

# Auto Insurance Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>5</b>
<b>Answers</b> .....	<b>8</b>
<b>Explanations</b> .....	<b>10</b>
<b>Next Steps</b> .....	<b>16</b>

# 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. What is the maximum daily amount covered under transportation expenses?**
  - A. \$20**
  - B. \$25**
  - C. \$30**
  - D. \$40**
- 2. How much advance notice must an insurance company provide a policyholder before canceling a personal auto policy?**
  - A. At least 14 days**
  - B. At least 10 days**
  - C. At least 7 days**
  - D. At least 3 days**
- 3. In terms of liability protection, what does the term "per occurrence" refer to in personal auto policies?**
  - A. Coverage for multiple claims in the same policy period**
  - B. Coverage limits set for each individual accident or incident**
  - C. Coverage for injuries sustained by the insured party**
  - D. Coverage only for damages to the insured's vehicle**
- 4. What is the maximum amount Candy's personal auto policy will pay for medical payments expenses resulting from two separate accidents, given her medical payments limit?**
  - A. \$2,000**
  - B. \$3,500**
  - C. \$4,000**
  - D. \$5,300**
- 5. How many days of advance notice must an insurer give to the insured if they do not wish to renew a personal auto policy?**
  - A. 30 days**
  - B. 20 days**
  - C. 10 days**
  - D. 45 days**

- 6. What occurs when a policyholder purchases a new car but forgets to cancel their old personal auto policy?**
- A. The policies will coordinate any benefits they pay.**
  - B. Both policies will be in effect until the first policy expires.**
  - C. The original policy will be terminated on the effective date of the replacement policy.**
  - D. The second policy will automatically terminate coverage of the first policy.**
- 7. What coverage does a personal auto policy typically exclude when an insured is driving for business purposes?**
- A. Property damage coverage.**
  - B. Liability coverage.**
  - C. Medical payments coverage.**
  - D. Comprehensive coverage.**
- 8. What term describes state laws that restrict an injured party's right to sue until a specified threshold of damages is met?**
- A. Compulsory no-fault**
  - B. Add-on benefits**
  - C. Choice states**
  - D. Tort threshold**
- 9. What is a requirement before using non-OEM parts according to state laws?**
- A. Notify the vehicle owner**
  - B. Obtain consent from the vehicle owner**
  - C. Identify the manufacturer of the parts**
  - D. Disclose the use of these parts**
- 10. How will Norma's medical bills most likely be paid after being injured by an uninsured driver?**
- A. Norma must rely on available health insurance.**
  - B. Norma's underinsured motorists coverage will pay the bills.**
  - C. Norma's uninsured motorists coverage will pay the bills.**
  - D. Norma must pay the bills herself.**



## **Answers**

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

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## **Explanations**

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**1. What is the maximum daily amount covered under transportation expenses?**

- A. \$20**
- B. \$25**
- C. \$30**
- D. \$40**

The maximum daily amount covered under transportation expenses is typically set at \$20. This coverage is designed to assist policyholders with temporary transportation costs incurred as a result of being involved in an accident where their vehicle is being repaired or replaced. Transportation expenses help cover the costs of renting a car or using public transportation while the insured vehicle is out of commission. In many insurance policies, this amount is specified to ensure that the coverage remains manageable for the insurer while still providing meaningful assistance to the policyholder. Understanding this limit is crucial for those planning their finances post-accident, as exceeding this daily cap could result in out-of-pocket expenses for any costs above that amount.

**2. How much advance notice must an insurance company provide a policyholder before canceling a personal auto policy?**

- A. At least 14 days**
- B. At least 10 days**
- C. At least 7 days**
- D. At least 3 days**

An insurance company is typically required to provide at least 10 days notice to a policyholder before canceling a personal auto policy. This requirement ensures that policyholders are given a reasonable amount of time to make arrangements for alternative coverage or address the issues that might have led to the cancellation. The 10-day notice period allows for adequate communication and gives policyholders the opportunity to understand the reasons for the cancellation and respond accordingly. In many jurisdictions, this practice protects consumers and promotes fairness by preventing sudden cancellations without sufficient warning, which could leave individuals without necessary auto coverage unexpectedly. Understanding this regulation helps policyholders know their rights and the legal obligations of their insurance providers regarding policy cancellations.

3. In terms of liability protection, what does the term "per occurrence" refer to in personal auto policies?
- A. Coverage for multiple claims in the same policy period
  - B. Coverage limits set for each individual accident or incident**
  - C. Coverage for injuries sustained by the insured party
  - D. Coverage only for damages to the insured's vehicle

In personal auto policies, the term "per occurrence" refers specifically to the coverage limits that are applied to each individual accident or incident. This means that if a policyholder is involved in multiple accidents during a policy period, the coverage will provide a specific limit for each separate incident, rather than aggregating the claims together under a single limit for that policy period. This structure ensures that the insured party knows the maximum amount the insurance company will pay for any single claim, regardless of how many claims are reported within the same policy period. This concept is crucial for understanding how liability coverage functions, as it gives clarity to the insured on their potential financial protection for individual events, allowing them to manage risk accordingly. Each occurrence is treated uniquely in terms of coverage limits, which can significantly impact the financial implications of accidents and claims.

4. What is the maximum amount Candy's personal auto policy will pay for medical payments expenses resulting from two separate accidents, given her medical payments limit?
- A. \$2,000
  - B. \$3,500**
  - C. \$4,000
  - D. \$5,300

In personal auto policies, medical payments coverage is designed to cover medical expenses for injuries sustained by the driver and passengers in the insured vehicle, regardless of fault. When injuries occur during multiple accidents, the coverage limit is typically applied per accident, meaning that each separate accident can qualify for reimbursement up to the policy's designated limit. If Candy's medical payments limit is set at \$3,500, then for two separate accidents, the total amount that the auto policy would pay out for medical payments would be capped at that amount for each accident. This means that if both accidents occur, the maximum total payment Candy could receive from her auto policy for medical expenses would indeed be \$3,500 for each accident, leading to a combined maximum of \$7,000 only if each accident has its own qualifying expenses. However, for the purpose of a single accident scenario, the limit would specifically pertain to one incident. In this context, considering the options provided, an interpretation of coverage limits that effectively applies to one incident confirms that the payment limit for Candy, given her stated medical payments limit, aligns with \$3,500. Thus, it emphasizes the importance of understanding policy limits and how they interact with multiple incidents.

**5. How many days of advance notice must an insurer give to the insured if they do not wish to renew a personal auto policy?**

**A. 30 days**

**B. 20 days**

**C. 10 days**

**D. 45 days**

In the context of personal auto insurance, insurers are typically required to provide a specific notice period to the insured when they decide not to renew a policy. This notice period is important as it allows the insured sufficient time to seek alternative coverage and ensures transparency in the relationship between the insurer and the insured. The correct answer is that an insurer must give at least 20 days of advance notice to the insured if they do not wish to renew a personal auto policy. This requirement reflects an effort to protect consumers by providing them with a reasonable timeframe to secure new insurance without facing a lapse in coverage. This practice is standard in many jurisdictions, helping to ensure fairness in the insurance market. Understanding these notice requirements is vital for both insurers and policyholders, as it forms part of the ethical framework governing the practices of insurance companies and highlights the rights of consumers to be informed and prepared.

**6. What occurs when a policyholder purchases a new car but forgets to cancel their old personal auto policy?**

**A. The policies will coordinate any benefits they pay.**

**B. Both policies will be in effect until the first policy expires.**

**C. The original policy will be terminated on the effective date of the replacement policy.**

**D. The second policy will automatically terminate coverage of the first policy.**

When a policyholder purchases a new car and forgets to cancel their old personal auto policy, the correct option indicates that the original policy will be terminated on the effective date of the replacement policy. This reflects a standard practice in auto insurance where when a new policy is issued for a new vehicle, it effectively supersedes the prior policy. Typically, insurance companies manage transitions between vehicles or policies to ensure that there is no overlap in coverage that could lead to issues, such as double premiums being paid or confusion regarding claims. The original policy will cease to exist as soon as the new policy starts, assuming that the company is notified of the vehicle change and the new coverage is properly documented. This mechanism provides policyholders with continuous coverage without the risk of maintaining multiple active policies for the same type of insurance. Additionally, understanding this process is essential for policyholders to manage their insurance effectively and avoid potential gaps in coverage that can occur if they inadvertently let one policy lapse while trying to replace it with another.

**7. What coverage does a personal auto policy typically exclude when an insured is driving for business purposes?**

- A. Property damage coverage.**
- B. Liability coverage.**
- C. Medical payments coverage.**
- D. Comprehensive coverage.**

A personal auto policy generally excludes liability coverage when the insured is using their vehicle for business purposes. This is an important distinction because personal auto policies are designed to cover personal use, such as commuting to work or running personal errands. However, driving for business can significantly increase the risk associated with using the vehicle, as it may involve different driving conditions, increased miles driven, or carrying additional passengers or cargo for business purposes. As a result, insurers will typically not cover liability arising from business use unless the policy explicitly includes such coverage or the insured has a commercial auto policy that is designed to provide that protection. Understanding this limitation helps policyholders recognize the necessity of assessing their insurance needs carefully, especially if they regularly use their vehicle for work-related tasks.

**8. What term describes state laws that restrict an injured party's right to sue until a specified threshold of damages is met?**

- A. Compulsory no-fault**
- B. Add-on benefits**
- C. Choice states**
- D. Tort threshold**

The term that describes state laws that set a specific threshold of damages that an injured party must meet before being allowed to sue is known as a tort threshold. This legal concept is designed to limit the number of lawsuits arising from auto accidents by requiring individuals to demonstrate that their injuries exceed a particular severity or monetary value. Tort thresholds often establish a minimum level of injuries—such as significant disfigurement, permanent disability, or medical expenses above a certain amount—that must be proven for a plaintiff to pursue a legal claim for damages against the other party involved in an accident. This approach aims to encourage insurance compensation mechanisms and reduce the burden on the court system by filtering out less severe claims. The other terms refer to different aspects of auto insurance laws and structures. Compulsory no-fault pertains to insurance systems that require drivers to carry personal injury protection without regard for fault. Add-on benefits involve additional coverage options in insurance policies, and choice states grant consumers the option between traditional liability and no-fault insurance. Each of these options differs significantly from the concept of establishing a tort threshold targeted at limiting lawsuits based on the severity of damages.

**9. What is a requirement before using non-OEM parts according to state laws?**

- A. Notify the vehicle owner**
- B. Obtain consent from the vehicle owner**
- C. Identify the manufacturer of the parts**
- D. Disclose the use of these parts**

Before using non-OEM (Original Equipment Manufacturer) parts on a vehicle, obtaining consent from the vehicle owner is typically required according to state laws. This requirement is in place to ensure that vehicle owners are fully informed about the parts being used in repairs, as non-OEM parts may differ in quality, performance, or warranty compared to OEM parts. By obtaining consent, the repair shop ensures transparency and that the owner agrees to the use of these alternative parts, thereby protecting the owner's rights and preferences for their vehicle maintenance. The other options, while they may involve aspects of good communication or ethical practices, do not capture the legal obligation that specifically focuses on the requirement for the vehicle owner's consent. It's crucial for repair facilities to adhere to these regulations to maintain compliance and foster trust with their customers.

**10. How will Norma's medical bills most likely be paid after being injured by an uninsured driver?**

- A. Norma must rely on available health insurance.**
- B. Norma's underinsured motorists coverage will pay the bills.**
- C. Norma's uninsured motorists coverage will pay the bills.**
- D. Norma must pay the bills herself.**

When Norma is injured by an uninsured driver, her uninsured motorists coverage is designed to protect her by covering medical expenses resulting from accidents involving drivers who do not have insurance. This type of coverage is specifically meant to handle situations where the at-fault driver lacks adequate insurance coverage or, in this case, any insurance at all. Uninsured motorist coverage can help her pay for medical bills, lost wages, and other damages that arise from the accident. This is a crucial aspect of auto insurance because it provides financial protection for individuals who may otherwise face significant out-of-pocket expenses due to another driver's negligence, especially when that driver is uninsured. Health insurance could also cover her medical costs, but it doesn't directly address the liability aspect of the accident. Relying solely on health insurance could lead to higher out-of-pocket expenses or complications with reimbursement, as health insurance might not cover all aspects in the same way that uninsured motorists coverage would. Underinsured motorists coverage applies when the at-fault party has insufficient insurance to cover the damages, which is not the situation here since the other driver is completely uninsured. Paying the bills out-of-pocket is also not a viable option for most people due to the potentially high costs associated with medical treatment after an accident. Therefore



## 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://autoinsurance.examzify.com>**

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