FLORIDA 2-14 LIFE AND ANNUITY PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED 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. 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

1. **Under the suicide clause, if the insured dies by suicide within the specified period, what may occur?**
   A. Full death benefit
   B. Death benefit limited to premiums paid
   C. Policy voided
   D. No payout

2. **In a universal life policy, what determines the amount credited to cash value?**
   A. The credited interest rate (subject to minimum guarantees) minus policy charges; cash value grows with credited interest.
   B. The policy's face amount inflation factor.
   C. The insured's age determines cash value; not predetermined.
   D. The insurer's current profit margin determines the cash value.

3. **What is the function of a nonforfeiture option in a cash value life policy?**
   A. It guarantees access to cash value or a lower paid-up policy if premiums stop; options include cash surrender, extended term, and paid-up.
   B. It increases the death benefit automatically if premiums are missed.
   C. It permits premium payments to be skipped without affecting policy status.
   D. It converts term policy to universal life automatically.

4. **Who must sign the life insurance application?**
   A. A Applicant only
   B. B Agent, applicant, and insured
   C. C Insured and beneficiary
   D. D Insurer and agent

5. **Which statement best describes Florida's advertising guidelines for life insurance products?**
   A. Advertisements must be truthful, not misleading, clearly distinguish guaranteed values from non-guaranteed projections, and include required disclosures.
   B. Advertisements may include projections even if not guaranteed, as long as they are emphasized.
   C. Advertisements must only mention guaranteed values and avoid any disclosure of non-guaranteed projections.
   D. Advertisements are not subject to regulatory review if they are for term life.

6. **What happens to policy loans if the policy terminates with an outstanding loan?**

A. Loans are always canceled with no tax consequences.

B. Gains may be taxable.

C. The loan balance becomes a deductible expense.

D. The loan converts to a capital gain.

7. **Under a modified endowment contract (MEC), withdrawals may be subject to taxation and penalties.**

A. It has no cash value

B. Withdrawals may be taxable and penalized

C. Loans are always tax-free

D. It receives favorable tax treatment

8. **In Florida, what is the typical length of the grace period for a life insurance premium?**

A. 60 days

B. 30 to 31 days.

C. 90 days

D. 10 days

9. **Which of the following is NOT a nonforfeiture option?**

A. Level term rider

B. Cash surrender value

C. Reduced paid-up insurance

D. Extended term insurance

10. **What is used to determine the insurability of the applicant?**

A. A All of the above

B. B Attending physician statement

C. C Medical Information Bureau

D. D Paramedical exam

Answers

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

Explanations

1. **Under the suicide clause, if the insured dies by suicide within the specified period, what may occur?**

   A. Full death benefit

   B. Death benefit limited to premiums paid

   C. Policy voided

   D. No payout

A suicide clause limits the payout when death is by suicide within a short window after the policy starts. If death occurs by suicide during that period, the insurer doesn't pay the full face amount. Instead, the death benefit is limited to the premiums paid (the policy may be surrendered or the premium refunds handled per the contract). This protection helps prevent a policy from being used as a vehicle for a self-inflicted death to gain full benefits, while still recovering the cost of coverage to date. After that period, the standard death benefit would typically be payable if death occurs from any cause, subject to the policy terms.

2. **In a universal life policy, what determines the amount credited to cash value?**

   A. The credited interest rate (subject to minimum guarantees) minus policy charges; cash value grows with credited interest.

   B. The policy's face amount inflation factor.

   C. The insured's age determines cash value; not predetermined.

   D. The insurer's current profit margin determines the cash value.

In a universal life policy, the amount added to (or subtracted from) the cash value in a period comes from the interest credited to the cash value, limited by a minimum guaranteed rate, minus the policy charges. The insurer credits interest to the cash value based on current interest rates and the policy's credited rate (with a floor), and then deducts policy charges such as cost of insurance and admin fees. So the net change to cash value is the credited interest amount minus those charges. If the credited rate exceeds the charges, the cash value grows; if charges overwhelm the credited interest, the cash value can stay the same or decline. The face amount inflation factor, the insured's age as the sole determinant, or the insurer's profit margin do not directly set the credited cash value.

3. **What is the function of a nonforfeiture option in a cash value life policy?**

   A. It guarantees access to cash value or a lower paid-up policy if premiums stop; options include cash surrender, extended term, and paid-up.

   B. It increases the death benefit automatically if premiums are missed.

   C. It permits premium payments to be skipped without affecting policy status.

   D. It converts term policy to universal life automatically.

Nonforfeiture options protect a cash value life policy when you stop paying premiums. They guarantee you won't lose the policy value; instead, you can use the accumulated cash value in one of three ways. You can take a cash surrender, getting cash now; you can keep some coverage by converting to extended term insurance, which uses the cash value to purchase term protection for a set period; or you can reduce the death benefit and convert to a paid-up policy, which has no further premiums due. This ensures you either access value now or retain some life insurance with reduced or paid-up coverage. Other ideas don't fit because nonforfeiture isn't about increasing the death benefit automatically when premiums are missed, nor about skipping premiums without any impact, nor about automatically converting to a universal life policy.

4. Who must sign the life insurance application?

A. A Applicant only

B. B Agent, applicant, and insured

C. C Insured and beneficiary

D. D Insurer and agent

Signing a life insurance application involves three people: the applicant, the insured, and the agent. The applicant signs to confirm the information and request coverage. The insured signs to acknowledge their life is the subject of the policy and to consent to medical information or underwriting steps when applicable. The agent signs to certify they delivered the form, witnessed the signatures, and collected the required information. The insurer's signature isn't on the application, and the beneficiary isn't typically required to sign. This is why the combination of agent, applicant, and insured is the correct set of signees.

5. Which statement best describes Florida's advertising guidelines for life insurance products?

A. Advertisements must be truthful, not misleading, clearly distinguish guaranteed values from non-guaranteed projections, and include required disclosures.

B. Advertisements may include projections even if not guaranteed, as long as they are emphasized.

C. Advertisements must only mention guaranteed values and avoid any disclosure of non-guaranteed projections.

D. Advertisements are not subject to regulatory review if they are for term life.

Advertising for life insurance in Florida must be truthful and not misleading. When an ad shows numbers, it has to clearly separate guaranteed values from any non-guaranteed projections and include the required disclosures. This means you should see labeling that the projections are not guaranteed and explanations of the assumptions behind them, so consumers understand what is guaranteed by the policy versus what is merely projected. This clarity helps prevent giving a false impression of guaranteed performance. The other ideas fall short because they either push projections without proper labeling, omit important disclosures about non-guaranteed elements, or claim no regulatory oversight for term life, which isn't true.

6. What happens to policy loans if the policy terminates with an outstanding loan?

A. Loans are always canceled with no tax consequences.

B. Gains may be taxable.

C. The loan balance becomes a deductible expense.

D. The loan converts to a capital gain.

When a life insurance policy ends with an outstanding loan, the tax question hinges on gains in the policy. Loans against cash value aren't taxed while the policy remains in force, but at termination the payout is the cash surrender value minus the loan. Any portion of that payout that represents a gain—i.e., the amount above the total premiums paid into the policy—can be taxable as ordinary income. The loan balance itself isn't a deductible expense, and the situation isn't a capital gain conversion. So, the gains may be taxable.

7. Under a modified endowment contract (MEC), withdrawals may be subject to taxation and penalties.

A. It has no cash value

B. Withdrawals may be taxable and penalized

C. Loans are always tax-free

D. It receives favorable tax treatment

A modified endowment contract changes how withdrawals are taxed. Once a policy is classified as a MEC, any withdrawal is treated as a distribution of earnings first (the LIFO rule). The portion that comes from earnings is taxed as ordinary income, and if the withdrawal is taken before age 59½, a 10% early withdrawal penalty can apply to the taxable amount. Only the return of the cost basis (premiums paid) comes out tax-free. This is why withdrawals may be taxable and penalized under a MEC. The other statements don't fit: a MEC still has cash value, so "no cash value" is incorrect; loans from a MEC aren't guaranteed to be tax-free and can have tax consequences if treated as distributions; and a MEC does not receive favorable tax treatment for withdrawals.

8. In Florida, what is the typical length of the grace period for a life insurance premium?

A. 60 days

B. 30 to 31 days.

C. 90 days

D. 10 days

A premium grace period is the extra time after the due date during which a life insurance policy remains in force even if you haven't paid yet. In Florida, the typical length of this grace period is about a month—30 days, with many policies allowing up to 31 days to accommodate monthly payment cycles. This is why the 30 to 31 days option is the best choice: it reflects the standard window during which the policy stays active despite a late payment. If a claim occurs during the grace period and there's an overdue premium, the death benefit will be reduced by that unpaid amount. If the premium isn't paid by the end of the grace period, the policy can lapse.

9. Which of the following is NOT a nonforfeiture option?

A. Level term rider

B. Cash surrender value

C. Reduced paid-up insurance

D. Extended term insurance

Nonforfeiture options are built-in features that allow you to preserve some value or coverage if you stop paying premiums on a life policy. The common options are cash surrender value, reduced paid-up insurance, and extended term insurance. Cash surrender value lets you walk away with the accumulated cash value. Reduced paid-up insurance uses that cash value to buy a paid-up policy with a smaller death benefit. Extended term insurance converts the cash value into term insurance for the same death benefit for a limited period. A level term rider, however, is an add-on that provides extra term coverage while the policy remains in force; it isn't a result of surrender or lapse and doesn't preserve value through a nonforfeiture mechanism. Therefore, the level term rider is not a nonforfeiture option.

10. What is used to determine the insurability of the applicant?

A. A All of the above

B. B Attending physician statement

C. C Medical Information Bureau

D. D Paramedical exam

Underwriting uses multiple sources of health information to determine insurability. An attending physician statement provides detailed medical history and clarifications from the applicant's doctor. The Medical Information Bureau offers a centralized record of medical information shared by insurers to spot discrepancies or undisclosed conditions. A paramedical exam delivers current, objective health data through measurements, interview questions, and potential lab reports. Since insurers rely on a combination of these sources to form a complete picture of risk and set premiums, all of these tools are used. Therefore, the best answer is that all of the above are used to determine insurability.

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://florida0214lifeannuity.examzify.com

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