

Florida 2-14 Life Insurance License (214 License) 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

- 1. Under a trustee group life policy, who is eligible for a certificate of coverage?**
 - A. Dependents of employees**
 - B. Only the employer**
 - C. Employees**
 - D. Retired employees**
- 2. Which statement about the Misstatement of Age provision is true?**
 - A. Coverage will be terminated upon discovery**
 - B. Premiums will be refunded at full value**
 - C. Coverage will be adjusted to reflect the insured's true age**
 - D. Beneficiary rights are unaffected**
- 3. Which factor is typically NOT assessed during the underwriting process of life insurance?**
 - A. Beneficiary designation**
 - B. Health status**
 - C. Occupation**
 - D. Lifestyle habits**
- 4. Which of the following statements is CORRECT regarding the tax treatment of a lump-sum payment to a life insurance policy's primary beneficiary?**
 - A. Partial proceeds are taxable**
 - B. All proceeds are income tax free**
 - C. Only interest earned is taxable**
 - D. Proceeds are taxable based on the policy's cash value**
- 5. Who benefits from Investor-Originated Life Insurance (IOLI) upon the insured's death?**
 - A. The Beneficiary**
 - B. The Insurance Company**
 - C. The Policyowner (investor)**
 - D. The State**

- 6. What is included in the consideration clause of an insurance contract?**
- A. The schedule and amount of premium payments**
 - B. The timeline of coverage**
 - C. Terms and conditions of the policy**
 - D. Legal rights of policyholders**
- 7. An individual covered in a group life insurance policy is considered to be a(n):**
- A. Certificate Holder**
 - B. Policy Owner**
 - C. Beneficiary**
 - D. Insured Person**
- 8. P funds an annuity with monthly contributions for 15 years, after which it will provide retirement payments; what type of annuity is this?**
- A. Immediate Annuity**
 - B. Single Premium Annuity**
 - C. Deferred Annuity**
 - D. Flexible Annuity**
- 9. When a policyowner uses the cash value of a whole life policy, which nonforfeiture option allows them to convert this into a term insurance policy with an equal death benefit?**
- A. Reduced Paid-Up Insurance**
 - B. Extended Term Insurance**
 - C. Cash Surrender Value**
 - D. Automatic Premium Loan**
- 10. When considering converting a convertible term life policy to whole life, which factor is likely to affect the decision the most?**
- A. Insurance coverage amount**
 - B. Policy benefits**
 - C. The cost**
 - D. Beneficiary rights**

Answers

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

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Explanations

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1. Under a trustee group life policy, who is eligible for a certificate of coverage?

- A. Dependents of employees**
- B. Only the employer**
- C. Employees**
- D. Retired employees**

Under a trustee group life policy, the individuals eligible for a certificate of coverage are typically the employees of the organization participating in the group policy. This type of insurance is designed to provide life insurance benefits to a group rather than individual policies, and it's common for the coverage to specifically extend to active employees, ensuring they have access to life insurance protection while employed. While dependents of employees, employers themselves, or retired employees may have their own specific coverage options, they generally do not receive certificates of coverage under the standard provisions of a trustee group life policy. The policy is specifically aimed at providing coverage to current employees as part of their employment benefits, thereby fostering financial security in case of unforeseen events. This approach enhances employee retention and satisfaction while serving the needs of the workforce effectively.

2. Which statement about the Misstatement of Age provision is true?

- A. Coverage will be terminated upon discovery**
- B. Premiums will be refunded at full value**
- C. Coverage will be adjusted to reflect the insured's true age**
- D. Beneficiary rights are unaffected**

The statement about the Misstatement of Age provision that is true is that coverage will be adjusted to reflect the insured's true age. This provision is included in life insurance policies to address situations where the insured has inaccurately stated their age during the application process. If a policyholder's age is misrepresented, the insurance company has the right to adjust the benefits or premiums based on what the insured's age should have been at the time of application. This means that the life insurance coverage could be modified to reflect the premiums that would have been charged for the correct age, or the coverage amount could be recalculated based on the actual age. This adjustment helps maintain fairness in the insurance contract and ensures that the insurer is not at a disadvantage due to the misstatement. The other statements do not accurately reflect the typical handling of misstatements of age. For example, terminating the coverage entirely upon discovery would be too severe for a common error, and while refunds may occur, they do not usually happen at full value, as that would not reflect the adjusted premiums for the correct age. Additionally, beneficiary rights are generally not affected by the misstatement itself, as the policy remains in effect; however, the benefit amount may change based on the adjusted age.

3. Which factor is typically NOT assessed during the underwriting process of life insurance?

A. Beneficiary designation

B. Health status

C. Occupation

D. Lifestyle habits

During the underwriting process of life insurance, various factors are evaluated to determine the risk associated with insuring an applicant and to help set the appropriate premium. While all the factors mentioned are important in assessing risk, beneficiary designation is not typically one of them. The beneficiary designation pertains to who will receive the death benefit when the insured passes away. This selection is an administrative aspect and does not influence the risk assessment or the insurer's decision on whether to approve coverage or the terms of the policy. In contrast, health status, occupation, and lifestyle habits are critical in evaluating the applicant's risk level. Insurers analyze these elements to understand potential mortality risks; for instance, certain health conditions can indicate higher risk, while some occupations may expose individuals to more hazardous situations which would subsequently affect the underwriting decision. Focusing on these elements ensures that the insurer can appropriately price the policy based on the applicant's individual risk profile. Therefore, beneficiary designation does not contribute to the risk evaluation process, making it the factor that is not assessed during underwriting.

4. Which of the following statements is CORRECT regarding the tax treatment of a lump-sum payment to a life insurance policy's primary beneficiary?

A. Partial proceeds are taxable

B. All proceeds are income tax free

C. Only interest earned is taxable

D. Proceeds are taxable based on the policy's cash value

The statement indicating that all proceeds from a life insurance policy's lump-sum payment to the primary beneficiary are income tax-free is accurate. According to the Internal Revenue Code, the death benefit paid to the beneficiary is generally not subject to federal income tax. This tax-free treatment applies regardless of the policy's cash value or any premiums paid by the insured. The rationale behind this tax treatment is rooted in the principle that life insurance is designed to provide financial security for survivorship and should not impose an additional tax burden at the time of the policyholder's death. As a result, beneficiaries receiving the lump-sum payment can use the funds without worrying about income tax liabilities. For clarity, other options suggest scenarios in which proceeds could be taxable or partially taxable, but these do not apply to the primary beneficiary receiving the lump-sum death benefit. Thus, the correct view is that all proceeds are indeed income tax-free for the beneficiary.

5. Who benefits from Investor-Originated Life Insurance (IOLI) upon the insured's death?

- A. The Beneficiary**
- B. The Insurance Company**
- C. The Policyowner (investor)**
- D. The State**

Investor-Originated Life Insurance (IOLI) is a type of life insurance policy where an investor, who is not necessarily related to or has any personal interest in the insured, purchases a life insurance policy on the life of the insured party. When the insured passes away, the investor, as the policyowner, receives the death benefit. This structure is designed to capitalize on the life insurance payout for profit, making the investor the primary beneficiary in a sense, as they gain financially from the policy. The insurance company pays out the death benefit to the policyowner, who in this case is the investor, rather than the insured or their family. This differs from traditional life insurance policies, where the insured's beneficiaries, typically family members, would receive the death benefit. Understanding this dynamic is crucial in recognizing the unique nature of IOLI compared to standard life insurance arrangements, which are usually predicated on familial or closely connected relationships between the insured and the beneficiaries.

6. What is included in the consideration clause of an insurance contract?

- A. The schedule and amount of premium payments**
- B. The timeline of coverage**
- C. Terms and conditions of the policy**
- D. Legal rights of policyholders**

The consideration clause of an insurance contract is fundamentally about the exchange of value between the insurer and the insured. It specifies what each party is providing to the other, which in the case of the insured, is typically the payment of premiums. This is reflected in the schedule and amount of premium payments, which outlines how much and when the policyholder must pay to maintain coverage. This understanding is essential because it establishes the foundational aspect of the contract - the insurer's promise to pay benefits or provide coverage in exchange for the premiums paid by the policyholder. If the consideration is not adequately addressed, the contract may be rendered unenforceable. The other options touch on different components of an insurance contract: the timeline of coverage pertains to the duration that the policy is active, the terms and conditions clarify the specifics of the policy's provisions, and the legal rights of policyholders pertain to the protections and entitlements provided under the policy. While all these elements are important in understanding the overall policy, they do not directly represent the consideration clause, which focuses specifically on the premiums.

7. An individual covered in a group life insurance policy is considered to be a(n):

A. Certificate Holder

B. Policy Owner

C. Beneficiary

D. Insured Person

In the context of a group life insurance policy, the person who is covered under the policy is referred to as a certificate holder. This terminology signifies that the individual has a certificate that provides evidence of their coverage under the group plan. Unlike individual life insurance, where the policyholder is the insured and holds the contract with the insurer, in a group policy, the employer or organization typically holds the main policy. Each individual member covered by the policy receives a certificate outlining their specific benefits and coverage details. This is important because it differentiates the individual's rights and roles within the group policy framework. The insured person, while technically accurate, does not capture the relationship to the group policy structure as effectively as the certificate holder designation. The policy owner would typically refer to the entity that owns the policy—often the group itself, such as an employer—rather than the individuals covered. Beneficiaries are those who receive the death benefit upon the passing of the insured, which also does not apply to the definition of the covered individuals themselves.

8. P funds an annuity with monthly contributions for 15 years, after which it will provide retirement payments; what type of annuity is this?

A. Immediate Annuity

B. Single Premium Annuity

C. Deferred Annuity

D. Flexible Annuity

The correct answer is a deferred annuity. A deferred annuity is designed to accumulate funds over a period of time before any payouts begin. In this scenario, P contributes monthly for 15 years, which fits the definition of a deferred annuity since contributions are made during the accumulation phase, and retirement payments will commence after this period. The key feature of a deferred annuity is that the payout phase, or annuitization, starts at a later date than the accumulation phase, allowing the investment to grow over time. This structure often benefits individuals looking to save for retirement, as it allows for compound interest to increase the value of the annuity before withdrawals are made. Other types of annuities mentioned do not apply. An immediate annuity would provide payouts right after the premium is paid, a single premium annuity requires only a one-time lump sum payment instead of monthly contributions, and a flexible annuity allows for varying contribution amounts rather than fixed monthly payments. Thus, the nature of the contributions and the timing of the payouts clearly classify this as a deferred annuity.

9. When a policyowner uses the cash value of a whole life policy, which nonforfeiture option allows them to convert this into a term insurance policy with an equal death benefit?

A. Reduced Paid-Up Insurance

B. Extended Term Insurance

C. Cash Surrender Value

D. Automatic Premium Loan

The correct answer is that the extended term insurance nonforfeiture option allows a policyowner to convert the cash value of a whole life policy into a term insurance policy that provides an equal death benefit to the original whole life policy. When a policyholder decides to utilize this option, the insurance company calculates the amount of term insurance that can be purchased with the existing cash value while maintaining the same face amount as the original policy. This means that if the whole life policy has accumulated cash value, the policyholder can use that amount to continue enjoying life insurance coverage even if they can't or choose not to make premium payments. As a result, the extended term insurance allows the individual to have a level of protection without lapsing coverage due to non-payment. This option is particularly significant for policyholders who may not need whole life insurance in the long run or who might be facing financial difficulties yet still wish to keep a death benefit for their beneficiaries. The term insurance sourced through the extended term option is temporary and typically lasts for a specific period, depending upon the amount of cash value. In contrast, the reduced paid-up insurance option allows the policyholder to use the cash value to purchase a whole life policy with a reduced death benefit, which differs from the goal of

10. When considering converting a convertible term life policy to whole life, which factor is likely to affect the decision the most?

A. Insurance coverage amount

B. Policy benefits

C. The cost

D. Beneficiary rights

The decision to convert a convertible term life policy to whole life is significantly influenced by the cost associated with the whole life insurance coverage. Whole life insurance typically has higher premiums compared to term insurance due to its savings component and lifelong coverage. When evaluating a conversion, individuals must consider whether they can afford the increased costs while still meeting their financial obligations and goals. The premium is often a decisive factor because it affects the affordability and long-term sustainability of the policy. While the coverage amount, policy benefits, and beneficiary rights are important, the practicality of maintaining the policy over time hinges on its cost. If the premiums for whole life are unmanageable, an individual might decide against converting even if the other aspects seem beneficial. Hence, understanding the financial implications makes the cost the primary consideration in the conversion decision.

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://florida214insurance.examzify.com>

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