

South Dakota Property and Casualty Practice Exam (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

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- 1. Which order can restrict a person from violating a competition act in insurance?**
 - A. Cease and Desist Order**
 - B. Injunction Order**
 - C. Restraining Order**
 - D. Compliance Order**
- 2. K gets a horrible rash after using wrinkle-prevention cream for 2 months. How is this situation classified?**
 - A. A claim**
 - B. An incident**
 - C. An occurrence**
 - D. A liability**
- 3. When an insured acquires a building under a Businessowners policy, how long is it automatically covered?**
 - A. 30 days**
 - B. 60 days**
 - C. 90 days**
 - D. 120 days**
- 4. How long after a loss does the Period of Restoration begin for Business Income coverage?**
 - A. 24 hours**
 - B. 48 hours**
 - C. 72 hours**
 - D. 1 week**
- 5. Which part of an insurance claim process typically involves mitigation of damages?**
 - A. Claim reporting**
 - B. Claim adjustment**
 - C. Claims investigation**
 - D. Claims settlement**

6. Short-rate cancellation occurs when:

- A. The insured cancels the policy mid-term**
- B. The insurer cancels the policy without notice**
- C. The policy expires at the end of the term**
- D. The insured requests a renewal**

7. Which of the following scenarios typically requires a surety bond?

- A. Real estate transaction**
- B. Construction project**
- C. Personal loan agreement**
- D. Health insurance claim**

8. What is the definition of consideration in relation to contracts?

- A. Legal authority to make decisions**
- B. Rights, money, promises, or property exchanged between parties**
- C. A breach of contract**
- D. Documentation of a contract**

9. Making any false oral or written statement that intends to injure someone in the insurance business is known as what?

- A. Fraud**
- B. Misrepresentation**
- C. Defamation of an insurer**
- D. Negligence**

10. Which clause protects the interests of the loss payee?

- A. Loss payable clause**
- B. Named insured clause**
- C. Liability coverage clause**
- D. Endorsement clause**

Answers

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

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Explanations

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1. Which order can restrict a person from violating a competition act in insurance?

A. Cease and Desist Order

B. Injunction Order

C. Restraining Order

D. Compliance Order

A Cease and Desist Order is a legal directive issued by a regulatory authority or court that requires an individual or entity to stop a specified activity that is deemed to be unlawful or in violation of regulations, including competition acts in insurance. This type of order is specifically used to prevent continued violations that can harm competition or consumers, thereby enforcing compliance with the law. In the context of competition acts, the Cease and Desist Order serves as an essential tool for regulators to ensure fair practices and promote a competitive marketplace. When a violation of the competition act is identified, this order effectively halts the ongoing misconduct and prevents future occurrences, thereby maintaining the integrity of the insurance market. While other orders like Injunction Orders and Restraining Orders can also serve to prevent certain actions, they are typically broader and not exclusively tied to competition acts.

Compliance Orders are utilized to ensure that entities adhere to specific regulations but do not uniquely focus on preventing ongoing competition-related violations. Thus, the Cease and Desist Order is the most appropriate mechanism in this scenario for restricting a person from violating competition acts in the insurance domain.

2. K gets a horrible rash after using wrinkle-prevention cream for 2 months. How is this situation classified?

A. A claim

B. An incident

C. An occurrence

D. A liability

In the context of insurance and risk management, the situation described represents an "occurrence." An occurrence typically refers to an event or series of events that lead to bodily injury or property damage. In this case, K's horrible rash developed as a direct result of using the wrinkle-prevention cream, indicating that a specific and harmful condition arose from the use of the product. This classification is significant within the realm of property and casualty insurance because it encompasses various events that can result in claims for coverage. The term "occurrence" is often used in liability policies to describe the event that gives rise to a claim. In this situation, K's rash can be viewed as a direct result of an occurrence linked to the use of a cosmetic product, potentially leading to claims regarding bodily injury under a liability insurance policy. In contrast, a claim would refer to a formal request made to an insurance company for coverage or compensation related to a loss, while an incident generally refers to an event that could lead to harm but does not specify whether damage or injury has taken place. Liability denotes legal responsibility for causing damage or injury, but it is broader and encompasses various situations beyond just the individual event described. Thus, the classification of K's experience aligns best with the term

3. When an insured acquires a building under a Businessowners policy, how long is it automatically covered?

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

When an insured acquires a building under a Businessowners policy, it is automatically covered for a period of 30 days. This automatic coverage allows the insured to effectively manage the risk associated with newly purchased property without having to immediately update their policy or go through additional underwriting procedures. This provision is particularly important for businesses that may be expanding or investing in new locations, as it provides a sense of security and ensures that there is no gap in coverage during the transition period. It allows the insured time to notify the insurer and make the necessary adjustments to their policy, ensuring that they have the appropriate coverage that reflects their current business needs. The other options, while they may seem plausible, do not align with the standard automatic coverage period defined in Businessowners policies. Having only a 30-day window for automatic coverage encourages timely communication with insurers and ensures that businesses are adequately protected from the outset of their new property acquisition.

4. How long after a loss does the Period of Restoration begin for Business Income coverage?

- A. 24 hours**
- B. 48 hours**
- C. 72 hours**
- D. 1 week**

The correct choice indicates that the Period of Restoration for Business Income coverage begins 72 hours after a loss occurs. This timeframe is critical because it is designed to eliminate the possibility of claims for income that would have been lost during the immediate aftermath of an incident. In most Business Income policies, coverage kicks in only after a waiting period, often referred to as the "time deductible." This means that the insured business must wait for a specific period before the policy will respond to covering the income loss resulting from the interruption of operations. Understanding this delay is vital for businesses to correctly assess their financial risks and prepare adequately for potential income losses after a disaster. It reinforces the importance of having clear communication and planning for recovery periods to mitigate the financial impact of such events effectively. By knowing that the Period of Restoration specifically begins 72 hours after the loss, businesses can better strategize their response plan and financial stability during critical recovery times.

5. Which part of an insurance claim process typically involves mitigation of damages?

- A. Claim reporting**
- B. Claim adjustment**
- C. Claims investigation**
- D. Claims settlement**

Mitigation of damages is a critical aspect of the insurance claim process that aims to reduce the extent of loss or damage after an incident occurs. This typically occurs during the claim adjustment stage, where adjusters evaluate the loss and determine what actions should be taken to prevent further damage. For instance, if a home has suffered water damage, the adjuster might recommend shutting off the water supply and initiating cleanup and repairs to prevent mold growth. Effective mitigation helps stabilize the situation, which can lead to a more accurate assessment of the claim and potentially lower overall costs for the insurer. By taking steps to address the damage right away, policyholders can also demonstrate their commitment to preserving property, which may be viewed favorably during the adjustment process. In contrast, claim reporting involves notifying the insurer of the loss, claims investigation focuses on gathering information and evidence about the claim, and claims settlement is about reaching an agreement on the compensation amount. While important, these stages do not specifically center on actions taken to mitigate damages.

6. Short-rate cancellation occurs when:

- A. The insured cancels the policy mid-term**
- B. The insurer cancels the policy without notice**
- C. The policy expires at the end of the term**
- D. The insured requests a renewal**

Short-rate cancellation specifically refers to a situation where the insured chooses to cancel their insurance policy before the end of the term. In this case, instead of receiving a prorated return of the premium, which would be the case in a prorated cancellation, the insured receives a lesser amount due to administrative costs and other considerations factored into the short-rate penalty. This penalty exists to compensate the insurer for the lost premium income and potential administrative expenses incurred due to the early cancellation. The other options presented do not correctly define short-rate cancellation. When the insurer cancels a policy without notice, that would typically be a different process governed by specific state laws and policy terms, not associated with short-rate cancellation. Additionally, when a policy simply expires at the end of its term, there's no cancellation by the insured; the policy naturally concludes. Lastly, a request for renewal does not pertain to cancellation at all, as it implies the continuation of coverage rather than termination. Thus, the correct understanding of short-rate cancellation is integral to recognizing how premium refunds are calculated when an insured opts to end coverage prematurely.

7. Which of the following scenarios typically requires a surety bond?

- A. Real estate transaction**
- B. Construction project**
- C. Personal loan agreement**
- D. Health insurance claim**

In a construction project, a surety bond is commonly required to provide financial assurance that the project will be completed according to the contractual terms. Surety bonds involve three parties: the principal (the contractor), the obligee (the project owner), and the surety (the bond issuer). The bond protects the obligee from financial loss if the principal fails to fulfill their contractual obligations, such as completing the work on time or adhering to specific standards. In the context of construction projects, surety bonds serve critical purposes such as ensuring compliance with regulations, safeguarding against contractor default, and guaranteeing that subcontractors will be paid. This is essential in the industry, as the successful completion of construction projects directly impacts the finances and operations of many businesses and stakeholders involved. Other scenarios, such as real estate transactions, personal loan agreements, and health insurance claims, typically do not involve the same level of risk that surety bonds are designed to mitigate. These areas may utilize different forms of agreements or insurance products that cater to their specific needs rather than the bonding requirement prevalent in construction projects.

8. What is the definition of consideration in relation to contracts?

- A. Legal authority to make decisions**
- B. Rights, money, promises, or property exchanged between parties**
- C. A breach of contract**
- D. Documentation of a contract**

Consideration in relation to contracts refers to the value that is exchanged between the parties involved in the agreement. It is a fundamental element of any binding contract, as it represents what each party is willing to give or perform in order to receive something from the other party. This can include money, services, a promise to do something, or the transfer of property. In the context of contracts, consideration is what makes the contract enforceable. For instance, if one party agrees to pay a sum of money in exchange for the delivery of goods, the money is the consideration for the seller, while the goods are the consideration for the buyer. Without consideration, an agreement may be deemed a mere promise without legal effect. Other options like legal authority to make decisions, a breach of contract, and documentation of a contract refer to different aspects of contracts and legal agreements but do not capture the essence of consideration, which specifically focuses on the exchange of value that is required to form a valid contract.

9. Making any false oral or written statement that intends to injure someone in the insurance business is known as what?

- A. Fraud**
- B. Misrepresentation**
- C. Defamation of an insurer**
- D. Negligence**

The correct answer, which is defamation of an insurer, refers to the act of making false statements—either orally or in writing—that harm the reputation of an insurer or others in the insurance industry. These statements are made with the intent to injure someone's business interests or professional reputation. Defamation can have serious repercussions, as it can lead to loss of business or legal action against the person making the false statements. Understanding why this term applies to the scenario helps clarify the distinction between related concepts. For example, fraud typically involves deceit intended to result in financial or personal gain, while misrepresentation focuses on false statements that lead another party to enter a contract or agreement. Negligence, on the other hand, pertains to failing to act with the level of care that a reasonable person would exercise, without necessarily involving false statements. In this context, defamation specifically captures the essence of intentionally harmful false statements aimed at injuring someone's reputation in the insurance sector, making it the most accurate choice for this question.

10. Which clause protects the interests of the loss payee?

- A. Loss payable clause**
- B. Named insured clause**
- C. Liability coverage clause**
- D. Endorsement clause**

The loss payable clause is specifically designed to protect the interests of the loss payee, typically a lender or a party with a financial interest in the insured property. When this clause is included in an insurance policy, it ensures that any insurance benefits related to a loss are paid directly to the loss payee in the event of a claim. This clause secures the financial interests of the loss payee, allowing them to receive payment for damages or losses to the property that they have a stake in. This is particularly important in situations where the loss payee has provided financing for the property, as it gives them assurance that they will be compensated in case of a loss. Other clauses mentioned in the options, such as the named insured clause, are focused primarily on identifying who is covered by the policy rather than protecting the interests of additional parties. Liability coverage clauses outline the protections against claims made by third parties but do not address the financial interests of loss payees. Endorsement clauses typically modify the terms of an insurance policy but do not specifically relate to loss payee protections. Thus, the loss payable clause is the most appropriate choice for safeguarding the interests of the loss payee.

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://sdpropertycasualty.examzify.com>

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

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