

Tennessee Property & Casualty Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. What can a loss run report indicate to an insurer?**
 - A. The level of customer satisfaction**
 - B. The risk level associated with a policyholder**
 - C. The marketing strategies used by the insurer**
 - D. The effectiveness of the insurer's advertising**

- 2. Which of the following best describes the relationship between terraforming and settlement?**
 - A. Terraforming simplifies the settlement process**
 - B. Terraforming does not affect the settlement of a claim**
 - C. Terraforming may influence settlement outcomes**
 - D. Settlement is unrelated to the changes made during terraforming**

- 3. 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**

- 4. What term describes the promise made by a surety in a bond?**
 - A. Obligation**
 - B. Principal**
 - C. Guarantee**
 - D. Condition**

- 5. Who does the principal make a promise to in a surety bond arrangement?**
 - A. Obligee**
 - B. Agent**
 - C. Surety**
 - D. Contractor**

6. If adverse action is taken, credit reports must be issued within how many days of issuance or renewal?

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

7. What is meant by the term "policy term" in insurance?

- A. The limits on claims that can be made under the policy**
- B. The financial obligations of the insurer during claims**
- C. The duration for which an insurance policy is effective**
- D. The period for which premiums need to be paid**

8. What is the minimum coverage for bodily injury to any one person under insurance policy?

- A. \$15,000**
- B. \$25,000**
- C. \$50,000**
- D. \$100,000**

9. What is the primary function of an umbrella policy in insurance?

- A. It provides health coverage for the insured**
- B. It offers extra liability coverage beyond standard policy limits**
- C. It replaces lost personal items**
- D. It increases the deductibles for property damage**

10. What term is used to describe the amount deducted from an insurance claim?

- A. Premium**
- B. Deductible**
- C. Exclusion**
- D. Limit**

Answers

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

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Explanations

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1. What can a loss run report indicate to an insurer?

- A. The level of customer satisfaction
- B. The risk level associated with a policyholder**
- C. The marketing strategies used by the insurer
- D. The effectiveness of the insurer's advertising

A loss run report is a critical document used by insurers to assess the history of claims made by a policyholder during a specified period. This report provides details on the frequency and severity of claims, which are vital for determining the risk level associated with an individual or business. Insurers rely on this information to make informed decisions about underwriting policies, setting premiums, and determining the overall insurability of the applicant. A policyholder with frequent or severe claims may be deemed higher risk, influencing both the policy terms offered and the pricing. Conversely, a clean loss run report, indicating few or no claims, can signal lower risk, potentially leading to more favorable policy conditions. The other options, while relevant in a broader context, do not directly relate to the primary focus of a loss run report. Customer satisfaction, marketing strategies, and advertising effectiveness are typically assessed through other methods, such as surveys or market analysis, rather than through claims history data.

2. Which of the following best describes the relationship between terraforming and settlement?

- A. Terraforming simplifies the settlement process
- B. Terraforming does not affect the settlement of a claim
- C. Terraforming may influence settlement outcomes**
- D. Settlement is unrelated to the changes made during terraforming

The correct answer emphasizes the connection between terraforming and settlement outcomes, illustrating that changes made through terraforming can indeed have significant implications for how settlements are reached and resolved. In property and casualty insurance, terraforming—though not a common term in this field—can symbolize the adaptation or alteration of conditions that directly influence how a situation is assessed, claims are evaluated, and ultimately how settlements are reached. When terraforming occurs, whether it involves alterations to property that might change the risks involved or adjustments in environmental conditions, this can directly impact claims and the negotiations surrounding them. Factors influenced by terraforming, such as changes in landscape, vegetation, or even climate, may subsequently shape the liability or damage assessments that are crucial during settlement processes. Thus, the relationship is one where terraforming can influence the criteria upon which settlement decisions are based. In contrast, the other options present perspectives that overlook the interconnectedness of these two processes. While one might suggest that terraforming simplifies the settlement process, it doesn't capture the nuanced way that environmental and situational changes can complicate assessments. To claim that terraforming does not affect the settlement of a claim neglects the reality that claims are often responsive to changing conditions, and asserting that settlement is unrelated to terraforming changes outright

3. 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.

4. What term describes the promise made by a surety in a bond?

- A. Obligation**
- B. Principal**
- C. Guarantee**
- D. Condition**

The most appropriate term that describes the promise made by a surety in a bond is the principal. In the context of surety bonds, the principal is the party that agrees to fulfill an obligation, which is often a contractual requirement. The surety, who is a third party, guarantees that the principal will meet their obligations; if the principal fails to do so, the surety is responsible for fulfilling that obligation, typically by compensating the obligee, the party that receives the benefit of the bond. The concepts of guarantee and obligation are related but do not fully capture the specific role of a principal in a bond arrangement. The condition may refer to stipulations outlined in the bond agreement but does not define the party making the promise. Hence, principal is the term that precisely identifies the promisor within the surety bond context.

5. Who does the principal make a promise to in a surety bond arrangement?

- A. Obligee**
- B. Agent**
- C. Surety**
- D. Contractor**

In a surety bond arrangement, the principal makes a promise to the obligee. The obligee is typically the party that requires the bond as a guarantee that the principal will fulfill their obligations, such as completing a contract or adhering to regulations. In this relationship, the principal is essentially securing an agreement that assures the obligee that they will be compensated or that a required duty will be performed, thus protecting the obligee from potential losses or defaults by the principal. The surety acts as a guarantor, providing the bond and backing the principal's ability to fulfill obligations. The contractor may also be involved, but they are not the party to whom the promise is made in the context of the surety bond. The agent may facilitate communication or transactions but does not receive the promise from the principal in the bond arrangement.

6. If adverse action is taken, credit reports must be issued within how many days of issuance or renewal?

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

The correct timeframe for issuing credit reports after adverse action is taken is 90 days. This requirement is outlined in the Fair Credit Reporting Act (FCRA), which mandates that if an insurer takes adverse action based on information from a credit report, they must provide the consumer with a notice that includes specific details about the action and their rights. The 90-day period allows consumers sufficient time to obtain and review their credit report, thereby enabling them to understand the reasons for the adverse action and take appropriate measures if necessary. Other timeframes, such as 30 days, 60 days, or 120 days, do not align with the FCRA requirements for notifying consumers following adverse actions based on credit reports. Each of these options does not accurately reflect the statutory obligations imposed on insurers and creditors, making 90 days the correct and relevant choice in this context.

7. What is meant by the term "policy term" in insurance?

- A. The limits on claims that can be made under the policy
- B. The financial obligations of the insurer during claims
- C. The duration for which an insurance policy is effective**
- D. The period for which premiums need to be paid

The term "policy term" in insurance refers to the duration for which an insurance policy is effective. This means it specifies the length of time the coverage provided by the policy is valid, which typically starts on a particular date and ends on another date. During this period, the insured is covered for specified risks under the terms of the policy, and any claims made that fall within this time frame are subject to the policy's terms.

Understanding the policy term is crucial because it defines the time window in which policyholders can make claims for covered events. It also helps in determining renewal processes and understanding how long premiums need to be paid relative to the coverage. The other options do not accurately reflect what a policy term entails. For instance, limits on claims and the financial obligations of the insurer pertain to the conditions and responsibilities within the policy rather than the duration of coverage itself, while the period for which premiums need to be paid can vary and is not inherently tied to the policy term.

8. What is the minimum coverage for bodily injury to any one person under insurance policy?

- A. \$15,000
- B. \$25,000**
- C. \$50,000
- D. \$100,000

In Tennessee, the minimum coverage requirement for bodily injury liability under an automobile insurance policy is indeed set at \$25,000 for injury to any one person. This regulation ensures that drivers have a baseline level of financial protection in the event of an accident that causes injury to others. The purpose of this minimum coverage is to provide a safety net that helps cover medical expenses, lost wages, and other damages incurred by the injured parties, reinforcing the principle that drivers should be responsible for the harm they may cause to other individuals on the road. Having a minimum limit in place is crucial for protecting both the injured party and the insured driver, ensuring that there are funds available to handle at least a portion of the financial repercussions following an accident. This regulatory requirement reflects a commitment to public safety and the welfare of individuals affected by vehicular incidents.

9. What is the primary function of an umbrella policy in insurance?

- A. It provides health coverage for the insured
- B. It offers extra liability coverage beyond standard policy limits**
- C. It replaces lost personal items
- D. It increases the deductibles for property damage

The primary function of an umbrella policy in insurance is to offer extra liability coverage beyond standard policy limits. This type of policy serves as an additional layer of protection for the insured, which kicks in after the underlying limits of other liability policies, such as auto or homeowners insurance, have been exhausted. Umbrella policies are particularly valuable because they can cover various types of incidents, including personal injury lawsuits or property damage, that may exceed the limits of primary insurance policies. They provide broader coverage, often extending to situations that might not be covered by other personal liability policies, thereby safeguarding the insured against potential financial losses due to lawsuits or large claims. Understanding this function highlights the importance of having adequate liability coverage, especially for individuals with substantial assets or risks, as it helps mitigate the financial impact of unexpected events that result in significant legal claims or damages.

10. What term is used to describe the amount deducted from an insurance claim?

- A. Premium
- B. Deductible**
- C. Exclusion
- D. Limit

The term that describes the amount deducted from an insurance claim is "deductible." This is the portion of the loss that the insured must pay out-of-pocket before the insurance coverage kicks in and the insurance company pays the remaining amount of the claim. Deductibles are designed to prevent minor claims and reduce the number of small payouts, encouraging policyholders to take responsibility for small losses. In insurance policies, a deductible can be a fixed dollar amount or a percentage of the total claim amount. Understanding how deductibles work is crucial because they directly affect the amount the insured will receive when filing a claim after experiencing a loss. The other terms in the options have distinct meanings that do not pertain to the amount deducted from a claim. "Premium" refers to the amount paid by the policyholder to maintain the insurance coverage. "Exclusion" outlines what is not covered under the policy, indicating specific risks or perils that the insurer will not provide coverage for. "Limit" refers to the maximum amount the insurance company will pay for a covered loss, capping the insurer's liability. Thus, in the context of insurance claims, "deductible" is the correct term for the amount that is subtracted before the payout from an insurer occurs.

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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