

Champions Brokerage SAE Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

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- 1. What is a 'waiting period' in health insurance?**
 - A. The time period required to process a claim**
 - B. The time period before coverage begins for particular services or conditions**
 - C. The duration for which an insurance policy is not valid**
 - D. The waiting time for policy renewal**
- 2. Which type of insurance policy provides coverage for a specified term only?**
 - A. Whole life insurance**
 - B. Variable life insurance**
 - C. Term life insurance**
 - D. Universal life insurance**
- 3. What is the function of an insurance binder?**
 - A. A legal document that finalizes an insurance policy**
 - B. An offer for the lowest premium available**
 - C. A temporary agreement providing coverage until a formal policy is issued**
 - D. A statement of coverage limits and exclusions**
- 4. How can "no-fault insurance" simplify the claims process?**
 - A. By eliminating the need for legal representation in all cases**
 - B. By allowing for swift benefits without assigning blame**
 - C. By limiting payouts to medical expenses only**
 - D. By requiring all drivers to file claims separately**
- 5. What is the purpose of the Sellers Disclosure Notice?**
 - A. To outline payment terms**
 - B. To disclose any known facts or defects of the property**
 - C. To negotiate the sale price**
 - D. To identify the buyer's obligations**

- 6. What is a common reason for lawsuits concerning open listings?**
- A. Lack of market demand**
 - B. Unclear procuring cause of the sale**
 - C. Duplicate listing agreements**
 - D. Failure to advertise properly**
- 7. What color represents the supportive management style that prioritizes addressing agents' queries?**
- A. Red/Green**
 - B. Yellow/Purple**
 - C. Blue/Orange**
 - D. Blue/Green**
- 8. What task are licensed holders permitted to perform?**
- A. Show properties**
 - B. Conduct open houses**
 - C. Show homes and get commission from sale**
 - D. Negotiate transactions**
- 9. What is typically the outcome of "claims processing"?**
- A. Immediate approval of all claims submitted**
 - B. A determination of whether the claim is valid and the amount payable**
 - C. A rejection of any claims for minor damages**
 - D. An automatic compensation without documentation**
- 10. What is the function of an insurance premium?**
- A. The refund provided for unused coverage**
 - B. The amount paid by the insured for coverage**
 - C. The maximum coverage limit set by the insurer**
 - D. The variable cost based on insurance claims**

Answers

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

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Explanations

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1. What is a 'waiting period' in health insurance?

- A. The time period required to process a claim
- B. The time period before coverage begins for particular services or conditions**
- C. The duration for which an insurance policy is not valid
- D. The waiting time for policy renewal

In the context of health insurance, a 'waiting period' refers to the specified time frame that must elapse before certain coverages become effective, particularly for specific services or pre-existing conditions. During this period, the insured individual cannot claim benefits for the conditions or services impacted by the waiting period. This concept is particularly significant for ensuring that applicants do not immediately enroll in insurance solely to seek treatment for conditions they already have. By implementing these waiting periods, insurers aim to mitigate the risk of adverse selection, where those with known health issues sign up for coverage as soon as they anticipate needing care. For example, if a health insurance policy includes a 6-month waiting period for maternity coverage, this means that any maternity-related services would not be covered unless the event occurs after the waiting period. This approach allows insurers to maintain a more balanced risk pool and keep premium costs manageable for all members.

2. Which type of insurance policy provides coverage for a specified term only?

- A. Whole life insurance
- B. Variable life insurance
- C. Term life insurance**
- D. Universal life insurance

Term life insurance is specifically designed to provide coverage for a predetermined period, such as 10, 20, or 30 years. During this term, if the insured individual passes away, the policy pays a death benefit to the beneficiaries. If the individual outlives the term, the policy expires, and no benefit is paid out. This type of insurance contrasts significantly with whole life, variable life, and universal life insurance policies, which are designed to remain in force for the insured's entire lifetime, as long as premiums are paid, or they combine protection with a savings or investment component. Such features make term life a straightforward and often more affordable option for individuals looking for temporary coverage. It's particularly appealing to those who need coverage during specific periods of financial dependence, such as when they have young children or mortgages.

3. What is the function of an insurance binder?

- A. A legal document that finalizes an insurance policy
- B. An offer for the lowest premium available
- C. A temporary agreement providing coverage until a formal policy is issued**
- D. A statement of coverage limits and exclusions

An insurance binder serves as a temporary agreement that provides immediate coverage to the insured until a formal insurance policy is issued. This means that once an insurance binder is signed, the insured can begin to enjoy protection under the terms specified in the binder, even though the comprehensive policy isn't finalized yet. The binder is especially useful in situations where coverage is needed promptly, allowing clients to be protected while waiting for the completion of policy documents. This mechanism is essential in the insurance process as it ensures that there is continuity of coverage, which can be imperative in circumstances like buying a new home or vehicle where immediate protection is necessary. The temporary nature of the binder is key, as it is understood by both the insurer and the insured that this document serves only until the permanent policy is issued.

4. How can "no-fault insurance" simplify the claims process?

- A. By eliminating the need for legal representation in all cases
- B. By allowing for swift benefits without assigning blame**
- C. By limiting payouts to medical expenses only
- D. By requiring all drivers to file claims separately

The answer is centered around the key feature of "no-fault insurance," which allows individuals involved in an accident to seek compensation for their injuries and damages directly from their own insurance companies, regardless of who was at fault. This approach simplifies the claims process significantly because it removes the often lengthy and complicated task of determining liability before benefits are disbursed. In traditional insurance frameworks, establishing who is responsible for the accident can create disputes between insurers, leading to extended negotiations and potential legal battles. However, under a no-fault system, the focus shifts to providing medical expenses and lost wages directly to the insured party, enabling a quicker resolution for victims to receive necessary support without the delays that arise from fault determination. This streamlined process reduces administrative burdens and enhances accessibility to immediate care and financial assistance, which is a primary goal of no-fault insurance systems. This contrasts with options that may introduce complexities or unnecessary limitations, such as legal representation requirements, payout restrictions, or necessitating separate claims for each driver.

5. What is the purpose of the Sellers Disclosure Notice?

- A. To outline payment terms**
- B. To disclose any known facts or defects of the property**
- C. To negotiate the sale price**
- D. To identify the buyer's obligations**

The Sellers Disclosure Notice serves a critical role in real estate transactions by ensuring transparency between sellers and potential buyers. Its primary purpose is to inform buyers about any known facts or defects associated with the property. This can include issues such as structural problems, plumbing or electrical concerns, and any history of pest infestations. By providing this information upfront, the seller helps buyers make informed decisions, which can lead to a smoother transaction process and reduce the likelihood of disputes arising after the sale. The focus on disclosing known defects is crucial for fostering trust in the sale and allows buyers to assess the risks involved in purchasing the property. Furthermore, it can potentially mitigate legal issues that may arise if undisclosed defects are discovered later. Therefore, the Sellers Disclosure Notice is a vital tool for accountability in the real estate market, promoting ethical practices.

6. What is a common reason for lawsuits concerning open listings?

- A. Lack of market demand**
- B. Unclear procuring cause of the sale**
- C. Duplicate listing agreements**
- D. Failure to advertise properly**

A common reason for lawsuits concerning open listings revolves around the unclear procuring cause of the sale. Open listings allow multiple brokers to list a property, which can lead to confusion about which broker is entitled to a commission if the property sells. The term "procuring cause" refers to the agent who primarily brings about the sale—a crucial point in determining commission rights. In an open listing scenario, if more than one broker is involved and the seller does not clearly communicate which broker was responsible for bringing the buyer, disputes can arise. This ambiguity often leads to legal issues when multiple brokers feel entitled to a commission for the same sale. Thus, establishing a clear understanding of who initiated or facilitated the transaction is essential, and it is typically this lack of clarity that invites litigation in cases involving open listings.

7. What color represents the supportive management style that prioritizes addressing agents' queries?

- A. Red/Green**
- B. Yellow/Purple**
- C. Blue/Orange**
- D. Blue/Green**

The blue/green color combination represents a supportive management style, which is characterized by a strong emphasis on collaboration, communication, and addressing the needs and concerns of agents. This approach fosters an environment where agents feel valued and supported, promoting open dialogue for queries and feedback. In this context, blue symbolizes calmness and reliability, reflecting the trust and stability that a supportive manager provides. Green typically denotes growth and harmony, which aligns with the manager's focus on nurturing relationships and encouraging agents to express their needs and inquiries. Together, the blue/green combination encapsulates an approach that is both empathetic and practical, ensuring that agents receive the guidance and answers they require to succeed in their roles. This understanding of the color associations aids significantly in recognizing the values that underpin effective management styles.

8. What task are licensed holders permitted to perform?

- A. Show properties**
- B. Conduct open houses**
- C. Show homes and get commission from sale**
- D. Negotiate transactions**

Licensed holders are permitted to show homes and receive a commission from the sale as part of their role in facilitating real estate transactions. This is a fundamental aspect of what a real estate license allows individuals to do. By showing properties, they actively engage with potential buyers and help them understand the features and benefits of the homes on the market. Additionally, receiving a commission is a key incentive for licensed holders, as it aligns their interests with those of their clients; successful sales lead to compensation. This compensation arrangement motivates licensed holders to put in the necessary effort to close transactions effectively. While showing properties and conducting open houses are also part of a real estate agent's responsibilities, they are typically means to an end, which is to facilitate transactions and ultimately earn a commission. Negotiating transactions is another critical component of a licensed holder's job, but it is an aspect that falls under the broader category of facilitating sales. Thus, the most comprehensive understanding of their capabilities is reflected in the ability to show homes and earn commissions.

9. What is typically the outcome of "claims processing"?

- A. Immediate approval of all claims submitted
- B. A determination of whether the claim is valid and the amount payable**
- C. A rejection of any claims for minor damages
- D. An automatic compensation without documentation

The outcome of claims processing is primarily focused on determining the validity of a claim and ascertaining the amount that should be paid out. This process involves several steps, including reviewing the details submitted with the claim, verifying the information against policy provisions, and assessing any relevant documentation provided. During claims processing, the claim is evaluated to ensure that it meets the criteria outlined in the insurance policy. The claims adjuster or processor checks for factors such as the legitimacy of the claim, adherence to policy terms, and any necessary evidence supporting the claim. Following this thorough review, the claims processor will outline the amount that is deemed payable, based on the findings. By focusing on the assessment of the claim's validity and the calculation of the payout, this answer accurately reflects the main goals and outcomes associated with claims processing within the context of insurance. The other options suggest outcomes that do not typically occur in standard claims processing procedures, such as automatic approvals, indiscriminate rejections, or payments without sufficient documentation.

10. What is the function of an insurance premium?

- A. The refund provided for unused coverage
- B. The amount paid by the insured for coverage**
- C. The maximum coverage limit set by the insurer
- D. The variable cost based on insurance claims

The function of an insurance premium is to represent the amount paid by the insured for coverage. This payment is essential for the insurer because it constitutes the fundamental revenue source for the insurance company, allowing them to provide financial protection and cover claims made by the policyholders. Premiums are typically calculated based on various factors, such as the level of coverage, the risk associated with the insured entity, and the type of insurance. A premium ensures that the insured has access to the coverage specified in the insurance policy, helping them mitigate potential financial losses from unforeseen events. It is important to understand that premiums can vary significantly depending on the policyholder's risk profile and the specifics of the insurance being offered. This connection between premium payments and the coverage provided is a foundational principle in the functioning of insurance.