ASSOCIATE IN INSURANCE (AINS) 101 PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://ains101.examzify.com

Table of Contents

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. 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!

Questions

1. Which statement best describes hazard risk?

A. A hazard risk is a risk that arises from property, liability, or personnel loss exposures.

B. A hazard risk is a risk from market volatility

C. A hazard risk is a liquidity risk

D. A hazard risk is a regulatory risk

2. What is a premium?

A. The insurer's profit

B. The deductible amount the insured pays

C. Payment made for insurance coverage

D. The maximum claim limit

3. What is adverse selection?

A. The tendency of higher-risk individuals to seek more coverage.

B. The tendency of low-risk individuals to seek more coverage.

C. A method to reduce claims frequency.

D. A regulatory term for premium adjustments.

4. What is the correct expression for the combined ratio?

A. premium ratio + yield ratio

B. loss ratio - expense ratio

C. underwriting ratio

D. loss ratio + expense ratio

5. Smart products used to perform repetitive tasks are best described as

A. Drones

B. Robots

C. Human labor

D. Manual tools

6. Explain the concept of pooling.

A. Transfer

B. Risk

C. Pooling

D. Hazards

7. Bodily Injury liability refers to what?

A. Damage to the insured's property.

B. Loss of use of property.

C. Injury to the policyholder's credit score.

D. Physical injury to a person.

8. During underwriting, processing a policy change request to add a new classification and exposures occurs during which step?

A. Gathering information

B. Monitoring the underwriting decision

C. Issuing the policy

D. Adjusting the rating plan

9. What is the difference between policy cancellation and nonrenewal?

A. Cancellation ends coverage before the policy term ends.

B. Nonrenewal is a decision not to renew at the end of the term.

C. Both end coverage exactly at term end; no difference.

D. Cancellation ends coverage before the policy term ends; nonrenewal is a decision not to renew at the end of the term.

10. Which statement best differentiates hazard from peril?

A. Hazard is a condition that increases the likelihood of a loss; peril is the actual cause of the loss.

B. Hazard is the actual cause of a loss; peril increases the likelihood of loss.

C. Hazard is the financial impact of a loss; peril is the insured's deductible.

D. Hazard and peril are synonyms with no distinction.

Answers

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

Explanations

1. Which statement best describes hazard risk?

A. A hazard risk is a risk that arises from property, liability, or personnel loss exposures.

B. A hazard risk is a risk from market volatility

C. A hazard risk is a liquidity risk

D. A hazard risk is a regulatory risk

Hazard risk encompasses potential losses from pure perils that threaten property, liability, or people. It covers scenarios like fire or other damage to property, lawsuits or legal claims, and injuries or health problems affecting personnel. That focus on property, liability, and personnel loss exposures is precisely what hazard risk describes, so it's the best match. The other statements describe financial or regulatory risks—market volatility, liquidity concerns, and regulatory changes—which are not categorized as hazard risk in typical risk management frameworks.

2. What is a premium?

A. The insurer's profit

B. The deductible amount the insured pays

C. Payment made for insurance coverage

D. The maximum claim limit

A premium is the payment the insured makes to obtain and maintain insurance coverage. It's the price you pay to transfer the risk to the insurer, covering the cost of potential claims as well as the insurer's administrative expenses and a profit margin. The premium is not the deductible (that's the amount you pay out of pocket when a claim occurs before coverage kicks in) and it's not the maximum amount the insurer will pay for a loss (that's the policy limit). For example, you might pay an annual premium to keep auto coverage, while a separate deductible and a separate policy limit dictate how much you personally pay on a claim and the most the insurer will pay.

3. What is adverse selection?

A. The tendency of higher-risk individuals to seek more coverage.

B. The tendency of low-risk individuals to seek more coverage.

C. A method to reduce claims frequency.

D. A regulatory term for premium adjustments.

Adverse selection occurs when people with higher risk are more likely to buy insurance or seek more coverage than those with lower risk. This happens because individuals know more about their own health and chances of filing a claim than the insurer does, so those who expect higher costs are more motivated to obtain protection at the given price. The result is a riskier pool of insureds than anticipated, which can lead to higher premiums or a need for stricter underwriting to keep costs in line. For example, someone with a serious medical condition or a high likelihood of future claims may be more inclined to purchase comprehensive coverage than a healthier person. This concept isn't about low-risk individuals seeking more coverage (that would be favorable selection), nor is it about reducing claims frequency as a method, or a regulatory term for premium adjustments.

4. What is the correct expression for the combined ratio?

A. premium ratio + yield ratio

B. loss ratio - expense ratio

C. underwriting ratio

D. loss ratio + expense ratio

The combined ratio is a measure of underwriting profitability, and it is found by adding the loss ratio to the expense ratio. The loss ratio represents incurred losses (including loss adjustment expenses) as a percentage of earned premiums, while the expense ratio represents underwriting expenses as a percentage of earned premiums. By summing these two components, you capture all costs tied to writing insurance relative to the premiums earned, giving a complete picture of underwriting performance. A combined ratio below 100% indicates underwriting profit, while above 100% indicates underwriting loss. The other options don't reflect this standard relationship: there isn't a commonly used premium ratio in this context, and subtracting expense from losses doesn't represent total underwriting costs.

5. Smart products used to perform repetitive tasks are best described as

A. Drones

B. Robots

C. Human labor

D. Manual tools

Smart products used to perform repetitive tasks rely on automation and built-in intelligence to handle routine work consistently and efficiently. Drones fit this description well because they combine sensors, GPS, onboard processing, and wireless communication to carry out predefined tasks without constant human control. They can follow fixed flight paths for inspections, mapping, inventory checks, or delivery, performing the same actions repeatedly with precision and speed in environments that might be dangerous or difficult for people. While robots in general also automate repetitive work, the term here highlights a specific category of smart devices—the aerial, autonomous platforms—whose primary role is to repeat tasks across varying sites. Human labor and manual tools, by contrast, require direct human input or lack automated intelligence, so they aren't described as smart products performing repetitive tasks.

6. Explain the concept of pooling.

A. Transfer

B. Risk

C. Pooling

D. Hazards

Pooling means spreading risk across a large group so that the costs of losses are shared, not borne by a single person. When many people contribute premiums, the chance of a huge individual loss is offset by the many who don't claim or have small claims. This relies on the law of large numbers: as the group grows, the total losses become more predictable, so insurers can set premiums that cover expected losses plus expenses and still remain affordable. For any one member, the average cost becomes stable and predictable, even though they still have protection against a possible loss. This isn't about transferring risk to another party, nor is it about hazards or risk itself. It's the mechanism that makes insurance feasible: using a large pool to absorb the variability of losses and fund claims.

7. Bodily Injury liability refers to what?

A. Damage to the insured's property.

B. Loss of use of property.

C. Injury to the policyholder's credit score.

D. Physical injury to a person.

Bodily Injury liability covers injuries to other people in an auto accident caused by the insured's negligence. It pays medical expenses, lost wages, and related costs for those injured, as well as legal expenses if a lawsuit is involved, up to the policy limit. This coverage specifically applies to physical injuries to people, not to damage to property or the insured's own medical bills. It also doesn't affect the insured's credit score. So the concept described is physical injury to a person.

8. During underwriting, processing a policy change request to add a new classification and exposures occurs during which step?

A. Gathering information

B. Monitoring the underwriting decision

C. Issuing the policy

D. Adjusting the rating plan

When a policy change request adds a new classification and exposures, the focus is on how the risk is priced. This requires revising the pricing framework to reflect the new classifications and the associated exposure bases. That is exactly what adjusting the rating plan covers: updating the rating factors and classifications used to calculate premium so the policy accurately reflects the altered risk. Gathering information is about collecting details needed for underwriting, which happens earlier in the process. Monitoring the underwriting decision is about tracking the decision itself, not changing classifications or pricing. Issuing the policy comes after underwriting and pricing are settled. So, the step that best fits processing a change to add a new classification and exposures is adjusting the rating plan.

9. What is the difference between policy cancellation and nonrenewal?

A. Cancellation ends coverage before the policy term ends.

B. Nonrenewal is a decision not to renew at the end of the term.

C. Both end coverage exactly at term end; no difference.

D. Cancellation ends coverage before the policy term ends; nonrenewal is a decision not to renew at the end of the term.

The difference hinges on when the coverage ends. Cancellation ends coverage before the policy term ends and can occur for various reasons during the term (for example, due to nonpayment or misrepresentation). Nonrenewal is the insurer's decision not to issue a new term when the current policy expires, so coverage ends at the end of the term. So the best description is that cancellation ends coverage mid-term, while nonrenewal ends coverage at the term's expiration because no renewal is issued.

10. Which statement best differentiates hazard from peril?

A. Hazard is a condition that increases the likelihood of a loss; peril is the actual cause of the loss.

B. Hazard is the actual cause of a loss; peril increases the likelihood of loss.

C. Hazard is the financial impact of a loss; peril is the insured's deductible.

D. Hazard and peril are synonyms with no distinction.

In insurance, understand that hazard means a condition that raises the chance or severity of a loss, while a peril is the actual event that causes the loss. So, a hazardous condition. For example, leaving a space heater unattended is a hazard because it increases the risk of a fire. If a fire actually starts and causes damage, the fire is the peril. The key distinction is that hazards are risk factors present before a loss occurs, and perils are the events that bring about the loss. The statement that ties hazard to the financial impact of a loss or to the insured's deductible mixes up these ideas. The deductible is a policy term that affects how much the insured pays after a loss, not the cause of the loss. So it describes financial consequences, not the relationship between hazard and peril. Similarly, describing hazards as the actual cause or claiming they're synonyms muddles the difference between conditions that raise risk and the events that cause loss. The correct concept is that a hazard increases likelihood or severity, while a peril is the direct cause of the loss.

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://ains101.examzify.com

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