

AD Banker Life Insurance Practice Exam (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 is meant by 'Existing Insurer' in the context of policy replacement?

- A. The company that provides the highest premiums**
- B. The company whose policy is being replaced**
- C. The company that issues new policies**
- D. The insurance company responsible for claims**

2. Who owns a stock insurance company?

- A. The policyholders**
- B. The state government**
- C. The stockholders/shareholders**
- D. The insurance agents**

3. What is the primary purpose of life insurance?

- A. To provide income during retirement**
- B. To accumulate savings over time**
- C. To protect against financial loss from unexpected death**
- D. To provide a tax shelter**

4. What is the primary purpose of buying life insurance in relation to estate taxes?

- A. To provide a living benefit to the insured**
- B. To ensure proceeds are available for paying estate taxes**
- C. To increase the estate value for heirs**
- D. To replace income for beneficiaries**

5. What typically happens if a policyowner increases the face amount of a Universal Life policy?

- A. No evidence of insurability is required**
- B. Proof of insurability is always required**
- C. The policy automatically adjusts the premiums**
- D. The cash value also increases**

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

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

7. Which of the following riders does NOT waive the premiums in the event of a disability?

- A. Guaranteed Insurability**
- B. Waiver of Monthly Deduction**
- C. Payor Benefit**
- D. Waiver of Premium**

8. What must an applicant sign to enable the release of the Attending Physician's Statement (APS)?

- A. A written release**
- B. Oral consent**
- C. Financial agreement**
- D. Policy acceptance**

9. What is a key characteristic of a life insurance beneficiary?

- A. They do not have any financial relationship with the insured**
- B. They must be a family member only**
- C. They are entitled to receive policy proceeds upon the insured's death**
- D. They are responsible for managing the policy**

10. What report must an agent include information on hazardous hobbies due to discrepancies on an application?

- A. Medical Information Bureau Report**
- B. Underwriter's Report**
- C. Agent's Report**
- D. Conditional receipt**

Answers

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

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Explanations

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1. What is meant by 'Existing Insurer' in the context of policy replacement?

- A. The company that provides the highest premiums
- B. The company whose policy is being replaced**
- C. The company that issues new policies
- D. The insurance company responsible for claims

The term 'Existing Insurer' refers specifically to the company whose policy is being replaced in a policy replacement scenario. This is important to understand within the life insurance context, as it involves the process of evaluating the existing policy and potentially moving to a new policy with a different insurer. When an insurance agent discusses replacement, they focus on the existing coverage and its terms, how it compares to a new policy being considered, and the implications for the policyholder. The existing insurer plays a crucial role here because the policyholder must understand what they are giving up and the significance of the coverage and benefits of the existing policy. This informs the decision-making process for the policyholder when evaluating whether the replacement policy offers better terms or benefits. The other options do not accurately define 'Existing Insurer' in this context. Premiums may vary between insurers and don't define the existing insurer. New policies are issued by a different company and claims responsibility typically falls to the insurer currently holding the relevant policy, not necessarily the existing insurer if a replacement is being considered.

2. Who owns a stock insurance company?

- A. The policyholders
- B. The state government
- C. The stockholders/shareholders**
- D. The insurance agents

A stock insurance company is owned by its stockholders or shareholders, who invest capital into the company by purchasing its shares. This structure allows shareholders to benefit from the company's profits in the form of dividends and increases in stock value. In contrast to mutual insurance companies, which are owned by policyholders and typically focus on serving their members' needs, stock insurance companies are often driven by profit motives, looking to maximize returns for their investors. The shareholders elect a board of directors to make strategic decisions regarding the company's operations, including how to price policies and manage risk. This ownership structure leads to a focus on generating profits, which can influence various aspects of the company's products and services. Understanding this ownership model is crucial, particularly when evaluating the differences between types of insurance companies and how their ownership impacts policyholder experience, corporate governance, and overall business objectives.

3. What is the primary purpose of life insurance?

- A. To provide income during retirement
- B. To accumulate savings over time
- C. To protect against financial loss from unexpected death**
- D. To provide a tax shelter

The primary purpose of life insurance is to protect against financial loss resulting from an unexpected death. This type of insurance offers a death benefit to designated beneficiaries, ensuring that they receive financial support in the event of the policyholder's passing. This can help cover various expenses such as funeral costs, outstanding debts, and the daily living expenses of dependents, thereby providing financial security during a challenging time. While there are other benefits associated with life insurance, such as retirement income, savings accumulation, or potential tax advantages, these do not represent the main objective. The fundamental role of life insurance is to serve as a safety net for loved ones, ensuring they are not left in a vulnerable financial position due to the premature loss of an income provider.

4. What is the primary purpose of buying life insurance in relation to estate taxes?

- A. To provide a living benefit to the insured
- B. To ensure proceeds are available for paying estate taxes**
- C. To increase the estate value for heirs
- D. To replace income for beneficiaries

The primary purpose of buying life insurance in relation to estate taxes is to ensure that there are sufficient proceeds available to cover these taxes after the policyholder passes away. Estate taxes can be significant and may require liquid assets to pay. By having a life insurance policy in place, the beneficiaries receive a death benefit that can be utilized specifically for covering those estate tax obligations. This financial planning strategy helps prevent the need for heirs to liquidate other assets at potentially unfavorable times to cover these tax liabilities, thereby protecting the estate's overall value and ensuring a smoother transfer of wealth to the next generation. Other options focus on different aspects of financial planning. Providing a living benefit addresses needs while the insured is alive, increasing estate value is not directly related to the function of life insurance in estate tax scenarios, and replacing income for beneficiaries pertains more to income protection rather than estate tax considerations.

5. What typically happens if a policyowner increases the face amount of a Universal Life policy?

- A. No evidence of insurability is required**
- B. Proof of insurability is always required**
- C. The policy automatically adjusts the premiums**
- D. The cash value also increases**

When a policyowner increases the face amount of a Universal Life policy, proof of insurability is typically required. This means that the policyowner must demonstrate their health status and provide information that assures the insurer of their risk level. This requirement allows the insurance company to properly assess and price the increased risk associated with the higher coverage amount. In Universal Life policies, the face amount refers to the death benefit of the policy; increasing it may impose additional risk on the insurer. Since the insurer needs to evaluate whether the policyowner's health remains acceptable, they will usually require medical underwriting or other forms of proof of insurability before agreeing to the increase. While some policies might have provisions for increasing coverage without evidence of insurability under specific circumstances, this is generally not the standard practice for Universal Life policies when face amounts are raised. The other options, such as automatic premium adjustments or increases in cash value, do not typically relate directly to the requirement for proof of insurability.

6. 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.

7. Which of the following riders does NOT waive the premiums in the event of a disability?

- A. Guaranteed Insurability**
- B. Waiver of Monthly Deduction**
- C. Payor Benefit**
- D. Waiver of Premium**

The rider that does not waive premiums in the event of disability is the Guaranteed Insurability rider. This rider allows policyholders to purchase additional coverage at specified times without providing evidence of insurability, typically when certain life events occur, such as marriage or the birth of a child. While it offers valuable benefits by securing the opportunity to increase coverage, it does not provide any provisions regarding the waiver of premiums based on a disability. In contrast, the Waiver of Monthly Deduction rider, Payor Benefit, and Waiver of Premium riders are specifically designed to address premium payments during times of disability. The Waiver of Premium rider eliminates the obligation to pay premiums if the insured becomes disabled, while the Waiver of Monthly Deduction rider applies to certain types of policies to cover the monthly costs during a period of disability. The Payor Benefit rider is designed primarily to waive premiums for a policy on a child's life if the policyholder becomes disabled. Each of these riders provides assistance with premium payments when disability occurs, which the Guaranteed Insurability rider does not offer.

8. What must an applicant sign to enable the release of the Attending Physician's Statement (APS)?

- A. A written release**
- B. Oral consent**
- C. Financial agreement**
- D. Policy acceptance**

To enable the release of the Attending Physician's Statement (APS), an applicant must sign a written release. This written release is a formal authorization that permits the physician to share medical information with the insurance company, which is crucial for underwriting the life insurance policy. The insurance company needs this information to evaluate the applicant's health status accurately and assess the risk associated with providing coverage. A simple verbal agreement or oral consent does not provide sufficient legal standing for the physician to disclose sensitive medical information, as privacy laws require explicit written consent. Other options, such as a financial agreement or policy acceptance, do not specifically address the need for authorization related to the release of medical records. Thus, the signed written release is essential for compliance with legal requirements and ensuring that the applicant's rights are upheld during the application process.

9. What is a key characteristic of a life insurance beneficiary?

- A. They do not have any financial relationship with the insured
- B. They must be a family member only
- C. They are entitled to receive policy proceeds upon the insured's death**
- D. They are responsible for managing the policy

A key characteristic of a life insurance beneficiary is that they are entitled to receive policy proceeds upon the insured's death. This means that when the insured person passes away, the beneficiary, who is named in the policy, will receive the death benefit as specified in the insurance contract. Beneficiaries can be individuals, such as family members, friends, or even organizations, making it a flexible role rather than limited to just family members. This designation is crucial as it ensures that the financial support intended by the policyholder is directed to the chosen recipient at a time when it may be greatly needed. Other options do not accurately represent the role of a beneficiary. For instance, suggesting that they must only be family members is too restrictive, as policies can allow for a wide range of beneficiaries. Additionally, while beneficiaries do not need a financial relationship with the insured, their role is focused on receiving benefits rather than managing the policy itself, which is typically the responsibility of the policyholder or a designated agent. Therefore, recognizing the entitlement of beneficiaries to policy proceeds clearly reflects their essential purpose in life insurance arrangements.

10. What report must an agent include information on hazardous hobbies due to discrepancies on an application?

- A. Medical Information Bureau Report
- B. Underwriter's Report
- C. Agent's Report**
- D. Conditional receipt

The Agent's Report is crucial in the insurance application process, particularly when it comes to disclosing information about hazardous hobbies. An agent's professional responsibility includes thoroughly documenting any inconsistencies or significant details noted during the application process. If there are discrepancies related to hazardous hobbies, the agent must include this information in their report to the insurer. By providing this detailed account, the agent aids the underwriters in assessing the risk involved in issuing a policy. This is especially important because hazardous hobbies can significantly affect a person's insurability and the terms of the policy offered. The Agent's Report ensures that the insurer has a complete picture of the applicant's risk factors, which assists in making informed decisions regarding coverage and premiums.

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!

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