STATE FARM INSURANCE LICENSE 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. **Which term describes a state-sponsored automobile insurance plan for uninsurable individuals?**
   - A. Assigned Risk Plan
   - B. Risk Management Program
   - C. Standard Coverage Plan
   - D. Insurance Recovery Framework

2. **What type of insurer refers to one that is not licensed in a given state?**
   - A. Admitted insurer
   - B. Exempt insurer
   - C. Unauthorized insurer
   - D. Self-insured entity

3. **What is a bailee's customers policy primarily used for?**
   - A. Covering loss or damage to a bailee's own property
   - B. Covering loss or damage to customers' property in custody
   - C. Providing general liability coverage
   - D. Covering legal fees related to property disputes

4. **Which form offers a range of coverage from basic to special?**
   - A. Business Income Form
   - B. Supplemental Coverage Form
   - C. Causes of Loss Form
   - D. Property Valuation Form

5. **What does Advertising Injury cover under the CGL?**
   - A. Defamation through high-pressure sales tactics
   - B. Losses related to copyright infringement and privacy violations
   - C. Property damage caused by advertisements
   - D. Injuries caused during product demonstrations

6. **What action is taken during a Jettison?**
   - A. Chaining cargo to secure it
   - B. Burning documents in case of loss
   - C. Disposing of cargo to prevent hazards
   - D. Claiming damages after a storm

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7. Which of the following best describes the term "earned premium"?

A. The total premium paid by the insured

B. The premium for coverage already provided

C. The amount calculated for future risks

D. The total lost revenue from denied claims

8. What constitutes visible signs of forced entry in a burglary?

A. Unlocked doors and windows.

B. Broken locks or damaged entry points.

C. Presence of surveillance cameras.

D. Witnesses observing suspicious behavior.

9. Which type of insurance policy typically covers loss or damage to personal property while in transit?

A. Basic Property Insurance

B. Marine Insurance

C. Comprehensive Insurance

D. Renter's Insurance

10. What type of policy only insures against specified perils?

A. Comprehensive policy

B. Universal policy

C. Named (specified) peril policy

D. Open peril policy

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Answers

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

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Explanations

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1. Which term describes a state-sponsored automobile insurance plan for uninsurable individuals?

A. Assigned Risk Plan

B. Risk Management Program

C. Standard Coverage Plan

D. Insurance Recovery Framework

The term that describes a state-sponsored automobile insurance plan for uninsurable individuals is the Assigned Risk Plan. This type of program is designed to provide insurance coverage for drivers who may have difficulty obtaining a policy through the standard insurance market due to factors such as a poor driving record, lack of insurance history, or other high-risk characteristics. Assigned Risk Plans operate under a system where insurers are required to accept a certain number of high-risk drivers, or they may be assigned these individuals through a random selection process. This ensures that uninsured drivers have access to automobile insurance options, thereby promoting road safety and helping to maintain compliance with state auto insurance laws. In contrast, the other options do not specifically refer to state-sponsored plans for uninsurable individuals. Risk Management Programs focus on strategies to minimize potential risks in a broader context, Standard Coverage Plans refer to typical insurance policies that cover standard risks and situations, and the Insurance Recovery Framework is not a recognized term within the automobile insurance landscape.

2. What type of insurer refers to one that is not licensed in a given state?

A. Admitted insurer

B. Exempt insurer

C. Unauthorized insurer

D. Self-insured entity

The term that describes an insurer that is not licensed in a given state is an unauthorized insurer. Unauthorized insurers are those entities that operate without a valid license in the specific state where they provide insurance services. Regulations require insurers to obtain licenses in each state where they plan to sell insurance. This is to ensure that they comply with state laws and offer protections to policyholders. Unauthorized insurers do not meet these regulatory requirements, which can lead to increased risk for policyholders since there may be limited recourse in case of disputes or claims. In contrast, admitted insurers are those that are licensed and regulated by the state, providing a level of security and assured compliance with state statutes. Exempt insurers may operate under specific conditions that allow them to be exempt from certain regulations, but they are still recognized within a legal framework. A self-insured entity refers to a business or individual that funds their own insurance needs, setting aside funds to cover potential losses rather than purchasing insurance from an outside provider. Consequently, when identifying the correct type of insurer that is not licensed in a given state, unauthorized insurer is clearly the appropriate choice.

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3. What is a bailee's customers policy primarily used for?

A. Covering loss or damage to a bailee's own property

B. Covering loss or damage to customers' property in custody

C. Providing general liability coverage

D. Covering legal fees related to property disputes

A bailee's customers policy is designed specifically to protect a bailee—a person or entity that temporarily holds someone else's property—for loss or damage to the property of their customers while it is in their custody. This type of insurance is essential for businesses that handle clients' property, such as dry cleaners, repair shops, or storage facilities, as it covers the liability arising from the care, custody, or control of items belonging to clients. By focusing on the loss or damage to customers' property, this policy ensures that the bailee can fulfill their responsibility without facing significant financial burdens due to unforeseen incidents. In contrast, the other options highlight different areas not typically covered by a bailee's customers policy, such as coverage for the bailee's own property, general liability concerns unrelated to the property in custody, or legal fees, which are more associated with liability or dispute resolution rather than property protection.

4. Which form offers a range of coverage from basic to special?

A. Business Income Form

B. Supplemental Coverage Form

C. Causes of Loss Form

D. Property Valuation Form

The Causes of Loss Form is designed to provide a spectrum of coverage options tailored to varying needs, ranging from basic to special. This form lays out the specific perils that are covered under the insurance policy. The basic coverage typically includes specific risks such as fire, theft, and vandalism, while the special coverage expands to cover risks that are not specifically named, effectively encompassing a broader array of incidents. This flexibility allows policyholders to select the level of protection that fits their individual circumstances best. In contrast, the other forms listed tend to serve more specialized purposes. The Business Income Form focuses primarily on loss of income due to business interruptions, while the Supplemental Coverage Form adds specific endorsements or additional coverage but does not inherently define a range of coverage. The Property Valuation Form deals with how the value of insured property is determined and does not address the range of coverages applicable to specific risks.

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5. What does Advertising Injury cover under the CGL?

A. Defamation through high-pressure sales tactics

B. Losses related to copyright infringement and privacy violations

C. Property damage caused by advertisements

D. Injuries caused during product demonstrations

Advertising Injury within the General Liability (CGL) policy specifically addresses offenses related to the marketing activities of a business. This coverage is designed to protect businesses from claims that may arise due to the promotion of their products or services. The correct choice highlights how Advertising Injury encompasses losses related to copyright infringement, which occurs when a company uses protected material without permission during its advertising. It also covers privacy violations, which could include situations where a business improperly discloses personal information about individuals in its advertisements, leading to legal claims. This coverage is particularly important for businesses that utilize various advertising platforms, as it helps safeguard against potential legal actions resulting from marketing practices. Other options do not align with the specific definitions of Advertising Injury; for instance, while defamation is covered under certain conditions, it specifically pertains to false statements leading to reputational harm rather than high-pressure sales tactics, which don't fall under this insurance coverage. Similarly, property damage caused by advertisements and injuries during product demonstrations would be addressed under different categories in a CGL policy, such as property damage liability and products/completed operations liability, rather than Advertising Injury.

6. What action is taken during a Jettison?

A. Chaining cargo to secure it

B. Burning documents in case of loss

C. Disposing of cargo to prevent hazards

D. Claiming damages after a storm

Jettisoning refers to the act of deliberately throwing goods overboard from a ship or aircraft in order to lighten the load and prevent further damage or hazards, especially in emergency situations. This action is typically taken when the vessel is in distress, and the safety of the ship and its crew is at risk. By getting rid of cargo, the crew can reduce weight and improve stability, which is crucial for navigation and safety in turbulent conditions. The other options do not accurately depict the purpose or nature of jettisoning. Securing cargo with chains does not involve discarding it; burning documents would be related to loss prevention rather than the action of jettisoning; and claiming damages pertains to post-incident actions rather than the immediate necessity of lightening a ship or aircraft under duress. Therefore, disposing of cargo to prevent hazards is the appropriate action associated with jettisoning.

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7. Which of the following best describes the term "earned premium"?

A. The total premium paid by the insured

B. The premium for coverage already provided

C. The amount calculated for future risks

D. The total lost revenue from denied claims

The term "earned premium" refers to the portion of the premium that an insurance company has recognized as income based on the amount of coverage that has already been provided. It represents the premium for which the insurer has fulfilled its obligation to the policyholder, meaning the insurance coverage for that period has been delivered. For example, if a policyholder pays for a one-year policy, the insurer earns the premium gradually over the policy's term as coverage is provided. If an accident occurs six months into the policy, the insurer can recognize that portion of the premium as earned because the risk for that time frame has passed, and the insured is entitled to the benefits of their policy. Understanding earned premium is essential in evaluating an insurer's financial stability because it impacts revenue recognition on financial statements and helps both policyholders and investors gauge the company's performance. The other responses do not accurately reflect the definition of earned premium; they relate to different aspects of insurance premiums and claims handling.

8. What constitutes visible signs of forced entry in a burglary?

A. Unlocked doors and windows.

B. Broken locks or damaged entry points.

C. Presence of surveillance cameras.

D. Witnesses observing suspicious behavior.

Visible signs of forced entry in a burglary are primarily identified by physical evidence of tampering or damage that indicates an unauthorized intrusion. Broken locks or damaged entry points provide clear, tangible proof that someone has attempted to enter a property against the owner's will. These indicators are critical in assessing whether a burglary has occurred and can assist law enforcement in their investigation. In contrast, unlocked doors and windows do not demonstrate evidence of force; rather, they suggest a lack of security measures. The presence of surveillance cameras is unrelated to the physical signs of forced entry, as it pertains to monitoring rather than evidence of a break-in. Additionally, while witnesses observing suspicious behavior can be relevant to the investigation, their observations do not directly provide evidence of forced entry. Overall, broken locks or damaged entry points is the definitive criteria that signals unauthorized access through physical force.

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9. Which type of insurance policy typically covers loss or damage to personal property while in transit?

A. Basic Property Insurance

B. Marine Insurance

C. Comprehensive Insurance

D. Renter's Insurance

Marine Insurance is specifically designed to cover loss or damage to personal property while it is in transit, particularly over water. This type of insurance provides protection for various types of goods and cargo being transported by sea, as well as by inland waterways and other transit methods. The policies under marine insurance typically cover risks such as theft, damage from weather conditions, and accidents that may occur during transportation. Understanding this type of insurance is crucial for anyone involved in logistics or shipping, as it mitigates the financial risks associated with moving goods. Marine insurance policies can be tailored to a variety of needs, whether for large shipping companies or individual shippers, ensuring that property is adequately safeguarded while in transit. In the context of the other options, basic property insurance and comprehensive insurance cover a broad range of risks but do not specifically address property in transit. Renter's insurance primarily protects the tenant's personal property within the rented premises and generally does not extend to coverage while items are being moved or transported. Thus, marine insurance stands out as the pertinent choice for coverage of property loss or damage during transit.

10. What type of policy only insures against specified perils?

A. Comprehensive policy

B. Universal policy

C. Named (specified) peril policy

D. Open peril policy

The choice of a policy that only insures against specified perils is indeed a named (specified) peril policy. This type of insurance explicitly outlines which perils are covered within the policy documents. For instance, if a policy specifies coverage for fire, theft, or vandalism, it will only provide benefits if one of these named events causes a loss. This allows the insured to have a clear understanding of the risks they are protected against. In contrast, a comprehensive policy typically covers a broader array of risks, sometimes including many unforeseen perils. A universal policy is a type of life insurance that combines flexible premiums with a cash value component and does not focus on property nor only specified perils. An open peril policy, on the other hand, offers coverage for all risks except those expressly excluded, providing a higher level of protection. Understanding the distinctions between these types of policies is crucial for selecting the appropriate coverage based on individual needs and risk tolerance.

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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://statefarm-insurancelicense.examzify.com

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

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