

Alberta General Insurance Level 1 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

SAMPLE

Questions

- 1. What is agreed upon in a Policy Agreement?**
 - A. The insured agrees to provide insurance**
 - B. The insurer agrees to pay all premiums**
 - C. The insurer agrees to provide insurance in accordance with the policy terms**
 - D. The insured agrees to cover all perils without exclusions**
- 2. What does frequency of loss measure?**
 - A. The amount of money lost in claims**
 - B. How often losses occur**
 - C. The time it takes to process a claim**
 - D. The number of policies sold**
- 3. How is the Loss Ratio calculated?**
 - A. Incurred claims divided by earned premiums**
 - B. Earned premiums divided by incurred claims**
 - C. Incurred claims plus earned premiums**
 - D. Earned premiums minus incurred claims**
- 4. What is "Umbrella insurance" primarily designed to provide?**
 - A. Basic coverage for personal property**
 - B. Excess liability insurance beyond basic policy limits**
 - C. Health insurance for families**
 - D. Coverage for unforeseen accidents**
- 5. What is severity of loss?**
 - A. The time it takes to recover from a loss**
 - B. The average size of losses**
 - C. A measure of insurance policy effectiveness**
 - D. The impact of loss on company reputation**
- 6. What are manuscript policies?**
 - A. Standard policies issued to everyone**
 - B. Policies for publishing companies**
 - C. Unique wordings drafted for specific risks**
 - D. Documents written by hand**

7. What is a key feature of a person with good character?

- A. Ability to manipulate others**
- B. Strong work ethic**
- C. Desire for personal gain**
- D. Lack of perseverance**

8. What does retention refer to in insurance terms?

- A. Customer loyalty programs**
- B. The liability amount retained by the ceding company**
- C. Document storage protocols**
- D. The term of the insurance contract**

9. What does active listening involve?

- A. Only interpreting what is said**
- B. Listening, interpreting, processing non-verbal cues, questioning, and confirming understanding**
- C. Focusing on the speaker without responding**
- D. Taking notes during conversations**

10. What role do insurance intermediaries not play?

- A. Underwriting policies**
- B. Prospecting for potential clients**
- C. Advising the client**
- D. Facilitating the claims process**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is agreed upon in a Policy Agreement?

- A. The insured agrees to provide insurance
- B. The insurer agrees to pay all premiums
- C. The insurer agrees to provide insurance in accordance with the policy terms**
- D. The insured agrees to cover all perils without exclusions

A and B are incorrect because the insurer is responsible for providing insurance, not the insured. D is incorrect because there may be exclusions listed in the policy that the insured does not agree to cover. A Policy Agreement is a legally binding contract between the insured and the insurer where both parties agree to the terms and conditions outlined in the insurance policy. Option C is the correct answer because it accurately reflects the agreement made by the insurer to provide insurance in accordance with the terms stated in the policy. The other options are incorrect because they do not accurately reflect the responsibilities of each party in a policy agreement.

2. What does frequency of loss measure?

- A. The amount of money lost in claims
- B. How often losses occur**
- C. The time it takes to process a claim
- D. The number of policies sold

The frequency of loss is a measure of how often insurance claims are made. Option A is incorrect because it refers specifically to the amount of money lost, not how often it happens. Option C may be a factor in the frequency of loss, but it is not the definition of it. Option D is also incorrect because it measures the number of policies sold, not how often losses occur.

3. How is the Loss Ratio calculated?

- A. Incurred claims divided by earned premiums**
- B. Earned premiums divided by incurred claims
- C. Incurred claims plus earned premiums
- D. Earned premiums minus incurred claims

A loss ratio is used in insurance to measure the ratio of claims paid out to premiums collected and is expressed as a percentage. It is calculated by dividing the total incurred claims by the earned premiums. This provides insight into the profitability and risk exposure of an insurance company. The other options, B, C, and D, do not accurately calculate the loss ratio. Option B would result in a fraction that is not indicative of a percentage, while options C and D include both incurred claims and earned premiums in the calculation, which would produce a significantly different value. Therefore, option A is the most accurate and appropriate method for calculating the loss ratio.

4. What is "Umbrella insurance" primarily designed to provide?

- A. Basic coverage for personal property**
- B. Excess liability insurance beyond basic policy limits**
- C. Health insurance for families**
- D. Coverage for unforeseen accidents**

Umbrella insurance is specifically designed to provide excess liability coverage that goes beyond the limits of standard policies, such as homeowners or auto insurance. This type of insurance serves as a supplementary policy to help protect an individual from large claims or lawsuits that could exceed the liability limits set in their primary insurance policies. For example, if a person is found liable for damages in a lawsuit that surpass the coverage limit of their auto insurance, umbrella insurance can pick up the excess amount, thereby safeguarding the insured's personal assets. This type of coverage is particularly valuable because it not only increases the liability limits but can also cover certain claims that may not be included in standard insurance policies, such as libel or slander. The goal is to provide an additional layer of financial protection against potential significant claims, allowing individuals to manage their risk more effectively.

5. What is severity of loss?

- A. The time it takes to recover from a loss**
- B. The average size of losses**
- C. A measure of insurance policy effectiveness**
- D. The impact of loss on company reputation**

The severity of loss refers to the average size or amount of losses incurred. Option A is incorrect because it refers to the time it takes to recover from a loss, not the actual size of the loss itself. Option C is also incorrect because it refers to the effectiveness of an insurance policy, not the size of the loss. Option D is incorrect because it refers to the impact of a loss on a company's reputation, not the actual size or amount of the loss. Thus, option B is the most accurate explanation for the severity of loss.

6. What are manuscript policies?

- A. Standard policies issued to everyone**
- B. Policies for publishing companies**
- C. Unique wordings drafted for specific risks**
- D. Documents written by hand**

Manuscript policies are not standard policies issued to everyone (A) because they are unique wordings specifically drafted for individual risks. They are also not policies for publishing companies (B) because they are not related to the publishing industry. Additionally, manuscript policies are not documents written by hand (D) as the term "manuscript" in this context refers to a specific style of insurance policy, not a handwritten document. Therefore, the most accurate option is C.

7. What is a key feature of a person with good character?

- A. Ability to manipulate others**
- B. Strong work ethic**
- C. Desire for personal gain**
- D. Lack of perseverance**

A key feature of a person with good character is having a strong work ethic. This means they have a sense of responsibility and are dedicated to working hard to achieve their goals. Option A, the ability to manipulate others, is incorrect as someone with good character does not use manipulation to achieve their desires. Option C, desire for personal gain, is incorrect as someone with good character is more likely to value honesty and fairness over personal gain. Option D, lack of perseverance, is incorrect as someone with good character would have the strength and determination to overcome challenges and not give up easily.

8. What does retention refer to in insurance terms?

- A. Customer loyalty programs**
- B. The liability amount retained by the ceding company**
- C. Document storage protocols**
- D. The term of the insurance contract**

Retention in insurance terms refers to the specific amount of liability that an insurance company retains for claims that arise within a certain period of time. This excludes any claims that are passed on to a reinsurer. Options A, C, and D do not accurately represent the concept of retention and are therefore incorrect. Customer loyalty programs are strategies to retain customers, not related to insurance terms. Document storage protocols refer to how records are stored, not related to liability. The term of the insurance contract refers to the length of time the insurance policy is in effect, not related to the amount of liability retained by the ceding company.

9. What does active listening involve?

- A. Only interpreting what is said**
- B. Listening, interpreting, processing non-verbal cues, questioning, and confirming understanding**
- C. Focusing on the speaker without responding**
- D. Taking notes during conversations**

Active listening involves listening not just to what is said, but also interpreting the meaning behind it, processing non-verbal cues such as body language and tone, asking questions for clarification, and confirming understanding. Option A is incorrect because it only mentions interpreting what is said, while active listening involves much more than just that. Option C is incorrect because actively listening also involves responding and engaging with the speaker. Option D may be helpful in some situations, but it is not a necessary aspect of active listening as it may distract from fully focusing on the speaker.

10. What role do insurance intermediaries not play?

- A. Underwriting policies**
- B. Prospecting for potential clients**
- C. Advising the client**
- D. Facilitating the claims process**

Insurance intermediaries, also known as insurance agents or brokers, play a crucial role in the insurance industry by connecting insurance companies with clients. They may prospect for potential clients and advise them on suitable insurance policies, as well as facilitate the claims process when necessary. However, they are not involved in underwriting policies, which is the process of evaluating and pricing insurance risks for the insurance company. This task is typically carried out by the insurance company's underwriters, not intermediaries. So, while other roles such as prospecting and advising may fall under the purview of insurance intermediaries, underwriting policies is not part of their responsibilities.