

Alberta General Insurance Level 1 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of 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.

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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 typical outcome of "rate-making"?**
 - A. The establishment of coverage limits for specific policies**
 - B. The determination of premium rates charged by the insurer**
 - C. The allocation of funds for claims handling**
 - D. The pricing of insurance services based on competition**
- 2. Which of the following is NOT a way in which insurance brokerages are similar to other businesses?**
 - A. Subject to the same employment regulations**
 - B. Exempt from income taxes**
 - C. Incorporation rules apply**
 - D. Consumer protection laws apply**
- 3. What is covered by property insurance?**
 - A. Only the exterior damage to property**
 - B. The increase in property value**
 - C. The loss or damage of a property due to specific perils**
 - D. Cybersecurity threats**
- 4. Which of the following is not one of the 7 General Personal Line Categories of Insurance?**
 - A. The home itself-the building**
 - B. Automobiles**
 - C. Valuables**
 - D. Sports equipment**
- 5. How should information be treated according to PIPEDA?**
 - A. Shared freely among businesses**
 - B. Held in the strictest confidence**
 - C. Used for any purpose once collected**
 - D. Made public after a certain period**

6. What type of risks might be assessed during the underwriting process?

- A. Only potential market trends**
- B. Only the insured's credit history**
- C. Insurance fraud indicators**
- D. Industry risk assessments for property and claims**

7. What does "mobile equipment" coverage typically insure?

- A. Vehicles used exclusively for personal travel**
- B. Coverage for vehicles and equipment not licensed for highway use, such as construction equipment**
- C. Insurance for motorcycles and RVs**
- D. Protection against theft of personal vehicles**

8. Which of the following terms refers to a decrease in value over time for an asset?

- A. Replacement cost**
- B. Depreciation**
- C. Liability**
- D. Value-at-risk**

9. What distinguishes an independent agent in the insurance industry?

- A. Works for a single insurance company**
- B. Contracts with two or more insurance companies to sell policies**
- C. Provides insurance advice without selling policies**
- D. Operates exclusively online**

10. Which of the following is NOT one of the four main types of general insurance?

- A. Property**
- B. Liability**
- C. Auto**
- D. Life**

Answers

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

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Explanations

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1. What is the typical outcome of "rate-making"?

- A. The establishment of coverage limits for specific policies
- B. The determination of premium rates charged by the insurer**
- C. The allocation of funds for claims handling
- D. The pricing of insurance services based on competition

Rate-making is the process by which insurance companies determine the premium rates they charge for coverage. This process involves analyzing various factors, including underwriting statistics, loss experience, market conditions, and anticipated risks, to establish a rate that both reflects the anticipated cost of claims and ensures the financial viability of the insurer. Establishing premium rates is crucial because it directly influences the profitability and sustainability of the insurance company. It also aims to ensure that the rates are adequate to cover losses while remaining competitive in the marketplace. Hence, determining the premium rates charged by the insurer is a key function of rate-making, as it aligns with the insurance company's goal of managing risk while providing affordable coverage to policyholders. While establishing coverage limits for policies, allocating funds for claims handling, and pricing based on competition are all important aspects of insurance operations, they do not specifically encompass the primary goal of rate-making itself. Rate-making focuses specifically on calculating how much policyholders will pay for their insurance coverage.

2. Which of the following is NOT a way in which insurance brokerages are similar to other businesses?

- A. Subject to the same employment regulations
- B. Exempt from income taxes**
- C. Incorporation rules apply
- D. Consumer protection laws apply

Insurance brokerages, like many other businesses, are subject to the same employment regulations, incorporation rules, and consumer protection laws. They are not exempt from income taxes like some non-profit organizations may be. This sets them apart from other businesses in terms of taxation, but they still must follow the same regulations and laws.

3. What is covered by property insurance?

- A. Only the exterior damage to property
- B. The increase in property value
- C. The loss or damage of a property due to specific perils**
- D. Cybersecurity threats

Property insurance covers the loss or damage of a property due to specific perils, such as fires, theft, or natural disasters. Option A is incorrect because property insurance can also cover interior damage, such as damage to furniture or appliances. Option B is incorrect because property insurance does not cover the increase in property value. Option D is incorrect because cybersecurity threats are typically covered by separate cyber insurance policies, not property insurance. Therefore, option C is the most accurate and comprehensive answer.

4. Which of the following is not one of the 7 General Personal Line Categories of Insurance?

- A. The home itself-the building**
- B. Automobiles**
- C. Valuables**
- D. Sports equipment**

The other options, A, C, and D, are all listed under the 7 General Personal Line Categories of Insurance, which include Homeowners insurance, Personal Property insurance, and Personal Liability insurance. Option B, Automobiles, is not included as a separate category, but would typically be covered under Personal Property insurance or a separate auto insurance policy.

5. How should information be treated according to PIPEDA?

- A. Shared freely among businesses**
- B. Held in the strictest confidence**
- C. Used for any purpose once collected**
- D. Made public after a certain period**

PIPEDA, or the Personal Information Protection and Electronic Documents Act, is a Canadian law that governs the collection, use, and disclosure of personal information. Option A is incorrect because PIPEDA requires organizations to have consent from individuals before sharing their personal information. Option C is also incorrect because organizations must limit the use of collected information to the purpose for which it was collected. Option D is incorrect because PIPEDA requires organizations to protect personal information and take measures to prevent unauthorized disclosure. Therefore, option B, which entails holding information in the strictest confidence, is the correct answer according to PIPEDA.

6. What type of risks might be assessed during the underwriting process?

- A. Only potential market trends
- B. Only the insured's credit history
- C. Insurance fraud indicators
- D. Industry risk assessments for property and claims**

During the underwriting process, assessing industry risk assessments for property and claims is crucial. Underwriters evaluate the specific risk factors associated with different industries to determine the likelihood of claims and the potential financial impact of those claims on the insurance underwriting. This involves analyzing historical data related to losses, industry-specific risks, and patterns that may affect the insured's exposure. The understanding of these industry risks helps underwriters set appropriate premium rates, establish coverage terms, and ensure that the insurance policy aligns with the risk profile of the insured business or property. By focusing on this comprehensive assessment, underwriters can more accurately gauge the overall risk and make informed decisions about insurability, coverage limits, and exclusions necessary to mitigate potential financial losses. This detailed analysis goes beyond merely looking at general market trends or individual factors, as it requires a nuanced understanding of the entire industry landscape. Thus, industry risk assessments play a pivotal role in the underwriting process in ensuring effective risk management and supporting sustainable insurance practices.

7. What does "mobile equipment" coverage typically insure?

- A. Vehicles used exclusively for personal travel
- B. Coverage for vehicles and equipment not licensed for highway use, such as construction equipment**
- C. Insurance for motorcycles and RVs
- D. Protection against theft of personal vehicles

Mobile equipment coverage is specifically designed to insure vehicles and equipment that are not licensed for highway use, which includes various types of construction and agricultural equipment. This type of coverage recognizes that these vehicles, while potentially large and valuable, do not operate on public roads and therefore fall outside the realm of traditional auto insurance. The primary purpose of mobile equipment insurance is to provide protection against physical damage and liability associated with the operation of these specialized vehicles. This may include bulldozers, backhoes, earthmovers, and other machinery commonly used in industry settings. Such coverage ensures that businesses can protect their investments in equipment without needing to adhere to the restrictions and regulations applicable to standard road vehicles. In contrast, vehicles used exclusively for personal travel, motorcycles, RVs, and personal vehicle theft protection fall under different coverage types. Each of these categories is managed according to specific insurance requirements and risks, distinct from those associated with mobile equipment.

8. Which of the following terms refers to a decrease in value over time for an asset?

- A. Replacement cost**
- B. Depreciation**
- C. Liability**
- D. Value-at-risk**

Depreciation specifically refers to the decrease in value of an asset over time due to factors such as wear and tear, obsolescence, or age. It is a key concept in accounting and finance, as it helps businesses and individuals understand the diminishing value of their investments, especially fixed assets like machinery, vehicles, or buildings. This decline in value can impact financial statements, tax calculations, and insurance coverage decisions, as insurers might need to consider the depreciated value when determining payouts for claims. Replacement cost refers to the amount it would take to replace an asset at current market prices, which does not directly measure the decrease in value over time. Liability pertains to legal obligations or debts that an individual or business owes to others, unrelated to asset value. Value-at-risk is a financial metric used to assess the potential loss in value of an investment, not a term for asset valuation over time. Thus, depreciation is the most fitting term to describe the context of value reduction over time.

9. What distinguishes an independent agent in the insurance industry?

- A. Works for a single insurance company**
- B. Contracts with two or more insurance companies to sell policies**
- C. Provides insurance advice without selling policies**
- D. Operates exclusively online**

An independent agent is distinguished by their ability to contract with multiple insurance companies and offer policies from different carriers to their clients. Option A is incorrect because a captive agent works exclusively for a single insurance company. Option C is incorrect because an insurance consultant can provide advice without necessarily selling policies. Option D is incorrect because an online presence does not necessarily determine an agent's independence.

10. Which of the following is NOT one of the four main types of general insurance?

- A. Property**
- B. Liability**
- C. Auto**
- D. Life**

The choice indicating that "C. Auto" is not one of the four main types of general insurance highlights an essential distinction in the classification of insurance types. The four primary categories of general insurance typically include property, liability, health, and marine insurance. Auto insurance, while a significant and essential coverage type, falls under the umbrella of property insurance since it pertains to the protection of physical assets, in this case, vehicles. It's important to recognize that life insurance is an entirely separate domain and is not considered a type of general insurance. Life insurance primarily focuses on the financial protection of individuals and their beneficiaries in the event of death, thereby distinguishing it from general insurance, which relates to protecting against loss or damage to assets and liabilities. In summary, classifying auto insurance as not one of the four primary types emphasizes the need to understand the broader categories within the insurance landscape. The correct identification of these types aids in navigating the complexities of insurance offerings effectively.

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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://alberta-level-1-insurance.examzify.com>

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

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