

# Alaska 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**

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- 1. Which nonforfeiture option is automatically selected by the insurer if the policyowner does not specify one?**
  - A. Paid-up additions**
  - B. Extended policy**
  - C. Reduced paid-up**
  - D. Cash surrender**
- 2. What dividend option can increase the death benefit of the existing life policy?**
  - A. Cash Payment**
  - B. Paid-up Additions**
  - C. Annual Dividend Option**
  - D. Loan Option**
- 3. Upon surrendering a life insurance policy, which portion of the cash value is taxed?**
  - A. The entire cash value**
  - B. None of the cash value**
  - C. Only the portion in excess of the premium paid**
  - D. The amount equal to the premiums paid**
- 4. How soon can income payments begin in an immediate annuity?**
  - A. No later than 1 year from the purchase of the annuity**
  - B. Immediately upon purchase**
  - C. Within 6 months from the purchase**
  - D. At least 2 years after the purchase**
- 5. When an applicant misstates her age on a life insurance application, what impact does it have on the death benefit?**
  - A. The death benefit will be voided**
  - B. The applicant will be denied coverage**
  - C. The death benefit will be adjusted based on correct age**
  - D. The premium will increase**

**6. What qualified plan is suitable for the self-employed?**

- A. 401(k)**
- B. HR-10 or Keogh**
- C. Simple IRA**
- D. Roth IRA**

**7. At what age can a policy typically become fully paid in a whole life insurance plan?**

- A. 55 years old**
- B. 65 years old**
- C. 100 years old**
- D. 75 years old**

**8. In variable universal life insurance, what does the term "variable" refer to?**

- A. Cash value and death benefit**
- B. Premium payments**
- C. Policy loans**
- D. Interest rates**

**9. Which of the following plans is typically used to set aside funds for retirement while allowing for higher annual contribution limits?**

- A. Traditional IRA**
- B. 401(k)**
- C. SIMPLE IRA**
- D. Health Savings Account**

**10. What is the primary purpose of a life insurance policy?**

- A. To provide investment growth**
- B. To cover health insurance expenses**
- C. To provide financial support to beneficiaries upon the insured's death**
- D. To accumulate cash value for retirement**

## **Answers**

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

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## **Explanations**

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**1. Which nonforfeiture option is automatically selected by the insurer if the policyowner does not specify one?**

- A. Paid-up additions**
- B. Extended policy**
- C. Reduced paid-up**
- D. Cash surrender**

The correct answer is that the extended policy is the nonforfeiture option that is automatically selected by the insurer if the policyowner does not specify a choice. In the context of life insurance, nonforfeiture options are important provisions that protect the policyholder's investment in a policy when they can no longer pay premiums. The extended term option allows the policyholder to utilize the cash value accumulated in the policy to purchase a new term policy for the same face amount as the original policy. This ensures that the insured maintains coverage for a specific period without requiring additional premium payments. The automatic selection of the extended policy as the nonforfeiture option serves to benefit the policyholder by providing continued life insurance coverage, thus protecting their interests in the event of lapsing due to non-payment. This is particularly significant for policyholders who may be unable to make premium payments due to financial difficulties but still wish to maintain some level of protection for their beneficiaries.

**2. What dividend option can increase the death benefit of the existing life policy?**

- A. Cash Payment**
- B. Paid-up Additions**
- C. Annual Dividend Option**
- D. Loan Option**

Choosing the paid-up additions option allows policyholders to use their dividends to purchase additional coverage without requiring further underwriting. This approach effectively increases the death benefit of the existing life policy. Each paid-up addition becomes a small whole life policy that increases the overall death benefit and also can accumulate cash value over time. This strategy is advantageous because it not only raises the insurance amount without necessitating more premium payments but also offers the benefit of enhanced cash accumulation potential. In contrast, the other options do not directly contribute to an increase in the death benefit of the existing policy. Cash payments simply provide the policyholder with the dividends in cash, thus not improving coverage. The annual dividend option typically refers to the method of dividend distribution rather than directly influencing death benefit growth. The loan option allows borrowing against the cash value of the policy, which might diminish the death benefit if not repaid but does not add to it.

**3. Upon surrendering a life insurance policy, which portion of the cash value is taxed?**

- A. The entire cash value**
- B. None of the cash value**
- C. Only the portion in excess of the premium paid**
- D. The amount equal to the premiums paid**

When a policyholder surrenders a life insurance policy, taxation comes into play regarding the cash value that has accumulated within the policy. The pertinent tax principle here is that the policyholder is taxed only on the amount of the cash value that exceeds the total premiums paid into the policy. In other words, if a policyholder has paid a total of \$20,000 in premiums but the cash value at the time of surrender is \$25,000, only the \$5,000 that is the excess over the paid premiums would be taxable. This taxation reflects the gains or earnings on the policy, rather than the amount that has already been contributed through premiums, which are not considered taxable income since they were already taxed when earned. The options illustrating what portion of the cash value is taxed relate to this concept: the entire cash value would imply taxing both the contributions and gains, which is not accurate. Claiming none of the cash value is taxed does not align with tax regulations since any excess over premiums is subject to tax. Taxing the amount equal to the premiums paid also misrepresents the taxation process because that portion is simply a return of investment rather than taxable income. Thus, understanding that tax is levied only on gains above the original investment

**4. How soon can income payments begin in an immediate annuity?**

- A. No later than 1 year from the purchase of the annuity**
- B. Immediately upon purchase**
- C. Within 6 months from the purchase**
- D. At least 2 years after the purchase**

In the context of immediate annuities, income payments typically begin right away, which aligns with option B, stating that payments can commence immediately upon purchase. Immediate annuities are specifically designed to start providing income soon after the initial investment, usually within one payment period, which is often within the first month. Option A suggests that income payments can begin no later than one year from the purchase of the annuity. While this statement is technically correct, as it allows for payments to commence anytime within that year, it does not capture the essence of immediate annuities, which are meant to start payments more quickly. The objective of an immediate annuity is to create a stream of income almost instantaneously following the premium payment, making it an attractive option for individuals looking for immediate income, such as retirees. So, while starting payments within a year is feasible, it's not representative of the immediate nature of the product. In contrast, the remaining options indicate either a delay in payments or a time frame that goes beyond the intent of immediate annuities, which is not typical for this type of financial product. In summary, immediate annuities are established to provide income payments very soon after the purchase, with common practice allowing for monthly payments

**5. When an applicant misstates her age on a life insurance application, what impact does it have on the death benefit?**

- A. The death benefit will be voided**
- B. The applicant will be denied coverage**
- C. The death benefit will be adjusted based on correct age**
- D. The premium will increase**

When an applicant misstates her age on a life insurance application, the impact on the death benefit is that it will be adjusted based on the correct age. Life insurance premiums and benefits are calculated based on various risk factors, with age being one of the most significant. If the insured's age is understated (that is, they claim to be younger than they really are), the insurer typically adjusts the death benefit payout to reflect what the policy would have provided had the correct age been reported. This means that if the insured passes away, the payout will be recalculated based on their actual age at the time of application, which often results in a lower benefit than what was initially expected if the age misstatement reflects a younger age. Conversely, if the applicant overstated their age, the insurer may still honor the policy but adjust the rates accordingly. This adjustment ensures that the insurer can manage the risk appropriately. Hence, the correct answer reflects how the insurance process seeks to maintain fairness and accuracy in underwriting by aligning the death benefit with the proper risk assessment based on the insured's real age.

**6. What qualified plan is suitable for the self-employed?**

- A. 401(k)**
- B. HR-10 or Keogh**
- C. Simple IRA**
- D. Roth IRA**

The HR-10, also known as Keogh, is specifically designed for self-employed individuals and unincorporated businesses. This plan allows self-employed persons to contribute a significant amount of their earnings toward retirement savings, providing both a defined contribution and defined benefit option. The flexibility in contribution limits makes it particularly attractive as it allows contributions based on the business's income, enabling self-employed individuals to maximize their retirement savings based on their financial situation. In contrast, while a 401(k) can also be used by the self-employed, it is typically structured for businesses with employees and has different operational requirements. A Simple IRA is designed for small businesses and requires a minimum number of employees to be practical, making it less ideal for sole proprietorships. A Roth IRA is excellent as a retirement savings tool but has income limitations and lower contribution limits compared to a Keogh plan, which may not be as beneficial for someone self-employed looking to save maximally for retirement. Thus, the HR-10 or Keogh plan stands out as the most suitable and advantageous option for those who are self-employed, providing flexibility and potentially higher contributions suited to their income levels.

**7. At what age can a policy typically become fully paid in a whole life insurance plan?**

- A. 55 years old**
- B. 65 years old**
- C. 100 years old**
- D. 75 years old**

In a whole life insurance policy, the contract is designed to be fully paid at a certain age, often referred to as the maturity age. This is typically set at 100 years old for many whole life plans. By this age, the policy's accumulated cash value will generally equal the death benefit, allowing the policyholder to either access the cash value or have the policy mature, leading to a payout. Choosing 100 years old as the age at which the policy becomes fully paid aligns with standard industry practices. Many whole life policies offer guaranteed protection for life, which is why maturity is often set at this upper age limit. When a policy reaches this point, it serves as a testament to the longevity of coverage that whole life insurance provides to policyholders.

**8. In variable universal life insurance, what does the term "variable" refer to?**

- A. Cash value and death benefit**
- B. Premium payments**
- C. Policy loans**
- D. Interest rates**

The term "variable" in variable universal life insurance refers to the ability of both the cash value and the death benefit to fluctuate based on the performance of the investment options chosen by the policyholder. In a variable universal life policy, the cash value is invested in a variety of investment vehicles, such as stocks and bonds. As these investments perform well or poorly, the cash value can increase or decrease accordingly. Additionally, the death benefit can also change, as it is often tied to the cash value of the policy and may vary depending on the investment performance. This flexibility allows policyholders to potentially increase their cash value and death benefit over time, making it a unique feature of this type of insurance compared to whole life policies, which typically have fixed cash values and death benefits. The other aspects mentioned in the choices, such as premium payments, policy loans, and interest rates, do not capture the essence of the term "variable" in the context of this insurance product. Premium payments are typically flexible within certain limits, policy loans can be taken against the cash value, and interest rates may apply to the cash value depending on the policy's terms. However, none of these directly relate to the variability indicated by the term "variable."

**9. Which of the following plans is typically used to set aside funds for retirement while allowing for higher annual contribution limits?**

- A. Traditional IRA**
- B. 401(k)**
- C. SIMPLE IRA**
- D. Health Savings Account**

The 401(k) plan is designed primarily for retirement savings and offers higher contribution limits compared to other retirement accounts. This plan is employer-sponsored, and it allows employees to contribute a portion of their salary on a pre-tax basis, effectively reducing their taxable income. As of 2023, the contribution limit for 401(k) plans is significantly higher than that for IRAs, allowing individuals to save more for retirement in a tax-advantaged way. Additionally, many employers offer matching contributions, which can further increase the total retirement savings. Because of these features, the 401(k) is a popular choice for individuals looking to maximize their retirement savings potential while benefiting from tax breaks during their working years. In contrast, the other plans mentioned, such as the Traditional IRA and SIMPLE IRA, have lower contribution limits and different eligibility rules that make them less suitable for individuals aiming for higher annual contributions. A Health Savings Account focuses on medical expenses rather than retirement savings, which makes it irrelevant in this context.

**10. What is the primary purpose of a life insurance policy?**

- A. To provide investment growth**
- B. To cover health insurance expenses**
- C. To provide financial support to beneficiaries upon the insured's death**
- D. To accumulate cash value for retirement**

The primary purpose of a life insurance policy is to provide financial support to beneficiaries upon the death of the insured. Life insurance is fundamentally designed to offer a financial safety net that can assist beneficiaries in covering various expenses that may arise as a result of the loss. These could include funeral costs, outstanding debts, or everyday living expenses that the deceased's income previously supported. While investment growth, cash value accumulation, and health insurance coverage are aspects related to some products in the insurance and financial markets, they do not fundamentally define the primary goal of life insurance. The essential function remains the provision of a death benefit to insured individuals' beneficiaries, ensuring financial stability during a challenging time. This feature helps families maintain their standard of living when faced with the loss of income and can play a pivotal role in their financial planning.

# 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://aklifeinsurance.examzify.com>**

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

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