

ALASKA LIFE INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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. Which nonforfeiture option typically provides coverage for the longest time period?**
 - A. Extended term
 - B. Paid-up additions
 - C. Reduced paid-up
 - D. Cash surrender value
- 2. What financial benefit do employees receive from participating in a qualified retirement plan?**
 - A. Immediate access to funds
 - B. Tax advantages
 - C. No penalties for withdrawals
 - D. Higher paychecks
- 3. 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
- 4. Which retirement plan allows contributions pretax, reducing taxable income?**
 - A. Roth IRA
 - B. Health Savings Account
 - C. Traditional IRA
 - D. Brokerage Account
- 5. Under Option B in a universal life policy, what happens to the death benefit?**
 - A. The death benefit remains constant
 - B. The death benefit increases each year by the amount of the cash value increases
 - C. The death benefit decreases over time
 - D. The death benefit is only paid if the premium is current

- 6. What is the main purpose of the 7-pay Test?**
- A. To determine if a policy is tax-exempt
 - B. To determine if a life insurance policy is a Modified Endowment Contract
 - C. To establish the premium payment schedule
 - D. To evaluate the cash value growth
- 7. What is considered a standard classification in risk rating for life insurance?**
- A. High risk customers
 - B. Average health individuals
 - C. Preferred customers
 - D. Substandard applicants
- 8. Which situation does NOT constitute a breach of the insurance policy's terms?**
- A. The insured fails to disclose prior health conditions
 - B. The insurer does not pay out claims upon policy maturity
 - C. The insurance application is not included in the policy documentation
 - D. The insured continues to pay premiums on time
- 9. What is the main benefit of the accelerated death benefit rider?**
- A. Increases the death benefit
 - B. Provides funds for terminal illnesses
 - C. Decreases premium payments
 - D. Extends coverage duration
- 10. What option allows a policyowner to receive a death benefit in fixed installments over a specified period?**
- A. Permanent insurance
 - B. Fixed-period settlement option
 - C. Term insurance
 - D. Accelerated benefit

Answers

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

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Explanations

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1. Which nonforfeiture option typically provides coverage for the longest time period?

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

The option that typically provides coverage for the longest time period is reduced paid-up insurance. When a policyholder chooses the reduced paid-up option, their policy's cash value is used to purchase a single premium, paid-up policy for a reduced death benefit. This means that the policy remains in force for a longer time than if the cash surrender value were taken or if extended term insurance were chosen. This is primarily because the reduced paid-up policy does not require further premiums to keep it active. As long as the insured is alive, this policy will provide coverage until the insured's death, making it advantageous for those seeking longevity in their life insurance coverage without further financial commitment. In contrast, the extended term option allows the policy's cash value to purchase a term policy for a specified period. While this option does provide coverage, it is for a limited term and will eventually expire when that term ends. Paid-up additions involve using dividends to buy additional insurance, which adds benefits but doesn't extend the overall policy length in the same way. Choosing cash surrender value means the policyholder gives up their coverage entirely in exchange for a lump sum, thus terminating any coverage completely. Accordingly, reduced paid-up insurance offers a lasting protection that can often extend through the insured's lifetime,

2. What financial benefit do employees receive from participating in a qualified retirement plan?

- A. Immediate access to funds
- B. Tax advantages**
- C. No penalties for withdrawals
- D. Higher paychecks

Participating in a qualified retirement plan offers employees significant tax advantages. Contributions made to these plans, such as a 401(k) or an IRA, are often made with pre-tax dollars, meaning that employees can reduce their taxable income for the year in which they contribute. This provision allows employees to defer taxes on their contributions and any investment gains until they withdraw the funds, typically in retirement, when they may be in a lower tax bracket. Additionally, some plans may offer tax credits or other incentives that enhance these benefits. The penalty for early withdrawals and immediate access to funds are generally contrary to the purpose of retirement plans, which aim to encourage long-term savings. Higher paychecks are not necessarily a direct benefit of participating in a retirement plan; while some employers may match contributions, the participation itself does not increase the paycheck amount in the short term. Thus, the core benefit lies in the tax-advantaged nature of these plans, making them a critical part of an employee's financial planning for retirement.

3. 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.

4. Which retirement plan allows contributions pretax, reducing taxable income?

- A. Roth IRA
- B. Health Savings Account
- C. Traditional IRA**
- D. Brokerage Account

The choice of a Traditional IRA is correct because contributions made to this type of retirement account are typically tax-deductible, allowing individuals to contribute income before taxes are taken out, thereby reducing their taxable income for that year. This feature is particularly beneficial for individuals looking to lower their taxable income in the present while saving for retirement. With a Traditional IRA, the taxes on contributions are deferred until withdrawals are made during retirement, at which point individuals may be in a lower tax bracket, providing an additional tax advantage. This contrasts with options like a Roth IRA, where contributions are made with after-tax dollars and withdrawals are tax-free in retirement, but do not reduce current taxable income. A Health Savings Account (HSA) does allow for pretax contributions, but it is specifically meant for medical expenses rather than retirement savings. A Brokerage Account does not provide any tax advantages regarding contributions, as it involves after-tax income and is subject to capital gains tax on earnings. Thus, the Traditional IRA stands out for its ability to lower taxable income directly with contributions.

5. Under Option B in a universal life policy, what happens to the death benefit?

- A. The death benefit remains constant
- B. The death benefit increases each year by the amount of the cash value increases**
- C. The death benefit decreases over time
- D. The death benefit is only paid if the premium is current

In a universal life insurance policy, choosing the option for increasing death benefits typically means that the death benefit is designed to grow as the cash value of the policy increases. As premiums are paid, a portion goes towards the policy's cash value accumulation, which can rise due to interest and any dividends, if applicable. This accumulation directly influences the death benefit under this option because it allows for the death benefit to increase by the amount of cash value growth, ensuring that the policy maintains and potentially enhances its protection over time. A consistent increase in cash value leads to a corresponding increase in the death benefit. This feature is appealing for policyholders looking to ensure that the death benefit sufficiently covers future financial needs, especially considering inflation or increasing financial obligations. Other options do not provide the same beneficial structure for increasing coverage. The choice of a constant death benefit would not change regardless of cash value growth, and a decreasing benefit option undermines the purpose of insurance. Lastly, linking the death benefit solely to the status of premium payments does not accurately reflect how coverage interacts with cash value in universal life policies. Thus, the dynamic growth feature represented in the correct answer aligns closely with how universal life insurance is designed to function.

6. What is the main purpose of the 7-pay Test?

- A. To determine if a policy is tax-exempt
- B. To determine if a life insurance policy is a Modified Endowment Contract**
- C. To establish the premium payment schedule
- D. To evaluate the cash value growth

The main purpose of the 7-pay Test is to determine if a life insurance policy qualifies as a Modified Endowment Contract (MEC). This classification is critical because it affects the tax treatment of the policy. Under federal tax law, a policy that fails the 7-pay Test is considered a MEC and is subject to different tax rules, particularly concerning distributions. If a policy qualifies as a MEC, any withdrawals or loans taken from the policy may be subject to income tax and potentially a penalty tax if the policyholder is younger than 59 ½. The 7-pay Test calculates whether the total premiums paid in the first seven years of the policy exceed the allowable amount as outlined by the Internal Revenue Code. If the total premiums exceed this limit, the policy is classified as a MEC, triggering the associated tax implications. Thus, understanding the purpose of this test is vital for both policyholders and insurance professionals to ensure compliance with tax laws and to make informed decisions about the policy's financial implications.

7. What is considered a standard classification in risk rating for life insurance?

- A. High risk customers
- B. Average health individuals**
- C. Preferred customers
- D. Substandard applicants

A standard classification in risk rating for life insurance typically refers to individuals who are considered to be average health. This designation is crucial in the underwriting process, as insurers evaluate potential policyholders based on their health, lifestyle, and medical history. Those classified as average health do not exhibit significant health concerns or risk factors that could lead to higher mortality rates, making them more likely to qualify for insurance at standard premium rates. Insurers use this classification to create a baseline for assessing risk and determining premiums. Average health individuals usually do not have any chronic illnesses, are not engaged in high-risk activities, and generally have a lower likelihood of requiring substantial medical intervention in the near future. This understanding allows insurers to manage risk effectively while ensuring that coverage remains affordable and accessible for the majority of applicants.

8. Which situation does NOT constitute a breach of the insurance policy's terms?

- A. The insured fails to disclose prior health conditions
- B. The insurer does not pay out claims upon policy maturity
- C. The insurance application is not included in the policy documentation
- D. The insured continues to pay premiums on time**

Continuing to pay premiums on time is a key element in maintaining an insurance policy. When the insured makes timely premium payments, they are honoring their contractual obligation, which is essential for keeping the policy active and in good standing. This action does not violate any terms of the insurance policy; instead, it reflects compliance with the agreed-upon terms between the insured and the insurer. In contrast, the other scenarios represent potential breaches of policy terms. Failing to disclose prior health conditions may lead to issues regarding the validity of the policy if those conditions affect risk assessment. If the insurer does not pay out claims upon policy maturity, this could indicate a violation of the contractual obligations outlined in the policy. Additionally, if an insurance application is not included in the policy documentation, it can raise questions about the validity and enforceability of the policy itself. Therefore, making timely premium payments is the only situation that clearly does not constitute a breach of the insurance policy's terms.

9. What is the main benefit of the accelerated death benefit rider?

- A. Increases the death benefit
- B. Provides funds for terminal illnesses**
- C. Decreases premium payments
- D. Extends coverage duration

The main benefit of the accelerated death benefit rider is that it allows the insured to access a portion of their death benefit while they are still alive, specifically for expenses related to terminal illnesses. This feature is especially valuable for policyholders who are diagnosed with a terminal condition and may need financial assistance to cover medical bills, end-of-life care, or other related costs. By having this rider, individuals can alleviate some of the financial burdens during a difficult time, allowing them to focus on their care and their loved ones without the added stress of their finances. This rider is beneficial because it offers a safety net in critical situations, ensuring that the insured can make important decisions regarding their health care and personal affairs while having access to funds that would typically be unavailable until after death.

10. What option allows a policyowner to receive a death benefit in fixed installments over a specified period?

- A. Permanent insurance
- B. Fixed-period settlement option**
- C. Term insurance
- D. Accelerated benefit

The option that allows a policyowner to receive a death benefit in fixed installments over a specified period is the fixed-period settlement option. This arrangement is designed to provide beneficiaries with a steady stream of income for a predetermined duration following the policyholder's death. The fixed installments can help the beneficiaries manage their finances by providing regular payments that can be budgeted for expenses or savings. This approach to disbursing benefits offers clarity and security, as the policyholder may wish for their loved ones to have a structured payout that enables them to maintain financial stability during a difficult time. The specifics of the installments, including the amount and the duration of the payout period, are typically selected at the time the policy is taken out or can be chosen by the beneficiaries after the claim is made. In contrast, permanent insurance and term insurance relate more to the type and duration of coverage. Permanent insurance provides lifelong coverage, while term insurance offers protection for a specified period without guaranteed payouts if the insured survives the term. The accelerated benefit is a feature that allows policyholders to access a portion of the death benefit early if they are diagnosed with a terminal illness, but it does not pertain specifically to fixed installments over time.

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://aklifeinsurance.examzify.com>

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

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