

# Laws and Rules Pertinent to Insurance 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 kind of coverage must group health plans offer under the Affordable Care Act?**
  - A. Only catastrophic coverage**
  - B. Essential health benefits**
  - C. Preventive-only services**
  - D. High-deductible plans**
- 2. What is the primary purpose of the insurance free-look provision?**
  - A. To allow the insured to review policy details**
  - B. To offer a full refund of premium**
  - C. To facilitate easier cancellations**
  - D. To protect against fraudulent policies**
- 3. What does a fixed co-payment typically apply to?**
  - A. All types of insurance coverage**
  - B. Specific services or medications in health insurance**
  - C. The total annual premium amount**
  - D. Only emergency medical services**
- 4. An insurance producer has fiduciary responsibilities to all of the following EXCEPT?**
  - A. Insurers**
  - B. Insureds**
  - C. Applicants**
  - D. The Guaranty Association**
- 5. In which instance could an insurer not exclude coverage for a preexisting condition?**
  - A. After 6 months**
  - B. After 12 months**
  - C. After 18 months**
  - D. After the policyholder's treatment plan is complete**

**6. What is a self-insured retention (SIR) in insurance?**

- A. The total amount of coverage provided by the insurer**
- B. The portion of the loss that the insured must cover before benefits are paid**
- C. The deductible amount on an insurance policy**
- D. A type of investment related to insurance proceeds**

**7. Who must be notified when an insurance licensee in South Carolina changes their address?**

- A. The National Association of Insurance Commissioners**
- B. The Insurance Agents Associations**
- C. The Department of Insurance**
- D. The Department of Labor and Industry**

**8. What does general liability insurance cover?**

- A. Only property damage claims**
- B. Claims of bodily injury, personal injury, and property damage caused by a business's operations**
- C. Health-related claims for employees**
- D. Claims exclusively from auto accidents**

**9. Which of the following is often used to protect against substantial losses in medical expenses?**

- A. Health insurance**
- B. Dental insurance**
- C. Life insurance**
- D. Accidental insurance**

**10. An insurer may refuse to issue a policy to a particular insurance applicant for a reason based solely on:**

- A. medical condition**
- B. race**
- C. gender**
- D. creed**

## **Answers**

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

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## **Explanations**

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## 1. What kind of coverage must group health plans offer under the Affordable Care Act?

- A. Only catastrophic coverage
- B. Essential health benefits**
- C. Preventive-only services
- D. High-deductible plans

The correct answer is that group health plans must offer essential health benefits under the Affordable Care Act (ACA). This requirement was established to ensure that all individuals have access to a comprehensive range of healthcare services that are critical for maintaining health and well-being. Essential health benefits include a wide array of services such as emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, prescription drugs, rehabilitative services, laboratory services, preventive and wellness services, and pediatric services, including oral and vision care. By mandating these benefits, the ACA aims to protect consumers from inadequate coverage and reduce disparities in healthcare access. This requirement also helps to ensure that individuals do not face financial hardship due to high out-of-pocket costs for necessary medical services. The other options do not meet the comprehensive standards set by the ACA. Catastrophic coverage primarily provides minimal coverage for worst-case scenarios and is not designed as a primary health insurance offering. Preventive-only services focus exclusively on preventive care, missing other critical healthcare needs. High-deductible plans may be offered, but they do not fulfill the requirement to cover the broad array of essential health benefits mandated by the ACA.

## 2. What is the primary purpose of the insurance free-look provision?

- A. To allow the insured to review policy details
- B. To offer a full refund of premium**
- C. To facilitate easier cancellations
- D. To protect against fraudulent policies

The primary purpose of the insurance free-look provision is to offer a full refund of premium. This provision is designed to give policyholders a specified period, typically ranging from 10 to 30 days after receiving their policy documents, during which they can review the terms and details of their insurance policy. If they decide they are not satisfied or if they feel the policy is not suitable for their needs, they can cancel the policy during this period and receive a complete refund of any premiums paid. This protective measure ensures that consumers can make informed decisions without feeling rushed or pressured to commit to a policy they may not fully understand or agree with. By providing this time frame and the option for a refund, the free-look provision helps to instill confidence in the purchasing process and promotes responsible decision-making regarding insurance coverage.

### 3. What does a fixed co-payment typically apply to?

- A. All types of insurance coverage
- B. Specific services or medications in health insurance**
- C. The total annual premium amount
- D. Only emergency medical services

A fixed co-payment typically applies to specific services or medications in health insurance. This amount is predetermined and requires the insured to pay a set dollar amount for particular health care services such as doctor visits, specialist consultations, or prescription drugs at the time the services are rendered. Co-payments are designed to share costs between the insurer and the insured, encouraging responsible use of healthcare services while ensuring that patients have access to necessary treatments. This contrasts with other aspects of insurance coverage, such as premiums or deductibles, which serve different purposes in the structure of health insurance policies. By having a fixed co-payment, the insured knows in advance what their financial responsibility will be for specific healthcare transactions, aiding in budgeting for medical expenses.

### 4. An insurance producer has fiduciary responsibilities to all of the following EXCEPT?

- A. Insurers
- B. Insureds
- C. Applicants
- D. The Guaranty Association**

The correct response is that the insurance producer does not have fiduciary responsibilities to the Guaranty Association. Fiduciary responsibilities refer to the obligation to act in the best interest of another party, particularly in a relationship of trust and confidence. Insurance producers have fiduciary duties to insurers, insureds, and applicants. They are responsible for handling premiums and other funds from insureds in a manner that ensures those funds are used appropriately. This includes accurately conveying information to applicants and managing relationships with insurers according to the terms of their contracts and ethical standards. The Guaranty Association, however, is a safety net designed to protect policyholders in the event that an insurance company becomes insolvent. While the association plays an important role in the insurance framework, it is not a party with which producers have a direct, fiduciary relationship. Instead, the association's function is more regulatory and protective in nature, rather than involving direct management or handling of funds between the producer and the association. Therefore, the lack of fiduciary responsibilities to the Guaranty Association distinguishes it from the other three entities.

**5. In which instance could an insurer not exclude coverage for a preexisting condition?**

- A. After 6 months**
- B. After 12 months**
- C. After 18 months**
- D. After the policyholder's treatment plan is complete**

In the context of health insurance, preexisting condition exclusions are often regulated by specific laws and guidelines. Many insurers are barred from excluding coverage for a preexisting condition after a certain period following the policy's effective date. In this scenario, after 6 months typically aligns with provisions that limit the duration a preexisting condition can be excluded from coverage, thus allowing policyholders access to the necessary medical care without being penalized for prior health issues. Policies that allow for exclusion of coverage for longer periods, such as 12 months or 18 months, may not adhere to consumer protection laws that prevent insurers from imposing lengthy waiting periods. The completion of a treatment plan does not necessarily determine coverage for preexisting conditions; rather, it focuses on the condition's history relative to when the insurance policy is activated. Therefore, if a policyholder remains enrolled for 6 months, the preexisting condition would no longer be excluded, making this time frame significant in the context of insurance practices.

**6. What is a self-insured retention (SIR) in insurance?**

- A. The total amount of coverage provided by the insurer**
- B. The portion of the loss that the insured must cover before benefits are paid**
- C. The deductible amount on an insurance policy**
- D. A type of investment related to insurance proceeds**

A self-insured retention (SIR) refers specifically to the portion of a loss that the insured must pay out of pocket before the insurer begins to cover any remaining costs. This concept is often applied in liability insurance policies and outlines the initial financial responsibility, distinguishing it from traditional deductibles, where the insurer handles all losses above the specified deductible amount. In essence, the presence of a self-insured retention means that the insured retains a level of risk; they must first incur a specified amount of loss themselves before the insurance coverage kicks in. This is vital in understanding the financial dynamics between the insured and the insurer, as it emphasizes the insured's commitment to managing smaller losses or risks directly, leading to a potential reduction in premiums. Clarity in these definitions is important, especially in contrast to other terms like deductibles, which usually function at a different level in terms of claims processing.

## 7. Who must be notified when an insurance licensee in South Carolina changes their address?

- A. The National Association of Insurance Commissioners**
- B. The Insurance Agents Associations**
- C. The Department of Insurance**
- D. The Department of Labor and Industry**

When an insurance licensee in South Carolina changes their address, it is essential for them to notify the Department of Insurance. This notification is crucial as the Department maintains official records for all licensed insurance agents and companies within the state. Keeping the Department informed of any changes ensures that communication regarding licensing status, regulatory updates, and any legal notices can be accurately and efficiently directed to the licensee. Additionally, failure to notify the Department of such changes could lead to complications, including issues with licensing renewals and notifications concerning compliance or regulatory matters. The role of the other entities mentioned does not pertain directly to the requirement for address notifications related to insurance licensing in South Carolina, making them irrelevant in this context. The focus on the Department of Insurance underscores its pivotal regulatory function in overseeing the integrity and processes within the insurance industry.

## 8. What does general liability insurance cover?

- A. Only property damage claims**
- B. Claims of bodily injury, personal injury, and property damage caused by a business's operations**
- C. Health-related claims for employees**
- D. Claims exclusively from auto accidents**

General liability insurance is designed to provide coverage for a variety of claims that a business might face due to its operations. This includes claims related to bodily injury, which can encompass injuries sustained by customers or third parties as a result of the business's activities. Additionally, it covers personal injury claims, which refer to non-physical injuries such as defamation or invasion of privacy. Property damage is also included, addressing damages that a business may cause to someone else's property during its operations. This broad scope of coverage is essential for businesses, as it protects them from significant financial loss associated with lawsuits or claims that could arise from everyday operations. The correct answer captures this comprehensive nature of general liability insurance, highlighting its role in safeguarding businesses against several potential liabilities rather than being limited to just one type of claim or incident.

**9. Which of the following is often used to protect against substantial losses in medical expenses?**

- A. Health insurance**
- B. Dental insurance**
- C. Life insurance**
- D. Accidental insurance**

Health insurance is the correct choice because it is specifically designed to cover a significant portion of medical expenses that an individual may incur due to various health-related issues. This type of insurance helps individuals manage costs associated with doctor visits, hospital stays, surgeries, and other medical treatments, thereby protecting them from financial strain caused by substantial medical bills. Dental insurance primarily focuses on oral health and thus does not provide coverage for other medical expenses outside of dental care. Life insurance offers financial protection to beneficiaries in the event of the policyholder's death, but does not cover medical expenses incurred during the policyholder's life. Accidental insurance typically provides limited coverage for injuries resulting from accidents but does not encompass the broader range of health-related expenses that health insurance addresses. Therefore, while the other options have specific benefits, none extend the comprehensive coverage for medical expenses offered by health insurance.

**10. An insurer may refuse to issue a policy to a particular insurance applicant for a reason based solely on:**

- A. medical condition**
- B. race**
- C. gender**
- D. creed**

The correct choice indicates that an insurer may refuse to issue a policy based on the applicant's medical condition. This is permissible because insurance companies assess risk when underwriting policies, and certain medical conditions can significantly affect the likelihood of claims being filed. Insurers are allowed to consider an individual's health status, including existing medical conditions or histories that might predict higher costs or risks for the company, as part of their underwriting process. In contrast, choices such as race, gender, and creed are prohibited grounds for discriminating against an insurance applicant. Practices that base decisions on these characteristics violate fair treatment regulations established by laws such as the Civil Rights Act and various state-level anti-discrimination laws, which aim to ensure equal access to insurance coverage regardless of an individual's demographic characteristics. These laws recognize the importance of fairness and prohibit underwriting practices that could result in discrimination based on traits unrelated to the individual's risk profile.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://insurancelawsandrules.examzify.com>**

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

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