NATIONAL PSI BROKER PRACTICE EXAM (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. What is the importance of “insurance literacy" for consumers?

A. It allows easier communication with brokers

B. It facilitates informed decisions regarding insurance needs and options

C. It reduces the cost of premiums

D. It enables consumers to avoid all types of insurance

2. During which event would an aggregate limit become particularly relevant?

A. Renewal of a policy

B. Filing multiple claims within a policy term

C. Changing the insurer

D. Upgrading coverage

3. To whom do the fiduciary obligations of an agent apply?

A. The party who pays the agent.

B. The individual that signs a disclosure.

C. All parties involved in the transaction.

D. The person who employed the agent.

4. A requirement that all properties use only wood fencing is an example of what?

A. Building code.

B. Nonconforming use.

C. Covenant or deed restriction.

D. Legal zoning law.

5. What do beneficiary designations in life insurance policies refer to?

A. Individuals named to receive benefits upon the policyholder's death

B. Persons responsible for paying premiums

C. Agents assigned to handle claims

D. Policies that provide tax benefits

6. What do loss ratios indicate in the insurance industry?

A. The total assets owned by an insurer

B. The amount of premiums collected

C. The proportion of claims paid to the premiums received

D. The growth rate of an insurance company

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7. Which situation would make a real estate contract voidable?

A. It isn't in writing.

B. A minor has signed the document.

C. The buyer is under duress.

D. The broker misrepresented the property.

8. Under a contract for deed, when does the buyer receive legal title to the property?

A. Full rights of possession and full legal title are received upon making the final loan payment.

B. Partial legal title and full rights of possession are received at closing.

C. Title is received as agreed to in the contract, and possession is received upon making the final loan payment.

D. Possession is received as agreed to in the contract, and title is received upon making the final loan payment.

9. What is meant by “coverage territory” in insurance policies?

A. The defined area of service for agents

B. The geographical area where coverage is applicable

C. The market segment targeted by the policy

D. The region where claims can be filed

10. What action should a broker take if they notice an uneven floor in a bedroom without any cracks in the foundation?

A. Recommend to both the seller and the buyer that they have an expert examine the foundation

B. Tell the seller that they must sell "as is" so no disclosure would be required

C. Demand that the seller have the structure certified

D. Tell the seller that it is proper to give the buyer verbal notice of the issue

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Answers

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

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Explanations

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1. What is the importance of “insurance literacy" for consumers?

A. It allows easier communication with brokers

B. It facilitates informed decisions regarding insurance needs and options

C. It reduces the cost of premiums

D. It enables consumers to avoid all types of insurance

The significance of "insurance literacy" for consumers primarily lies in its ability to facilitate informed decisions regarding insurance needs and options. When consumers possess a solid understanding of insurance concepts, terms, and products, they can better assess their personal situations and identify what types of coverage they require. This knowledge empowers them to compare different policies, understand the implications of various coverage options, and ultimately select solutions that best fit their financial situations and life circumstances. Consumers who are insurance literate are more likely to grasp the nuances of deductibles, limits, exclusions, and specific coverages, allowing them to make choices that align with their protection needs. This capability not only enhances their confidence when discussing options with brokers or insurance agents but also leads to more prudent financial planning regarding potential risks. Having a good grasp of insurance also fosters a proactive approach to financial risk management. Instead of feeling overwhelmed or uncertain, informed consumers can engage actively in discussions about their insurance needs, ask relevant questions, and advocate for themselves in the insurance marketplace, leading to better satisfaction and financial outcomes in the long run. Therefore, the correct option highlights the empowering nature of insurance literacy, which is vital for consumers seeking to navigate the often complex world of insurance with confidence and purpose.

2. During which event would an aggregate limit become particularly relevant?

A. Renewal of a policy

B. Filing multiple claims within a policy term

C. Changing the insurer

D. Upgrading coverage

An aggregate limit is a crucial concept in insurance that represents the maximum amount an insurer will pay for multiple claims during a specific policy period. When multiple claims are filed within a policy term, the aggregate limit becomes particularly relevant because it directly affects how much coverage is available to the insured across all claims combined. If a policyholder experiences several qualifying losses during the policy term, the aggregate limit will determine whether those claims can be fully covered or if the total payouts will exceed the stipulated limit. For instance, if the aggregate limit is set at $1 million and the insured files three claims amounting to $1.2 million, the policyholder would only recover up to the aggregate limit, meaning they might not receive full payment for all claims. Therefore, awareness of the aggregate limit is crucial during claim-filing scenarios to understand how much coverage is available after multiple events have occurred. The other events listed, such as the renewal of a policy, changing the insurer, or upgrading coverage, do not inherently involve the immediate impact of multiple claims on the existing limits of coverage. Each of these situations may involve different considerations, such as negotiating new terms or evaluating different policies, but they do not primarily concern the implications of the aggregate limit in the context of simultaneous claims.

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3. To whom do the fiduciary obligations of an agent apply?

A. The party who pays the agent.

B. The individual that signs a disclosure.

C. All parties involved in the transaction.

D. The person who employed the agent.

Fiduciary obligations of an agent primarily apply to the person who employed the agent, often referred to as the principal. This relationship is central to agency law, where the agent has a legal and ethical duty to act in the best interest of the principal. The agent is expected to handle the principal's affairs with loyalty, care, and confidentiality, thereby safeguarding the principal's interests over their own or any third parties. In real estate transactions, for instance, when a client employs an agent to represent them in buying or selling property, the agent commits to acting in the client's best interests, which includes providing full disclosure and avoiding conflicts of interest. Thus, the fiduciary duty is a one-way obligation that exists directly between the agent and the person who employs them. Other options might imply obligations to different parties involved in the transaction, but they do not reflect the direct nature of fiduciary responsibilities as defined in agency relationships.

4. A requirement that all properties use only wood fencing is an example of what?

A. Building code.

B. Nonconforming use.

C. Covenant or deed restriction.

D. Legal zoning law.

A requirement that all properties utilize only wood fencing represents a covenant or deed restriction because it is a private agreement placed on a property that dictates specific uses or restrictions regarding its use. These restrictions are typically implemented by developers or homeowners' associations to maintain a certain aesthetic or uniformity within a community. Such a deed restriction goes beyond general zoning laws and building codes, which focus more on safety, structural integrity, and land use at a broader level. Instead, a covenant specifically addresses the desires of the property owners within a neighborhood, guiding what materials can be used for construction, including fencing. This means that while legal zoning laws and building codes govern broader usage and safety standards set by government authorities, covenants are voluntarily agreed upon and enforceable by the property owners involved. Understanding this distinction is essential when navigating property regulations and community agreements.

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5. What do beneficiary designations in life insurance policies refer to?

A. Individuals named to receive benefits upon the policyholder's death

B. Persons responsible for paying premiums

C. Agents assigned to handle claims

D. Policies that provide tax benefits

Beneficiary designations in life insurance policies refer to the individuals who are named to receive the death benefit upon the policyholder's passing. This is a crucial aspect of life insurance, as it ensures that the intended recipients — whether they are family members, trusted friends, or even charitable organizations — receive financial support when the policyholder is no longer present. This designation clarifies who is entitled to the benefits, preventing potential disputes among survivors about the distribution of the death benefit. The importance of accurately naming beneficiaries cannot be overstated, as this designation affects the distribution of funds and can have significant financial implications for those left behind. Additionally, having a clear beneficiary designation can streamline the claims process, making it easier for heirs to receive the benefits without unnecessary delays. The other options do not accurately define beneficiary designations. Individuals responsible for paying premiums pertain to the policyholder's obligations, agents assigned to handle claims refer to those who assist beneficiaries in the claims process, and policies that provide tax benefits typically relate to the tax implications of the death benefit rather than the designation itself. Each of these focuses on a different aspect of life insurance, distinct from the concept of beneficiary designations.

6. What do loss ratios indicate in the insurance industry?

A. The total assets owned by an insurer

B. The amount of premiums collected

C. The proportion of claims paid to the premiums received

D. The growth rate of an insurance company

Loss ratios are a critical measure in the insurance industry as they provide insight into an insurer's financial performance by quantifying the relationship between claims paid and premiums collected. Specifically, the loss ratio is calculated by dividing the total amount of claims paid by the total premiums earned over a specific period. This ratio helps insurers assess their profitability and the effectiveness of their underwriting practices. Understanding the loss ratio allows insurers to determine whether their pricing is adequate to cover future claims while also enabling them to identify trends in claims that may affect future pricing or reserve requirements. A higher loss ratio generally indicates that a larger proportion of premium revenue is being consumed by claims, which could raise concerns about the insurer's sustainability, whereas a lower loss ratio suggests better profitability. The other options do not accurately reflect what loss ratios measure. For instance, total assets owned by an insurer pertain to the overall value of the company's resources, and the amount of premiums collected is simply the revenue generated from policies but does not provide insights about claims. Additionally, the growth rate of an insurance company relates to its expansion or contraction over time and is not directly tied to the claims-to-premiums relationship captured by the loss ratio.

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7. Which situation would make a real estate contract voidable?

A. It isn't in writing.

B. A minor has signed the document.

C. The buyer is under duress.

D. The broker misrepresented the property.

A real estate contract is considered voidable when one party has the right to affirm or reject the contract due to certain circumstances that affect their ability to consent freely and knowledgeably. In the context of being signed by a minor, the law gives minors the ability to disaffirm contracts, which means a contract signed by a minor can indeed be voidable. When a minor signs a contract, they are not considered to have the legal capacity to enter into a binding agreement, which is why the contract is voidable at the minor's discretion until they reach the age of majority. This right is rooted in the protection of minors from legal obligations they may not fully understand or appreciate. The other scenarios, while they can lead to complications or the potential for disputes, do not directly address the conditions under which a contract becomes voidable in the same definitive manner as the situation involving a minor. A contract not being in writing may affect enforceability but doesn't automatically render it voidable. Similarly, while duress and misrepresentation relate to consent, they do not create the same clear right to void the contract outright as is provided to minors.

8. Under a contract for deed, when does the buyer receive legal title to the property?

A. Full rights of possession and full legal title are received upon making the final loan payment.

B. Partial legal title and full rights of possession are received at closing.

C. Title is received as agreed to in the contract, and possession is received upon making the final loan payment.

D. Possession is received as agreed to in the contract, and title is received upon making the final loan payment.

Under a contract for deed, also known as a land contract or installment sale agreement, the buyer typically receives possession of the property upon execution of the contract but does not obtain legal title until certain conditions are met, usually the final payment is made. In this case, the answer indicates that possession is granted as specified in the contract, allowing the buyer to use and occupy the property. However, legal title—meaning the legal ownership of the property—only transfers to the buyer upon making the final payment as delineated in the contract. This aligns with the fundamental nature of contracts for deed, where the seller retains legal title until the full agreed amount is paid, ensuring that the seller has a measure of security in the transaction. This system allows buyers to occupy and benefit from the property while paying for it over time, effectively functioning similarly to a loan arrangement but without transferring legal ownership until all obligations are fulfilled. Thus, the explanation supports the conclusion that title is acquired only after the final payment, emphasizing the importance of completing the payment term to gain full ownership rights.

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9. What is meant by “coverage territory" in insurance policies?

A. The defined area of service for agents

B. The geographical area where coverage is applicable

C. The market segment targeted by the policy

D. The region where claims can be filed

The term "coverage territory" in insurance policies specifically refers to the geographical area where the insurance coverage is applicable. This means that the terms of the policy, including what is covered and under what circumstances, are valid only within this defined area. For example, if a policy states that coverage is valid within the United States, any incidents occurring outside this region would not be eligible for coverage under that policy. Understanding coverage territory is crucial for policyholders to know where they are protected and under what conditions their insurance will respond.

10. What action should a broker take if they notice an uneven floor in a bedroom without any cracks in the foundation?

A. Recommend to both the seller and the buyer that they have an expert examine the foundation

B. Tell the seller that they must sell "as is" so no disclosure would be required

C. Demand that the seller have the structure certified

D. Tell the seller that it is proper to give the buyer verbal notice of the issue

The appropriate action for a broker in the scenario of noticing an uneven floor in a bedroom, despite the absence of visible cracks in the foundation, is to recommend that both the seller and the buyer have an expert examine the foundation. This recommendation is rooted in the broker's fiduciary duty to act in the best interests of both parties and ensure that any potential issues with the property are thoroughly investigated. By suggesting an expert examination, the broker acknowledges the unusual condition of the floor, which could signify underlying concerns that may not be immediately apparent. This proactive communication helps facilitate transparency and can prevent future liabilities for all parties involved. It allows for informed decision-making, ensuring that the buyer is aware of any potential risks while also protecting the seller's interests. This approach reflects a commitment to ethical practices within real estate transactions. The other choices do not prioritize the necessary level of due diligence. An "as is" sale could bypass important disclosures, demanding a certification could be beyond what is reasonable without any evident issues, and simply providing verbal notice may not suffice to protect all parties' interests adequately.

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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://nationalpsibroker.examzify.com

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

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