

Georgia State Government Employees Insurance Company (GEICO) Licensing 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 does the mortgage condition establish?**
 - A. The payment schedule of the loan**
 - B. The appraisal values of the property**
 - C. The rights of the mortgagee under the contract**
 - D. The responsibilities of maintenance**

- 2. What type of damages are aimed at compensating a party for losses incurred?**
 - A. Punitive Damages**
 - B. Compensatory Damages**
 - C. Nominal Damages**
 - D. Intervening Damages**

- 3. Which of the following falls under the definition of personal injury?**
 - A. Property Damage**
 - B. Loss of consortium**
 - C. Defamation of character**
 - D. Negligence**

- 4. Which of the following best describes statutory limitations in the context of insurance?**
 - A. The limit on the number of claims one can file**
 - B. The time frame within which a legal action must be taken**
 - C. The maximum amount an insurer will pay for a claim**
 - D. The requirement to disclose all information at the time of claim**

- 5. What does Actual Cash Value (ACV) take into account when evaluating a property loss?**
 - A. Current cost without depreciation**
 - B. Current cost with a depreciation deduction**
 - C. Replacement cost only**
 - D. Market value at the time of policy purchase**

- 6. What condition describes a property that has no personal property and no people?**
- A. Vacant**
 - B. Unoccupied**
 - C. Occupied**
 - D. Desolate**
- 7. Who is referred to as the mortgagee in a mortgage agreement?**
- A. The borrower of the money**
 - B. The lender of the money**
 - C. The real estate agent**
 - D. The insurance agent**
- 8. What is the formula for calculating pro-rata liability?**
- A. Loss/total limit**
 - B. Company limit - total limit X loss**
 - C. Company limit/total limit X loss**
 - D. Total limit/company limit X loss**
- 9. What term refers to the contractual duties of both the insurer and the insured?**
- A. Conditions**
 - B. Exclusions**
 - C. Endorsements**
 - D. Provisions**
- 10. How does an open peril policy differ from a named peril policy?**
- A. Covers only specific known risks**
 - B. Only covers losses due to theft**
 - C. Covers all perils unless excluded**
 - D. Does not provide any coverage at all**

Answers

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

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Explanations

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1. What does the mortgage condition establish?

- A. The payment schedule of the loan
- B. The appraisal values of the property
- C. The rights of the mortgagee under the contract**
- D. The responsibilities of maintenance

The mortgage condition establishes the rights of the mortgagee under the contract, which is essential for understanding the legal framework of a mortgage agreement. In a typical mortgage, the mortgagee is the lender or financial institution that has provided the loan to the borrower, who is the mortgagor. The rights of the mortgagee can include the right to foreclose on the property if the borrower fails to meet the payment obligations and the right to collect payments as agreed upon in the mortgage document. This condition is crucial because it outlines what actions the mortgagee can take under various circumstances, thus providing clarity and security to the lender. Understanding these rights is vital not only for mortgagees but also for borrowers, as it helps them to be aware of the potential consequences of loan default. The other options focus on different aspects of a mortgage agreement, such as the payment schedule, appraisal values, and maintenance responsibilities, but they do not directly address the specific rights granted to the lender, which is the central focus of the mortgage condition.

2. What type of damages are aimed at compensating a party for losses incurred?

- A. Punitive Damages
- B. Compensatory Damages**
- C. Nominal Damages
- D. Intervening Damages

Compensatory damages are specifically designed to reimburse a party for the actual losses or injuries they have experienced. These damages can cover a wide range of losses, including medical expenses, lost wages, property damage, and pain and suffering. The primary goal of compensatory damages is to make the injured party whole again, reflecting the out-of-pocket costs and the impact on their quality of life due to another party's actions. Other types of damages, such as punitive damages, are intended to punish the wrongdoer and deter future misconduct, rather than to compensate the victim. Nominal damages are often awarded when a legal wrong has occurred, but there are no significant damages to compensate for, while intervening damages refer more to effects that occur later and do not typically represent direct compensation for an original injury. Thus, compensatory damages stand as the clearest and most direct way to address actual losses suffered by an individual.

3. Which of the following falls under the definition of personal injury?

- A. Property Damage**
- B. Loss of consortium**
- C. Defamation of character**
- D. Negligence**

Personal injury refers to legal claims that involve harm or damage to an individual's body, emotions, or reputation, rather than damage to property. In this context, defamation of character is specifically recognized as a personal injury because it involves harming someone's reputation, which can result in emotional distress and other non-economic damages. This distinguishes it from other types of injuries, as it directly affects an individual's personal rights and dignity. Loss of consortium is related to the deprivation of benefits of a family relationship, typically due to injury to a spouse, but it falls under a different category. Property damage pertains to damage to tangible items and does not fit the personal injury definition, focusing instead on physical assets. Negligence refers to the failure to take proper care in doing something which causes harm to another; while it can lead to personal injury claims, it is not classified as personal injury itself. Thus, defamation stands out as a clear example of a personal injury, highlighting the impact on an individual's character and feelings.

4. Which of the following best describes statutory limitations in the context of insurance?

- A. The limit on the number of claims one can file**
- B. The time frame within which a legal action must be taken**
- C. The maximum amount an insurer will pay for a claim**
- D. The requirement to disclose all information at the time of claim**

Statutory limitations refer specifically to the time frame within which a legal action must be initiated following an event such as an insurance claim. In the context of insurance, this means that if an insured party wants to pursue a legal claim against their insurer—whether due to a denial of coverage, a dispute over a claim amount, or any other reason—they must do so within a certain period as defined by law. This time frame is established by statutes, which vary by jurisdiction and type of claim but are meant to promote timely resolution of disputes and ensure that evidence remains accessible. Understanding statutory limitations is crucial for policyholders because failing to act within this period can result in losing their right to seek compensation altogether, regardless of the validity of their claim. Therefore, knowing these timelines can significantly impact their ability to navigate insurance disputes effectively.

5. What does Actual Cash Value (ACV) take into account when evaluating a property loss?

- A. Current cost without depreciation**
- B. Current cost with a depreciation deduction**
- C. Replacement cost only**
- D. Market value at the time of policy purchase**

Actual Cash Value (ACV) is defined as the value of a property loss when accounting for depreciation. It is calculated by taking the current replacement cost of a property and then subtracting an appropriate amount for depreciation based on the age and condition of the asset at the time of the loss. This means ACV reflects the value of the property as it would be worth in its current condition, rather than its original purchase price or replacement cost without considering wear and tear. This approach to valuation recognizes that over time, as property is used or aged, it typically loses value. Thus, when a claim is evaluated based on ACV, the payout will consider both the present cost to replace the item and the depreciation that has occurred since it was first purchased or last replaced. Understanding ACV is crucial for both policyholders and insurance professionals in terms of assessing losses and determining the appropriate compensation for damaged or lost property.

6. What condition describes a property that has no personal property and no people?

- A. Vacant**
- B. Unoccupied**
- C. Occupied**
- D. Desolate**

The condition that describes a property that has no personal property and no people is described as "vacant." A vacant property is entirely devoid of contents and inhabitants, which means that there are no belongings inside, and it is not being lived in or used for any purpose. This distinction is important in property management and insurance contexts, as the status of a property can influence coverage, value, and exposure to various risks. When a property is deemed vacant, it often may not be insured to the same extent as an occupied property, reflecting increased risks associated with lack of maintenance and security. Understanding the terminology related to property status helps in making informed decisions regarding property insurance and management. The other terms, while related, connote different conditions. For example, "unoccupied" typically refers to a property that may still contain personal belongings but has no people present at the moment. "Occupied" indicates that there are both people and personal property in the space. "Desolate" usually conveys an emotional or aesthetic sense of abandonment and neglect, but does not specifically address the absence of personal property or occupants in the same precise manner as "vacant."

7. Who is referred to as the mortgagee in a mortgage agreement?

- A. The borrower of the money**
- B. The lender of the money**
- C. The real estate agent**
- D. The insurance agent**

In a mortgage agreement, the term "mortgagee" refers to the lender of the money. This is the institution or individual that provides the funds for the borrower to purchase a property. The mortgagee holds an interest in the property until the borrower repays the loan, and this arrangement is typically secured by the property itself, giving the lender certain rights in case of default. Understanding this terminology is essential in real estate and financial transactions, as it helps clarify the roles of the parties involved. Conversely, the borrower, often referred to as the "mortgagor," is the one who receives the loan and is obligated to repay it under the agreed terms. This distinction is crucial for understanding the dynamics of loan agreements and property financing.

8. What is the formula for calculating pro-rata liability?

- A. Loss/total limit**
- B. Company limit - total limit X loss**
- C. Company limit/total limit X loss**
- D. Total limit/company limit X loss**

The formula for calculating pro-rata liability is indeed derived from the concept of sharing the loss among multiple insurers in proportion to the limits they provide. When determining an individual insurer's liability in a shared coverage situation, you use the insurer's limit as a fraction of the total limits available from all insurers. In this case, the correct formula is the company limit divided by the total limit, multiplied by the loss incurred. This means that if multiple companies are covering a loss, each company's contribution to the payout should align with their proportionate share of the total coverage available. For instance, if Company A has a limit of \$100,000 and the total limit from all insurers is \$500,000, and if a loss of \$50,000 occurs, you would calculate Company A's liability as $(\$100,000 / \$500,000) \times \$50,000$, which reflects their share of the total available coverage. This method ensures that each insurer effectively pays out in proportion to the coverage they provide, which is essential for maintaining fairness and equity among multiple parties involved in the insurance contract.

9. What term refers to the contractual duties of both the insurer and the insured?

A. Conditions

B. Exclusions

C. Endorsements

D. Provisions

The term that refers to the contractual duties of both the insurer and the insured is "Conditions." Conditions in an insurance policy outline the specific obligations and responsibilities that each party must uphold to ensure the policy remains valid and effective. These conditions might include timely payment of premiums by the insured, notifications of any claims, and adherence to certain stipulations surrounding the coverage. This term is essential in understanding the mutual agreements that form the basis of the insurance contract, highlighting how both parties are expected to act throughout the life of the policy. Knowing the conditions helps in clarifying what is required for a claim to be honored, or what may affect coverage or policy enforceability.

10. How does an open peril policy differ from a named peril policy?

A. Covers only specific known risks

B. Only covers losses due to theft

C. Covers all perils unless excluded

D. Does not provide any coverage at all

An open peril policy is designed to provide coverage for all risks except those specifically excluded in the policy. This essentially means that unless a particular peril is listed as one that is not covered, it is assumed to be included in the coverage. This type of policy offers broader protection compared to a named peril policy, which only covers risks that are explicitly listed in the policy document. In contrast, a named peril policy specifically outlines which perils are covered, leaving out any coverage for risks not mentioned. This makes an open peril policy generally more comprehensive, as it safeguards against a wider range of potential events that could cause loss or damage. The explicit exclusions in an open peril policy are critical to understanding which scenarios are not covered, but as a whole, the open peril approach provides a greater degree of security for the insured.

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://gastategeico.examzify.com>

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

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