

# AD BANKER COMPREHENSIVE 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. Under what conditions is there a limit to how much premium can be deposited into an annuity?**
  - A. If the annuity is funding a qualified retirement plan and the IRS imposes a limit on that type of plan
  - B. If the stock market falls by more than 25%
  - C. If the producer has sold more annuity premiums than their quota
  - D. If interest rates rise more than 10%
- 2. A company that is licensed to sell insurance in a particular state is:**
  - A. A domiciled company
  - B. A nonadmitted company
  - C. An authorized company
  - D. A foreign company
- 3. All of the following are elements of a contract, except:**
  - A. Offer and acceptance
  - B. Legal purpose
  - C. Authority
  - D. Consideration
- 4. Coordination of Benefits is designed to reduce what when an insured is covered under multiple health plans?**
  - A. Continuation of coverage
  - B. Overinsurance
  - C. Extension of benefits
  - D. Excess coverage
- 5. In an annuity with a Joint Life Payment Option, what does the survivor receive upon the first annuitant's death?**
  - A. The remaining period certain
  - B. The undistributed balance
  - C. The same amount they were receiving together
  - D. Nothing

- 6. What type of income benefits received by an employee are subject to taxation in proportion to the premium paid by the employer?**
- A. Medical
  - B. Long-Term Care
  - C. Disability
  - D. Dental
- 7. An applicant who fails two examinations for the same line of authority must wait \_\_\_\_\_ to take another examination for that line of authority.**
- A. 1 year
  - B. 2 years
  - C. 6 months
  - D. 3 months
- 8. If a company wishes to share information about a customer's health with a third party, what must the customer do?**
- A. The customer must opt-out of allowing disclosure immediately
  - B. The company must pay a fee to the customer before the information may be shared
  - C. The customer must pay a fee for this privilege
  - D. The customer must actively opt-in to allowing the disclosure
- 9. What feature allows policyholders to modify their death benefit in certain types of life insurance policies?**
- A. Rider modifications
  - B. Convertible option
  - C. Adjustable benefit
  - D. Flexible premium
- 10. Cranston, who previously earned \$70,000 annually, now earns \$25,000 part-time. What classification is he likely to fall under?**
- A. Partially disabled
  - B. Permanently disabled
  - C. Completely disabled
  - D. Totally disabled

## **Answers**

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

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## **Explanations**

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**1. Under what conditions is there a limit to how much premium can be deposited into an annuity?**

- A. If the annuity is funding a qualified retirement plan and the IRS imposes a limit on that type of plan**
- B. If the stock market falls by more than 25%
- C. If the producer has sold more annuity premiums than their quota
- D. If interest rates rise more than 10%

*The correct answer highlights the regulations surrounding qualified retirement plans, which are designed to encourage individuals to save for retirement while also adhering to tax laws. In the case of a qualified retirement plan, such as an IRA or 401(k), there are specific contribution limits set by the IRS. These limits exist to maintain the tax-advantaged status of these plans, ensuring that contributions do not exceed certain thresholds. When an annuity is utilized as part of a qualified retirement plan, it is important for the annuity holder to stay within these limits to avoid tax penalties. Therefore, if a premium is being deposited into an annuity that is funding a qualified retirement plan, it must comply with the IRS-imposed limits on contributions. This compliance is essential to ensuring that the tax benefits associated with the annuity remain intact and that the investor does not face unnecessary tax liabilities. The other options presented do not pertain to specific regulatory limitations imposed on annuity premiums. While market conditions and interest rate fluctuations may impact the performance of the annuity, they do not directly impose limits on the amount that can be deposited. Additionally, sales quotas for producers do not determine the deposit limits for annuities. Thus, the focus on IRS contribution limits underlines the importance*

**2. A company that is licensed to sell insurance in a particular state is:**

- A. A domiciled company
- B. A nonadmitted company
- C. An authorized company**
- D. A foreign company

*A company that is licensed to sell insurance in a particular state is referred to as an authorized company. This status indicates that the company has received approval from the state's insurance regulatory authority, allowing it to conduct business and offer insurance products within that state. Being an authorized company is essential for ensuring that the insurance provider meets state regulations, which are designed to protect consumers and maintain the integrity of the insurance market. In contrast, companies that are not authorized in a state, such as nonadmitted companies, do not have the necessary licensing to operate there and are typically subject to different regulatory conditions. Domiciled companies are those that are incorporated in a particular state, but this does not necessarily relate to whether they are authorized to sell insurance in that state. Foreign companies, meanwhile, are insurance providers that are incorporated in one state but operate in other states, which may or may not include being authorized in those additional locations. Thus, understanding the terminology and regulatory framework surrounding insurance companies is critical for recognizing the implications of a company's licensing status within various states.*

### 3. All of the following are elements of a contract, except:

- A. Offer and acceptance
- B. Legal purpose
- C. Authority**
- D. Consideration

A contract is formed when certain essential elements are present. These include an offer and acceptance, legal purpose, and consideration. Let's break down these elements: Offer and acceptance refer to the mutual agreement between parties where one party proposes a deal (the offer), and the other party agrees to it (acceptance). This mutual assent is foundational to forming a contract. Legal purpose ensures that the contract is for a lawful reason and does not involve illegal activities. Contracts with illegal objectives are void and unenforceable. Consideration is the value exchanged between parties, which can be in the form of money, services, or goods. This exchange must occur for a contract to have enforceable obligations. The concept of authority pertains more to the capacity of the parties to enter into a contract, which is important but not classified as a fundamental element of a contract itself. Authority ensures that the individuals have the legal ability to engage in the contract, but it is not one of the core elements that defines a contract's existence. In summary, while authority is an important aspect of contractual relationships, it is not classified as one of the essential elements that makes a contract valid. Hence, it is the correct answer for what is not an element of a contract.

### 4. Coordination of Benefits is designed to reduce what when an insured is covered under multiple health plans?

- A. Continuation of coverage
- B. Overinsurance**
- C. Extension of benefits
- D. Excess coverage

Coordination of Benefits (COB) is a process established to manage the complexities that arise when an individual is covered by more than one health insurance plan. The primary aim of COB is to prevent overinsurance, which occurs when a person has more health coverage than necessary, leading to excessive benefits that exceed the actual costs of care. When an insured has multiple plans, COB ensures that the total amount paid does not exceed the actual medical expenses incurred. This means that the plans work together to allocate the payment of claims effectively, rather than allowing the insured to receive double payments for the same service, which could lead to financial waste and exploitation of the insurance system. By implementing these policies, COB helps to maintain the integrity of health insurance by keeping the costs manageable. Therefore, the correct answer highlights the focus on reducing overinsurance, which is essential for maintaining fair practices in the health insurance industry.

**5. In an annuity with a Joint Life Payment Option, what does the survivor receive upon the first annuitant's death?**

- A. The remaining period certain
- B. The undistributed balance
- C. The same amount they were receiving together

**D. Nothing**

*In a Joint Life Payment Option for an annuity, when the first annuitant passes away, the surviving annuitant typically continues to receive payments based on the joint agreement established at the outset. This arrangement contrasts sharply with the notion that the survivor would receive nothing. Instead, the surviving annuitant receives the same amount they were receiving while both annuitants were alive, which ensures that the surviving spouse or partner maintains financial support. The Joint Life option is specifically designed to provide income assistance for both parties for as long as either individual is alive. Therefore, it is clear that upon the death of the first annuitant, the survivor continues to benefit from the annuity, receiving payments as established in the annuity contract, thus offering protection and financial security. Understanding this aspect of annuity options and the mechanics behind them is crucial for individuals planning for retirement and making informed decisions about their financial futures.*

**6. What type of income benefits received by an employee are subject to taxation in proportion to the premium paid by the employer?**

- A. Medical
- B. Long-Term Care

**C. Disability**

D. Dental

*Disability benefits received by an employee are subject to taxation based on the premium paid by the employer. The Internal Revenue Service (IRS) stipulates that if an employer pays the full premium for a disability insurance policy, any benefits received by the employee as a result of that policy will typically be taxable income. If the employee pays the premiums on the policy with after-tax dollars, the received benefits are generally not subject to income tax. This framework helps ensure that the tax treatment of benefits matches the contributions made. In contrast, the tax treatment for medical, long-term care, and dental benefits varies and does not follow the same proportionality rule regarding employer premiums and taxable income. Understanding this distinction is important for both employees and employers for financial planning and tax implications.*

**7. An applicant who fails two examinations for the same line of authority must wait \_\_\_\_\_ to take another examination for that line of authority.**

- A. 1 year
- B. 2 years
- C. 6 months
- D. 3 months**

*The correct answer is based on the regulations governing insurance examinations. After failing two examinations for the same line of authority, an applicant is generally required to wait for a period of 3 months before they are eligible to retake the exam. This waiting period is set to ensure that candidates have sufficient time to review and study the material they struggled with previously, which can enhance their chances of passing on the next attempt. The rationale behind this specific timeframe is to promote better preparation and understanding of the material related to that line of authority, rather than allowing candidates to retake the exam repeatedly in a short span of time, which may not contribute to improved knowledge or competency in the field. Other waiting periods such as 1 year or 2 years are too lengthy and would discourage individuals from pursuing licensure, while a shorter period like 6 months does not provide enough time for adequate preparation. Therefore, the established 3-month waiting period strikes a balance between giving candidates the opportunity to succeed and ensuring they have time to reflect and prepare appropriately.*

**8. If a company wishes to share information about a customer's health with a third party, what must the customer do?**

- A. The customer must opt-out of allowing disclosure immediately
- B. The company must pay a fee to the customer before the information may be shared
- C. The customer must pay a fee for this privilege
- D. The customer must actively opt-in to allowing the disclosure**

*The requirement for a customer to actively opt-in to allowing the disclosure of their health information to a third party is rooted in privacy laws designed to protect personal health information. This principle aligns with regulations such as the Health Insurance Portability and Accountability Act (HIPAA), which mandates that individuals must give explicit consent before their health information can be shared outside the healthcare provider or system. Opting in indicates that the customer acknowledges and agrees to the specific sharing of their health data, providing the company with the necessary permission to proceed. This ensures that customers have control over who accesses their sensitive information, thus reinforcing their privacy rights. In contrast, the other options involve concepts that do not accurately reflect the legal or ethical requirements surrounding the sharing of health information. The notion of opting out or paying fees does not align with the standard practices or laws regarding consent for sharing health data. Therefore, the requirement for an active opt-in reinforces the customer's right to privacy and the importance of informed consent in the handling of their personal health information.*

**9. What feature allows policyholders to modify their death benefit in certain types of life insurance policies?**

- A. Rider modifications
- B. Convertible option
- C. Adjustable benefit**
- D. Flexible premium

*The feature that allows policyholders to modify their death benefit in certain types of life insurance policies is known as the adjustable benefit. This option provides the policyholders with the flexibility to increase or decrease the death benefit based on their changing needs and circumstances over time. This can be particularly valuable for individuals who may experience significant life changes, such as marriage, childbirth, or the need to pay off debts, allowing them to tailor their coverage accordingly. In contrast, riders are additional features or benefits that can be attached to a policy but do not inherently allow for adjustment of the death benefit itself. The convertible option typically refers to a feature that allows term insurance to be converted into permanent insurance but does not provide for modification of the death benefit amount. Lastly, flexible premium relates to the premium payment structure rather than the ability to adjust the death benefit, indicating how premiums can vary rather than how the coverage itself can be altered.*

**10. Cranston, who previously earned \$70,000 annually, now earns \$25,000 part-time. What classification is he likely to fall under?**

- A. Partially disabled
- B. Permanently disabled
- C. Completely disabled**
- D. Totally disabled

*The classification that Cranston is likely to fall under is "completely disabled." This classification is typically used for individuals who are unable to perform any gainful employment due to a disabling condition. In Cranston's case, the significant drop in his earnings from \$70,000 to \$25,000 suggests that his ability to work has been substantially impaired. The term "completely disabled" indicates that he is unable to perform the tasks required for his previous job or any job that would match his skills or prior income. While he is currently working part-time, the substantial income reduction illustrates that he is not functioning at his full potential in the workforce. Understanding terminology related to disability classifications is crucial. "Partially disabled" might imply that an individual can still perform some work or activities; however, Cranston's drastic reduction in income reflects a more severe inability to generate income akin to his prior full-time capacity. The terms "permanently disabled," "totally disabled," and "completely disabled" can often be used interchangeably in some contexts, but "completely disabled" is more definitive regarding the inability to maintain regular employment. This context solidifies the choice that reflects Cranston's status based on the presented information.*

## 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://adbanker.examzify.com>

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

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