GENERAL INSURANCE LEVEL 1 PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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 15

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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. What defines a chargeable claim in auto insurance?

A. A collision or TPL claim in which the policyholder is greater than 25% at fault

B. A claim that has no association with the driver's actions

C. A claim that is automatically covered by the insurance policy

D. A minor claim that does not impact the policyholder's rates

2. What must a person not do to a trespasser under the legal duty owed?

A. Provide medical assistance

B. Set traps

C. Make them leave the premises

D. Notify the authorities

3. In a no-fault system of auto insurance, what is a key characteristic?

A. Victims can always sue for damages

B. All parties involved in the incident are covered by their own insurance

C. Victims must prove that another party is at fault

D. There is no insurance coverage provided to victims

4. Who receives profits in a stock insurance company?

A. The policyholders

B. The public through dividends

C. The shareholders

D. The insurance brokers

5. What is the time frame within which loss is payable after proof of loss?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

6. In a warranty, what happens if the insured breaches the terms?

A. The insurer may still provide coverage

B. Coverage can be denied

C. The warranty is automatically renewed

D. Only partial coverage is voided

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7. What is the main function of indemnity in insurance policies?

A. To maximize profit for the insurer

B. To ensure equal compensation for losses

C. To provide legal protection for the insurer

D. To encourage more insurance purchases

8. What is a necessary condition for a change to be considered a "Material Change" under Statutory Condition 4?

A. The change must be temporary and reversible

B. The change must be substantial and continuing

C. The change must be minor and unnoticeable

D. The change must be directly authorized by the insurer

9. Which of the following is a type of accident benefit coverage?

A. Third party liability

B. Unidentified motorist protection

C. Underinsured motorist protection

D. None of the above

10. What is an intentional tort?

A. An unintentional act that causes harm

B. A deliberate act intended to cause damage or loss

C. An act committed without any prior knowledge

D. A type of contract that cannot be enforced

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Answers

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

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Explanations

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1. What defines a chargeable claim in auto insurance?

A. A collision or TPL claim in which the policyholder is greater than 25% at fault

B. A claim that has no association with the driver's actions

C. A claim that is automatically covered by the insurance policy

D. A minor claim that does not impact the policyholder's rates

A chargeable claim in auto insurance is defined as one in which the policyholder is deemed to be significantly at fault, typically meeting or exceeding a threshold of 25% culpability in the incident. This definition is crucial because it directly influences the policyholder's insurance rates and record. When a claim is chargeable, it can lead to increased premiums upon renewal, as insurers view the policyholder as a higher risk due to the claim. Understanding the concept of fault is essential in determining the impact of a claim on insurance rates. In cases where the insured is found to have a lower degree of fault or none at all, the claim may not be chargeable, thus protecting the individual's insurance premium. The other choices do not accurately reflect how chargeable claims are determined. Claims that are unrelated to the driver's actions would not typically be chargeable; they may not influence the driver's premium. Claims that are covered automatically by the insurance policy don't take into account the fault aspect, and minor claims that do not affect rates usually refer to low-cost incidents that fall below the driver's deductible or do not meet the threshold of being deemed chargeable. Therefore, the correct choice aligns with the industry standard for assessing fault and its implications on insurance premiums.

2. What must a person not do to a trespasser under the legal duty owed?

A. Provide medical assistance

B. Set traps

C. Make them leave the premises

D. Notify the authorities

The legal duty owed to a trespasser is generally to refrain from causing intentional harm to them. Setting traps, which could potentially injure the trespasser, is a clear violation of this duty. Landowners must ensure that their property is not intentionally dangerous or hazardous to individuals who enter without permission. While providing medical assistance, making them leave the premises in a safe manner, or notifying authorities can be seen as responsible actions in dealing with a trespasser, setting traps represents a proactive attempt to harm. Landowners are encouraged to protect their property, but this must be done within the bounds of the law, prioritizing safety and non-violence. Thus, the correct answer highlights the importance of the obligation not to intentionally create dangerous situations for trespassers.

3. In a no-fault system of auto insurance, what is a key characteristic?

A. Victims can always sue for damages

B. All parties involved in the incident are covered by their own insurance

C. Victims must prove that another party is at fault

D. There is no insurance coverage provided to victims

In a no-fault system of auto insurance, a key characteristic is that all parties involved in an accident are covered by their own insurance, regardless of who caused the accident. This system is designed to streamline the process of claims and reduce the need for litigation, allowing victims to receive compensation for medical costs and other damages directly from their own insurance company. This means that individuals do not have to prove fault before receiving benefits, which can significantly speed up the claims process and minimize legal disputes. In contrast to other systems where victims may have the right to sue for damages or must establish another party's fault to receive compensation, a no-fault approach simplifies the situation by ensuring that all parties can access coverage through their own insurers, fostering a less adversarial environment and promoting quicker resolutions to claims.

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4. Who receives profits in a stock insurance company?

A. The policyholders

B. The public through dividends

C. The shareholders

D. The insurance brokers

In a stock insurance company, profits are distributed to the shareholders. These are typically investors who own shares in the company and have a financial stake in its overall performance. When the company generates profits, it can distribute these earnings in the form of dividends to its shareholders, rewarding them for their investment. The structure of a stock insurance company contrasts with mutual insurance companies, where profits are typically returned to policyholders in the form of dividends or reductions in future premiums. This fundamental difference highlights the ownership model of stock companies, as they are designed to benefit shareholders, whereas mutual companies prioritize the interests of their policyholders. Understanding this distinction is important for recognizing how different types of insurance companies operate within the market.

5. What is the time frame within which loss is payable after proof of loss?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

The correct answer is 60 days because, in most insurance policies, the insurer is typically required to pay claims within a specific time frame once proof of loss has been submitted. This time frame is often stipulated in state insurance laws and policy language, and 60 days is a common standard set to ensure that insured parties are not left waiting indefinitely for compensation after submitting valid claims. This provision helps to maintain trust in the insurance process and supports the financial stability of policyholders during times of need. Timely payments also reduce the burden on insurers in managing claims efficiently. In contrast, the other time frames provided—30 days, 90 days, and 120 days—are either too short or too long compared to the standard industry expectations set for such situations.

6. In a warranty, what happens if the insured breaches the terms?

A. The insurer may still provide coverage

B. Coverage can be denied

C. The warranty is automatically renewed

D. Only partial coverage is voided

In the context of insurance, a warranty is a specific promise made by the insured regarding certain facts, representations, or conditions that are fundamental to the insurance agreement. If the insured breaches the terms of a warranty, this typically allows the insurer to deny coverage for claims related to that breach. The rationale is that warranties are considered an integral part of the insurance contract—essentially, they set the standards or conditions that must be met for the insurance policy to remain valid. When a breach of warranty occurs, it undermines the risk assessment that the insurer made when underwriting the policy. As a result, the insurer is often justified in denying coverage because the original terms of the agreement were not adhered to. This is in contrast to mere representations or statements made by the insured, which typically do not carry the same binding weight as a warranty. Other options do not accurately reflect the implications of breaching a warranty. Denying coverage is a significant consequence for breaches, emphasizing the strict nature of warranties in an insurance contract.

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7. What is the main function of indemnity in insurance policies?

A. To maximize profit for the insurer

B. To ensure equal compensation for losses

C. To provide legal protection for the insurer

D. To encourage more insurance purchases

Indemnity is a fundamental principle in insurance that is designed to ensure that the insured is compensated for losses in a way that restores them to their pre-loss financial position, without resulting in a profit from the claim. This principle prevents the insured from being unduly enriched due to the loss—meaning that if a loss occurs, the compensation received should reflect the value of the loss suffered, no more and no less. In the context of insurance, indemnity serves to maintain fairness and equity in the claims process. It ensures that individuals or businesses are made whole after an event that causes financial damage, whether it be through property damage, liability, or other covered losses. This approach underpins the integrity of the insurance system, assuring policyholders that their losses will be accurately assessed and compensated within the limits of their coverage. The focus on restoring the policyholder rather than generating profit, providing legal protections, or encouraging multiple insurance purchases aligns perfectly with the principle of indemnity, making it crucial in the functioning of insurance contracts.

8. What is a necessary condition for a change to be considered a "Material Change" under Statutory Condition 4?

A. The change must be temporary and reversible

B. The change must be substantial and continuing

C. The change must be minor and unnoticeable

D. The change must be directly authorized by the insurer

A change is deemed a "Material Change" under Statutory Condition 4 when it is substantial and continuing. This aspect is critical because it indicates that the change affects the nature of the risk or the insurer's exposure to loss. When a change is significant, it can alter the terms under which the policy was initially issued, potentially impacting the premium, coverage, or conditions of the insurance contract. For example, if a property undergoes a significant renovation that increases its value or changes its usage, this would be a material change. Such changes must be reported to the insurer to ensure the risk is accurately assessed and appropriately covered. If the change is merely minor or temporary, it would not meet the threshold of being material, as it would not fundamentally affect the risk profile. In contrast, conditions that describe changes as minor or unnoticeable do not qualify as material since they do not present significant adjustments to risk. Changes that require direct authorization from the insurer may be related to policy compliance but do not inherently categorize changes as material unless they are substantial and ongoing. Therefore, recognizing the definition of a material change is crucial for maintaining adequate coverage and adhering to policy requirements.

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9. Which of the following is a type of accident benefit coverage?

A. Third party liability

B. Unidentified motorist protection

C. Underinsured motorist protection

D. None of the above

Underinsured motorist protection is a type of accident benefit coverage designed to provide financial assistance to individuals involved in an accident where the other party is at fault, but does not have enough insurance coverage to fully compensate for the damages or injuries incurred. This coverage can help bridge the gap between what the at-fault driver's insurance pays and the total costs suffered by the injured party. In the context of general accident benefits, this type of coverage is particularly important because it ensures that individuals are not left with significant out-of-pocket expenses due to an insufficient insurance policy held by the other driver. This can include medical expenses, lost wages, and other costs associated with the accident. Other options such as third-party liability and unidentified motorist protection are related to different aspects of coverage. Third-party liability focuses on the obligation of an insured driver to compensate others for injuries or damages caused by their actions. Unidentified motorist protection, on the other hand, pertains to coverage when an individual is injured by a driver who flees the scene or is unknown, rather than specifically focusing on the underinsurance aspect.

10. What is an intentional tort?

A. An unintentional act that causes harm

B. A deliberate act intended to cause damage or loss

C. An act committed without any prior knowledge

D. A type of contract that cannot be enforced

An intentional tort is defined as a deliberate act taken by an individual with the intention of causing harm or damage to another person or their property. This type of tort occurs when someone knowingly engages in behavior—such as assault, defamation, or invasion of privacy—that leads to injury or loss. The key factor that differentiates an intentional tort from other types of claims, such as negligence, lies in the intention behind the act. Individuals who commit intentional torts recognize the possibility of causing harm and proceed with their actions regardless of the potential consequences. This element of intent is crucial in legal contexts because it affects the determination of liability and potential damages awarded to the injured party. The focus on the deliberate nature of the act emphasizes the culpability of the wrongdoer. This understanding underscores why the correct answer aligns with the definition of an intentional tort, contrasting against concepts like unintentional acts or those committed without knowledge, which do not involve this deliberate intent to cause harm.

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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://geninsurancelvl1.examzify.com

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

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