

# Arkansas Life and Health 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. What is the purpose of a free-look period in an insurance policy?**
  - A. Allows the insured to modify the policy**
  - B. Allows the insured to cancel the policy for a refund**
  - C. Allows the insured to lower the premiums**
  - D. Allows the insured to transfer the policy**
- 2. What is the primary purpose of the Arkansas Life and Health Insurance Guaranty Association?**
  - A. To regulate unfair trade practices in insurance**
  - B. To provide funding and resources to state insurance departments**
  - C. To ensure compensation for clients of insolvent insurers**
  - D. To set premium rates for insurers**
- 3. Jay receives an annual disability benefit of \$10,000. His employer contributed 75% of the premium. How much of Jay's benefit is subject to income tax?**
  - A. \$2,500**
  - B. \$5,000**
  - C. \$7,500**
  - D. \$10,000**
- 4. Regarding COBRA, which of the following is not true?**
  - A. It covers participants who have resigned for 36 months following the date of their resignation**
  - B. It extends group health coverage**
  - C. It is available for employees and their families**
  - D. It requires continued premium payments**
- 5. According to Arkansas law, a resident insurance agent in the state of Arkansas:**
  - A. Must be a high school graduate**
  - B. Must be at least 18 years old**
  - C. Must have a college degree**
  - D. Must hold a business license**

**6. Why should a producer collect a premium at the time the application is completed?**

- A. Because it serves as a binding contract**
- B. It ensures the application is processed faster**
- C. It proves the applicant's financial stability**
- D. Without it, coverage cannot go into effect, as there would be a lack of consideration**

**7. Which statement is FALSE regarding Nonforfeiture Options?**

- A. They ensure that cash value is not forfeited if the policy lapses**
- B. They provide options like extended term insurance or reduced paid-up insurance**
- C. They are used when the insured lives to the endowment date of the policy or at the insured's death**
- D. They include the cash surrender value option**

**8. What is the penalty for a producer who accepts business from an unlicensed producer?**

- A. License suspension**
- B. License revocation**
- C. Monetary fine**
- D. Additional training requirements**

**9. Edward applies for a disability insurance policy. He pays the initial premium at the time of application and receives a conditional receipt. Three days after the insurance company conducts a medical examination, but before it issues a policy, Edward suffers a stroke. Upon reviewing the results of his medical exam, the company discovers that Edward has been diagnosed with high blood pressure and atherosclerosis. Under the terms of the conditional receipt, the insurance company:**

- A. Approves the claim and issues the policy as applied for**
- B. Denies the claim because Edward failed to disclose his high blood pressure**
- C. Denies the claim because the insurer would not have issued the policy as applied for as standard or better**
- D. Issues a reduced benefit policy**

**10. Which of the following provisions is commonly included in health insurance policies to limit the insurer's liability?**

- A. Grace Period**
- B. Legal Actions**
- C. Misstatement of Age**
- D. Physical Exam and Autopsy**

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## **Answers**

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

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## **Explanations**

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**1. What is the purpose of a free-look period in an insurance policy?**

- A. Allows the insured to modify the policy**
- B. Allows the insured to cancel the policy for a refund**
- C. Allows the insured to lower the premiums**
- D. Allows the insured to transfer the policy**

The purpose of a free-look period in an insurance policy is to allow the insured to review the policy after purchase and make changes if needed without any financial penalties. This period typically ranges from 10 to 30 days after the policy is issued. During this time, the insured can modify the policy, including making adjustments to coverage amounts or riders, or even cancel the policy for a full refund if they are not satisfied with the terms or coverage provided. This ensures that the policyholder has sufficient time to consider their decision and make any necessary adjustments without being locked into a policy that may not meet their needs.

**2. What is the primary purpose of the Arkansas Life and Health Insurance Guaranty Association?**

- A. To regulate unfair trade practices in insurance**
- B. To provide funding and resources to state insurance departments**
- C. To ensure compensation for clients of insolvent insurers**
- D. To set premium rates for insurers**

The correct answer is C. The primary purpose of the Arkansas Life and Health Insurance Guaranty Association is to ensure compensation for clients of insolvent insurers. This association provides a safety net for policyholders in case their insurance company becomes insolvent and is unable to fulfill its financial obligations. This helps to protect consumers and maintain confidence in the insurance industry. Option A is incorrect because the regulation of unfair trade practices in insurance is typically the responsibility of insurance regulatory authorities, not the guaranty association. Option B is incorrect as the guaranty association is focused on providing compensation to policyholders rather than providing funding and resources to state insurance departments. Option D is also incorrect as the guaranty association's role is not to set premium rates for insurers, but rather to protect policyholders in the event of insurer insolvency.

**3. Jay receives an annual disability benefit of \$10,000. His employer contributed 75% of the premium. How much of Jay's benefit is subject to income tax?**

- A. \$2,500**
- B. \$5,000**
- C. \$7,500**
- D. \$10,000**

In the context of disability insurance benefits, the taxability of those benefits can depend largely on who funded the premiums for the policy. Since Jay's employer contributed 75% of the premium for his disability policy, this portion would typically be considered taxable income to him when benefits are received. In this scenario, Jay receives an annual benefit of \$10,000. To determine how much of that benefit is subject to income tax, we first calculate the portion of the premium that was paid by Jay versus what was covered by his employer. Since the employer paid 75%, Jay contributed the remaining 25%. Thus, if we break down the \$10,000 benefit: - 75% of the benefits would be taxable because that portion corresponds to the employer's contribution. - This amounts to \$7,500 being taxable. Conversely, the portion of the benefit corresponding to Jay's own contribution would not be taxable. Jay contributed 25%, which equates to \$2,500 of the total benefit that he personally funded and is therefore tax-free. This breakdown brings us back to understanding that since the taxable portion is determined by the employer's contribution, the benefit amount that Jay is required to recognize as taxable income is indeed \$

**4. Regarding COBRA, which of the following is not true?**

- A. It covers participants who have resigned for 36 months following the date of their resignation**
- B. It extends group health coverage**
- C. It is available for employees and their families**
- D. It requires continued premium payments**

The statement that is not true regarding COBRA is that it covers participants who have resigned for 36 months following the date of their resignation. In reality, COBRA coverage typically lasts for up to 18 months after resigning from a job. Therefore, option A is incorrect. The other options are true statements about COBRA: it extends group health coverage, is available for employees and their families, and requires continued premium payments.

**5. According to Arkansas law, a resident insurance agent in the state of Arkansas:**

- A. Must be a high school graduate**
- B. Must be at least 18 years old**
- C. Must have a college degree**
- D. Must hold a business license**

In the state of Arkansas, a resident insurance agent is required to be a high school graduate. This educational requirement ensures that individuals have a basic level of education before being licensed to sell insurance products to consumers. Having a high school diploma demonstrates a level of commitment and ability to successfully complete a formal education. This requirement helps to uphold the professionalism and trustworthiness of insurance agents operating in Arkansas. The other options are not correct: B. Must be at least 18 years old - Although being 18 years old is a common requirement for many licensing processes, in Arkansas, the specific educational requirement is being a high school graduate. C. Must have a college degree - While a college degree may be beneficial for an insurance agent and can provide additional knowledge and skills, it is not a mandatory requirement in Arkansas to become a resident insurance agent. D. Must hold a business license - While a business license may be necessary for operating a business, it is not a requirement for becoming a resident insurance agent in Arkansas.

**6. Why should a producer collect a premium at the time the application is completed?**

- A. Because it serves as a binding contract**
- B. It ensures the application is processed faster**
- C. It proves the applicant's financial stability**
- D. Without it, coverage cannot go into effect, as there would be a lack of consideration**

By collecting a premium at the time the application is completed, the producer ensures that there is consideration for the insurance contract. Consideration is a necessary element of a legal contract, and without it, the contract may not be valid or enforceable. Therefore, collecting the premium at the time of application allows the coverage to go into effect and the insurance policy to be in force. This is why the correct answer is D. Option A is incorrect because collecting a premium does not solely serve as a binding contract; other elements are required for a contract to be legally binding. Option B is incorrect because collecting a premium may not necessarily speed up the application process; the processing time can depend on various factors. Option C is incorrect because collecting a premium does not necessarily prove the applicant's financial stability; financial stability can be assessed through other means in the underwriting process.

**7. Which statement is FALSE regarding Nonforfeiture Options?**

- A. They ensure that cash value is not forfeited if the policy lapses**
- B. They provide options like extended term insurance or reduced paid-up insurance**
- C. They are used when the insured lives to the endowment date of the policy or at the insured's death**
- D. They include the cash surrender value option**

Nonforfeiture options are features of life insurance policies that protect the policyholder from losing the cash value of the policy if it lapses due to non-payment of premiums. These options provide alternatives such as extended term insurance or reduced paid-up insurance, allowing the policyholder to maintain some form of coverage even if they can no longer afford to pay premiums. Option A is the FALSE statement because nonforfeiture options specifically ensure that the policy's cash value is not forfeited if the policy lapses; therefore, it is incorrect to state that nonforfeiture options do not serve this purpose. Options B, C, and D are true statements regarding nonforfeiture options, highlighting the different choices available to policyholders in case of policy lapse or surrender.

**8. What is the penalty for a producer who accepts business from an unlicensed producer?**

- A. License suspension**
- B. License revocation**
- C. Monetary fine**
- D. Additional training requirements**

Accepting business from an unlicensed producer is a serious violation and can result in the revocation of a producer's license. This penalty is intended to deter producers from engaging in unethical practices and to protect consumers from fraud. Options A and D are incorrect because they do not reflect the severity of the violation. License suspension or additional training requirements may be given as a warning or for less serious violations. Option C is also incorrect as it does not address the specific violation of accepting business from an unlicensed producer.

**9. Edward applies for a disability insurance policy. He pays the initial premium at the time of application and receives a conditional receipt. Three days after the insurance company conducts a medical examination, but before it issues a policy, Edward suffers a stroke. Upon reviewing the results of his medical exam, the company discovers that Edward has been diagnosed with high blood pressure and atherosclerosis. Under the terms of the conditional receipt, the insurance company:**

- A. Approves the claim and issues the policy as applied for**
- B. Denies the claim because Edward failed to disclose his high blood pressure**
- C. Denies the claim because the insurer would not have issued the policy as applied for as standard or better**
- D. Issues a reduced benefit policy**

Under the terms of a conditional receipt, once an applicant like Edward pays the initial premium at the time of application and receives the conditional receipt, coverage is usually in force as of the date of the application or the date of the medical exam, whichever is later, provided that the applicant is insurable at the time of application. In this scenario, Edward paid the initial premium, received a conditional receipt, and then suffered a stroke before the policy was issued. However, because he was uninsurable at the time of application, the insurance company would approve the claim and issue the policy as applied for, as the coverage is considered to be in force from the date of application or the medical exam.

**10. Which of the following provisions is commonly included in health insurance policies to limit the insurer's liability?**

- A. Grace Period**
- B. Legal Actions**
- C. Misstatement of Age**
- D. Physical Exam and Autopsy**

The Grace Period provision is commonly included in health insurance policies to limit the insurer's liability. This provision gives the policyholder an additional period (typically 31 days) after the premium due date to pay the premium without the policy lapsing. By providing this grace period, the insurer is limiting its liability by giving the policyholder a chance to make up late payments without immediately terminating coverage. The other options (B, C, and D) are not provisions that typically limit the insurer's liability in health insurance policies. Legal Actions typically refer to the policyholder's rights in pursuing legal action against the insurer if necessary. Misstatement of Age relates to inaccuracies in the policyholder's age information affecting coverage or premiums. Physical Exam and Autopsy provisions are usually part of the claims process, determining the cause of death and verifying information but do not directly limit the insurer's liability.

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

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

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