

# Insurance Practice Test Questions and Answers

## 1. What is the primary purpose of insurance?

- A) To generate profits for insurance companies only
- B) To transfer financial risk from individuals to insurance companies
- C) To replace the need for personal savings
- D) To guarantee investment returns

## 2. What is a deductible in insurance terms?

- A) The monthly premium payment
- B) The amount the policyholder pays before insurance coverage begins
- C) The maximum coverage limit
- D) The insurance company's profit margin

## 3. Which factor most significantly affects life insurance premiums?

- A) The color of the applicant's car
- B) Age, health status, and lifestyle factors
- C) Marital status only
- D) Educational background

## 4. What does comprehensive auto insurance typically cover?

- A) Only collision damage
- B) Damage from theft, vandalism, weather, and other non-collision events
- C) Only liability for other drivers
- D) Routine maintenance costs

Answers: 1-B 2-B 3-B 4-B

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