RENEWAL INSURANCE 1 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. If an agent intentionally misrepresents on an application, who might end up paying the claim?

A. Only the insured

B. The agent and the agent's E&O insurer

C. The insurer's reinsurer

D. The state regulator

2. Under the New Jersey Ethics Code, which statement best describes gifts to state officials?

A. Officials should not accept gifts that could influence discharge of duties.

B. Officials should always accept gifts.

C. Gifts are permissible if modest.

D. Gifts must be approved by the governor.

3. The Golden Rule is an example of which ethics approach?

A. Positive actions or results-based approach

B. The Golden Rule is not used

C. Rule-based approach

D. None

4. What is the purpose of a proof of loss form and when is it typically required?

A. A document used to request a casual inquiry about a claim.

B. A form used to adjust premium after a loss.

C. A document collecting witness statements.

D. A sworn statement of the loss amount used to support claim payment; required within a specified period after a loss.

5. In the case of an insurance organization, which item may be included in its code of ethics?

A. Regulations and laws related to licensing, use of the surplus lines marketplace, claims administration, and fee or commission income. Additionally, contractual commitments come into play.

B. Regulations about marketing.

C. Public relations guidelines.

D. Employee training schedules.

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6. Which statement correctly distinguishes per-occurrence limit and aggregate limit?

A. The per-occurrence limit applies to the total payments across all claims in the policy period

B. The aggregate limit resets annually for new policy years

C. The per-occurrence limit is higher than the aggregate limit by default

D. The per-occurrence limit applies to each claim; the aggregate limit caps total payments within the policy period

7. Which item is not a requirement to form an insurance contract?

A. Offer and acceptance

B. Consideration

C. Competent parties

D. Insurable interest

8. Your company discovers a prolonged substance abuse issue in the workplace when you find a bottle of vodka and pills in an employee's office. What is the proper course of action?

A. Confront the employee directly and demand they seek help.

B. Go to the person's manager and the human resources department to address the problem.

C. Ignore it hoping it goes away.

D. Notify customers about the employee's behavior.

9. Which statement about damage to property of others coverage is accurate?

A. It requires the insured to be legally liable for the damage.

B. It does not require the insured to be legally liable for the damage.

C. It only covers damage to the insured's own property.

D. It covers medical expenses for injuries.

10. Which scenario illustrates a claim arising off the insured premises?

A. The jogger is injured by a dog on the sidewalk

B. The injury occurred in a cemetery property

C. The injury occurred on the insured premises

D. The injury occurred while driving

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Answers

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

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Explanations

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1. If an agent intentionally misrepresents on an application, who might end up paying the claim?

A. Only the insured

B. The agent and the agent's E&O insurer

C. The insurer's reinsurer

D. The state regulator

When an agent intentionally misrepresents information on an insurance application, it falls under the agent's professional liability. An agent's Errors & Omissions (E&O) policy is designed to cover claims arising from mistakes or negligence in providing professional services. If a client sues or a claim is made due to the misrepresentation, the E&O policy typically handles the defense and pays damages up to policy limits. So the financial responsibility for the claim, including defense costs and settlements, comes from the agent's E&O insurer, not from the reinsurer or the state regulator, and not solely from the insured client. The agent may be personally liable beyond policy limits, but the insurer is the primary payer for covered claims.

2. Under the New Jersey Ethics Code, which statement best describes gifts to state officials?

A. Officials should not accept gifts that could influence discharge of duties.

B. Officials should always accept gifts.

C. Gifts are permissible if modest.

D. Gifts must be approved by the governor.

The fundamental idea is to prevent anything that could bias a state official or appear to bias their actions. The ethics rule is about keeping decisions impartial and maintaining public trust, so gifts that could influence how someone discharges their duties—or that create even the appearance of a payoff—should not be accepted. That's why the statement about not accepting gifts that could influence discharge of duties is the best description. It directly targets the risk the ethics code is trying to prevent: corruption or the perception of favors. Even small gifts can create a sense of obligation or the expectation of special treatment, which undermines impartial decision-making. The other options don't fit because they imply blanket acceptance of gifts (which ethics rules do not permit) or rely on a modesty threshold that could still foster bias or appearances of favoritism, and they suggest requiring governor approval for gifts, which isn't how these ethics rules typically operate. The core point remains: avoid gifts that could influence or appear to influence official duties.

3. The Golden Rule is an example of which ethics approach?

A. Positive actions or results-based approach

B. The Golden Rule is not used

C. Rule-based approach

D. None

The Golden Rule guides decisions by looking at the effect your actions have on others and choosing behavior that would produce good outcomes for them. This emphasis on the consequences for people involved makes it a outcomes-based, or positive actions-based, approach to ethics. It's not merely about following a fixed duty or universal rule without regard to result, nor is it none at all. By asking you to consider how your treatment of others would feel if you were in their place and aiming for a favorable outcome, it centers ethical judgment on the likely impact of the action.

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4. What is the purpose of a proof of loss form and when is it typically required?

A. A document used to request a casual inquiry about a claim.

B. A form used to adjust premium after a loss.

C. A document collecting witness statements.

D. A sworn statement of the loss amount used to support claim payment; required within a specified period after a loss.

A proof of loss is the formal, sworn statement the insured provides after a loss to confirm what happened and how much is being claimed. Its main purpose is to establish the exact amount of the loss and the details of the claim so the insurer can review, adjust, and pay the claim correctly. This document is typically required within a policy-specified period after the loss, though the exact deadline varies by policy and jurisdiction. The sworn nature and documented amounts help prevent disputes and speed up the claims process, providing a concrete basis for payment. Other choices don't fit because casual inquiries aren't official claim documents, adjusting premiums after a loss isn't handled through a proof of loss, and witness statements aren't the primary document used to support claim payments.

5. In the case of an insurance organization, which item may be included in its code of ethics?

A. Regulations and laws related to licensing, use of the surplus lines marketplace, claims administration, and fee or commission income. Additionally, contractual commitments come into play.

B. Regulations about marketing.

C. Public relations guidelines.

D. Employee training schedules.

A code of ethics in an insurance organization sets how professionals must act to maintain integrity, comply with laws, and treat customers fairly. Including regulations and laws related to licensing, the use of the surplus lines marketplace, claims administration, and fee or commission income, along with contractual commitments, ensures ethical standards cover who can operate, how markets are accessed, how claims are handled with fairness and transparency, and how compensation is structured to avoid conflicts of interest. These areas directly shape ethical behavior because they govern legal compliance, ensure proper conduct with regulators and clients, and align incentives with honest service. Other options relate to how things are presented or organized—marketing regulations, public relations guidelines, and employee training schedules are important, but they fall more under compliance, communications, or human resources than the core ethical standards guiding professional conduct.

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6. Which statement correctly distinguishes per-occurrence limit and aggregate limit?

A. The per-occurrence limit applies to the total payments across all claims in the policy period

B. The aggregate limit resets annually for new policy years

C. The per-occurrence limit is higher than the aggregate limit by default

D. The per-occurrence limit applies to each claim; the aggregate limit caps total payments within the policy period

Think of limits like two separate ceilings. The per-occurrence limit is the maximum the insurer will pay for a single incident or claim. The aggregate limit is the maximum the insurer will pay for all losses during the policy period. The statement that the per-occurrence limit applies to each claim and the aggregate limit caps total payments within the policy period is the true distinction. This means multiple claims can each be paid up to the per-occurrence amount, but the combined payments across all claims cannot exceed the aggregate limit. The other options mix up these roles or introduce policy-specific details that aren't about the basic difference between per-occurrence and aggregate limits.

7. Which item is not a requirement to form an insurance contract?

A. Offer and acceptance

B. Consideration

C. Competent parties

D. Insurable interest

Understanding contract formation in insurance starts with the basic elements that create an agreement: there must be a clear offer that is accepted, something of value exchanged (consideration), and parties who have the legal capacity to form a contract. These are the building blocks used to form the contract itself. Insurable interest plays a different role: it ensures there is a legitimate stake in the subject of the insurance and helps prevent wagering on someone's life or property. While this requirement is crucial for coverage to be meaningful and enforceable, it is not one of the core elements needed to form the contract. So, the contract can be formed with the core elements in place, but coverage hinges on insurable interest being present to validate the risk being insured.

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8. Your company discovers a prolonged substance abuse issue in the workplace when you find a bottle of vodka and pills in an employee's office. What is the proper course of action?

A. Confront the employee directly and demand they seek help.

B. Go to the person's manager and the human resources department to address the problem.

C. Ignore it hoping it goes away.

D. Notify customers about the employee's behavior.

Handling suspected substance abuse in the workplace requires following formal channels so the issue is addressed safely, legally, and with support for the employee. Reporting the situation to the employee's manager and the human resources department ensures it's reviewed under company policy, maintains confidentiality, and triggers appropriate steps such as connecting the employee with an Employee Assistance Program, arranging leave if needed, and conducting any required, documented investigation. This approach protects safety and productivity while giving the employee a fair path to get help in a respectful way. Directly confronting the employee can escalate tension and may violate privacy or policy, ignoring the issue risks safety and compliance, and informing customers breaches confidentiality and isn't appropriate.

9. Which statement about damage to property of others coverage is accurate?

A. It requires the insured to be legally liable for the damage.

B. It does not require the insured to be legally liable for the damage.

C. It only covers damage to the insured's own property.

D. It covers medical expenses for injuries.

Damage to property of others coverage is a liability protection that pays for damage you cause to someone else's property, but only if you are legally liable for that damage. The insurer steps in to cover the repair or replacement up to the policy limit once fault is established or admitted. It does not cover your own property, and it does not pay medical expenses (that's a separate medical payments coverage). So the accurate understanding is that you must be legally liable for the damage for this coverage to apply.

10. Which scenario illustrates a claim arising off the insured premises?

A. The jogger is injured by a dog on the sidewalk

B. The injury occurred in a cemetery property

C. The injury occurred on the insured premises

D. The injury occurred while driving

Off-premises claims happen when the injury or damage occurs away from the insured's home and is not tied to the insured property itself. A scenario where the injury occurs in a cemetery property is clearly outside the insured premises—cemeteries are separate locations, not part of the insured's home or its immediate surroundings—so this fits the idea of an off-premises claim. The other options don't fit as cleanly: an injury on the insured premises is directly on the home's property, not off the premises; an injury while driving is typically handled by auto insurance rather than homeowners liability; and while a jogger injured on a sidewalk is away from home, the cemetery example is the most unambiguous off-premises location, which is why it's the best illustration of an off-premises claim.

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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://renewalinsurance1.examzify.com

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

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