**Property and Casualty Practice Test**

The property and casualty insurance license is state-run. People can apply for a resident agent license or a non-resident agent license. It makes sense for a person to obtain a resident license for the state in which he resides; however, there are instances in which obtaining a non-resident license is beneficial or even a job requirement. For example, it is common for someone in a non-sales role, such as an insurance adjuster, to be handling property and casualty insurance claims that originate from multiple states. Under these circumstances, obtaining non-resident licenses for the states in which the employee frequently handles claims makes a lot of sense.

* All applicants for resident or non-resident property and casualty insurance licenses must be at least 18 years of age at the time of application.
* A classroom course that is 200 hours in length is required.
* A minimum of six months insurance work experience is required.
* Some states also require fingerprints to be submitted with the examination application.

Once the examination is passed, the licensed property and casualty insurance professional will be qualified to handle property, casualty, surety, and other miscellaneous lines of insurance.

There is one important exception to these application rules: Certified Property and Casualty Underwriters (CPCUs) who have practiced property and casualty insurance for at least four years are exempt from these requirements and do not have to take the property and casualty insurance licensing examination.

The property and casualty insurance licensing examination consists entirely of multiple-choice questions and is usually computer-based. The examination is divided into two sections: the first section focuses on property insurance and the second section on casualty insurance.

The property insurance section of the examination covers these eight topics:

1. Insurance regulation  
2. General insurance knowledge  
3. Property insurance basics  
4. Dwellings  
5. Homeowners  
6. Commercial package policy  
7. Business owners insurance  
8. Other types of insurance, such as homeowners’ insurance and flood insurance

The casualty insurance section of the examination covers these eight topics:

1. Insurance regulation  
2. General insurance knowledge  
3. Casualty insurance basics  
4. Homeowners insurance  
5. Auto insurance  
6. Commercial package policy  
7. Business owners insurance  
8. Other types of insurance coverage

## Practice Questions

**1. An insurance agent is:**

A. An individual who has the authority to sell insurance and countersign insurance contracts for an insurer.  
B. An individual who has the authority to sell insurance for an insurer, but cannot countersign insurance contracts for that insurer.  
C. An individual who does not represent an insurer, but instead works with a client to find an insurer that will provide an insurance policy that meets the client’s needs.  
D. An individual who helps a client to identify the benefits of different insurance policies, even though he or she does not actually sell insurance.

**2. An admitted insurer is:**

A. An organization that sells insurance within the state in which it was formed.  
B. An organization that is allowed to sell insurance within a particular state.  
C. An organization that is not allowed to sell insurance within a particular state.  
D. An organization that sells insurance outside of the state in which it was formed.

**3. It is illegal for an insurance agent to do all of the following EXCEPT:**

A. Sell insurance without a license for the state in which the individual is selling insurance.  
B. Sell insurance for an insurer that is located outside of the state in which the agent is located.  
C. Offer anything of value other than the benefits of the policy itself in order to encourage an individual to purchase the policy.  
D. Encourage an individual to replace his or her policy with a policy that is not in the individual’s best interests.

**4. The Fair Credit Reporting Act requires an insurer to do all of the following EXCEPT:**

A. Notify a consumer that the insurer has requested a regular consumer report about the consumer within three days of the date that the report is requested.  
B. Notify a consumer that the insurer has requested an investigative consumer report about the consumer within three days of the date that the report is requested.  
C. Provide information about the consumer’s right to obtain a copy of his or her consumer report from the reporting agency free of charge if the insurer takes an adverse action against the consumer because of the report.  
D. Provide information about the report that the insurer used, the name of the reporting agency, and information that the consumer can use to contact the reporting agency in case of a dispute within five days of the date that the information is requested, if the consumer requests the information.

**5. What is a peril?**

A. A resource that is no longer available to an individual and/or an organization.  
B. An event that causes an individual and/or an organization to lose a resource.  
C. Any activity, behavior, or physical condition that increases the likelihood that an individual or organization will lose a resource.  
D. A measurement of the likelihood that an individual will lose a resource.

## Answers

**1. A:** An insurance agent is an individual who has the authority to sell insurance and countersign insurance contracts for an insurer. An individual who has the authority to sell insurance for an insurer, but cannot countersign insurance contracts for that insurer (choice “B”), is known as a solicitor. An individual who does not represent an insurer, but instead works with a client to find an insurer that will provide an insurance policy that meets the client’s needs (choice “C”), is known as a broker. An individual who helps a client to identify the benefits of different insurance policies, even though he or she does not actually sell insurance, is known as an insurance consultant.

**2. B:** An admitted insurer, which is also known as an authorized insurer, is an organization that is allowed to sell insurance within a particular state. An organization that sells insurance within the state in which it was formed (choice “A”) is known as a domestic insurer. An organization that is not allowed to sell insurance within a particular state (choice “C”) is known as a nonadmitted insurer or an unauthorized insurer. An organization that sells insurance outside of the state in which it was formed (choice “D”) is known as a foreign insurer. It is important to note that an organization may be both a domestic insurer and a foreign insurer if the organization sells insurance both inside and outside of the state in which the organization was formed. However, the insurer will always be considered a domestic insurer in the state in which the organization was formed and a foreign insurer outside of the state in which it was formed.

**3. B:** It is illegal for an insurance agent to sell insurance without the appropriate license for the state in which the individual is selling insurance, illegal for an insurance agent to offer anything of value other than the benefits of the policy itself in order to encourage an individual to purchase the policy, and illegal for an insurance agent to encourage an individual to replace his or her policy with a policy that is not in the individual’s best interests. However, it is important to note that an insurance agent is allowed to sell insurance for an insurer that is located outside of the state in which the agent is located, as long as the insurer and the agent are licensed to sell insurance in that state.

**4. A:** The Fair Credit Reporting Act requires an insurer to notify a consumer that the insurer has requested an investigative report about the consumer within three days of the date that the report is requested. It also requires an insurer to provide information about the consumer’s right to obtain a copy of his or her consumer report from the reporting agency free of charge if the insurer takes an adverse action against the consumer because of the report, and to provide information about the report that the insurer used, the name of the reporting agency, and information that the consumer can use to contact the reporting agency in case of a dispute within five days of the date that the information is requested if the consumer requests the information. However, it is important to note that an insurer is not required to notify a consumer that the insurer has requested a consumer report as long as the report does not gather information from the individual’s friends, family, employers, or any other source that would not typically appear in a credit report.

**5. B:** A peril is an event that causes an individual and/or an organization to lose a resource. Perils include events such as fires, floods, and theft. A resource that is no longer available to an individual and/or an organization (choice A”) is known as a loss. For example, an electronics store may lose all of the store’s computers (the loss) if the store is hit by lightning (the peril) during a storm. Any activity, behavior, or physical condition that increases the likelihood that an individual or organization will lose a resource (choice “C”) is known as a hazard. Hazards may include physical hazards such as a lack of fireproofing, moral hazards such as the belief that it is “OK” for an individual or organization to trick an insurance company, and morale hazards such as the act of dumping hazardous chemicals in the backyard without any regard for the repercussions. Finally, risk is a measurement of the likelihood that an individual will lose a resource (choice “D”).