

ARE 320 – SERVING THE REINSURANCE CUSTOMER 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.

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. Which entity is the regulatory agency of the US Department of Labor that enforces the OSH Act?**
 - A. Risk control report
 - B. Occupational Safety and Health Act of 1970
 - C. Occupational Safety and Health Administration
 - D. Commercial general liability insurance
- 2. Which form is the unit-owners form covering most common perils for owner-occupied units, such as fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, vandalism or malicious mischief, theft, and volcanic eruption?**
 - A. HO-03 Special Form
 - B. HO-06 Unit-Owners Form
 - C. HO-04 Contents Broad Form
 - D. HO-08 Modified Coverage Form
- 3. Which liability arises from bodily injury or property damage on premises or from ongoing operations away from the premises, generally based on negligence?**
 - A. Premises and Operations Liability
 - B. Products Liability
 - C. Inland Marine Insurance
 - D. Annual Transit Policy
- 4. Which NAIC annual statement schedule shows the detailed historical information on paid and reserved losses and LAE?**
 - A. Loss adjustment expense (LAE)
 - B. Incurred but not reported (IBNR) reserves
 - C. Schedule P
 - D. Real property (realty)
- 5. Which item is classified as primary insurer liabilities?**
 - A. Funds Held by Company Under Reinsurance Treaties
 - B. Ceded Reinsurance Premiums Payable
 - C. Amounts Recoverable from Reinsurers
 - D. Uncollected Premiums

- 6. A guide for pricing casualty reinsurance that is actuarially developed and based on industry-wide or company loss data describes which of the following?**
- A. Increased limit factor tables
 - B. Commercial Property Size-of-Loss Database (PSOLD)
 - C. Reinsurance binder
 - D. Facultative reinsurance certificate
- 7. Catastrophe model elements for personal lines include which of the following?**
- A. Geographic location, type of catastrophe, exposure information, replacement cost estimates
 - B. Assets exposed to property loss, cause of loss, potential financial consequences, and parties that can be affected by loss
 - C. The party that is affected most when property is lost, damaged, or destroyed is usually the owner of the property
 - D. A lender who acquires conditional rights to property to secure a loan
- 8. What term refers to a listing of past claims, including the date of occurrence, the line of business, and the type?**
- A. Loss run
 - B. Claims ledger
 - C. Incident log
 - D. Loss history
- 9. Which term describes the cost to repair or replace property using new materials of like kind and quality with no deduction for depreciation?**
- A. Actual Cash Value (ACV)
 - B. Replacement Cost
 - C. Agreed Value Method
 - D. Peril
- 10. Which term describes assigning members of a dataset into categories based on known characteristics such as size, location, and types of coverage?**
- A. Classification
 - B. Regression analysis
 - C. Association rule learning
 - D. Risk profile analysis

Answers

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

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Explanations

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1. Which entity is the regulatory agency of the US Department of Labor that enforces the OSH Act?

- A. Risk control report
- B. Occupational Safety and Health Act of 1970
- C. Occupational Safety and Health Administration**
- D. Commercial general liability insurance

The agency responsible for enforcing the OSH Act within the Department of Labor is the Occupational Safety and Health Administration. OSHA is the regulatory body that writes and enforces workplace safety standards, conducts inspections, and issues citations and penalties to ensure compliance. It also provides training, outreach, and compliance assistance. The OSH Act itself is the law, not the agency, and the other options are not regulatory bodies (one is a law, the others are not agencies or are private insurance). So OSHA is the correct choice.

2. Which form is the unit-owners form covering most common perils for owner-occupied units, such as fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, vandalism or malicious mischief, theft, and volcanic eruption?

- A. HO-03 Special Form
- B. HO-06 Unit-Owners Form**
- C. HO-04 Contents Broad Form
- D. HO-08 Modified Coverage Form

The form designed for owner-occupied condominium units is the unit-owners form. It specifically covers the interior of the unit, any improvements or betterments, and the owner's personal property, against a broad set of common perils. The list of perils provided—fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, vandalism or malicious mischief, theft, and volcanic eruption—are exactly the kinds of risks this form is intended to insure for a unit within a condo. This makes it the best fit for owner-occupied units among the options, since other forms are tailored to different dwelling types or arrangements (such as single-family homes, renters, or older homes).

3. Which liability arises from bodily injury or property damage on premises or from ongoing operations away from the premises, generally based on negligence?

- A. Premises and Operations Liability**
- B. Products Liability
- C. Inland Marine Insurance
- D. Annual Transit Policy

This question tests understanding of premises and operations liability and what it covers. It protects against bodily injury or property damage that occurs on the insured's premises or results from the insured's ongoing operations away from those premises, with negligence typically at the core of the claim. In real terms, if a customer slips and is injured on a store floor, or if a contractor damages a client's property while performing work at a location away from the insured's own premises, these are classic premises and operations claims because they arise from the insured's duty to keep premises safe or to perform work carefully. This is distinct from products liability, which deals with injuries or damage caused by the insured's products; inland marine insurance, which covers moveable property and property in transit rather than liability from premises or operations; and an annual transit policy, which focuses on goods in transit.

4. Which NAIC annual statement schedule shows the detailed historical information on paid and reserved losses and LAE?

- A. Loss adjustment expense (LAE)
- B. Incurred but not reported (IBNR) reserves
- C. Schedule P**
- D. Real property (realty)

Schedule P is the NAIC annual statement schedule that provides the detailed historical information on paid and reserved losses and LAE. It breaks down losses and loss adjustment expenses by accident year and development period, showing amounts paid, case reserves, and IBNR as they evolve over time. This data is essential for analyzing loss development patterns, evaluating reserve adequacy, and monitoring trends across lines and years. The other options aren't schedules for this data: LAE is an expense category, not a separate schedule; IBNR reserves are a component shown within Schedule P rather than a standalone schedule; and real property is an asset category unrelated to the loss and LAE history data.

5. Which item is classified as primary insurer liabilities?

- A. Funds Held by Company Under Reinsurance Treaties
- B. Ceded Reinsurance Premiums Payable**
- C. Amounts Recoverable from Reinsurers
- D. Uncollected Premiums

Liabilities for the primary insurer are obligations the ceding company must pay to others. Ceded reinsurance premiums payable represents the amount the ceding company owes to reinsurers for the reinsurance protection it purchased, so it is an outstanding debt and filed as a liability. Uncollected premiums are what the insurer expects to collect from policyholders, so they're assets. Amounts recoverable from reinsurers are amounts the insurer expects to recover, also assets. Funds held by the company under reinsurance treaties are funds held for others and typically treated separately; the clearest example of a primary insurer liability among the options is the premiums payable to reinsurers.

6. A guide for pricing casualty reinsurance that is actuarially developed and based on industry-wide or company loss data describes which of the following?

- A. Increased limit factor tables**
- B. Commercial Property Size-of-Loss Database (PSOLD)
- C. Reinsurance binder
- D. Facultative reinsurance certificate

In casualty reinsurance pricing, the guide that is actuarially developed and based on industry-wide or company loss data to price higher limits is the increased limit factor tables. These tables provide multipliers that adjust the base premium to reflect the added risk when the reinsured amount increases beyond the underlying policy limit. They're derived from historical loss experience—either industry data or a company's own loss experience—and capture how severity and frequency are expected to grow as the limit rises. This lets the reinsurer quote prices for higher-limit layers by applying the appropriate factor to the base rate, rather than building a fresh model for every situation. The other items don't fit because they relate to documentation or property-specific data rather than pricing guides for higher casualty limits: a property-size-of-loss database is used for property losses, a reinsurance binder is a contract to bind coverage, and a facultative reinsurance certificate documents facultative coverage.

7. Catastrophe model elements for personal lines include which of the following?

- A. Geographic location, type of catastrophe, exposure information, replacement cost estimates**
- B. Assets exposed to property loss, cause of loss, potential financial consequences, and parties that can be affected by loss
- C. The party that is affected most when property is lost, damaged, or destroyed is usually the owner of the property
- D. A lender who acquires conditional rights to property to secure a loan

Catastrophe modeling for personal lines focuses on the physical risk to insured properties and how that translates into potential losses. The four essential inputs are geographic location, which captures regional hazard patterns; the type of catastrophe, which defines the specific hazard involved (such as hurricane, wildfire, or earthquake); exposure information, describing what is at risk (properties, values, construction, occupancy, etc.); and replacement cost estimates, which determine how much it would cost to rebuild after a loss. These elements together let the model estimate potential losses under different hazard scenarios and guide pricing, underwriting, and capital planning. Other options describe who is affected or financial interests rather than the actual model inputs used to quantify catastrophe risk in personal lines.

8. What term refers to a listing of past claims, including the date of occurrence, the line of business, and the type?

- A. Loss run
- B. Claims ledger
- C. Incident log
- D. Loss history**

A loss history is the compiled record of all past losses for an insured, typically listing each claim with the date of occurrence, the line of business involved, and the type of loss. This gives a quick view of an insured's claim experience and is used by underwriters and reinsurers to assess risk, set premiums, and make renewal decisions. A loss run is a detailed, per-claim report the insurer generates, which provides granular claim information but not the summarized history itself. An incident log records events, not necessarily formal claims, and a claims ledger is more of a bookkeeping record without the standardized historical summary. So, the term that best matches a listing of past claims with date, line of business, and type is loss history.

9. Which term describes the cost to repair or replace property using new materials of like kind and quality with no deduction for depreciation?

- A. Actual Cash Value (ACV)
- B. Replacement Cost**
- C. Agreed Value Method
- D. Peril

Replacement Cost is the amount needed to repair or replace property using new materials of like kind and quality, with no deduction for depreciation. This means you're reimbursed to restore the property to its new condition, up to the policy limit, rather than just the value it has worn down to. This differs from Actual Cash Value, which subtracts depreciation, and from Agreed Value, where the insurer and insured set a value in advance. Peril refers to a cause of loss, not a valuation method.

10. Which term describes assigning members of a dataset into categories based on known characteristics such as size, location, and types of coverage?

A. Classification

B. Regression analysis

C. Association rule learning

D. Risk profile analysis

Classification is the process of assigning members of a dataset into categories based on known characteristics. Here, features such as size, location, and types of coverage served as inputs to determine which category a policy or data point belongs to. This is a supervised learning approach where the goal is to map each instance to a discrete class, like risk level or policy segment, using the given attributes. This differs from regression analysis, which predicts a continuous numeric value rather than a category. It also differs from association rule learning, which uncovers relationships between items rather than assigning instances to predefined classes. Risk profile analysis can involve segmentation or evaluating risk, but the specific act of categorizing each item by its features aligns with classification.

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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://are320.examzify.com>

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

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