

Associate in Insurance (AINS) 103 Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. 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

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- 1. Which statement best describes the risk addressed by a motor truck cargo liability policy?**
 - A. Employee injuries**
 - B. Cyber breaches**
 - C. Physical loss to cargo in transit**
 - D. Property damage at origin**

- 2. Which policy best covers crime losses for financial institutions?**
 - A. General liability policy**
 - B. Commercial property policy**
 - C. Financial institution bond**
 - D. Personal auto policy**

- 3. In ERM, the first step is to scan the environment. Which description best captures this step?**
 - A. It identifies external and internal risk factors**
 - B. It develops risk rankings**
 - C. It implements risk controls**
 - D. It monitors risk performance**

- 4. Which statement best describes the purpose of Extra Expense coverage?**
 - A. It covers loss of profits**
 - B. It covers the costs to move to a temporary location to continue operations**
 - C. It covers property depreciation**
 - D. It covers employee payroll**

- 5. Explain how endorsements interact with underlying commercial property and liability policies to shape coverage.**
 - A. Endorsements tailor coverage by adding or modifying perils, exclusions, or limits.**
 - B. Endorsements add nothing to coverage and are purely administrative.**
 - C. Endorsements always increase premiums with no change in coverage.**
 - D. Endorsements are only allowed on personal auto policies.**

- 6. Which statement best describes how insurers respond to a cyber incident with regard to confidentiality, data breach, and notice obligations?**
- A. They perform no actions and require the insured to handle all costs alone.**
 - B. They require the insured to file the claim within 24 hours.**
 - C. They only provide legal defense and do nothing else.**
 - D. They implement incident response planning, notify affected parties as required by law, and may assist with credit monitoring and legal compliance.**
- 7. How do HO-2 and HO-3 homeowners forms differ in terms of peril coverage for dwelling and contents?**
- A. HO-2 covers dwelling and contents on named perils; HO-3 covers dwelling on open perils and contents on named perils.**
 - B. HO-3 covers dwelling on named perils; HO-2 covers dwelling on open perils.**
 - C. HO-2 and HO-3 both cover dwelling and contents on open perils.**
 - D. HO-2 covers dwelling on open peril; contents on open peril.**
- 8. Which describes the purpose of exposure units in rating?**
- A. They relate premium to the level of risk, such as per \$1 of revenue**
 - B. They set legal jurisdiction**
 - C. They determine policy terms**
 - D. They specify insured's assets**
- 9. Which statement best describes coinsurance in property insurance and the penalty for underinsuring?**
- A. The insured must maintain coverage to a specified percentage; if not, payout is reduced proportionally.**
 - B. The insurer pays the full claim up to the policy limit regardless of coverage percentage.**
 - C. Coinsurance only applies to liability policies.**
 - D. Coinsurance increases the deductible automatically.**

10. Which is NOT a typical rating factor for commercial policies?

- A. Customer's age**
- B. Industry**
- C. Location**
- D. Size**

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Answers

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

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Explanations

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1. Which statement best describes the risk addressed by a motor truck cargo liability policy?

- A. Employee injuries**
- B. Cyber breaches**
- C. Physical loss to cargo in transit**
- D. Property damage at origin**

This topic centers on the risk that matters to goods while they are being moved. A motor truck cargo liability policy is designed to protect against physical loss or damage to the cargo while it is in transit under the carrier's control. It covers incidents that affect the goods during loading, transport, and unloading, such as a collision, theft, or damage from conditions encountered en route, depending on the policy terms. That's why this option best describes the risk. Employee injuries are addressed by workers' compensation or employers' liability, not cargo in transit. Cyber breaches aren't typically covered by cargo liability policies. Property damage at the origin relates to the shipper's premises or operations, not the cargo while it's en route. So the focus on physical loss to cargo in transit is the correct match.

2. Which policy best covers crime losses for financial institutions?

- A. General liability policy**
- B. Commercial property policy**
- C. Financial institution bond**
- D. Personal auto policy**

Financial institutions have unique crime exposures, such as employee dishonesty, forged instruments, and fraudulent transfers, that aren't addressed by generic liability or property coverage. A financial institution bond is a crime insurance policy specifically designed for banks, credit unions, and similar institutions. It covers losses from dishonest acts by employees and outsiders, including forgery or alteration of checks, theft of money or securities, burglary or robbery, computer fraud, funds transfer fraud, and counterfeit currency. This targeted protection matches the risks these institutions face, whereas general liability covers bodily injury and property damage, and commercial property covers physical property losses. A personal auto policy is unrelated to banking crimes. So the financial institution bond best covers crime losses for financial institutions.

3. In ERM, the first step is to scan the environment. Which description best captures this step?

- A. It identifies external and internal risk factors**
- B. It develops risk rankings**
- C. It implements risk controls**
- D. It monitors risk performance**

In ERM, scanning the environment means taking a broad look at what could threaten the organization's ability to achieve its objectives by identifying risk factors from both outside and inside the organization. This involves spotting external forces such as regulatory changes, market shifts, supply chain issues, technology advances, and competitive dynamics, as well as internal factors like processes, people, controls, culture, and information systems. By capturing these risk factors early, you create a baseline view of the risk landscape that informs subsequent steps—assessing how likely each risk is and how big its potential impact could be, prioritizing which risks to address, and deciding on appropriate controls. Without this initial scan, later analysis and treatment might miss emerging or interrelated risks. The other steps—ranking risks, implementing controls, and monitoring performance—come after risks have been identified and understood during the scan.

4. Which statement best describes the purpose of Extra Expense coverage?

- A. It covers loss of profits**
- B. It covers the costs to move to a temporary location to continue operations**
- C. It covers property depreciation**
- D. It covers employee payroll**

Extra expense coverage is meant to reimburse the additional costs a business incurs to keep operating after a covered loss, beyond its normal ongoing expenses. The purpose is to minimize downtime by funding expenses needed specifically to continue operations, such as moving to a temporary location so you can keep serving customers. The other items aren't about those extra costs to stay functioning: loss of profits is addressed by business income coverage, not extra expense; depreciation is an accounting concept and not something insurance pays for; payroll is typically handled under other coverages or as part of business income, not the primary aim of extra expense.

5. Explain how endorsements interact with underlying commercial property and liability policies to shape coverage.
- A. Endorsements tailor coverage by adding or modifying perils, exclusions, or limits.
 - B. Endorsements add nothing to coverage and are purely administrative.
 - C. Endorsements always increase premiums with no change in coverage.**
 - D. Endorsements are only allowed on personal auto policies.

Endorsements tailor the policy by actively adjusting what is covered, under what conditions, and to what extent. On commercial property and liability programs, an endorsement attaches to the underlying policy and modifies its terms—adding or removing covered perils, changing exclusions, and altering limits or deductibles. This is how a standard form is customized to fit a specific business risk, such as adding coverage for a separate location, equipment breakdown, or professional liability, or expanding coverage to include a newly exposed peril. Because endorsements modify coverage, their impact on the premium isn't fixed: they may raise, lower, or leave unchanged the cost depending on whether they broaden or restrict coverage or adjust limits. Endorsements are not purely administrative, nor are they limited to personal auto policies.

6. Which statement best describes how insurers respond to a cyber incident with regard to confidentiality, data breach, and notice obligations?
- A. They perform no actions and require the insured to handle all costs alone.
 - B. They require the insured to file the claim within 24 hours.
 - C. They only provide legal defense and do nothing else.
 - D. They implement incident response planning, notify affected parties as required by law, and may assist with credit monitoring and legal compliance.**

When a cyber incident occurs, the insurer's role is to help manage the breach and its legal and reputational consequences, not just process a claim. The main concept here is that cyber coverage includes proactive incident response and compliance support. A cyber insurer typically helps the insured implement an incident response plan, coordinating containment, evidence preservation, and communication with stakeholders. They also ensure that notices to affected individuals and required regulatory bodies are sent in accordance with applicable data breach notification laws, which can vary by jurisdiction and situation. In many cases, the insurer can arrange or fund forensic investigations, legal counsel, notification services, and even credit monitoring for those affected, to mitigate harm and support ongoing compliance with legal duties. This comprehensive approach reflects the real purpose of cyber insurance: to address confidentiality concerns, manage the data breach process, and assist with legal and regulatory obligations, rather than leaving the insured to handle everything alone or limiting support to a single function like defense.

7. How do HO-2 and HO-3 homeowners forms differ in terms of peril coverage for dwelling and contents?

A. HO-2 covers dwelling and contents on named perils; HO-3 covers dwelling on open perils and contents on named perils.

B. HO-3 covers dwelling on named perils; HO-2 covers dwelling on open perils.

C. HO-2 and HO-3 both cover dwelling and contents on open perils.

D. HO-2 covers dwelling on open peril; contents on open peril.

Peril coverage is about which causes of loss are insured. In HO-2 (Broad Form), both the dwelling and the contents are covered only for perils that are named in the policy. In HO-3 (Special Form), the dwelling is covered on open perils (everything except exclusions), while the contents are covered only for perils named in the policy. Therefore, the best description is that HO-2 covers dwelling and contents on named perils; HO-3 covers dwelling on open perils and contents on named perils. The other options misstate HO-3's open-peril treatment for the dwelling or HO-2's named-peril scope.

8. Which describes the purpose of exposure units in rating?

A. They relate premium to the level of risk, such as per \$1 of revenue

B. They set legal jurisdiction

C. They determine policy terms

D. They specify insured's assets

Exposure units are the way insurers quantify how much risk they're taking on and price it accordingly. In rating, a rate (price per unit of exposure) is applied to the number of exposure units to determine the premium. This means the premium scales with how much risk is being insured. Different lines use different exposure units—revenue or payroll in some commercial policies, replacement cost or number of units in property, vehicles in auto, etc.—but the core idea is that the premium relates directly to the level of risk. The other ideas—legal jurisdiction, policy terms, or the insured's assets—don't drive rating, so they aren't what exposure units describe.

9. Which statement best describes coinsurance in property insurance and the penalty for underinsuring?

- A. The insured must maintain coverage to a specified percentage; if not, payout is reduced proportionally.**
- B. The insurer pays the full claim up to the policy limit regardless of coverage percentage.**
- C. Coinsurance only applies to liability policies.**
- D. Coinsurance increases the deductible automatically.**

Coinsurance in property insurance requires the insured to carry coverage equal to a specified percentage of the property's value. If the insured falls short of that percentage, the payout is reduced proportionally to the ratio of the actual coverage carried to the required amount. This encourages buying adequate limits and shares the risk when underinsured. For example, if the replacement cost is 200,000 and the coinsurance requirement is 80%, the needed coverage is 160,000. If a loss occurs and the insured only has 100,000, the payout is $100,000 / 160,000$ of the loss (a proportional reduction). This isn't about liability policies, nor does it automatically raise the deductible; the essence is the proportional reduction in payment when the coverage isn't enough.

10. Which is NOT a typical rating factor for commercial policies?

- A. Customer's age**
- B. Industry**
- C. Location**
- D. Size**

In commercial insurance, premiums are driven by the business's risk exposure, not by personal characteristics of the owner. The main factors used reflect what the business does and how big and where it operates, because those elements directly affect potential losses. Industry matters because different lines of business have different inherent hazards and loss patterns. Location matters because properties, crime exposure, weather risk, and local regulations vary by place. Size matters because larger operations create more exposure units—more payroll for workers' comp, more property, and higher potential losses—leading to higher premiums. The age of the customer doesn't influence the business's risk exposure in the same way. A company's risk profile isn't tied to how old the owner or manager is, so age isn't used as a rating factor for most commercial policies. So the age of the customer is the factor that doesn't fit with typical commercial rating practices.

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://ains103.examzify.com>

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

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