay valid claims is called?

- A. Fair dealing
- B. Utmost good faith**
- C. Equitable principles
- D. Legal obligations

The principle that the insurer must rely on the statements in the application, while the insured trusts the insurer to pay valid claims, is known as utmost good faith. This principle is fundamental in insurance contracts, reflecting the obligation of both parties to act honestly and not withhold information. The insured is required to provide truthful and complete information when applying for coverage, and in return, the insurer is expected to handle claims fairly and fulfill its promises as outlined in the contract. This mutual trust ensures that both parties engage with each other in good faith, which is essential for the effective functioning of insurance agreements. Utmost good faith protects against the potential for one party to exploit the lack of transparency or honesty, thus maintaining the integrity of the insurance relationship.

2. What is the maximum amount of earnest money that can be held in a transaction in North Dakota?

- A. It is limited to \$1,000
- B. There is no maximum limit, but it must be reasonable**
- C. It cannot exceed 10% of the property sale price
- D. Only \$5,000 can be held as earnest money

The maximum amount of earnest money that can be held in a transaction in North Dakota is indeed that there is no maximum limit; however, it must be reasonable. This approach allows flexibility for the parties involved in the transaction to negotiate earnest money amounts based on the specifics of the deal, such as the property price and the market conditions. By stating that it must be reasonable, North Dakota law ensures that the amount of earnest money is justifiable and appropriate given the context of the transaction. A high earnest money deposit could be seen as excessive or could deter buyers, while a very low amount might not provide sufficient assurance to the seller. The reasoning behind this regulation is to balance the interests of both buyers and sellers without imposing an arbitrary cap. Other options suggest specific limits or thresholds that do not align with North Dakota's approach, which values reasonable negotiation over rigid maximums. This flexibility is vital in real estate transactions where each deal can have unique circumstances.

3. When an insurer markets a policy, they must avoid which of the following?

- A. Providing detailed policy options
- B. Offering competitive rates
- C. Engaging in false advertising**
- D. Stating clear policy exclusions

The requirement for insurers to avoid engaging in false advertising is crucial because it maintains the integrity of the insurance market and protects consumers. False advertising can lead to misrepresentation of the policy, misleading potential policyholders about the coverage and benefits they will receive. This not only undermines consumer trust but can also lead to legal repercussions for the insurer if customers feel they were deceived into purchasing a policy based on inaccurate information. Transparent communication is a fundamental principle in the insurance industry. Insurers should focus on providing accurate, honest information about their products, ensuring that policyholders can make informed decisions without being misled. This aligns with regulatory standards and ethical practices in marketing. By avoiding false advertising, insurers build credibility and foster a better relationship with their customers, which is essential for long-term business success.

4. What section of an insurance policy details the perils that are not insured against?

- A. Conditions
- B. Exclusions**
- C. Definitions
- D. Endorsements

The section of an insurance policy that details the perils that are not insured against is known as exclusions. This section serves a crucial role in clarifying which specific risks or incidents the insurance policy does not cover. By outlining exclusions, the insurer provides transparency regarding the limitations of the policy, helping policyholders understand what is and is not included in their coverage. For instance, standard exclusions might include certain natural disasters, intentional acts, or specific types of property. Knowing these exclusions is important for policyholders to assess their coverage needs properly and to make informed decisions about whether they require additional coverage options or endorsements to protect against those excluded perils. In contrast, the other sections mentioned have different purposes. For example, conditions outline the responsibilities of both the insurer and the insured once the policy is in effect, definitions clarify the terminology used in the policy, and endorsements refer to modifications or additions that change the terms of the original policy. Each of these plays an important role in the overall structure of an insurance policy but does not focus specifically on the perils that are not covered.

5. To qualify for replacement cost coverage, how much Coverage A would the insured need if the home's replacement value is \$60,000?

- A. \$30,000
- B. \$48,000**
- C. \$58,000
- D. \$60,000

For replacement cost coverage, standard insurance policies typically require that a homeowner maintain a certain percentage of the home's replacement value to ensure full coverage in the event of a loss. This percentage often reflects a requirement to have coverage that meets or exceeds 80% of the home's replacement value. In this case, if the home's replacement value is \$60,000, to meet the 80% threshold, the homeowner would need to carry at least \$48,000 in Coverage A. This amount (which is 80% of \$60,000) ensures that the policyholder is adequately covered for the full replacement cost of the home if a claim were to be made. By maintaining Coverage A at this level, the insured can avoid penalties or reduced payouts during the claims process, ensuring they have sufficient funds to rebuild or repair their home according to current construction standards. This calculation is crucial in the context of insurance policies, reflecting the principle that sufficient coverage protects the homeowner's financial interests in the event of damage or loss. The other amounts provided do not meet the necessary percentage for adequate replacement cost coverage.

6. In insurance, what does the term 'cancellation' refer to?

- A. The termination of an insurance contract**
- B. A policy upgrade
- C. An offer to renew a policy
- D. The addition of endorsements

The term 'cancellation' in insurance specifically refers to the termination of an insurance contract before its expiration date. This can occur for various reasons, such as non-payment of premiums, fraud, or mutual agreement between the insurer and the insured to end the policy. When a policy is canceled, coverage ceases, and the insured typically receives a prorated refund of any unearned premiums, depending on the circumstances surrounding the cancellation. Understanding this concept is critical because it impacts the policyholder's coverage and financial obligations. Recognizing that cancellation does not imply a change in the terms of the policy—unlike upgrades or endorsements—clarifies the legal and financial implications involved in insurance contracts. It is crucial for individuals dealing with insurance to grasp the nuances of cancellation to ensure they remain protected and informed about their insurance status.

7. What is the standard expiration period for a real estate license in North Dakota?

- A. One year
- B. Two years**
- C. Three years
- D. Five years

In North Dakota, the standard expiration period for a real estate license is indeed two years. This means that every real estate professional is required to renew their license after this period. The two-year cycle allows licensees to stay updated with any changes in real estate laws, regulations, and market practices, ensuring that they maintain a standard of competence and professionalism. Keeping the expiration period at two years also encourages licensees to engage in continuing education. Most states have mandated that a certain number of continuing education hours must be completed before renewal. This requirement serves to enhance the knowledge and skills of real estate professionals, ultimately benefiting consumers and promoting a higher standard within the industry. Understanding the renewal process and timeframe is crucial for real estate practitioners, as failure to renew on time can lead to penalties, loss of licensure, or the need to retake licensing exams. Hence, being aware of the two-year expiration period for licenses is an essential aspect of staying compliant in the field of real estate in North Dakota.

8. What is often a first step for tenants before considering legal action?

- A. Writing a formal letter to the landlord
- B. Seeking mediation**
- C. Posting online reviews
- D. Contacting other tenants for support

In property disputes, tenants often seek mediation as a constructive and less adversarial first step before resorting to legal action. Mediation involves an impartial third party who can help facilitate a discussion between the tenant and the landlord, encouraging them to come to a mutually agreeable resolution. This process can often resolve issues more quickly and with less cost than going through the legal system. Utilizing mediation demonstrates a willingness to address grievances amicably, which is beneficial for maintaining ongoing relationships—an important aspect considering that tenants and landlords may need to interact beyond a single incident. Additionally, mediation can provide clarity on both parties' rights and obligations under their lease agreement, helping to create a solution that respects these terms. This approach often leads to more satisfactory outcomes and can alleviate the emotional and financial strain associated with litigation. Although options like writing a formal letter or contacting other tenants can also be part of a tenant's strategy, mediation specifically focuses on resolving disputes before escalating to legal proceedings, making it a key first step.

9. Which of the following is typically included in the purchase agreement?

- A. The seller's subjective opinions about the property
- B. The commission rate for the real estate agent
- C. The sale price and any contingencies**
- D. A detailed description of the buyer's future plans for the property

The correct choice highlights critical elements that form the foundation of a purchase agreement. A purchase agreement is a legally binding document that outlines the terms of a property transaction, ensuring both the buyer and seller have a clear understanding of what is included in the sale. Typically, the sale price is one of the most crucial components, as it indicates the amount the buyer agrees to pay for the property. Additionally, contingencies are important clauses that stipulate certain conditions that must be met for the sale to proceed; for example, a buyer might include a financing contingency to ensure they can secure a mortgage before completing the purchase. These elements are essential to clarify the expectations and obligations of both parties involved. The other options focus on less relevant or less formal aspects that do not typically belong in a standard purchase agreement. Subjective opinions about the property are not concrete or enforceable details that can protect either party in a transaction. Similarly, while the commission rate for a real estate agent might be discussed elsewhere, it is not a typical component of the purchase agreement. Lastly, a buyer's future plans for the property are personal intentions and not relevant to the legal terms of the sale. Thus, including the sale price and contingencies is vital for establishing a straightforward and enforceable

10. For a covered claim, what is the maximum payout from The Guaranty Association?

- A. \$250,000
- B. \$300,000**
- C. \$400,000
- D. \$500,000

The maximum payout from The Guaranty Association for a covered claim is \$300,000. This amount is established to protect policyholders when their insurance company becomes insolvent, ensuring that consumers still have access to some financial recovery from claims. This safeguard is crucial in maintaining public confidence in the insurance system, as it provides a safety net for policyholders. The limits are designed to balance the need for consumer protection with the financial viability of the guaranty associations that operate across different states. In North Dakota, like many other states, the \$300,000 cap reflects a commitment to assisting policyholders while also recognizing the constraints of pooled insurance resources.

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://ndproperty.examzify.com>

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

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