

GENERAL INSURANCE LEVEL 1 PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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 definition of Statute Law?**
 - A. A law or act passed by government
 - B. A set of regulations established by common practice
 - C. A guideline provided by a legal authority
 - D. A type of law that is not legally binding
- 2. What does the Base Rate Rule state about returning to base rate after a claim?**
 - A. Two consecutive claim-free years
 - B. Three consecutive claim-free years
 - C. Only if no new claims arise
 - D. One year of insurance renewal
- 3. Which of the following property types would require additional commercial property insurance?**
 - A. Personal property
 - B. Office supplies
 - C. Equipment
 - D. All types of business property
- 4. In a warranty, what happens if the insured breaches the terms?**
 - A. The insurer may still provide coverage
 - B. Coverage can be denied
 - C. The warranty is automatically renewed
 - D. Only partial coverage is voided
- 5. What defines Limited Depreciation Coverage for vehicles?**
 - A. Coverage only for vehicles older than three years
 - B. A cash payout based solely on the current market value at the time of damage
 - C. A full replacement cost for any vehicle damages
 - D. Coverage during the first three model years with a defined total loss payout

- 6. How long does weekly indemnity income typically provide benefits?**
- A. 6 months
 - B. 13, 26, or 52 weeks
 - C. Lifetime
 - D. Until retirement
- 7. What is included in the settlement for loss to one part of a multi-part property?**
- A. The value of the lost part and installation cost
 - B. Only the replacement cost of the lost part
 - C. The total value of the entire property
 - D. Only labor costs related to replacement
- 8. What prompts the need for an appraisal under Statutory Condition 11?**
- A. Disagreement on the terms of the contract
 - B. Inability of either party to determine the property value
 - C. Change of ownership of the property
 - D. Legal disputes regarding the property
- 9. Which of the following is NOT considered a type of newer vehicle protection?**
- A. Enhanced replacement cost coverage
 - B. Full replacement value coverage
 - C. Replacement cost coverage
 - D. Limited depreciation coverage
- 10. What action must be taken within 45 days after proof of loss if the insurer chooses to repair?**
- A. Begin the repairs
 - B. Notify the insured
 - C. Complete the repairs
 - D. Hold a meeting with the insured

Answers

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

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Explanations

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1. What is the definition of Statute Law?

- A. A law or act passed by government
- B. A set of regulations established by common practice
- C. A guideline provided by a legal authority
- D. A type of law that is not legally binding

Statute law refers specifically to laws that have been formally enacted by a legislative body, such as a parliament or congress. These laws, often called statutes, are written and codified, making them accessible and applicable to the public. The key aspect of statute law is that it has gone through a defined legislative process, which often includes proposal, debate, and approval before becoming enforceable. In contrast, commonly established regulations may derive from practices or traditions that have emerged over time, rather than being officially codified. Guidelines issued by legal authorities can inform practices but do not carry the same legal weight as statutes. Lastly, laws that are not legally binding do not possess the enforceability characteristic of statute law, which is designed specifically to govern conduct and provide a legal framework within which individuals and entities must operate. Thus, the definition provided by the first option accurately captures the essence of statute law.

2. What does the Base Rate Rule state about returning to base rate after a claim?

- A. Two consecutive claim-free years
- B. Three consecutive claim-free years
- C. Only if no new claims arise
- D. One year of insurance renewal

The Base Rate Rule is a guideline used in the insurance industry that determines when an insured individual can return to the base rate after having filed a claim. The correct answer, which states that an insured can return to the base rate after three consecutive claim-free years, is based on the principle that insurers typically consider a policyholder's claims history when establishing premium rates. This approach to structuring rates is intended to reward long-term policyholders who maintain a good claims history, effectively encouraging responsible behavior and allowing individuals to benefit from being claims-free over a sustained period. After three years without claims, the insurer generally feels confident in reassessing the risk associated with the policy and can revert the premium rate to the base or standard level. While the other options mention different time frames or conditions for returning to the base rate, they do not align with the standard practice established by the Base Rate Rule. The three-year period is significant because it reflects a longer-term evaluation of risk, allowing insurers to better assess the likelihood of future claims based on a more extensive claims history.

3. Which of the following property types would require additional commercial property insurance?

- A. Personal property
- B. Office supplies
- C. Equipment**
- D. All types of business property

The correct choice indicates that equipment is a property type that generally requires additional commercial property insurance. This is because equipment used in a business—such as machinery, computers, tools, and specialized devices—often represents significant investments and can be crucial for the operation of the business. Regular business property insurance may not cover these items to the extent necessary, especially in cases of theft, damage, or loss during transit or use. Equipment often has specific insurance needs due to its value and the potential for specialized coverage requirements. For instance, businesses may need coverage for breakdowns or specific perils that could affect their operational capabilities and revenue. Ensuring that equipment is adequately covered helps mitigate financial risks that businesses face when equipment is damaged or lost. In contrast, other options like personal property, office supplies, and general inventory are typically included in standard property policies that most businesses maintain, although coverage may vary. However, the specific nature and use of equipment make it distinct in its insurance needs.

4. In a warranty, what happens if the insured breaches the terms?

- A. The insurer may still provide coverage
- B. Coverage can be denied**
- C. The warranty is automatically renewed
- D. Only partial coverage is voided

In the context of insurance, a warranty is a specific promise made by the insured regarding certain facts, representations, or conditions that are fundamental to the insurance agreement. If the insured breaches the terms of a warranty, this typically allows the insurer to deny coverage for claims related to that breach. The rationale is that warranties are considered an integral part of the insurance contract—essentially, they set the standards or conditions that must be met for the insurance policy to remain valid. When a breach of warranty occurs, it undermines the risk assessment that the insurer made when underwriting the policy. As a result, the insurer is often justified in denying coverage because the original terms of the agreement were not adhered to. This is in contrast to mere representations or statements made by the insured, which typically do not carry the same binding weight as a warranty. Other options do not accurately reflect the implications of breaching a warranty. Denying coverage is a significant consequence for breaches, emphasizing the strict nature of warranties in an insurance contract.

5. What defines Limited Depreciation Coverage for vehicles?

- A. Coverage only for vehicles older than three years
- B. A cash payout based solely on the current market value at the time of damage
- C. A full replacement cost for any vehicle damages
- D. Coverage during the first three model years with a defined total loss payout**

Limited Depreciation Coverage is characterized by its focus on providing coverage during the first three model years of a vehicle, and it typically includes a defined total loss payout. This means that if the vehicle is declared a total loss within this timeframe, the insurance company will provide a payout that reflects a more favorable amount compared to standard depreciation calculations, often close to the vehicle's original value rather than just its current market value. This type of coverage is particularly beneficial for newer vehicles, as it mitigates the financial impact of rapid depreciation that occurs soon after purchase. In contrast, other choices describe different aspects of vehicle insurance. The option discussing vehicles older than three years does not accurately reflect the intention of Limited Depreciation Coverage, which is applicable mainly within the first three years. The choice regarding cash payouts based solely on current market value does not represent Limited Depreciation Coverage, as it emphasizes immediate depreciation rather than the altered payout structure during the initial model years. Lastly, the mention of full replacement cost for any vehicle damages extends beyond the typical limitations set by Limited Depreciation Coverage, which is more specific about timeframes and payout amounts.

6. How long does weekly indemnity income typically provide benefits?

- A. 6 months
- B. 13, 26, or 52 weeks**
- C. Lifetime
- D. Until retirement

Weekly indemnity income typically provides benefits for a limited duration, commonly structured in periods of 13, 26, or 52 weeks. This type of insurance is designed to replace income lost due to temporary disability or illness that prevents an individual from working. The specified timeframes are standard limits placed on such policies, allowing for a clear understanding of how long benefits will be available during periods of recovery. This ensures that the income replacement is manageable for the insurer while providing short-term financial support for the insured. These defined periods also reflect the typical duration of most temporary disabilities, which, while severe, may not require long-term support that exceeds a year. In contrast, the other options suggest indefinite or overly prolonged coverage, which is not characteristic of weekly indemnity policies designed to address short-term loss of income.

7. What is included in the settlement for loss to one part of a multi-part property?

A. The value of the lost part and installation cost

B. Only the replacement cost of the lost part

C. The total value of the entire property

D. Only labor costs related to replacement

The correct answer is based on the principle of indemnity, which ensures that an insured party is compensated for their loss in a way that restores them to the economic position they were in prior to the loss. When dealing with a multi-part property, the settlement for loss to one part includes both the value of the lost part and the installation cost. This approach takes into consideration not just the replacement cost of the lost part itself but also the expenses that are incurred in properly installing that replacement. Installation costs are necessary so that the new part can function as intended within the whole property, thus reflecting the full cost to the policyholder to replace the lost component and restore the property to its pre-loss condition. In contrast, options that imply only the replacement cost, the total value of the property, or just labor costs are inadequate because they do not cover all necessary expenses associated with the loss. Focusing solely on one aspect ignores the comprehensive financial impact the loss has on the insured party. Thus, including both the value of the lost part and the installation cost ensures a more complete and fair settlement.

8. What prompts the need for an appraisal under Statutory Condition 11?

A. Disagreement on the terms of the contract

B. Inability of either party to determine the property value

C. Change of ownership of the property

D. Legal disputes regarding the property

The need for an appraisal under Statutory Condition 11 arises primarily from the situation where there is an inability of either party to determine the property's value. In insurance terms, particularly when dealing with property insurance, disagreements can often occur regarding how much loss occurred or how to assess the value of the insured property. Statutory Condition 11 specifically addresses scenarios where such disagreements exist and provides a structured process to resolve valuation issues through independent appraisals. When both parties cannot agree on the value of the property at the time of a loss or at any point during the claim process, initiating an appraisal ensures that both parties have an impartial assessment, helping to maintain fairness and ensure the settlement is equitable. This mechanism is important because property values can be subjective, and having a third-party appraiser helps eliminate biases, providing clarity based on the current market conditions and property specifics.

9. Which of the following is NOT considered a type of newer vehicle protection?

- A. Enhanced replacement cost coverage
- B. Full replacement value coverage**
- C. Replacement cost coverage
- D. Limited depreciation coverage

Full replacement value coverage is often seen as a traditional form of coverage. It typically provides for replacing the vehicle with a new one of the same make and model without considering depreciation. While this may seem attractive, it does not always align with modern approaches to newer vehicle protection. In contrast, enhanced replacement cost coverage, replacement cost coverage, and limited depreciation coverage are more recent innovations in vehicle insurance. These options provide various ways to protect newer vehicles and their values more effectively. Enhanced replacement cost coverage, for instance, helps policyholders secure a vehicle that meets their needs if their car is totaled, potentially including upgrades or features not present in their original model. Limited depreciation coverage aims to minimize the depreciation impact on the payout during the vehicle's early years, which is particularly useful as new cars decrease in value rapidly. Understanding the differences in these coverages highlights why full replacement value coverage does not typically fit within the category of newer vehicle protection, emphasizing the shift in insurance products designed to address the unique needs of modern vehicle owners.

10. What action must be taken within 45 days after proof of loss if the insurer chooses to repair?

- A. Begin the repairs**
- B. Notify the insured
- C. Complete the repairs
- D. Hold a meeting with the insured

When an insurer decides to repair a damaged property after receiving proof of loss, it is essential for the process to begin promptly. The correct action is to start the repairs within 45 days of receiving the proof of loss. This time frame is generally stipulated in many insurance policies to ensure that the insured's property is restored in a timely manner, which minimizes further loss or damage. Beginning repairs promptly after agreeing to this course of action demonstrates the insurer's commitment to fulfilling its obligations under the insurance contract. It helps the insured to resume normal use of their property as quickly as possible, thus serving both the insurer's and insured's interests effectively. The other options do not represent the primary action required by the insurer in this context. Notifying the insured or completing the repairs are important steps, but they come after the initial decision to start the repair process. Holding a meeting is not typically a required step either, as the focus should be on executing the repair work without unnecessary delay.

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://geninsurancelvl1.examzify.com>

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

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