

IBABC Automobile Insurance Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Questions

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- 1. Which of the following is NOT excluded from Own Damage Optional Coverage?**
 - A. Tires**
 - B. Wear and tear**
 - C. Vehicle contents**
 - D. Accidental damage**
- 2. What is the reimbursement amount for collision deductible if the insured is not at fault?**
 - A. \$100**
 - B. \$250**
 - C. \$500**
 - D. Not covered**
- 3. When do wage loss benefit payments begin after an accident?**
 - A. On the 1st day of disability**
 - B. On the 5th day of disability**
 - C. On the 8th day of disability**
 - D. On the 10th day of disability**
- 4. For how long does interim insurance for a newly purchased vehicle provide coverage?**
 - A. 15 days**
 - B. 30 days**
 - C. 45 days**
 - D. 60 days**
- 5. What must an insured have in addition to collector vehicles for collector multi-vehicle coverage?**
 - A. Additional collateral**
 - B. A general transportation vehicle under Autoplan Basic**
 - C. A vintage vehicle**
 - D. No additional requirements**

- 6. Which of the following is NOT one of the two compulsory coverages in automobile insurance?**
- A. Third Party Liability**
 - B. Comprehensive Coverage**
 - C. Accident Benefits**
 - D. Collision Coverage**
- 7. What is a factor that does NOT contribute to premium calculations regarding first responders?**
- A. Regular Driving History**
 - B. Emergency Response Driving**
 - C. Unlisted Drivers**
 - D. Vehicle Conditions**
- 8. Who might be excluded from collision optional coverage?**
- A. Individuals with a lengthy history of at-fault crashes**
 - B. New drivers**
 - C. People with older vehicles**
 - D. Drivers involved in non-collision incidents**
- 9. What type of insurance coverage is typically associated with claims for weather-related damage?**
- A. Liability coverage**
 - B. Comprehensive coverage**
 - C. Collision coverage**
 - D. No-fault insurance**
- 10. Why is it important for drivers to understand their insurance policy?**
- A. It allows them to pay minimum premiums**
 - B. It helps them maximize their driving habits**
 - C. It enables them to know their coverage limits and what to do in case of an accident**
 - D. It reduces the risk of financial loss in all scenarios**

Answers

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

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Explanations

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1. Which of the following is NOT excluded from Own Damage Optional Coverage?

- A. Tires**
- B. Wear and tear**
- C. Vehicle contents**
- D. Accidental damage**

Accidental damage is covered under Own Damage Optional Coverage, which is designed to protect the insured vehicle from sudden and unforeseen incidents that cause physical damage. This type of coverage typically includes damages resulting from accidents, regardless of fault, making it a crucial aspect of comprehensive automobile insurance. In contrast, the other options like tires, wear and tear, and vehicle contents are commonly excluded under standard Own Damage Optional Coverage. Tires may be excluded because they can wear out due to regular use rather than accidental incidents. Wear and tear refers to the gradual deterioration of the vehicle from normal usage and is not typically covered since it is anticipated as part of vehicle ownership. Vehicle contents, which may include personal belongings in the car, often have separate coverage provisions and are not included in standard policies for the vehicle itself. Therefore, recognizing that accidental damage is included under this coverage highlights the protective aspect of the insurance in case of unexpected events, making it the correct answer to the question about what is not excluded.

2. What is the reimbursement amount for collision deductible if the insured is not at fault?

- A. \$100**
- B. \$250**
- C. \$500**
- D. Not covered**

The reimbursement amount for a collision deductible when the insured is not at fault typically refers to the scenario where the insured incurs costs related to a collision that they did not cause. In many automobile insurance policies, if the insured is not at fault and the responsible party is identified, the insured may be able to recover their deductible from their own insurer or directly from the at-fault party's insurer. In this case, a deductible of \$500 means that in the event of a collision claim, the insured would initially pay out of pocket this amount before insurance restitution begins. However, if they are not at fault, they have the right to seek reimbursement for that deductible from the at-fault party's insurance. While lower deductible amounts like \$100 or \$250 might be more manageable for some insured individuals in terms of immediate out-of-pocket costs, in this example, it states that the deductible amount for collision coverage is specifically \$500. Therefore, the insured should anticipate this amount as they navigate their insurance claims and potential reimbursements. Understanding this concept helps insured individuals to make informed decisions about their coverage options and navigate the claims process, particularly in scenarios where they are not responsible for an incident.

3. When do wage loss benefit payments begin after an accident?

- A. On the 1st day of disability**
- B. On the 5th day of disability**
- C. On the 8th day of disability**
- D. On the 10th day of disability**

Wage loss benefit payments typically begin on the 8th day of disability following an accident. This structure is designed to provide a waiting period, often referred to as an elimination period, before benefits commence. The rationale behind this delay is to ensure that the individual has incurred a significant period of inability to work due to their injury before compensation starts, thereby managing insurance costs while also preventing abuse of the system. Beginning benefits after a specified wait time helps insurance companies mitigate risk and promote fairness in claims processing. It is important for individuals to be aware of this waiting period when they are considering their financial situation after an accident, as it directly impacts their income replacement strategies during the recovery phase.

4. For how long does interim insurance for a newly purchased vehicle provide coverage?

- A. 15 days**
- B. 30 days**
- C. 45 days**
- D. 60 days**

Interim insurance, also known as temporary insurance, typically provides coverage for newly acquired vehicles for a specific duration, allowing new owners to drive legally while they finalize their insurance arrangements. The correct answer indicates that coverage is provided for 30 days. This timeframe is standard in many insurance policies, allowing sufficient time for the owner to contact their insurance provider, arrange for permanent coverage, and avoid any gaps in protection. During this interim period, the policy often extends certain protections similar to those of the existing coverage, which can include liability, collision, and comprehensive coverage based on the existing policy. This ensures that any potential risks associated with driving the new vehicle are mitigated while the owner completes the necessary adjustments to their insurance plan.

5. What must an insured have in addition to collector vehicles for collector multi-vehicle coverage?

A. Additional collateral

B. A general transportation vehicle under Autoplan Basic

C. A vintage vehicle

D. No additional requirements

To obtain collector multi-vehicle coverage, it is required that the insured have a general transportation vehicle under Autoplan Basic in addition to their collector vehicles. This requirement underscores the nature of collector vehicle insurance, which typically applies to those who also maintain a standard vehicle for everyday use. The purpose is to ensure that while the collector vehicles are covered as part of a specialized insurance plan, the insured also has a functional, roadworthy vehicle that serves their daily transportation needs. The inclusion of a general transportation vehicle ensures that the insured is not solely reliant on their collector vehicles, which may be less practical for everyday driving due to their age or specialized use. This requirement helps the insurer manage the risks associated with insuring high-value collector vehicles while ensuring that the policyholder has access to a vehicle that meets their regular transportation needs. The other choices do not fulfill the necessary conditions for collector multi-vehicle coverage, as having additional collateral, a vintage vehicle, or no additional requirements does not provide the same level of assurance or alignment with the insurance policy guidelines.

6. Which of the following is NOT one of the two compulsory coverages in automobile insurance?

A. Third Party Liability

B. Comprehensive Coverage

C. Accident Benefits

D. Collision Coverage

In the context of automobile insurance, there are two compulsory coverages required by law in many jurisdictions, which are Third Party Liability and Accident Benefits. Third Party Liability covers damages or injuries that the insured might cause to another person or their property while Operating a vehicle. Accident Benefits provide coverage for the insured's own medical expenses and other related costs in the event of an accident, regardless of fault. Comprehensive Coverage and Collision Coverage, while valuable, are considered optional coverages rather than compulsory. Comprehensive Coverage protects against losses due to events other than collisions, such as theft, vandalism, or natural disasters. Collision Coverage, on the other hand, is designed to cover damages to the insured's vehicle resulting from a collision, regardless of who is at fault. Thus, the choice of Comprehensive Coverage is correct in this context because it does not fall under the mandatory coverage categories required for automobile insurance policies.

7. What is a factor that does NOT contribute to premium calculations regarding first responders?

- A. Regular Driving History**
- B. Emergency Response Driving**
- C. Unlisted Drivers**
- D. Vehicle Conditions**

In the context of calculating insurance premiums for first responders, one factor that does not contribute to premium calculations is the presence of unlisted drivers. Insurance companies typically focus on factors that reflect the risk associated with the primary driver, the type of vehicle, and the specific usage of that vehicle, especially when it is used in emergency response situations. Regular driving history is significant as it assesses the driver's past behavior on the road, indicating their likelihood of getting into accidents or experiencing claims. Emergency response driving is crucial as it involves the unique risks associated with operating a vehicle under emergency conditions, which can lead to higher premiums due to the increased likelihood of accidents in such scenarios. Vehicle conditions are also a key factor, as the state and safety features of a vehicle can influence its insurability and the associated risks. Therefore, unlisted drivers do not directly impact the premium calculation because they do not provide relevant information about the primary driver or the conditions under which the emergency vehicle is operated. Insurance assessments focus on the individual's driving record and other measurable risk factors rather than potential drivers who are not formally noted in the policy.

8. Who might be excluded from collision optional coverage?

- A. Individuals with a lengthy history of at-fault crashes**
- B. New drivers**
- C. People with older vehicles**
- D. Drivers involved in non-collision incidents**

Collision optional coverage may exclude individuals with a lengthy history of at-fault crashes because insurers often assess a driver's risk based on their past behavior. A history of multiple at-fault accidents indicates a higher likelihood of future claims, which can lead insurers to deem such drivers as too high-risk to offer collision coverage. While new drivers, people with older vehicles, and drivers involved in non-collision incidents may also face restrictions or different terms, it's primarily the at-fault history that significantly impacts eligibility for collision coverage. Insurers are particularly cautious with drivers who have a proven track record of accidents, as their claims may result in increased costs and losses for the insurer. Thus, insurers are likely to restrict or exclude these drivers from this type of coverage to mitigate potential financial risks.

9. What type of insurance coverage is typically associated with claims for weather-related damage?

- A. Liability coverage**
- B. Comprehensive coverage**
- C. Collision coverage**
- D. No-fault insurance**

Comprehensive coverage is specifically designed to protect against damages to a vehicle that are not caused by a collision, and this includes a wide array of weather-related incidents. For instance, if a car is damaged by hail, flooding, falling tree branches, or other weather events, comprehensive coverage would typically cover the repair costs associated with these damages. This type of coverage is crucial for vehicle owners in areas prone to severe weather conditions, as it provides a safety net against unpredictable natural events. Liability coverage generally only covers damages that you might cause to another party's vehicle or property in an accident, while collision coverage focuses on damages to your own vehicle resulting from an accident with another vehicle or an object. No-fault insurance involves the direct payment of claims by your own insurance company regardless of who caused the accident, which does not apply to weather-related damages. Thus, comprehensive coverage stands out as the most appropriate insurance type for claims arising from weather-related damage.

10. Why is it important for drivers to understand their insurance policy?

- A. It allows them to pay minimum premiums**
- B. It helps them maximize their driving habits**
- C. It enables them to know their coverage limits and what to do in case of an accident**
- D. It reduces the risk of financial loss in all scenarios**

Understanding an insurance policy is crucial for drivers because it equips them with knowledge about their specific coverage limits, exclusions, and the procedures to follow in the event of an accident. This awareness is vital when a driver faces an unexpected situation, such as a collision or damage to their vehicle, as it helps them navigate the claims process effectively. Knowing how much protection they have and the requirements for filing a claim can significantly impact their financial recovery and peace of mind following an incident. In addition, being informed about coverage limits allows drivers to make informed decisions about their insurance needs, ensuring they are not over- or under-insured. This kind of understanding directly influences their ability to manage risks associated with driving and ensures they are adequately protected in various scenarios.