

AD Banker Life Insurance Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

- 1. What is a statement of good health?**
 - A. A receipt of premium payment**
 - B. A record of medical history**
 - C. A document confirming unchanged health status since application**
 - D. A summary of the insurance policy terms**
- 2. What is a primary function of stockholders in a stock insurance company?**
 - A. To provide customer service**
 - B. To elect a Board of Directors**
 - C. To manage day-to-day operations**
 - D. To handle underwriting processes**
- 3. What is a key characteristic of participating policies?**
 - A. They guarantee dividends**
 - B. They do not return unused premium**
 - C. They may provide non-taxable dividends**
 - D. They are issued by alien insurers**
- 4. Which type of life insurance policy provides a death benefit that varies based on the performance of investments?**
 - A. Whole life**
 - B. Variable life**
 - C. Term life**
 - D. Universal life**
- 5. Why is it essential to avoid adverse selection in life insurance?**
 - A. It reduces the total number of policies sold**
 - B. It raises the premiums for all insureds**
 - C. It leads to financial loss for insurance companies**
 - D. It ensures immediate payouts to applicants**

- 6. Under what condition can one convert term life insurance into a permanent plan?**
- A. At the insured's discretion**
 - B. If specified in the policy**
 - C. After a certain age**
 - D. Only with additional premiums**
- 7. How can a policy be delivered legally?**
- A. By email confirmation**
 - B. Through a phone call with the applicant**
 - C. Personal delivery with signed receipt or registered/certified mail**
 - D. By notifying the applicant via SMS**
- 8. Who is the primary source of information for the Medical Information Bureau (MIB)?**
- A. Physicians**
 - B. Hospitals**
 - C. Insurers**
 - D. Producer's agencies**
- 9. Which of the following elements is NOT required for a legal contract?**
- A. Competent parties**
 - B. Legal purpose**
 - C. Mutual agreement**
 - D. Consideration**
- 10. How many parts does a life insurance application have?**
- A. One**
 - B. Two**
 - C. Three**
 - D. Four**

Answers

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

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Explanations

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1. What is a statement of good health?

- A. A receipt of premium payment
- B. A record of medical history
- C. A document confirming unchanged health status since application**
- D. A summary of the insurance policy terms

A statement of good health is a document that confirms that an individual's health status has not changed since their application for insurance. This statement is typically required by insurers when a policy is being issued, especially if there has been a gap between the application and the issuance of the policy. The purpose of this document is to ensure that the insurer has up-to-date information about the applicant's health, which is crucial for underwriting purposes. When an applicant submits a statement of good health, it assures the insurer that there are no new health issues or changes that could affect the risk assessment. This is particularly important because any significant changes in health could influence the terms of the insurance policy or even eligibility for coverage. The other choices do not represent a statement of good health. A receipt of premium payment simply indicates that payment has been made but does not address health status. A record of medical history provides background information about an individual's past health but does not confirm current health status. A summary of the insurance policy terms outlines the coverage and conditions of the policy but does not pertain to the applicant's health at the time of issuance.

2. What is a primary function of stockholders in a stock insurance company?

- A. To provide customer service
- B. To elect a Board of Directors**
- C. To manage day-to-day operations
- D. To handle underwriting processes

In a stock insurance company, one of the primary functions of stockholders is to elect a Board of Directors. This is critical because the Board of Directors is responsible for the overall governance and strategic direction of the company. Stockholders, as owners of the company, have the right to influence decisions through their voting power during annual meetings. By electing the Board, stockholders ensure that their interests are represented and that the company is managed in a way that seeks to enhance shareholder value. This role is distinct from other functions listed in the options. While customer service, day-to-day management, and underwriting processes are essential to the operation of an insurance company, these activities are typically handled by company employees and management rather than by stockholders themselves. The governance role of the stockholders is pivotal since it fosters accountability within the management and aligns the company's operations with shareholder interests.

3. What is a key characteristic of participating policies?

- A. They guarantee dividends
- B. They do not return unused premium
- C. They may provide non-taxable dividends**
- D. They are issued by alien insurers

Participating policies are designed to share the financial success of the insurance company with policyholders through dividends. One key feature of these policies is that they may provide non-taxable dividends, which are distributed to policyholders based on the insurer's profitability and overall performance. This characteristic is particularly appealing since policyholders can benefit from these dividends without facing tax implications, enhancing the overall value of the policy. Dividends are typically not guaranteed, meaning that while they may be issued based on a company's earnings, there is no assurance of receiving a specific amount every year. This is important to note when considering the relationship between participating policies and the potential benefits they offer. The other options relate to different attributes or conditions that do not accurately describe the main feature of participating policies with respect to dividends. Understanding the concept of non-taxable dividends is crucial for recognizing how participating policies can enhance policyholder value and provide financial benefits over time.

4. Which type of life insurance policy provides a death benefit that varies based on the performance of investments?

- A. Whole life
- B. Variable life**
- C. Term life
- D. Universal life

Variable life insurance is designed to combine the features of both life insurance and investment. With this type of policy, the death benefit and possibly the cash value can fluctuate based on the performance of the investment options chosen by the policyholder. These options might include stocks, bonds, or mutual funds, which means that the insured can allocate premiums among these investment accounts. As a result, the cash value of the policy might grow more significantly than in whole life policies, which offer guaranteed growth and fixed premiums. In variable life insurance, the policyholder assumes the investment risk, and the policy's value can rise and fall with market conditions. If investments perform well, the insured may enjoy a higher death benefit and cash value. Conversely, if the investments underperform, both the death benefit and cash value could decrease. This feature sets variable life apart from other types of life insurance like whole life, term life, and universal life, which do not offer this variable investment component. Whole life provides a guaranteed death benefit and cash value accumulation at a fixed rate. Term life offers pure death benefit coverage for a specified period with no cash value component, while universal life combines flexible premiums with a cash value growth linked to interest rates, but it does not involve direct investment in securities.

5. Why is it essential to avoid adverse selection in life insurance?

- A. It reduces the total number of policies sold**
- B. It raises the premiums for all insureds**
- C. It leads to financial loss for insurance companies**
- D. It ensures immediate payouts to applicants**

Avoiding adverse selection in life insurance is crucial because it helps maintain the financial stability of insurance companies. Adverse selection occurs when individuals with higher risks are more likely to purchase insurance, while those at lower risks may opt out. This discrepancy can lead to a situation where the insurer is covering a disproportionately high number of high-risk clients. As a result, the claims made can exceed the premiums collected, resulting in financial losses for the company. In a well-balanced risk pool, insurance companies can predict their expenses accurately and set premiums accordingly. When adverse selection takes hold, not only do the insurance companies face immediate payout challenges, but it also jeopardizes their long-term ability to operate sustainably. Proper underwriting practices are essential to mitigate this risk and ensure that the premiums charged reflect the risk taken on by the insurer.

6. Under what condition can one convert term life insurance into a permanent plan?

- A. At the insured's discretion**
- B. If specified in the policy**
- C. After a certain age**
- D. Only with additional premiums**

The ability to convert term life insurance into a permanent plan primarily hinges on the provisions explicitly stated in the insurance policy. This means that the policy must contain a conversion option that outlines the circumstances under which the term can be converted. When the policy specifies conversion rights, it typically includes details such as the time frame during which conversion is allowed and the type of permanent plans available for conversion. This clause protects the policyholder's interests by ensuring they have the option to secure lifelong coverage as their circumstances change, provided the policy permits it. The other options present scenarios that might seem plausible but lack the foundational support that comes from the clear terms laid out in the policy. For instance, converting at the insured's discretion does not universally apply unless the policy allows it, and factors such as age or additional premiums can vary. Thus, having the conversion clearly specified in the policy is the key determinant for a successful conversion from term to permanent insurance.

7. How can a policy be delivered legally?

- A. By email confirmation
- B. Through a phone call with the applicant
- C. Personal delivery with signed receipt or registered/certified mail**
- D. By notifying the applicant via SMS

Delivering a policy legally requires a method that ensures the applicant receives the document in a secure and verifiable manner. Personal delivery with a signed receipt or using registered/certified mail provides a clear record of the delivery, which protects both the insurer and the policyholder. This method confirms that the policy has been received by the intended recipient, maintaining accountability and transparency in the transaction. Moreover, using certified mail adds a layer of assurance, as it requires a signature upon delivery, ensuring that the policy is received by the intended party. Using methods such as email, phone calls, or SMS lacks this essential verification component. While these methods can provide quick communication, they do not offer the same legal validity or documentation as requiring a physical signature, which is crucial for confirming acceptance of the terms of the policy. Thus, personal delivery with a signed receipt or reliable mailing options stands out as the most legally compliant method for policy delivery.

8. Who is the primary source of information for the Medical Information Bureau (MIB)?

- A. Physicians
- B. Hospitals
- C. Insurers**
- D. Producer's agencies

The primary source of information for the Medical Information Bureau (MIB) is insurers. MIB was established to facilitate the exchange of medical information among insurance companies to help them assess the risk associated with potential policyholders. When individuals apply for life insurance, insurers collect health-related information, including medical history and other relevant data. This information is then submitted to the MIB, where it becomes accessible to other member insurers during the underwriting process. The role of insurers is crucial because they provide the foundational data that is aggregated and shared within the MIB, ultimately assisting in the evaluation of applicants and helping to prevent insurance fraud. The MIB serves as a central repository to streamline this process for multiple insurers, making it a vital tool in the life insurance industry.

9. Which of the following elements is NOT required for a legal contract?

- A. Competent parties**
- B. Legal purpose**
- C. Mutual agreement**
- D. Consideration**

A legal contract must include several essential elements to ensure its validity and enforceability. Among these requirements, mutual agreement, also known as a "meeting of the minds," is indeed one of the critical components. This means that both parties must understand and agree to the terms of the contract. Competent parties refer to the necessity that those entering the contract must have the legal capacity to do so, which typically means they are of legal age and have sound mental capacity. Legal purpose signifies that the contract must be for a lawful reason; contracts for illegal activities cannot be enforced. Consideration is the value exchanged between the parties, which is another fundamental element; it could be in the form of money, services, or goods. The assertion that mutual agreement is the element not required for a legal contract is incorrect because it is, in fact, a foundational requirement. Each of the other elements has its place in the legal framework of contracts, while the notion of mutual agreement underpins the existence of a contract in the first place. Therefore, every valid contract must include mutual agreement, along with the other elements.

10. How many parts does a life insurance application have?

- A. One**
- B. Two**
- C. Three**
- D. Four**

A life insurance application typically consists of two main parts: the General Information section and the Medical Information section. The General Information part gathers essential details about the applicant, such as their name, contact information, date of birth, and other relevant personal information, as well as details about the desired policy. The Medical Information part focuses on the applicant's health history, including any pre-existing conditions, past medical treatments, and family health history. This section is crucial for the insurance company to assess the risk of insuring the individual and to determine the appropriate premium rates. Having these two distinct sections ensures that insurers obtain a comprehensive view of both the applicant's demographic and health information, which is essential for underwriting and risk assessment in the life insurance process.

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://adbankerlifeinsurance.examzify.com>

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