

Tennessee Property & Casualty Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Questions

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- 1. Which type of bond ensures compliance with state regulations when issuing a license?**
 - A. License and Permit Bonds**
 - B. Court Bonds**
 - C. Fiduciary Bonds**
 - D. Public Official Bond**
- 2. Insurers are required to be examined at least once every how many years?**
 - A. 2 years**
 - B. 3 years**
 - C. 5 years**
 - D. 10 years**
- 3. What class includes construction consisting of masonry or fire material with a fire resistance rating of 2 hours or less?**
 - A. Class 4 - Masonry Noncombustible**
 - B. Class 5 - Modified Fire Resistive**
 - C. Class 6 - Fire Resistive**
 - D. Class 2 - Heavy Timber**
- 4. What does "underwriting" refer to in casualty insurance?**
 - A. A process for filing claims**
 - B. Evaluating risk and determining policy terms**
 - C. Adjusting policy premiums based on claims history**
 - D. Establishing coverage limits for different types of insurance**
- 5. Which part of a workers' compensation policy includes employer's coverage responsibilities?**
 - A. Part 1: Employers Liability**
 - B. Part 4: Your Duties if Injury Occurs**
 - C. Part 2: Other States Insurance**
 - D. Part 5: Premium**

- 6. What is the penalty for a revoked license?**
- A. \$500**
 - B. \$1,000**
 - C. \$2,500**
 - D. \$5,000**
- 7. What would NOT be considered part of a settlement in insurance?**
- A. Payment made by the insurer**
 - B. Reopening a claim for further consideration**
 - C. Agreement on compensation amounts**
 - D. The final resolution of a claim**
- 8. Investigations must be completed within how many years?**
- A. 1 year**
 - B. 2 years**
 - C. 3 years**
 - D. 5 years**
- 9. How does "named peril" coverage differ from "open peril" coverage?**
- A. Named peril covers specific risks, open peril covers all risks**
 - B. Open peril covers specific risks, named peril covers all risks**
 - C. Named peril includes liability protection, open peril does not**
 - D. Open peril is cheaper than named peril coverage**
- 10. What is the cease and desist penalty amount?**
- A. \$1,000**
 - B. \$5,000**
 - C. \$10,000**
 - D. \$15,000**

Answers

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

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Explanations

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1. Which type of bond ensures compliance with state regulations when issuing a license?

A. License and Permit Bonds

B. Court Bonds

C. Fiduciary Bonds

D. Public Official Bond

License and Permit Bonds are specifically designed to ensure that businesses and individuals comply with state regulations when they are granted a license to operate in a certain capacity. These bonds serve as a guarantee that the bondholder will adhere to the laws and regulations governing their profession or business. If the bondholder fails to comply with these regulations - for instance, if they engage in unethical practices or violate licensing rules - the bond provides a form of financial protection for the state or affected parties. The state can seek claims against the bond to cover damages caused by non-compliance. In contrast, Court Bonds are used to ensure obligations in legal proceedings, such as an appeal bond or a bail bond; they do not directly relate to compliance with licensing regulations. Fiduciary Bonds relate to individuals responsible for managing an estate or trust and ensuring they act in the best interest of beneficiaries. Public Official Bonds, while they also aim to guarantee ethical behavior, specifically pertain to public officials and their duties rather than general compliance for licensing purposes. Therefore, License and Permit Bonds stand out as the appropriate option for this question.

2. Insurers are required to be examined at least once every how many years?

A. 2 years

B. 3 years

C. 5 years

D. 10 years

In Tennessee, insurers are required to undergo an examination at least once every five years. This examination is part of the regulatory oversight conducted by the state to ensure that the insurers are financially stable, compliant with the laws and regulations, and able to meet their obligations to policyholders. The five-year timeframe helps regulators maintain a balance between thorough oversight and the practicalities of the insurance market, allowing insurers sufficient time to implement any necessary changes or improvements identified during the examination process. The other options suggest a more frequent examination schedule, which may not be practical or necessary for most insurers, considering the resources required for such inspections and the fact that inspections are still conducted periodically as needed. Therefore, the five-year requirement strikes an appropriate balance between ensuring compliance and allowing insurers to operate effectively.

3. What class includes construction consisting of masonry or fire material with a fire resistance rating of 2 hours or less?

A. Class 4 - Masonry Noncombustible

B. Class 5 - Modified Fire Resistive

C. Class 6 - Fire Resistive

D. Class 2 - Heavy Timber

The correct answer refers to Class 5 - Modified Fire Resistive. This classification is assigned to buildings that are constructed using masonry or other fire materials and have a fire resistance rating of 2 hours or less. The key factor in this classification is the fire resistance rating, which allows for some level of fire safety while still being considered "modified" compared to higher classifications that require stronger resistance ratings. Buildings in this class might typically include reinforced concrete or concrete block structures that meet specific criteria for fire safety. Understanding the differences in fire-resistive classifications is crucial, especially since they impact insurance ratings, premiums, and overall risk assessments for structures. The other classifications pertain to different types of construction materials and fire resistance ratings. Class 4 involves noncombustible masonry construction with different longevity against fire, while Class 6 requires a higher level of fire resistance, often demonstrating more robust protective measures. Class 2 is focused on heavy timber construction but does not pertain to masonry or fire materials with a lesser fire resistance rating. Understanding these distinctions is essential for accurate assessment and compliance in property insurance and construction standards.

4. What does "underwriting" refer to in casualty insurance?

A. A process for filing claims

B. Evaluating risk and determining policy terms

C. Adjusting policy premiums based on claims history

D. Establishing coverage limits for different types of insurance

In casualty insurance, "underwriting" specifically refers to the process of evaluating risk and determining the terms of the insurance policy. This involves assessing the likelihood of a claim being made based on various factors, such as the applicant's history, the nature of the risks involved, and the overall market conditions. Underwriters analyze this information to decide whether to provide coverage and under what conditions, including the premium amount and any exclusions that may apply. The significance of underwriting lies in its role in ensuring that the insurer can maintain financial stability while offering protection to policyholders. Careful underwriting allows insurers to create policies that are tailored to the specific risk associated with each insured party, which contributes to fair pricing and sustainable risk management. Filing claims, adjusting premiums based on claims history, and establishing coverage limits are all important aspects of the insurance process but do not define underwriting itself. Instead, they fall under other areas of insurance operation.

5. Which part of a workers' compensation policy includes employer's coverage responsibilities?

- A. Part 1: Employers Liability**
- B. Part 4: Your Duties if Injury Occurs**
- C. Part 2: Other States Insurance**
- D. Part 5: Premium**

The correct answer is rooted in how workers' compensation policies are structured to delineate the responsibilities and coverage obligations of the employer. Part 1 of a workers' compensation policy explicitly addresses the employer's liability. This section outlines the coverage that protects the employer against lawsuits filed by employees for workplace injuries or illnesses that are not covered by the workers' compensation statute. By including provisions for the employer's liability, Part 1 ensures that employers are aware of their responsibilities to provide a safe work environment and also clarifies the limits of their financial obligations in the event of employee claims. This coverage is crucial for safeguarding the financial interests of an employer while also fulfilling legal requirements under state laws governing workplace injuries. In contrast, the other parts of the policy focus on different aspects. For instance, Part 4 outlines the employer's duties in the event of an injury, such as reporting the incident and cooperating with the claims process, rather than specifying coverage. Part 2 discusses coverage for employees who work in other states, while Part 5 deals with how premiums are calculated and paid. Understanding these distinctions is essential for grasping how each component of a workers' compensation policy functions within the overall framework of employer responsibilities and employee protections.

6. What is the penalty for a revoked license?

- A. \$500**
- B. \$1,000**
- C. \$2,500**
- D. \$5,000**

The penalty for having a revoked license is indeed significant, reflecting the seriousness with which regulatory bodies treat licensing violations. In the context of Tennessee, a monetary penalty is imposed to deter individuals from engaging in activities that warrant the revocation of their license. A \$1,000 penalty aligns with state regulations that aim to enforce compliance and protect the public interest by ensuring only qualified individuals hold licenses. This amount underscores the importance of maintaining proper licensing in the property and casualty insurance field, as operating without a valid license can lead to further legal implications and consequences beyond just a financial penalty. It's also important to note that penalties can vary based on the nature of the violation, and more severe infractions may result in higher fines or additional sanctions. This context reflects the regulatory environment that practitioners must navigate to maintain their credentials and avoid financial penalties.

7. What would NOT be considered part of a settlement in insurance?

- A. Payment made by the insurer**
- B. Reopening a claim for further consideration**
- C. Agreement on compensation amounts**
- D. The final resolution of a claim**

In the context of insurance, a settlement typically refers to the agreement between the insurer and the insured or claimant concerning the compensation for a loss. It involves establishing how much money will be paid to resolve a claim, thereby bringing a case to a conclusion. While options like payment made by the insurer, agreement on compensation amounts, and the final resolution of a claim are all integral to the settlement process, reopening a claim for further consideration signifies that there is an ongoing dispute or need for additional evaluation. When a claim is reopened, it indicates that the original settlement has not been fully achieved, as the circumstances are being reassessed rather than finalized. Thus, this option stands apart as it does not represent a component of a completed settlement but rather the potential for further negotiation or action on a claim.

8. Investigations must be completed within how many years?

- A. 1 year**
- B. 2 years**
- C. 3 years**
- D. 5 years**

The correct response indicates that investigations must be completed within two years. This timeframe is consistent with the regulations surrounding insurance claims and investigations, which typically require that insurers conduct their investigations in a timely manner to ensure that claims are handled fairly and effectively. Completing investigations within this two-year period allows insurers to gather all necessary evidence and information while it is still fresh, which is crucial for making accurate determinations regarding claims and facilitating appropriate resolutions. This also aligns with legal standards and expectations aimed at protecting policyholder interests, ensuring that they receive benefits in a reasonable time frame. In many jurisdictions, if investigations extend beyond this timeframe, it can lead to complications or disputes over claims, particularly if evidence becomes stale or relevant documentation is lost over time. Such delays can adversely affect both the insurer's ability to make informed decisions and the policyholder's experience.

9. How does "named peril" coverage differ from "open peril" coverage?

- A. Named peril covers specific risks, open peril covers all risks**
B. Open peril covers specific risks, named peril covers all risks
C. Named peril includes liability protection, open peril does not
D. Open peril is cheaper than named peril coverage

Named peril coverage specifically protects against risks that are explicitly listed in the insurance policy. This means that if a peril is not mentioned in the policy, it is not covered, so policyholders must carefully review the list of covered perils to understand their protection level. This type of coverage tends to be more limited as it only applies to those specifically designated risks. Open peril coverage, on the other hand, offers more comprehensive protection. It covers all risks of loss except for those that are specifically excluded in the policy. This approach provides broader coverage and generally gives policyholders a higher level of assurance, as it protects against a wider range of potential incidents without needing to worry about whether a specific risk is named. In essence, saying that named peril covers specific risks while open peril covers all risks accurately captures the fundamental difference between the two coverage types. As a result, policyholders seeking more comprehensive protection might prefer open peril coverage, while those looking to save on premiums might opt for named peril, knowing the limitations involved.

10. What is the cease and desist penalty amount?

- A. \$1,000**
B. \$5,000
C. \$10,000
D. \$15,000

The cease and desist penalty amount in Tennessee for violations related to insurance laws is indeed a significant figure. The correct answer is \$10,000. This penalty is imposed by regulatory authorities when a party has engaged in practices that violate insurance regulations and refuses to comply with a cease and desist order. This amount serves as a deterrent against non-compliance and emphasizes the importance of adhering to established insurance laws and regulations to ensure fairness and protection for consumers in the insurance market. Understanding this penalty is crucial for anyone involved in the insurance industry in Tennessee, as it highlights the serious nature of regulatory compliance.