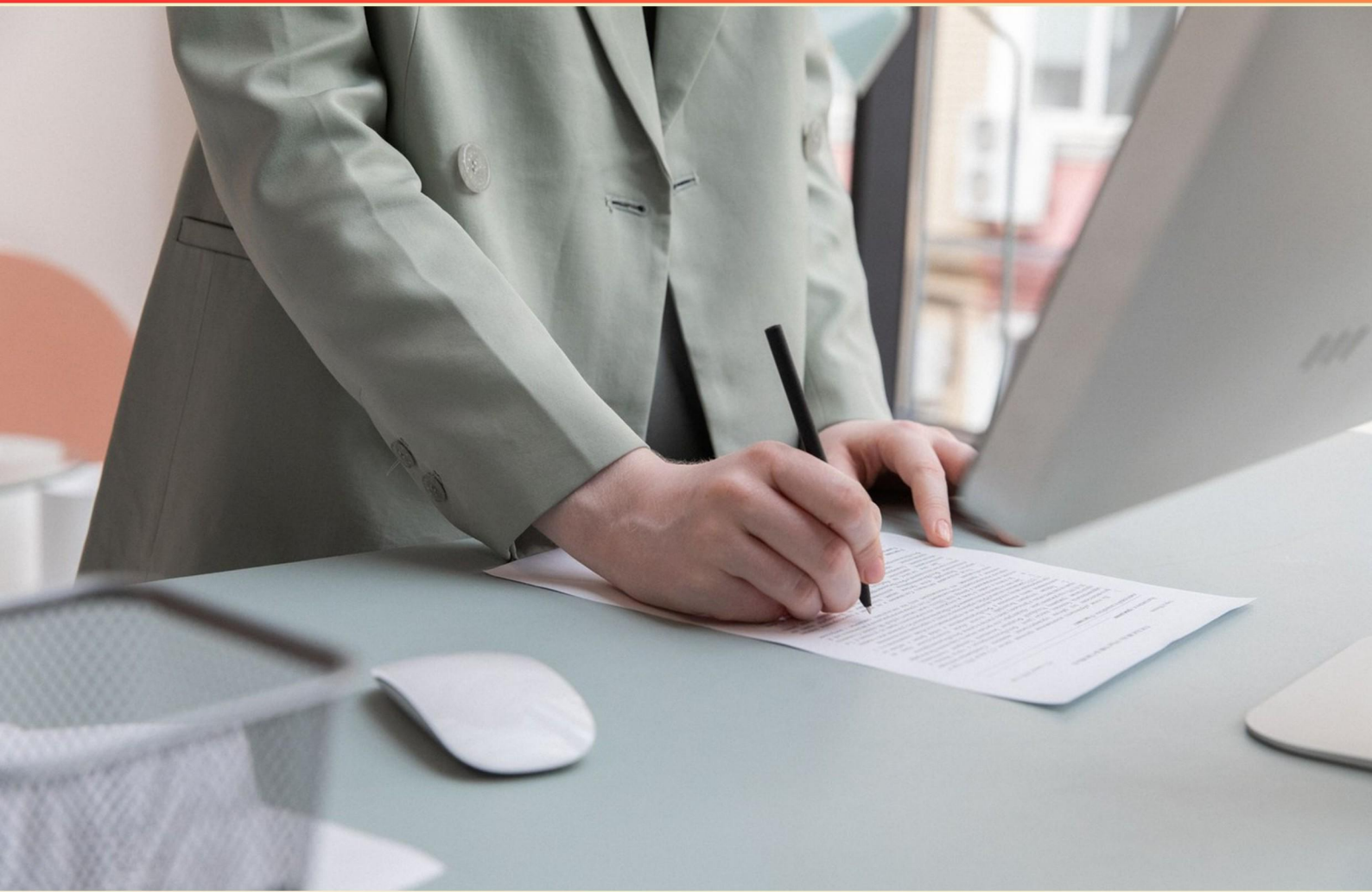


CUNA INSURANCE PRODUCER PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

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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 is the significance of a good health statement in insurance?**
 - A. It reduces the premium for the insured
 - B. It ensures eligibility for higher coverage amounts
 - C. It increases the risk assessment for the insurer
 - D. It allows for immediate coverage without a waiting period
- 2. What is the primary purpose of mortgage guaranty insurance?**
 - A. It provides coverage for the borrower's vehicle in case of theft
 - B. It protects the lender in the event the borrower fails to meet required mortgage payments
 - C. It ensures that the borrower has enough coverage for home repairs
 - D. It allows borrowers to purchase additional properties
- 3. What does the actual cash value method of claim settlement consider when valuing property?**
 - A. Replacement cost only
 - B. Replacement cost plus depreciation
 - C. Replacement cost minus depreciation
 - D. Market value only
- 4. Who is identified as the insured party in a gap insurance context?**
 - A. The party responsible for making the loan payments
 - B. The lender providing the insurance policy
 - C. The borrower, purchaser, or lessee of goods
 - D. The insurance provider representing the policy
- 5. What role does a creditor or beneficiary play in a credit transaction?**
 - A. They receive benefits from the policy
 - B. They issue the insurance policy
 - C. They sell services and goods
 - D. They lend money to the debtor

6. How do liability limits impact an insurance claim?

- A. They limit the number of claims a policyholder can make
- B. They set the maximum payout for claims made
- C. They only apply to property damage claims
- D. They are determined by the policyholder's credit score

7. Who assumes the risk in an insurance policy?

- A. Debtor
- B. Insurer
- C. Broker
- D. Beneficiary

8. What is the impact of a high loss ratio on an insurance company?

- A. It indicates profitability and stability
- B. It can lead to higher premiums for policyholders
- C. It suggests a need for additional coverage options
- D. It typically means lower administrative costs

9. What term describes the difference between the actual cash value of a car and the outstanding loan balance at the time of loss?

- A. Depreciation
- B. Gap
- C. Equity
- D. Liability

10. Which of the following correctly describes an "exclusion" in an insurance policy?

- A. It enhances coverage for certain risks
- B. It eliminates coverage for specific risks or circumstances
- C. It is a requirement for policy renewal
- D. It provides additional benefits to the insured

Answers

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

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Explanations

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1. What is the significance of a good health statement in insurance?

- A. It reduces the premium for the insured
- B. It ensures eligibility for higher coverage amounts**
- C. It increases the risk assessment for the insurer
- D. It allows for immediate coverage without a waiting period

A good health statement is crucial in the insurance process as it provides the insurer with important information regarding the applicant's health status. When an applicant submits a comprehensive and favorable health statement, it can positively influence the insurer's assessment of the applicant's risk profile. In the context of obtaining life or health insurance, a good health statement generally indicates that the applicant is less likely to have significant health issues or pre-existing conditions. Insurers rely on this information to determine the coverage amounts and the terms of the policy. A favorable health statement may not only validate the applicant's health condition but also enables them to qualify for higher coverage amounts, as the insurer may feel more secure offering more financial protection when they deem the risk is lower. This is important because insurance companies want to mitigate their risk while still providing coverage options that meet their clients' needs. Therefore, a strong health statement positively impacts the applicant's eligibility for more extensive coverage—signifying its significance in the underwriting process.

2. What is the primary purpose of mortgage guaranty insurance?

- A. It provides coverage for the borrower's vehicle in case of theft
- B. It protects the lender in the event the borrower fails to meet required mortgage payments**
- C. It ensures that the borrower has enough coverage for home repairs
- D. It allows borrowers to purchase additional properties

The primary purpose of mortgage guaranty insurance is to protect the lender in the event that the borrower fails to meet required mortgage payments. By providing this insurance, lenders can mitigate their risk associated with lending money for home purchases, especially in cases where borrowers may have a smaller down payment or lower credit scores. This insurance amount compensates the lender for losses if the borrower defaults on the mortgage. This mechanism benefits not only lenders but also borrowers, as it can allow them to obtain a mortgage with a lower down payment, promoting homeownership opportunities. The lender views the presence of this insurance as a safeguard that makes financing more feasible even in higher-risk lending scenarios. Other options discuss aspects that are unrelated to mortgage guaranty insurance, such as vehicle theft coverage or home repair coverage, which do not pertain to the context of mortgage protection. The option suggesting the purchase of additional properties does not capture the core function of mortgage guaranty insurance, which is primarily concerned with the lender's risk management rather than expanding a borrower's property portfolio.

3. What does the actual cash value method of claim settlement consider when valuing property?

- A. Replacement cost only
- B. Replacement cost plus depreciation
- C. Replacement cost minus depreciation**
- D. Market value only

The actual cash value (ACV) method of claim settlement is designed to provide a fair valuation of property that has been damaged or destroyed, ensuring that the policyholder receives a compensation amount that reflects the current worth of the property at the time of the loss. The correct answer recognizes that the ACV is calculated by taking the replacement cost of the property — which is the amount needed to replace or repair the damaged item with a similar one at current prices — and then subtracting any depreciation that has occurred over time. Depreciation accounts for factors such as age, wear and tear, and technological obsolescence. By including depreciation, the ACV gives a more accurate representation of what the property is worth at the moment, reflecting its current condition rather than its potential future value if it were brand new. This method ensures that the compensation a policyholder receives is not just based on replacing the item without consideration of its age and condition, but instead reflects a true market-equivalent value after accounting for depreciation. Therefore, the consideration of both replacement cost and depreciation is essential in calculating the actual cash value.

4. Who is identified as the insured party in a gap insurance context?

- A. The party responsible for making the loan payments
- B. The lender providing the insurance policy
- C. The borrower, purchaser, or lessee of goods**
- D. The insurance provider representing the policy

In the context of gap insurance, the insured party is the borrower, purchaser, or lessee of goods. Gap insurance is specifically designed to cover the difference between what a vehicle is worth at the time of a total loss (like theft or accident) and what is still owed on the loan or lease for that vehicle. This insurance is particularly relevant for individuals who finance or lease their vehicles, as it protects them from financial loss if their vehicle's value depreciates more quickly than the outstanding balance on their loan. Essentially, it ensures that the borrower doesn't end up in a situation where they are required to pay off a larger amount than the value of the vehicle they no longer possess. The other options identify parties involved in the financing or insurance process, but they do not represent the individual or entity that is directly protected by the gap insurance policy.

5. What role does a creditor or beneficiary play in a credit transaction?

- A. They receive benefits from the policy
- B. They issue the insurance policy
- C. They sell services and goods**
- D. They lend money to the debtor

In a credit transaction, the role of a creditor or beneficiary primarily pertains to the financial relationship established through the provision of credit. The correct choice describes how creditors or beneficiaries are the individuals or entities that have a financial interest in the repayment of the debt. In this context, the creditor is typically the lender who provides funds to a borrower (the debtor), expecting repayment under agreed-upon terms. This relationship is essential to the functioning of credit transactions, as creditors are crucial in facilitating loans or credit to consumers and businesses, enabling them to access goods, services, or capital when needed. Understanding this role is vital in the context of insurance because credit transactions often require insurance consideration, such as ensuring that loan repayments are protected in the event of unforeseen circumstances affecting the borrower's ability to repay. It highlights the connection between credit and insurance, illustrating how financial transactions are intertwined. Other roles mentioned, such as issuing insurance policies or selling goods and services, do not pertain directly to the specific functions of a creditor or beneficiary in a credit transaction context. Thus, the chosen answer accurately depicts the foundational role of these entities in managing financial risk and credit relationships.

6. How do liability limits impact an insurance claim?

- A. They limit the number of claims a policyholder can make
- B. They set the maximum payout for claims made**
- C. They only apply to property damage claims
- D. They are determined by the policyholder's credit score

Liability limits are a crucial aspect of insurance policies, as they establish the maximum amount an insurer will pay for claims arising from an incident covered under the policy. When a policyholder files a claim, these limits dictate the financial exposure that the insurer carries, ensuring that there is a predefined cap on what will be disbursed. For example, if a policy has a liability limit of \$100,000 and a claim arises due to damages caused to another party, the insurer will only cover costs up to that limit. Therefore, the greater the liability limit, the more protection there is for the policyholder and potential beneficiaries of the policy. Understanding liability limits helps both the insurer and the insured manage expectations concerning claim payouts. Higher limits may offer more comprehensive coverage, whereas lower limits may leave the insured exposed to significant financial risks in the event of a major claim.

7. Who assumes the risk in an insurance policy?

- A. Debtor
- B. Insurer**
- C. Broker
- D. Beneficiary

The insurer assumes the risk in an insurance policy. This means that the insurance company agrees to pay for certain losses or damages that the insured party may encounter, as specified in the policy documents. By doing so, the insurer takes on the financial burden that may arise from claims made by policyholders, in exchange for the premiums paid by the policyholders. This system allows individuals and businesses to protect themselves against significant financial losses. For instance, if a person has homeowner's insurance and suffers damage from a fire, it is the insurer who compensates the policyholder for their loss, based on the terms of the policy. The foundation of insurance rests on risk pooling, where many individuals pay premiums, and the insurer uses these funds to cover the losses of a few. The other roles in the context of insurance, such as debtors (who may need insurance but do not assume risk), brokers (who facilitate the sale of insurance but do not take on risk), and beneficiaries (who receive benefits from a policy but are not responsible for covering risks), do not assume the risk inherent to the insurance policy.

8. What is the impact of a high loss ratio on an insurance company?

- A. It indicates profitability and stability
- B. It can lead to higher premiums for policyholders**
- C. It suggests a need for additional coverage options
- D. It typically means lower administrative costs

A high loss ratio in an insurance company indicates that the amount paid out in claims is a significant portion of the premiums collected. This situation suggests that the company is paying out more in claims than it is earning from premiums, which can compromise its financial stability. When an insurance company experiences a high loss ratio, it may respond by raising premiums for policyholders. This increase is necessary to ensure that the company maintains its ability to cover claims and remain solvent. Higher premiums help to offset the losses incurred from claims and contribute to more sustainable financial practices moving forward. The other options present different implications. Profitability and stability would generally associate with a lower loss ratio, whereas the need for additional coverage options is not a direct consequence of a high loss ratio. Additionally, lower administrative costs would not typically correlate with a high loss ratio, as increased claims can lead to more complex administrative processes. Thus, the relationship between a high loss ratio and resulting higher premiums is a key aspect of how insurance companies manage their financial health.

9. What term describes the difference between the actual cash value of a car and the outstanding loan balance at the time of loss?

- A. Depreciation
- B. Gap**
- C. Equity
- D. Liability

The term that describes the difference between the actual cash value of a car and the outstanding loan balance at the time of loss is "gap." This scenario typically arises when a vehicle's value decreases faster than the rate at which the loan is being paid down. The gap represents the amount that is not covered by insurance, which can leave a borrower in a financially vulnerable position if they owe more on the car than its current market value. Understanding this term is particularly important for car owners who have auto loans and are considering their insurance options, as it emphasizes the potential financial risk involved in the event of a total loss. In such circumstances, gap insurance can be a valuable addition to an insurance policy, covering the difference between what an insurance payout would offer and what the owner still owes on their vehicle.

10. Which of the following correctly describes an "exclusion" in an insurance policy?

- A. It enhances coverage for certain risks
- B. It eliminates coverage for specific risks or circumstances**
- C. It is a requirement for policy renewal
- D. It provides additional benefits to the insured

An exclusion in an insurance policy is a provision that eliminates coverage for specific risks or circumstances. This means that certain situations or types of claims will not be covered by the policy, effectively defining the boundaries of coverage. Exclusions help insurers manage risk by clearly outlining what is not protected under the policy, allowing them to offer premiums that are more accurately aligned with the coverage provided. By specifying which risks are excluded, insurers can reduce the likelihood of claims being made for those particular circumstances, such as acts of war, certain natural disasters, or specific pre-existing conditions in health insurance. This clarity helps insured individuals understand the limits of their coverage and aids in proper risk assessment when purchasing or renewing a policy. The other options do not effectively describe exclusions. Enhancing coverage or providing additional benefits would be contrary to the nature of exclusions, which limit coverage. Similarly, while a requirement for policy renewal is a legitimate aspect of a policy, it is unrelated to the definition of exclusions in insurance.

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://cunainsuranceproducer.examzify.com>

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

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