

Tennessee Property & Casualty 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. What is an example of coverage to help a business continue operations after a loss?**
 - A. Extra Expense Coverage**
 - B. Business Interruption Insurance**
 - C. Extended Coverage**
 - D. Loss of Earnings Coverage**
- 2. The maximum liability for all other covered claims is capped at what amount per claimant?**
 - A. 50,000**
 - B. 100,000**
 - C. 200,000**
 - D. 500,000**
- 3. What type of bond guarantees that certain acts will not be committed?**
 - A. Bid Bond**
 - B. Surety Bond**
 - C. Performance Bond**
 - D. Fidelity Bond**
- 4. What does "subrogation" allow an insurer to do?**
 - A. Adjust premiums based on claims history**
 - B. Pursue third parties after paying a claim**
 - C. Modify policy terms after a claim**
 - D. Terminate claims if fraud is suspected**
- 5. In auto liability limits, what does the number 50 typically represent?**
 - A. Total damage per accident**
 - B. Maximum payout for property damage**
 - C. Maximum payout per person for bodily injury**
 - D. Minimum policy amount**

6. What type of damage typically requires application of the actual cash value method?

- A. Structural damage to a building**
- B. Partial loss of property with no need for replacement**
- C. Wear and tear on vehicles over time**
- D. Damage to personal items with specific replacement values**

7. What term describes the rights and duties of the mortgagee under an insurance policy?

- A. Loss Payable Condition**
- B. Insurance Endorsement**
- C. Mortgage clause**
- D. Coverage endorsement**

8. Within how many days must an insurer notify the commissioner after appointing a producer as its agent?

- A. 10 days**
- B. 20 days**
- C. 15 days**
- D. 30 days**

9. What must an insured do following an incident that causes a loss?

- A. Wait for the insurance company to contact them**
- B. Report the incident to the insurer in a timely manner**
- C. Submit a claim only if the loss is substantial**
- D. Contact local authorities to file a report**

10. What is the primary benefit of coinsurance in property insurance?

- A. To restrict the amount of claims paid out**
- B. To ensure policyholders have a vested interest in the property value**
- C. To simplify the underwriting process for insurers**
- D. To eliminate the risk of total loss claims**

Answers

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

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Explanations

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1. What is an example of coverage to help a business continue operations after a loss?

- A. Extra Expense Coverage**
- B. Business Interruption Insurance**
- C. Extended Coverage**
- D. Loss of Earnings Coverage**

Extra Expense Coverage is designed to help a business continue operations after a loss by covering costs that exceed normal operating expenses. This coverage is particularly beneficial for businesses that need to maintain their operations while making necessary repairs following a covered event, such as a fire or natural disaster. It can cover expenses like temporary relocation costs, overtime payments for employees, or additional costs incurred to prevent a shutdown. Business Interruption Insurance, on the other hand, is focused on compensating for the loss of income that a business suffers due to a covered incident that disrupts its normal operations. While both Extra Expense Coverage and Business Interruption Insurance aim to keep a business afloat after a loss, the former is specifically about covering extra costs to continue operations, while the latter deals primarily with lost revenue. Extended Coverage refers to additional insurance for specific risks that are not typically covered under a standard property policy, but it does not directly refer to helping a business continue operations post-loss. Loss of Earnings Coverage is not an established terminology in property and casualty insurance, and the concept it describes is usually encompassed within Business Interruption Insurance.

2. The maximum liability for all other covered claims is capped at what amount per claimant?

- A. 50,000**
- B. 100,000**
- C. 200,000**
- D. 500,000**

In the context of Tennessee property and casualty insurance, the maximum liability for covered claims is set at \$100,000 per claimant. This cap is established to provide clear boundaries for insurance coverage and ensure that the insurance market remains sustainable while protecting both policyholders and insurers. Setting a maximum limit helps in managing claims and ensures that the insurer can address all claims made within a reasonable and defined framework. This limit is crucial not only for the insurer's financial stability but also for policyholders as it informs them of their coverage limits under various circumstances. Understanding these limits allows policyholders to make informed decisions about their insurance needs and potential exposures. Other options suggest higher limits, which may not align with the rules governing liability in this context, thereby missing the established cap within Tennessee's regulatory framework.

3. What type of bond guarantees that certain acts will not be committed?

- A. Bid Bond**
- B. Surety Bond**
- C. Performance Bond**
- D. Fidelity Bond**

A fidelity bond specifically serves to protect against employee dishonesty or fraudulent acts. It guarantees that certain acts, particularly those related to theft, embezzlement, or fraud by employees, will not be committed. When an employer obtains a fidelity bond, they are essentially ensuring that their business is safeguarded from losses caused by the dishonest actions of their employees. Fidelity bonds are particularly common in industries where employees have access to cash, sensitive information, or valuable property. The bond acts as a financial safety net, reimbursing the employer up to the bond's limit in the event of a validated claim due to employee wrongdoing. In contrast, a performance bond ensures that a contractor fulfills their contractual obligations, a surety bond is a broad category that can guarantee various compliance requirements, and a bid bond is specifically related to guaranteeing the submission of a bid for a contract. These options do not focus on preventing specific acts of dishonesty. Hence, the fidelity bond stands out as the appropriate choice for guaranteeing that certain wrongful acts will not be committed.

4. What does "subrogation" allow an insurer to do?

- A. Adjust premiums based on claims history**
- B. Pursue third parties after paying a claim**
- C. Modify policy terms after a claim**
- D. Terminate claims if fraud is suspected**

Subrogation is a legal principle that allows an insurer to step into the shoes of the insured after paying a claim, enabling the insurer to pursue recovery from third parties who may have been responsible for the loss. This process helps to prevent the insured from being compensated twice for the same loss and allows the insurer to recoup some or all of the costs incurred due to the claim. By exercising subrogation rights, the insurer can hold the third party accountable and recover the amount it paid to the insured, thereby maintaining overall loss control and keeping premiums manageable for all policyholders. This concept is crucial in ensuring that the financial responsibility for the accident or damage lies with the party at fault, rather than unfairly burdening the insurer or other policyholders. It underscores the importance of the insurance system, where risk is shared among many, while also upholding accountability. In this context, adjusting premiums based on claims history, modifying policy terms after a claim, or terminating claims due to suspected fraud do not directly relate to the process or rights established by subrogation.

5. In auto liability limits, what does the number 50 typically represent?

- A. Total damage per accident**
- B. Maximum payout for property damage**
- C. Maximum payout per person for bodily injury**
- D. Minimum policy amount**

In the context of auto liability limits, the number 50 usually represents the maximum payout per person for bodily injury in an auto insurance policy. Liability insurance is structured with limits that indicate the maximum amount that the insurer will pay in the event of a claim. When an auto policy lists limits such as 50/100/25, the first number refers to the maximum amount payable for bodily injury to each individual involved in an accident. This structured system helps ensure that the medical expenses of individuals injured in an auto accident are covered up to the specified limit. Understanding this helps policyholders assess their coverage and ensures they can sufficiently protect themselves against potential liabilities arising from auto accidents.

6. What type of damage typically requires application of the actual cash value method?

- A. Structural damage to a building**
- B. Partial loss of property with no need for replacement**
- C. Wear and tear on vehicles over time**
- D. Damage to personal items with specific replacement values**

The actual cash value (ACV) method is primarily used in situations where depreciation must be taken into account to determine the value of the damaged property. This is particularly applicable to wear and tear on vehicles over time. With ACV, the value of the item is calculated as the replacement cost minus depreciation. Since vehicles experience decline in value due to age and usage, the ACV method reflects this reduction effectively. In contrast, structural damage to a building often involves repairs or replacement costs that do not account for depreciation in the same way. Partial loss of property may also have options for repair rather than replacement, making ACV less applicable. Lastly, damage to personal items that have specific replacement values may not utilize ACV, as these items can often be replaced with new ones of like kind and quality, rather than considering their depreciated value. This is why the correct answer reflects the specific context of vehicles and their depreciation.

7. What term describes the rights and duties of the mortgagee under an insurance policy?

- A. Loss Payable Condition**
- B. Insurance Endorsement**
- C. Mortgage clause**
- D. Coverage endorsement**

The correct term that describes the rights and duties of the mortgagee under an insurance policy is the mortgage clause. This provision is specifically designed to protect the lender's interests in the property that is used as collateral for the loan. The mortgage clause ensures that the mortgagee will receive payment from the insurance policy in the event of a loss, even if the policyholder has not maintained the coverage properly or if there are disputes regarding the claim. This clause essentially allows the mortgagee to be listed as an additional insured on the policy, safeguarding their financial stake in the property. While the loss payable condition does relate to how proceeds from an insurance policy are distributed in the event of a loss, it does not specifically refer to the rights and obligations of the mortgagee like the mortgage clause does. This distinction is key in understanding the relationship between the insured, the insurer, and the mortgagee in property insurance contexts. Therefore, the mortgage clause is the most accurate term to describe these rights and duties under an insurance policy.

8. Within how many days must an insurer notify the commissioner after appointing a producer as its agent?

- A. 10 days**
- B. 20 days**
- C. 15 days**
- D. 30 days**

Insurers are required to notify the commissioner within 15 days after appointing a producer as their agent. This timeframe is critical as it ensures that the regulatory body is kept informed about who is authorized to act on behalf of the insurer, helping maintain transparency and accountability in the insurance market. The 15-day requirement aligns with the goal of consumer protection by ensuring that licensed producers are properly registered and that their activities can be monitored. Other options, while they suggest timeframes that might seem reasonable, do not align with the specific requirements set forth in legislation governing insurance practices. Compliance with the 15-day notification rule is essential to avoid potential penalties or issues with the insurer's compliance standing. Understanding these regulatory timelines is crucial for insurance professionals and companies to ensure they adhere to the legal standards in their operation.

9. What must an insured do following an incident that causes a loss?

- A. Wait for the insurance company to contact them
- B. Report the incident to the insurer in a timely manner**
- C. Submit a claim only if the loss is substantial
- D. Contact local authorities to file a report

After an incident that causes a loss, the insured is required to report the incident to the insurer in a timely manner. This is essential because insurance policies generally have specific conditions regarding the reporting of claims, which often include deadlines or timeframes for notifying the insurer after a loss occurs. Prompt reporting allows the insurance company to begin the investigation process as soon as possible, which can facilitate the assessment of the claim and expedite any necessary payouts. In many cases, insurance policies may stipulate that failing to report a loss in a timely manner could result in the denial of a claim. Thus, it is critical for the insured to be proactive in communicating with their insurer right after the incident to ensure they remain eligible for coverage under their policy. While contacting local authorities can be important in certain situations, especially when there is damage to property or potential criminal activity, it is not a substitute for notifying the insurance provider. Waiting for the insurance company to reach out is not advisable, as it places the onus on the insurer instead of the insured. Additionally, submitting a claim only for substantial losses could lead to missed opportunities for smaller losses that might still be covered by the policy. Therefore, timely notification to the insurer is the most appropriate and essential action for an insured following a

10. What is the primary benefit of coinsurance in property insurance?

- A. To restrict the amount of claims paid out
- B. To ensure policyholders have a vested interest in the property value**
- C. To simplify the underwriting process for insurers
- D. To eliminate the risk of total loss claims

The primary benefit of coinsurance in property insurance is to ensure that policyholders have a vested interest in the property value. Coinsurance clauses require policyholders to insure their property for a specified percentage of its total value, often set at 80% or 90%. This requirement encourages property owners to carry adequate insurance coverage. If they underinsure their property, they may face penalties in the event of a claim, which can result in a reduced payout. By promoting adequate coverage, coinsurance aligns the interests of both insurers and insured individuals. It mitigates the risk of moral hazard, where insured parties might otherwise be less cautious about protecting their property because they would not fully bear the financial consequences of a loss. Consequently, policyholders are incentivized to maintain their property and ensure it is insured to its full value, ultimately benefiting all parties involved in the insurance contract.

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://tnpropertyandcasualty.examzify.com>

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

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