

Champions Brokerage SAE Practice Test (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

- 1. What distinguishes nominal damages from punitive damages?**
 - A. Nominal damages are for significant financial loss**
 - B. Punitive damages compensate for emotional distress**
 - C. Nominal damages signify a legal wrong without significant loss**
 - D. Punitive damages are awarded in all legal cases**
- 2. What does an excess liability coverage typically provide?**
 - A. Additional coverage for healthcare costs**
 - B. Protection beyond standard liability policy limits**
 - C. Basic coverage for accidents**
 - D. Discounts on auto insurance**
- 3. In what scenario is an exclusive listing commonly used?**
 - A. When multiple agents are involved in the sale**
 - B. When a seller chooses only one broker for representation**
 - C. When sellers want to list properties online**
 - D. When no sales commission is required**
- 4. What must an agent do if they are no longer using an alternate name?**
 - A. Notify TREC and broker within a specified timeframe**
 - B. Change their business model**
 - C. Choose a new name immediately**
 - D. Stop all advertising**
- 5. Which term refers to an insurer's right to pursue a third party after a loss?**
 - A. Liability**
 - B. Subrogation**
 - C. Deductible**
 - D. Co-insurance**

- 6. What does the 'AIDA' acronym stand for in advertising rules?**
- A. Attention, Interest, Desire, Action**
 - B. Action, Intention, Demand, Acquisition**
 - C. Awareness, Interest, Decision, Action**
 - D. Attention, Insight, Desire, Achievement**
- 7. 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**
- 8. What does adverse selection lead to in the context of insurance?**
- A. Lower premiums for low-risk individuals**
 - B. A risk of higher losses for insurers**
 - C. Standardization of policy terms**
 - D. More comprehensive coverage options**
- 9. What is a characteristic of universal life insurance?**
- A. It provides only temporary coverage**
 - B. It combines a death benefit with an investment savings element**
 - C. It is exclusively for elderly individuals**
 - D. It requires higher premiums for younger age groups**
- 10. What are "co-insurance" provisions in health insurance plans?**
- A. Flat fees for all medical services**
 - B. A fixed dollar amount paid per visit**
 - C. Requirements for paying a percentage of costs after deductibles**
 - D. A benefit amount that does not require payment**

Answers

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

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Explanations

1. What distinguishes nominal damages from punitive damages?
- A. Nominal damages are for significant financial loss
 - B. Punitive damages compensate for emotional distress
 - C. Nominal damages signify a legal wrong without significant loss**
 - D. Punitive damages are awarded in all legal cases

Nominal damages are a legal concept used to acknowledge that a legal wrong has occurred, even if there is no substantial financial loss resulting from that wrong. They are typically awarded in situations where the plaintiff's rights have been violated, but they cannot prove actual damages or financial loss. This type of damage serves more to affirm the principle that the law recognizes the alleged wrong rather than to provide financial compensation. This understanding highlights the key distinction between nominal damages and punitive damages. While punitive damages are intended to punish the defendant for particularly egregious conduct and deter similar behavior in the future, they do not represent compensation for direct losses. Punitive damages are awarded in cases of serious misconduct, while nominal damages simply acknowledge that a wrong occurred without necessitating a showing of financial damage.

2. What does an excess liability coverage typically provide?
- A. Additional coverage for healthcare costs
 - B. Protection beyond standard liability policy limits**
 - C. Basic coverage for accidents
 - D. Discounts on auto insurance

Excess liability coverage is designed to provide an extra layer of protection that goes beyond the limits set by standard liability policies. When policyholders encounter a situation where their standard liability coverage is insufficient to cover claims, excess liability coverage steps in to cover the additional amounts. This often becomes essential in severe incidents, such as major accidents that can lead to significant financial liabilities that exceed the primary insurance limits. For example, if an individual has a standard liability policy with a \$250,000 limit and faces a lawsuit resulting in a \$1 million claim, excess liability coverage would cover the difference, ensuring the individual is not left with a financial burden that exceeds their policy limits. This type of coverage is especially valuable for individuals and businesses seeking to protect their assets and financial wellbeing against potentially catastrophic claims.

3. In what scenario is an exclusive listing commonly used?

- A. When multiple agents are involved in the sale**
- B. When a seller chooses only one broker for representation**
- C. When sellers want to list properties online**
- D. When no sales commission is required**

An exclusive listing is commonly used when a seller chooses only one broker for representation. This type of listing agreement grants a specific agent the sole right to market and sell the property. It ensures that the broker has an incentive to invest time and resources into effectively marketing the property because they are guaranteed compensation if the property sells, regardless of who finds the buyer. This arrangement is beneficial for sellers because it allows for streamlined communication and a focused marketing strategy, ultimately leading to a more structured approach to selling the property. In contrast to exclusive listings, scenarios involving multiple agents lack the commitment that comes from a single broker relationship, which can lead to fragmented marketing efforts. Listings for online platforms or without sales commission do not typically pertain to the exclusive nature of this agreement and may involve different marketing strategies or commission structures that don't guarantee the same level of dedication from agents.

4. What must an agent do if they are no longer using an alternate name?

- A. Notify TREC and broker within a specified timeframe**
- B. Change their business model**
- C. Choose a new name immediately**
- D. Stop all advertising**

When an agent decides to stop using an alternate name, they are required to notify the Texas Real Estate Commission (TREC) and their broker within a specified timeframe. This is crucial because TREC needs to maintain accurate records of all licensed agents and their business practices. Failing to inform TREC can lead to compliance issues or potential penalties. In contrast, changing their business model does not directly relate to the use of an alternate name. Opting for a new name immediately may not be necessary or beneficial if the agent is no longer utilizing the alternate name. Lastly, stopping all advertising is not a requisite action, as the agent may continue to advertise under their primary name or operate under their official designation without the alternate name. This requirement ensures all agents continue to adhere to the regulatory standards set forth by TREC.

5. Which term refers to an insurer's right to pursue a third party after a loss?

- A. Liability**
- B. Subrogation**
- C. Deductible**
- D. Co-insurance**

The term that refers to an insurer's right to pursue a third party after a loss is subrogation. This process occurs after an insurance company pays a claim to the insured for a covered loss. At this point, the insurer can step into the shoes of the insured and seek recovery from the third party that caused the loss. This is essential as it allows the insurance company to regain some of the funds it disbursed, thereby helping to keep insurance costs lower for everyone. Subrogation not only protects the interests of the insurer but also serves to hold the responsible party accountable for their actions. For instance, if a driver causes an accident and the injured party's insurance pays for the damages, that insurance company can later pursue the at-fault driver's insurance for reimbursement. This mechanism helps ensure that the financial burden falls on the responsible party rather than on the insurance provider or the policyholder.

6. What does the 'AIDA' acronym stand for in advertising rules?

- A. Attention, Interest, Desire, Action**
- B. Action, Intention, Demand, Acquisition**
- C. Awareness, Interest, Decision, Action**
- D. Attention, Insight, Desire, Achievement**

The acronym 'AIDA' stands for Attention, Interest, Desire, Action, which represents a well-established model in advertising and marketing. This framework outlines the steps that marketers and advertisers aim for when promoting a product or service. 1. ****Attention****: The first goal of an advertisement is to capture the audience's attention. This can be achieved through eye-catching visuals, compelling headlines, or creative concepts that stand out in a crowded marketplace. 2. ****Interest****: Once attention has been gained, the next step is to foster interest in the product or service. This often involves highlighting features, benefits, and what makes the offering unique compared to others. 3. ****Desire****: After generating interest, the goal is to create a desire for the product. This involves connecting the offering to the audience's needs or wants, making them feel that they would benefit from owning or using the product. 4. ****Action****: Finally, the AIDA model encourages the audience to take action, which could be making a purchase, signing up for a newsletter, or any other desired response. This action is the culmination of the previous steps and is essential for the success of the advertising effort. This model is widely utilized because it effectively outlines the psychological process

7. 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.

8. What does adverse selection lead to in the context of insurance?

- A. Lower premiums for low-risk individuals**
- B. A risk of higher losses for insurers**
- C. Standardization of policy terms**
- D. More comprehensive coverage options**

Adverse selection refers to a situation where individuals with a higher risk of requiring insurance are more likely to purchase insurance, while those at lower risk tend to opt out. This phenomenon can lead to a concentration of higher-risk policyholders within an insurer's pool, meaning that the insurer is more likely to face a higher frequency and severity of claims than anticipated. As a direct consequence of adverse selection, insurers may experience a risk of higher losses. This happens because the insurer must pay out more in claims than anticipated based on the information they had while setting premiums. To compensate for this risk, insurance companies might raise premiums overall, leading to a cycle where low-risk individuals leave, further exacerbating the problem. Considering the context, the correct answer highlights that the primary issue presented by adverse selection is the increased risk of financial loss for insurers due to the skewed risk pool. The other options do not accurately capture the implications of adverse selection in the insurance market context. Lower premiums for low-risk individuals would be unlikely due to the need to raise premiums to cover losses. Standardization of policy terms and more comprehensive coverage options may not directly relate to the effects of adverse selection and are more about policy structure rather than the risk profile of the insured pool.

9. What is a characteristic of universal life insurance?

- A. It provides only temporary coverage
- B. It combines a death benefit with an investment savings element**
- C. It is exclusively for elderly individuals
- D. It requires higher premiums for younger age groups

Universal life insurance is distinguished by its combination of a death benefit and an investment savings element, making it a flexible and adaptable insurance product. This structure allows policyholders to adjust their premium payments and the amount of the death benefit, resulting in a policy that can evolve to meet the changing financial needs of the insured over time. The investment component typically accumulates cash value, which can grow at a variable interest rate, depending on the insurer's performance. This dual function of providing insurance coverage while also allowing for potential cash value growth is a hallmark of universal life insurance, setting it apart from other types of life insurance that may not offer this level of flexibility or investment opportunity. In contrast, other characteristics related to universal life insurance are less accurate; for example, stating that it only provides temporary coverage fails to recognize that it can provide lifelong coverage if premiums are maintained. The notion that it is exclusively for elderly individuals does not align with the policy's availability for people of various ages. Likewise, asserting that it requires higher premiums for younger age groups overlooks the fundamental design of universal life insurance, which typically allows individuals of all ages the option to invest based on their financial situation.

10. What are "co-insurance" provisions in health insurance plans?

- A. Flat fees for all medical services
- B. A fixed dollar amount paid per visit
- C. Requirements for paying a percentage of costs after deductibles**
- D. A benefit amount that does not require payment

Co-insurance provisions in health insurance plans refer to the requirement that policyholders pay a certain percentage of the costs of covered medical services after they have met their deductible. This means that once the deductible is satisfied, the insurance company starts to share the cost of the medical expenses with the insured. For example, if a plan has a co-insurance rate of 20%, after meeting the deductible, the insured would pay 20% of the costs of health care services while the insurance pays the remaining 80%. This mechanism is designed to lower premium costs while encouraging members to be mindful of their healthcare expenses, as they will have a share in the costs. It contrasts with flat fees or fixed dollar amounts, which do not vary based on the percentage of the total costs, nor does it imply a benefit that does not require any payment at all. Co-insurance is a critical component in structuring how healthcare costs are shared between the insurer and insured, influencing both financial responsibility and healthcare usage behavior.

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://championsbrokeragesae.examzify.com>

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