

FBLA Insurance & Risk Management 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

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- 1. What is the primary role of claims adjusters in the insurance industry?**
 - A. To decide on insurance applications and terms**
 - B. To investigate insurance claims and assess liability**
 - C. To provide estimates for asset values**
 - D. To transfer risks among insurance companies**

- 2. Which factor is not considered when determining insurance premiums?**
 - A. Gender**
 - B. Family history of disease**
 - C. Smoking status**
 - D. Age**

- 3. Which type of risk is associated with natural disasters like earthquakes?**
 - A. Particular risk**
 - B. Fundamental risk**
 - C. Insurable risk**
 - D. Speculative risk**

- 4. Which plan is considered more comprehensive than a hospital-surgical insurance plan?**
 - A. Basic medical insurance**
 - B. Major medical insurance plan**
 - C. Short-term health insurance**
 - D. Long-term care insurance**

- 5. What is the difference between the face value and cash value of a life insurance policy?**
 - A. Face value is paid to the insurer while cash value is paid to the beneficiary**
 - B. Face value is the payment after death; cash value accumulates with premiums**
 - C. Face value is accumulated interest; cash value is the original premium**
 - D. Face value is for tax purposes; cash value is exempt**

6. What does coinsurance require from the insured?

- A. Payment of a specific flat fee for services**
- B. Payment of a certain percentage of losses or expenses**
- C. Complete coverage at all times**
- D. Without any deductible on claims**

7. Which risk category addresses the potential for loss without the possibility of gain?

- A. Speculative Risk**
- B. Pure Risk**
- C. Operational Risk**
- D. Financial Risk**

8. What characterizes catastrophic losses?

- A. Minor incidents that are easily predicted**
- B. Regular occurrences with manageable impact**
- C. Erratic occurrences with great destruction**
- D. Small, localized events**

9. What does a percentage deductible imply?

- A. The insured pays a fixed dollar amount for losses**
- B. A portion of the loss is covered by a percentage**
- C. All claims must be approved over a certain percentage**
- D. Only a percentage of the premiums are paid annually**

10. What characterizes facultative reinsurance?

- A. It is applied to a broad range of policies automatically**
- B. It is based on individual agreements for specific losses**
- C. It covers all risks without exception**
- D. It excludes high-value claims**

Answers

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

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Explanations

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1. What is the primary role of claims adjusters in the insurance industry?

- A. To decide on insurance applications and terms
- B. To investigate insurance claims and assess liability**
- C. To provide estimates for asset values
- D. To transfer risks among insurance companies

Claims adjusters play a crucial role in the insurance industry by investigating insurance claims and assessing liability. Their primary responsibility involves evaluating the details of a claim, which includes gathering information, interviewing relevant parties, and examining evidence such as police reports and medical documents. This thorough investigation enables them to determine the validity of a claim and the extent of the insurer's liability. The importance of their role lies in ensuring that claims are handled fairly and accurately, which protects both the interests of the insurance company and the policyholders. By assessing the facts and circumstances surrounding a claim, claims adjusters help decide how much compensation should be awarded to the policyholder if the claim is valid. The other options do not reflect the principal responsibilities of claims adjusters. The decision-making regarding insurance applications and their terms typically falls under underwriters. Providing estimates for asset values often involves appraisers rather than claims adjusters. Transferring risks among insurance companies relates to reinsurance, which is a different function in the insurance process.

2. Which factor is not considered when determining insurance premiums?

- A. Gender
- B. Family history of disease**
- C. Smoking status
- D. Age

When determining insurance premiums, many factors are taken into account to assess risk and the probability of future claims. Among these factors, family history of disease is generally not directly considered when calculating premiums. Insurers primarily look at individual risk factors that can be evaluated on a personal basis, such as age, gender, and smoking status. Age is a significant factor because it often correlates with the likelihood of health issues and claims. Similarly, gender can influence health risks due to varying life expectancies and risks associated with certain conditions. Smoking status plays a critical role since smokers typically face higher health risks, leading to more claims and thereby higher premiums. Family history of disease, while it can indicate potential health risks, is not something that is consistently used across insurance companies for premium calculations. Instead, insurers focus on the individual's current health and lifestyle choices, making it less relevant for premium determination than the other listed factors.

3. Which type of risk is associated with natural disasters like earthquakes?

- A. Particular risk**
- B. Fundamental risk**
- C. Insurable risk**
- D. Speculative risk**

Fundamental risk is associated with risks that affect a large number of people or properties at the same time and often stem from natural or social phenomena. Natural disasters, including earthquakes, hurricanes, and floods, typically fall under this category because they can cause widespread damage and impact entire communities or regions. These events are beyond the control of individuals and are not limited to a specific person or entity, making them fundamentally different from risks that might only affect a particular person or specific situation. In contrast, particular risk usually involves more localized risks that have a more limited impact, such as theft of property or car accidents. Insurable risk refers to risks that can be covered by insurance, often requiring a certain level of randomness and potential for financial loss, which can apply to both fundamental and particular risks but is not a defining aspect of natural disasters specifically. Speculative risk involves scenarios where there are opportunities for both loss and gain, such as investments in the stock market, and does not pertain to the uncontrollable nature of disasters. Thus, fundamental risk is the correct categorization for the risks posed by natural disasters like earthquakes.

4. Which plan is considered more comprehensive than a hospital-surgical insurance plan?

- A. Basic medical insurance**
- B. Major medical insurance plan**
- C. Short-term health insurance**
- D. Long-term care insurance**

The major medical insurance plan is considered more comprehensive than a hospital-surgical insurance plan because it covers a wider range of medical expenses beyond just hospital stays and surgical procedures. While hospital-surgical plans primarily focus on inpatient care and surgical costs, major medical plans include outpatient services, preventive care, prescription drugs, and often a broader scope of health care services. Major medical insurance is designed to protect individuals against high medical costs by providing coverage for catastrophic events and extensive medical treatment. It typically comes with a higher benefit limit, lower out-of-pocket costs for visits and services, and provides a safety net against unexpected and significant health care expenses. In comparison, basic medical insurance and short-term health insurance plans usually offer limited coverage and may not include many of the vital services included in major medical plans. Long-term care insurance, on the other hand, is specifically designed to cover the costs of long-term care services and does not overlap significantly with major medical insurance needs.

5. What is the difference between the face value and cash value of a life insurance policy?

- A. Face value is paid to the insurer while cash value is paid to the beneficiary
- B. Face value is the payment after death; cash value accumulates with premiums**
- C. Face value is accumulated interest; cash value is the original premium
- D. Face value is for tax purposes; cash value is exempt

The distinction between face value and cash value of a life insurance policy is crucial for understanding how these components function within the overall policy. The face value, also known as the death benefit, represents the amount that the insurance company agrees to pay the beneficiary upon the death of the insured. This value is predetermined at the issuance of the policy and remains constant, providing financial protection for the insured's dependents or designated beneficiaries. On the other hand, the cash value refers to the savings component of certain types of life insurance policies, such as whole life or universal life. This value accumulates over time as the policyholder pays premiums. A portion of these premiums contributes to building up the cash value, which can grow depending on the type of policy and any applicable interest rates or performance of investments tied to the policy. The policyholder can access this cash value through loans or withdrawals, making it a valuable aspect of the policy for potential future needs. Thus, the correct answer highlights that the face value is the amount paid upon the insured's death, while the cash value represents the amount that accumulates as the policyholder pays premiums during their lifetime.

6. What does coinsurance require from the insured?

- A. Payment of a specific flat fee for services
- B. Payment of a certain percentage of losses or expenses**
- C. Complete coverage at all times
- D. Without any deductible on claims

Coinurance is a key concept in insurance policies that refers to the requirement that the insured pays a certain percentage of losses or expenses. This is typically seen in property insurance and health insurance policies, where the insured party shares the cost of a claim alongside the insurance provider. In a coinsurance arrangement, if a policy includes a coinsurance clause of, for instance, 80%, this means that the insured is responsible for paying 20% of the total covered losses or expenses after any applicable deductibles have been applied. This structure encourages policyholders to take on an active role in the management of their claims and helps to mitigate moral hazard, where the insured might otherwise take excessive risks because they are not bearing any of the costs. The other options do not accurately represent the nature of coinsurance. For instance, a specific flat fee for services suggests a copayment system rather than coinsurance. Complete coverage at all times conflicts with the concept of shared responsibility, as does the idea of having no deductible on claims; coinsurance typically applies after any deductions have been accounted for. Thus, the correct answer effectively defines the responsibility of the insured under a coinsurance agreement.

7. Which risk category addresses the potential for loss without the possibility of gain?

- A. Speculative Risk**
- B. Pure Risk**
- C. Operational Risk**
- D. Financial Risk**

The identification of pure risk as the correct answer is grounded in its definition within the realm of risk management. Pure risk refers specifically to situations where there is the potential for a loss, but there is no opportunity for gain. This type of risk typically includes scenarios such as natural disasters, theft, and liability claims, where the worst-case scenario results in a financial loss, and there is no potential for a positive outcome. In contrast, speculative risk involves situations where both loss and gain are possible, such as investments in stocks or starting a business. Operational risk relates to the potential losses stemming from failed internal processes, systems, or events in a company, while financial risk encompasses the exposure to potential financial loss in investments due to market fluctuations or credit issues. These categories do not align with the definition of pure risk, which is solely concerned with loss without any chance of gain.

8. What characterizes catastrophic losses?

- A. Minor incidents that are easily predicted**
- B. Regular occurrences with manageable impact**
- C. Erratic occurrences with great destruction**
- D. Small, localized events**

Catastrophic losses are characterized by erratic occurrences that result in significant destruction. These types of losses typically stem from unexpected events like natural disasters (such as hurricanes, earthquakes, or floods) or large-scale industrial accidents. Unlike regular occurrences, catastrophic losses are not only difficult to predict but can also have far-reaching impacts that affect large populations and economies. The magnitude of these losses often overwhelms the usual resources available for recovery, necessitating extensive planning and risk management strategies to mitigate their potential effects. Organizations and governments must prepare for these types of losses differently than they would for more predictable or manageable events, which further emphasizes the unique nature of catastrophic losses. This distinction highlights the need for specialized insurance coverage and planning to address the potential for widespread damage and disruption.

9. What does a percentage deductible imply?

- A. The insured pays a fixed dollar amount for losses
- B. A portion of the loss is covered by a percentage**
- C. All claims must be approved over a certain percentage
- D. Only a percentage of the premiums are paid annually

A percentage deductible means that the insured is responsible for a specific percentage of the loss amount, while the insurance company covers the remainder. This type of deductible is frequently used in property insurance policies and is particularly relevant when dealing with high-value items or significant losses, where the deductible is calculated based on the total loss amount rather than a fixed dollar figure. For example, if a policy has a 10% deductible and the insured suffers a loss of \$100,000, they would need to pay \$10,000 before the insurance kicks in to cover the rest of the loss. This can help align the interests of the insurer and the insured, as it can discourage small claims and encourage policyholders to be mindful of their property. Understanding this concept is crucial for evaluating how deductibles can impact both coverage and out-of-pocket expenses in the event of a loss.

10. What characterizes facultative reinsurance?

- A. It is applied to a broad range of policies automatically
- B. It is based on individual agreements for specific losses**
- C. It covers all risks without exception
- D. It excludes high-value claims

Facultative reinsurance is characterized by individual agreements that are negotiated for specific risks or policies rather than applied automatically to a wide range of policies. This type of reinsurance allows insurers to transfer risk for particular, defined exposures, giving them flexibility to assess and accept risks on a case-by-case basis. Each agreement in facultative reinsurance is tailored to the individual policy, making it distinct from treaty reinsurance, which applies more broadly to a portfolio of policies. This allows the reinsurer to underwrite specific risks based on their merits and enhances the ability to manage exposure associated with high-risk or unusual policies.

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://fblainsuranceriskmgmt.examzify.com>

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

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