

# Associate in Insurance (AINS) 21 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 activity best describes prospecting in the context of insurance sales?**
  - A. Policy issuance**
  - B. Risk control consulting**
  - C. Prospecting**
  - D. Underwriting**
  
- 2. In property insurance, the term personal property refers to which of the following?**
  - A. The contents of a building**
  - B. The building's structural components**
  - C. The policyholder's entire estate**
  - D. The land and grounds**
  
- 3. Perception that insurance premiums are high is primarily due to**
  - A. The insurer's administrative costs**
  - B. Benefits are intangible until loss occurs**
  - C. The risk pool is too large**
  - D. There is guaranteed payout in every claim**
  
- 4. To transact insurance with insurers, what must a licensed state agent do?**
  - A. Seek appointment by one or more insurers.**
  - B. Obtain appointment by one or more insurers.**
  - C. Directly bill the insured for premiums without insurer involvement.**
  - D. Renew their license every month.**
  
- 5. An increase in earned premiums with no change in written premiums or any other financial figures will generally cause a decrease in all of the following except**
  - A. Combined ratio**
  - B. Operating ratio**
  - C. Loss ratio**
  - D. Expense ratio**

- 6. For Sally's auto-related loss exposure, which risk management technique is most practical?**
- A. Risk transfer**
  - B. Retention**
  - C. Avoidance**
  - D. Reduction**
- 7. Third party administrators typically perform which of the following roles?**
- A. Handling claims, maintaining claim records, and performing statistical analysis for self-insureds.**
  - B. Underwriting new policies.**
  - C. Setting premium rates.**
  - D. Regulating insurance agencies.**
- 8. An ideally insurable loss exposure is priced at a level that the insured can reasonably afford. Which statement reflects this principle?**
- A. Premiums can be set arbitrarily high to maximize profit**
  - B. Premiums must be set by law**
  - C. Premiums are unrelated to risk**
  - D. Premiums should be affordable for the insured**
- 9. What is a primary reason for using a controlled distribution system?**
- A. To maximize the reach by adding as many brokers as possible.**
  - B. To minimize licensing requirements across all staff.**
  - C. To expand to as many markets as possible without oversight.**
  - D. To manage monthly application targets and advertising methods.**
- 10. What is the primary goal of affinity marketing?**
- A. To maximize reach across all audiences**
  - B. To target a specific group and offer tailored benefits**
  - C. To reduce regulatory compliance**
  - D. To increase product complexity**

## Answers

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

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## **Explanations**

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**1. Which activity best describes prospecting in the context of insurance sales?**

- A. Policy issuance**
- B. Risk control consulting**
- C. Prospecting**
- D. Underwriting**

Prospecting in insurance sales means identifying potential clients who may have insurance needs and initiating contact to explore whether you can help them. It's the first step in the sales process, focused on generating leads and building a pipeline of opportunities. This stage happens before any policy discussions, underwriting, or risk-management services. Once a prospect expresses interest and their needs are understood, a producer may present appropriate coverages, gather information for underwriting, and move toward policy issuance. Policy issuance is finalizing and delivering a policy; underwriting evaluates risk and pricing; risk control consulting advises on reducing risk. Therefore, prospecting best describes the activity of seeking out new clients and creating opportunities for sales.

**2. In property insurance, the term personal property refers to which of the following?**

- A. The contents of a building**
- B. The building's structural components**
- C. The policyholder's entire estate**
- D. The land and grounds**

Personal property refers to the insured's movable belongings inside the home—furniture, clothing, electronics, and other items that aren't permanently attached to the structure. This is different from the dwelling itself, which is real property and covers the building's framework, walls, and other structural components. The land and grounds are also real property. A person's entire estate isn't what personal property covers in a standard policy. So the contents of the building are the correct focus for personal property.

**3. Perception that insurance premiums are high is primarily due to**

- A. The insurer's administrative costs**
- B. Benefits are intangible until loss occurs**
- C. The risk pool is too large**
- D. There is guaranteed payout in every claim**

The main idea is that insurance premiums are the price for transferring and funding future risk, and the value of that protection isn't visible until a loss happens. When you buy coverage, you're paying for financial protection against a possible event you hope never occurs. Because the benefit is realized only if a loss occurs, the protection feels intangible and its value isn't directly observed in everyday life, so the premium can seem high relative to what you actually experience. The premium isn't just about what you might claim; it includes the expected cost of claims (the probability of a loss times the potential severity), plus administrative expenses, reserves, and profit. A large, diversified risk pool helps make premiums more affordable, but the price you pay still reflects the possibility and cost of future losses combined with the insurer's other costs. The idea of a guaranteed payout in every claim isn't accurate, and while administrative costs do factor in, they're not the primary reason the premium can feel high—the core factor is that protection is valuable mainly when a loss occurs and isn't experienced on a day-to-day basis.

**4. To transact insurance with insurers, what must a licensed state agent do?**

- A. Seek appointment by one or more insurers.**
- B. Obtain appointment by one or more insurers.**
- C. Directly bill the insured for premiums without insurer involvement.**
- D. Renew their license every month.**

The key concept is that a licensed agent must have authorization from an insurer to represent that insurer and transact insurance on its behalf. This authorization is called an appointment. Without being appointed, the agent isn't authorized to bind coverage or handle insurer-backed transactions. Therefore, the agent must obtain appointment by one or more insurers before they can transact with those insurers. Once appointed, the agent can issue policies and collect premiums in a manner approved by the insurer and governed by state rules. Directly billing the insured for premiums without insurer involvement isn't appropriate because it bypasses the insurer's authority and processes. And license renewal isn't typically done every month; licensing periods are set by the state and occur at longer intervals (such as annually or biennially).

**5. An increase in earned premiums with no change in written premiums or any other financial figures will generally cause a decrease in all of the following except**

**A. Combined ratio**

**B. Operating ratio**

**C. Loss ratio**

**D. Expense ratio**

The key idea is how the denominator of each ratio affects its value when earned premiums rise but written premiums stay the same. Loss ratio and the combined/operating measures typically use net premiums earned in the denominator, so if losses stay the same and earned premiums increase, these ratios fall. Expense ratio, in this context, is based on net written premiums rather than net earned premiums. Since net written premiums aren't changing, the expense ratio remains unchanged even though earned premiums rise. For example, if losses and underwriting expenses stay the same and earned premiums climb, the loss ratio drops, the combined ratio falls, and the operating ratio improves, but the expense ratio stays the same because its denominator (net written premiums) didn't move. That's why this item is the one that does not decrease.

**6. For Sally's auto-related loss exposure, which risk management technique is most practical?**

**A. Risk transfer**

**B. Retention**

**C. Avoidance**

**D. Reduction**

The main idea is transferring the financial risk to another party through insurance. For Sally's auto-related losses, buying auto insurance shifts the potential big costs—like medical expenses, property damage, and liability claims—from Sally to the insurer in exchange for a premium. This makes the financial impact predictable and manageable, and it's reinforced by the fact that auto insurance is typically available, often legally required, and designed to handle the kinds of losses drivers face by pooling risk. Keeping the risk (retention) would require Sally to pay all losses out of pocket, which can be risky given how large auto claims can be. Avoidance—not owning or driving a vehicle—is usually not practical for someone who needs or wants to drive. Reduction—measures to reduce frequency or severity of losses (like safer driving or anti-theft devices)—helps, but it doesn't limit the exposure as effectively as transferring the risk via insurance.

7. Third party administrators typically perform which of the following roles?

- A. Handling claims, maintaining claim records, and performing statistical analysis for self-insureds.**
- B. Underwriting new policies.**
- C. Setting premium rates.**
- D. Regulating insurance agencies.**

Third party administrators act as outsourced claims administrators for self-funded plans. They handle claims, keep detailed claim records, and perform statistical analysis to help employers understand costs, trends, and financial exposure. They manage the adjudication and payment of claims, coordinate with providers, and provide data reporting and analysis to monitor and control costs. They do not underwrite new policies, set premium rates, or regulate insurance agencies—those functions belong to insurers (underwriters and actuaries) and regulatory bodies. This alignment with claims processing, recordkeeping, and data analytics for self-insureds is why this choice is the best fit.

8. An ideally insurable loss exposure is priced at a level that the insured can reasonably afford. Which statement reflects this principle?

- A. Premiums can be set arbitrarily high to maximize profit**
- B. Premiums must be set by law**
- C. Premiums are unrelated to risk**
- D. Premiums should be affordable for the insured**

The key idea here is affordability in pricing. For a loss exposure to be ideally insurable, the price of coverage must be within what the insured can reasonably pay, so purchasing insurance remains feasible and attractive in ordinary circumstances. When premiums align with both the expected cost of the risk and the insured's ability to pay, individuals are more likely to buy and renew coverage, which helps spread risk across a large pool and keeps the market viable. If premiums were arbitrarily high or not tied to the insured's ability to pay, people would forgo insurance, leading to adverse selection and undermining the purpose of risk transfer. While premiums should reflect risk and expenses, they must stay within a range that the insured can reasonably afford, making affordability the best expression of the principle.

**9. What is a primary reason for using a controlled distribution system?**

- A. To maximize the reach by adding as many brokers as possible.**
- B. To minimize licensing requirements across all staff.**
- C. To expand to as many markets as possible without oversight.**
- D. To manage monthly application targets and advertising methods.**

A controlled distribution system is about keeping how a product is sold under supervision, so sales practices stay compliant, ethical, and consistent. By managing monthly application targets and advertising methods, the insurer can set standards for how many applications are pursued and what messaging is used, and then monitor and approve those activities. This oversight helps prevent mis-selling, ensures licensing and regulatory rules are followed, and maintains uniform marketing and underwriting practices. Expanding to more markets without oversight or trying to reduce licensing would undermine that control and increase risk of noncompliance.

**10. What is the primary goal of affinity marketing?**

- A. To maximize reach across all audiences**
- B. To target a specific group and offer tailored benefits**
- C. To reduce regulatory compliance**
- D. To increase product complexity**

Affinity marketing centers on partnering with groups that share a common interest or membership base, so the main goal is to reach a specific audience and offer benefits tailored to that group's needs. This approach makes messages and offers more relevant to the members, which usually leads to higher engagement and better conversion because the value speaks directly to their interests. Trying to maximize reach across all audiences tends to broaden the message too much and reduce its impact. Affinity marketing also isn't about reducing regulatory requirements or adding product complexity; those are separate considerations. The strength lies in leveraging the partner's trust and the members' relevance to deliver targeted, appealing benefits.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://ains21.examzify.com>**

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

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