

CAS DATA INSURANCE SERIES COURSES – INSURANCE ACCOUNTING (DISC IA) PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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. What type of annuity is designed to make its first benefit payment at one payment interval from the date of purchase?**
 - A. Deferred Annuities
 - B. Qualified Annuities
 - C. Nonqualified Annuities
 - D. Immediate Annuities

- 2. Why are class actions considered in cases with small damage amounts?**
 - A. To represent all claims individually in court
 - B. To reduce overall legal costs and streamline litigation
 - C. To increase potential damages awarded
 - D. To ensure all arguments are heard

- 3. Which liability coverage is designed to pay for bodily injuries sustained by an uninsured motorist?**
 - A. Medical payments coverage
 - B. Uninsured Motorists Coverage
 - C. Personal injury protection
 - D. Collision coverage

- 4. What is a primary characteristic of large deductible policies in terms of premium?**
 - A. Policy premiums are higher if a deductible exists
 - B. Policy premiums are expected to be smaller due to the deductible
 - C. Policy premiums remain unchanged regardless of the deductible
 - D. Policy premiums increase during the policy term

- 5. In the context of joint tortfeasors, what does joint liability imply?**
 - A. Each tortfeasor is responsible for only their part of the damage
 - B. Only one tortfeasor is liable for the damages incurred
 - C. All tortfeasors are responsible for the full amount of damages
 - D. Joint tortfeasors cannot release other defendants

- 6. What does the Liquor Liability endorsement do?**
- A. Adds restrictions on liquor sales
 - B. Deletes the Liquor Liability exclusion
 - C. Limits coverage to non-liquor businesses
 - D. Increases liability for liquor-related incidents
- 7. Which statement best describes the liberalization clause?**
- A. It reduces coverage limits when requested by the insured
 - B. It allows insured policies to receive broader coverage automatically
 - C. It requires additional premiums for any expanded coverage
 - D. It eliminates coverage for new risks automatically
- 8. What legislation governs retirement and employee benefit plans, imposing fiduciary status on administrators?**
- A. Health Insurance Portability and Accountability Act
 - B. Employee Retirement Income Security Act
 - C. Consolidated Omnibus Budget Reconciliation Act
 - D. Federal Employees Health Benefits Program
- 9. What is a common characteristic of cyber liability coverage?**
- A. It is usually written on a claims-made basis
 - B. It offers unlimited coverage without deductibles
 - C. It is only applicable for financial institutions
 - D. It requires payment per incident
- 10. What does negligence per se refer to?**
- A. Inadvertent actions that lead to harm
 - B. Inherent negligence from violating a law
 - C. Negligence inferred through the actions of others
 - D. A standard of care expected in negligence cases

Answers

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

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Explanations

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1. What type of annuity is designed to make its first benefit payment at one payment interval from the date of purchase?

- A. Deferred Annuities
- B. Qualified Annuities
- C. Nonqualified Annuities
- D. Immediate Annuities**

An immediate annuity is designed to begin making payments to the annuitant at the end of the first payment interval following its purchase. This means that if an individual purchases an immediate annuity today, they typically would start receiving benefits in the very next period, such as a month, quarter, or year, depending on the specific terms of the annuity. This feature distinguishes immediate annuities from other types, such as deferred annuities, where the payments do not start until a future date, allowing the funds to grow over time before the payout begins. In the context of annuities, "qualified" and "nonqualified" refer to the tax treatment of the annuity rather than when the payments begin. Qualified annuities are those funded with pre-tax dollars, usually from retirement accounts, while nonqualified annuities are funded with after-tax dollars. Neither of these types specifically indicates a schedule for the first payment, which makes them less relevant in relation to the question about when payments begin.

2. Why are class actions considered in cases with small damage amounts?

- A. To represent all claims individually in court
- B. To reduce overall legal costs and streamline litigation**
- C. To increase potential damages awarded
- D. To ensure all arguments are heard

Class actions are particularly advantageous in cases where individual damage amounts may be too small to justify the cost of litigation for each claimant. When numerous individuals have similar claims, a class action allows these claims to be consolidated into one single lawsuit. This approach significantly reduces the overall legal costs because it eliminates the need for each individual to hire their own attorney and go through separate trials. By streamlining the litigation process, class actions not only make it more feasible for individuals to pursue their claims but also promote judicial efficiency. Additionally, the resources of one legal team can be pooled, which can lead to more efficient discovery and trial processes. The other options reflect different concepts related to legal proceedings but do not accurately capture the primary rationale behind utilizing class actions in scenarios involving small damages. For instance, representing claims individually in court would not address the issue of high costs associated with low-value claims, while increasing potential damages awarded or ensuring all arguments are heard does not directly link to the collective approach that class actions promote. Thus, the consolidation and efficiency gained through class actions is the core reason for their consideration in cases with small damage amounts.

3. Which liability coverage is designed to pay for bodily injuries sustained by an uninsured motorist?

- A. Medical payments coverage
- B. Uninsured Motorists Coverage**
- C. Personal injury protection
- D. Collision coverage

Uninsured Motorists Coverage is designed specifically to pay for bodily injuries sustained by an insured party when the at-fault driver is uninsured. This coverage provides compensation for medical expenses, lost wages, and other damages that stem from an accident caused by an uninsured driver. It is essential as it helps protect individuals from the financial repercussions of an accident when the responsible party lacks adequate insurance, ensuring that victims still receive the care and support they need without exhausting their own resources. The other types of coverage mentioned do not fulfill this specific need. Medical payments coverage typically pays for medical expenses regardless of fault but does not address scenarios where the other driver is uninsured. Personal injury protection also offers medical coverage but usually extends to cover lost wages and other expenses, rather than specifically compensating for bodily injuries caused by an uninsured motorist. Collision coverage focuses on the repair or replacement of the insured's vehicle after an accident and does not involve bodily injury claims. Thus, Uninsured Motorists Coverage is the most directly relevant type of coverage for this situation.

4. What is a primary characteristic of large deductible policies in terms of premium?

- A. Policy premiums are higher if a deductible exists
- B. Policy premiums are expected to be smaller due to the deductible**
- C. Policy premiums remain unchanged regardless of the deductible
- D. Policy premiums increase during the policy term

Large deductible policies are designed to offer businesses a way to manage their insurance costs while still providing coverage for significant risks. One primary characteristic of these policies is that the presence of a deductible is expected to lower the overall premium. This is because the insured assumes a greater portion of the risk by choosing a higher deductible, which effectively reduces the insurer's liability. As a result, insurers generally offer lower premiums for policies with larger deductibles, reflecting this shift in risk. This structure benefits policyholders, making it attractive for those who are capable of absorbing some initial losses. Insurers can also use this approach to incentivize proactive risk management practices among their clients, as companies that select higher deductibles often have measures in place to mitigate risks effectively. Thus, the relationship between the deductible and the premium establishes a balance of risk and reward that characterizes large deductible policies.

5. In the context of joint tortfeasors, what does joint liability imply?

- A. Each tortfeasor is responsible for only their part of the damage
- B. Only one tortfeasor is liable for the damages incurred
- C. All tortfeasors are responsible for the full amount of damages**
- D. Joint tortfeasors cannot release other defendants

Joint liability in the context of joint tortfeasors signifies that all parties involved are collectively responsible for the entirety of the damages caused by their wrongful actions, regardless of the degree of involvement of each tortfeasor. This means that a plaintiff can pursue any one of the joint tortfeasors for the full amount of damages. For example, if two individuals acting together cause harm to a third party, that third party can seek compensation from either of the individuals for the total damage amount, not just their individual contribution. This principle ensures that claimants are not left without remedy simply due to difficulties in ascertaining the contribution of each tortfeasor. Understanding joint liability is important in insurance accounting, as it influences how claims are structured and paid out, potentially affecting the reserves that insurers need to hold for such liabilities. The concept underscores the shared responsibility of multiple parties in tortious acts, reinforcing the notion that victims should be fully compensated regardless of the complexity of determining fault among various tortfeasors.

6. What does the Liquor Liability endorsement do?

- A. Adds restrictions on liquor sales
- B. Deletes the Liquor Liability exclusion**
- C. Limits coverage to non-liquor businesses
- D. Increases liability for liquor-related incidents

The Liquor Liability endorsement is specifically designed to modify a standard insurance policy by deleting the Liquor Liability exclusion. Many standard commercial general liability policies exclude coverage for incidents related to the sale or distribution of alcohol. By including this endorsement, insurers provide coverage for businesses that sell or serve alcohol, addressing liability that may arise from those activities, such as injury or property damage caused by intoxicated patrons. Choosing to remove the exclusion allows businesses involved in the liquor industry—like bars, restaurants, and breweries—to have insurance protection against claims related to their alcohol sales. This is essential for managing potential risks and liabilities that come with serving alcohol, which are significant factors in the operation of these businesses. The Liquor Liability endorsement provides the necessary assurance that the business is financially protected against such claims.

7. Which statement best describes the liberalization clause?

- A. It reduces coverage limits when requested by the insured
- B. It allows insured policies to receive broader coverage automatically**
- C. It requires additional premiums for any expanded coverage
- D. It eliminates coverage for new risks automatically

The liberalization clause is a provision in insurance policies that ensures when an insurer designates broader coverage or improved terms in any of its policies, the insured will automatically benefit from these enhancements without needing to make any changes to their own policy. This means that if an insurer chooses to expand the coverage for certain risks or add new benefits for all its policyholders, those upgrades will apply to existing policies as well, thereby providing the insured with broader coverage at no additional cost. This clause is important as it protects insured parties by ensuring they do not miss out on enhancements that could potentially increase their protection and provide better service for their needs. The other options do not accurately reflect the purpose and function of the liberalization clause. The choice that suggests it requires additional premiums for any expanded coverage conflicts with the fundamental nature of the clause, which is designed to offer improvements automatically. Similarly, a statement claiming it reduces coverage limits or eliminates coverage for new risks misunderstands the concept, as the liberalization clause is intended to enhance, not diminish, the insured's coverage.

8. What legislation governs retirement and employee benefit plans, imposing fiduciary status on administrators?

- A. Health Insurance Portability and Accountability Act
- B. Employee Retirement Income Security Act**
- C. Consolidated Omnibus Budget Reconciliation Act
- D. Federal Employees Health Benefits Program

The Employee Retirement Income Security Act (ERISA) is the legislation that governs retirement and employee benefit plans in the United States. This act was enacted in 1974 and is crucial because it establishes minimum standards for pension plans in the private industry to protect individuals in these plans. One of the key components of ERISA is that it imposes fiduciary responsibilities on administrators and other parties involved in the management and administration of employee benefit plans. Fiduciary status means that administrators must act in the best interest of the plan participants and beneficiaries, placing their interests above their own. This encompasses a duty of care and a duty of loyalty, requiring transparency and prudent management of plan assets. In contrast, the other options listed relate to different aspects of employee benefits or healthcare but do not specifically address retirement and employee benefit plans in the same comprehensive manner as ERISA. For example, the Health Insurance Portability and Accountability Act (HIPAA) focuses on the protection of health information, while the Consolidated Omnibus Budget Reconciliation Act (COBRA) provides for the continuation of health insurance coverage under certain circumstances, and the Federal Employees Health Benefits Program pertains specifically to federal employees' health insurance. None of these options impose fiduciary responsibilities in the way that ERISA

9. What is a common characteristic of cyber liability coverage?

- A. It is usually written on a claims-made basis**
- B. It offers unlimited coverage without deductibles
- C. It is only applicable for financial institutions
- D. It requires payment per incident

The most accurate choice regarding a common characteristic of cyber liability coverage is that it is usually written on a claims-made basis. This means that the coverage applies to claims made during the policy period, as long as the incident that triggered the claim occurred after the policy was purchased. The claims-made basis is particularly crucial in cyber liability insurance because the detection of a data breach or cyber incident might occur sometime after the incident takes place. The nature of cyber risks often involves delayed discovery and reporting, which makes the claims-made structure beneficial for both the insurer and the insured. It provides a clear time frame within which claims must be reported, thus managing the risk for insurers more effectively. Other options do not accurately reflect the characteristics of cyber liability coverage. For example, it typically does not offer unlimited coverage without deductibles, as most policies have limits and may include deductibles to share the risk. Additionally, cyber liability coverage is not restricted to just financial institutions; it is relevant to any business or organization that collects, stores, or transmits sensitive data. Lastly, while some policies may require payment per incident, this is not a universal characteristic of cyber liability insurance.

10. What does negligence per se refer to?

- A. Inadvertent actions that lead to harm
- B. Inherent negligence from violating a law**
- C. Negligence inferred through the actions of others
- D. A standard of care expected in negligence cases

Negligence per se refers to a legal doctrine that establishes a party's negligence due to their violation of a statute or regulation. In this context, when an individual or entity breaches a law designed to protect public safety, that violation is automatically considered negligent. In other words, negligence per se indicates that the act of breaking the law itself constitutes a breach of the duty of care required in various situations. The rationale behind this doctrine is that the law is put in place to prevent harm, and failing to comply with it can directly result in injury to others. Thus, when an individual is found to have violated such a law, it is inherently assumed that they have acted negligently, and this assumption can lead to liability without the need to prove traditional elements of negligence, such as the standard of care, breach, or causation. Understanding negligence per se is crucial in legal and insurance contexts, as it simplifies the process of determining negligence in cases where a law is violated, thereby providing a clearer path for plaintiffs seeking damages.

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:

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

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