NORTH CAROLINA PROPERTY INSURANCE AGENT PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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.

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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!

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Questions

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1. Which of the following is considered a Modified Coverage Form?

A. HO-3

B. HO-4

C. HO-5

D. HO-8

2. Which of the following is NOT considered primary coverage in homeowners insurance?

A. Fire damage

B. Liability coverage

C. Collapse

D. Theft protection

3. What is the primary role of the Insurance Information and Privacy Act?

A. To enhance policy pricing

B. To protect consumer data

C. To regulate agent commissions

D. To dictate coverage limits

4. All of the following are other coverages under the dwelling policy EXCEPT?

A. Personal liability

B. Cap on jewelry losses

C. Earth movement

D. Fair rental value

5. All of the following are excluded in the equipment breakdown basic policy EXCEPT

A. Wear and tear

B. Equipment failure

C. Explosion of steam boilers

D. Intentionally caused damage

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6. What does 'Coverage D' refer to in a dwelling policy?

A. Personal property coverage

B. Loss of use coverage

C. Liability coverage

D. Additional living expenses

7. What does it indicate if there is no premium shown for a specific coverage part on the commercial package policy declarations page?

A. There is coverage

B. There is a discount applied

C. There is no coverage

D. It is pending approval

8. What is required for a change to be made in a commercial package policy?

A. Insured consent

B. Insurer approval

C. Agent request

D. Joint decision

9. Which of the following coverages is NOT included in the basic form dwelling policy?

A. Fire damage

B. Breakage of glass

C. Theft

D. Windstorm damage

10. Which entity oversees enforcement of insurance regulations in North Carolina?

A. State Insurance Commission

B. Federal Insurance Bureau

C. National Association of Insurance Commissioners

D. Consumer Financial Protection Bureau

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Answers

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

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Explanations

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1. Which of the following is considered a Modified Coverage Form?

A. HO-3

B. HO-4

C. HO-5

D. HO-8

The Modified Coverage Form, known as HO-8, is specifically designed to provide coverage for older homes that may not meet the current building codes or values. This form usually covers the actual cash value of the home, rather than replacement cost, making it suitable for properties where the cost to rebuild may far exceed the market value. HO-8 is tailored for situations where insuring the property on a replacement cost basis would be disproportionately high. It typically includes coverage for fire, lightning, windstorm, and other perils but with limitations compared to more comprehensive homeowners policies like HO-3. This characteristic makes the HO-8 a modified approach to standard homeowners insurance, hence the name "Modified Coverage Form." In contrast, the other options such as HO-3, HO-4, and HO-5 represent different standard homeowners policy forms that include broader coverage and are not categorized as Modified Coverage Forms. HO-3 generally provides all-risk coverage for the dwelling and named peril coverage for personal property. HO-4 is designed for renters, and HO-5 offers a more comprehensive package of coverage than an HO-3. These policies cater to different needs and are not specifically modified for older homes, which highlights why HO-8 stands out in this context.

2. Which of the following is NOT considered primary coverage in homeowners insurance?

A. Fire damage

B. Liability coverage

C. Collapse

D. Theft protection

In homeowners insurance, primary coverage typically refers to the essential protections that the policy provides against common risks associated with property ownership. Among the options presented, collapse is often not considered a primary coverage compared to the others listed. Fire damage, liability coverage, and theft protection are all fundamental components of homeowners insurance. Fire damage is a standard risk covered under most homeowners policies, protecting the structure and personal belongings from losses due to fire. Liability coverage is crucial, as it protects homeowners from legal claims due to injuries or damages occurring on their property. Theft protection provides coverage for personal belongings that may be stolen from the home, which is also a common risk policyholders want to safeguard against. Collapse, while it can be covered under some homeowners policies, is typically not viewed as a primary coverage type. Instead, it may be subject to more limitations or specific conditions outlined in the policy. Coverage for collapse often pertains to certain types of structural failures and may not be included in all homeowners insurance policies as a core benefit. Therefore, recognizing collapse as a less standard form of coverage helps clarify its distinction from the other more essential protections provided.

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3. What is the primary role of the Insurance Information and Privacy Act?

A. To enhance policy pricing

B. To protect consumer data

C. To regulate agent commissions

D. To dictate coverage limits

The primary role of the Insurance Information and Privacy Act is to protect consumer data. This legislation is designed to ensure that individuals' personal and potentially sensitive information gathered by insurance companies is handled with care and confidentiality. The Act sets forth guidelines for how insurers can collect, use, and disclose personal information, thereby aiming to secure consumers' privacy rights in the insurance process. The emphasis on data protection is crucial in an era where personal information is frequently shared online and could be exposed to unauthorized access or misuse. By establishing regulations around the treatment of consumer data, the Act promotes trust in the insurance industry, which is essential for maintaining a solid relationship between consumers and insurance providers. Other aspects like policy pricing, agent commissions, and coverage limits are significant in the insurance industry but do not fall under the primary focus of this Act, which is strictly centered on the privacy and protection of consumer information.

4. All of the following are other coverages under the dwelling policy EXCEPT?

A. Personal liability

B. Cap on jewelry losses

C. Earth movement

D. Fair rental value

The correct choice highlights that earth movement is not considered an additional coverage under the dwelling policy in a standard context. In many insurance policies, including those for dwelling coverage, certain risks such as earth movement—encompassing events like earthquakes, landslides, or sinkholes—are typically excluded from coverage due to the high potential for loss and the unique nature of these risks. This exclusion reflects the general nature of standard dwelling policies, which are designed primarily to cover damages arising from more common risks, like fire or theft. In contrast, personal liability is a common coverage included in many property policies, safeguarding the insured against claims for bodily injury or property damage they may cause to others. Cap on jewelry losses refers to a limitation on the amount reimbursed for jewelry losses, which can be a specific coverage option or limit found within certain dwelling policies. Fair rental value coverage compensates property owners for lost rental income due to damage from a peril covered under the policy, making it an integral part of the dwelling insurance framework. All these coverages fit within the context of what a dwelling policy typically addresses, unlike earth movement, which stands apart as a common exclusion.

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5. All of the following are excluded in the equipment breakdown basic policy EXCEPT

A. Wear and tear

B. Equipment failure

C. Explosion of steam boilers

D. Intentionally caused damage

The correct answer is the explosion of steam boilers. This is included in the coverage provided by an equipment breakdown basic policy, as it falls under the risks typically covered by such insurance. Equipment breakdown policies are designed to protect against sudden and accidental failures of equipment, which can lead to significant operational interruptions and financial loss. In contrast, wear and tear, intentionally caused damage, and equipment failure due to non-accidental factors like neglect or poor maintenance are generally excluded from coverage. Wear and tear refers to the gradual deterioration of equipment, which is expected over time and not covered. Intentionally caused damage is excluded because insurance is meant to cover unforeseen accidents, not deliberate acts. Equipment failure resulting from lack of proper maintenance is also not covered, as it is considered a preventable issue rather than a sudden malfunction. The inclusion of steam boiler explosions underscores the policy's focus on covering unexpected, catastrophic events rather than routine issues or preventable damage.

6. What does 'Coverage D' refer to in a dwelling policy?

A. Personal property coverage

B. Loss of use coverage

C. Liability coverage

D. Additional living expenses

'Coverage D' in a dwelling policy specifically refers to loss of use coverage. This coverage is designed to provide financial support in the event that the insured property becomes uninhabitable due to a covered peril, such as a fire or severe storm. When a dwelling is damaged, individuals may need to temporarily relocate while repairs are being made, and 'Coverage D' helps cover the additional costs incurred during this period, such as hotel bills or increased living expenses beyond what they would normally pay. This assistance ensures that policyholders are not financially burdened while their homes are being restored, allowing them to maintain a standard of living despite the disruption. It is distinct from personal property coverage, which concerns the contents within the home, liability coverage, which protects against legal obligations due to damages or injuries, and additional living expenses that, while similar in effect to loss of use, are not specifically defined in the same contractual manner under dwelling policies.

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7. What does it indicate if there is no premium shown for a specific coverage part on the commercial package policy declarations page?

A. There is coverage

B. There is a discount applied

C. There is no coverage

D. It is pending approval

When a specific coverage part shows no premium on the commercial package policy declarations page, it indicates that there is no coverage for that part. The declarations page provides a summary of the insurance coverage and associated costs for a policy. If a coverage part is included in the policy but carries no premium, it typically means that the insurer is not extending that coverage, either because it has been explicitly excluded from the policy or because it was not selected as part of the insured's policy options. This context is important to understand, as it clarifies the significance of premium amounts related to specific coverage parts. A blank space where a premium would typically be noted should alert the policyholder that they do not have the coverage they may have assumed was included, which can have significant implications in the event of a claim related to that coverage area.

8. What is required for a change to be made in a commercial package policy?

A. Insured consent

B. Insurer approval

C. Agent request

D. Joint decision

In the context of a commercial package policy, insurer approval is essential for any changes to be made. This requirement stems from the nature of insurance contracts, where the insurer retains the authority to assess the risk associated with a policy. When modifications are requested, such as changes in coverage limits, policy exclusions, or the addition of new insured entities, the insurer must evaluate these modifications to ensure they can still offer insurance under the terms of the revised policy. Insurer approval is important because it helps maintain the integrity of the policy and ensures that the insurer can manage the risks appropriately. Any adjustments made could potentially alter the risk profile, which is why the insurer must assess whether the changes align with their underwriting guidelines and overall risk management strategy. This is a standard practice in the insurance industry to protect both the insurer and the insured. Other factors, such as the consent of the insured or requests from agents, may be part of the process but do not suffice on their own without the insurer's approval. Thus, while communication and collaboration are important in this process, ultimately, it is the insurer's decision that allows for adjustments to be made to a commercial package policy.

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9. Which of the following coverages is NOT included in the basic form dwelling policy?

A. Fire damage

B. Breakage of glass

C. Theft

D. Windstorm damage

The basic form dwelling policy, often referred to as DP-1, provides coverage for specific perils, including fire damage and windstorm damage, both of which are commonly included in standard property insurance policies. The coverage for fire damage protects the dwelling from losses due to fire, while windstorm damage provides compensation for damage to the structure caused by wind events. However, the breakage of glass is not typically covered under the basic form dwelling policy. This form focuses on essential risks and does not extend to all peripheral or additional damages such as glass breakage. Although some policies might allow for the option to add glass coverage through endorsements, it is not considered part of the core offerings of the basic form dwelling policy. Theft is also excluded from the basic coverage, but this is not the correct answer since breakage of glass is the option that aligns with the common exclusions within the basic policy framework. Thus, understanding the scope and limitations of the basic dwelling policy is key to recognizing why breakage of glass stands out as a coverage that is not included in this specific policy type.

10. Which entity oversees enforcement of insurance regulations in North Carolina?

A. State Insurance Commission

B. Federal Insurance Bureau

C. National Association of Insurance Commissioners

D. Consumer Financial Protection Bureau

The correct entity that oversees enforcement of insurance regulations in North Carolina is the State Insurance Commission. This commission is responsible for ensuring that insurance companies and agents comply with state laws and regulations. It plays a critical role in protecting consumers by enforcing standards for insurance practices and ensuring fair treatment in the insurance market. The State Insurance Commission is tasked with supervising the financial health of insurance companies, overseeing licensing processes for agents, approving policy forms and rates, and handling consumer complaints. By regulating these aspects, the commission helps maintain the integrity of the insurance system within the state and safeguards consumers' interests. The other entities listed have different functions that do not specifically pertain to overseeing state-level insurance regulations in North Carolina. The Federal Insurance Bureau focuses on broader federal regulations, the National Association of Insurance Commissioners provides a framework for regulatory practices but does not enforce them, and the Consumer Financial Protection Bureau primarily deals with consumer finance issues rather than insurance-specific regulations at the state level.

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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://ncpropertyinsuranceagent.examzify.com

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

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