FLORIDA 2-14 LIFE INSURANCE LICENSE (214 LICENSE) PRACTICE EXAM (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. **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

2. **Which of the following describes a participating insurance policy?**
   A. Policyowners are entitled to receive dividends
   B. Policyowners have no voting rights
   C. Premiums are fixed and cannot change
   D. The policy guarantees a minimum payout

3. **Under which circumstance can a life insurance policy lapse?**
   A. Non-payment of premium
   B. Change of beneficiary
   C. Change of residence
   D. Switching from term to whole life

4. **The exchange of unequal values reflects:**
   A. Mutual Benefit
   B. Aleatory
   C. Adhesion
   D. Conditionality

5. **Which type of insurance company allows their policyowners to elect a governing body?**
   A. Stock Companies
   B. Mutual Companies
   C. Fraternal Organizations
   D. Nonprofit Organizations

6. Which of the following is an important underwriting principle of group life insurance?

A. Individual selection

B. Only high-risk individuals are covered

C. Everyone must be covered in the group

D. Coverage for only a portion of the group members

7. When is a term life policy considered effective?

A. Upon application submission

B. When the first premium is received

C. After underwriting approval

D. When the policy document is delivered and premium paid

8. If an individual wants an annuity that begins payments in the future after their contributions, what type should they select?

A. Immediate Annuity

B. Deferred Annuity

C. Single Premium Annuity

D. Joint Annuity

9. What law requires that an insurance application disclose the possibility of an investigative consumer report being obtained on an applicant?

A. The Health Insurance Portability and Accountability Act

B. The Insurance Information and Privacy Protection Act

C. The Fair Credit Reporting Act

D. The Public Records Act

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

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

Explanations

1. 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.

2. Which of the following describes a participating insurance policy?

A. Policyowners are entitled to receive dividends

B. Policyowners have no voting rights

C. Premiums are fixed and cannot change

D. The policy guarantees a minimum payout

A participating insurance policy is characterized by the entitlement of policyowners to receive dividends. These dividends are a distribution of the insurer's surplus, which can occur when the insurer performs better than expected, typically due to lower claims or higher than anticipated investment income. This structure allows policyowners, who are often also policyholders, to share in the profitability of the insurance company, giving them a vested interest in the company's success. While the other options provide various aspects of insurance policies, they do not define what makes a policy participating. For instance, the lack of voting rights usually pertains to non-participating policies or certain types of mutual insurance organizations, which does not apply to the definition of participating insurance. Fixed premiums and guaranteed minimum payouts are characteristics that can exist in both participating and non-participating policies but are not defining features of participating policies specifically. The key aspect of such policies is the potential for dividends, which distinguishes them from non-participating policies that do not provide this benefit.

3. Under which circumstance can a life insurance policy lapse?

A. Non-payment of premium

B. Change of beneficiary

C. Change of residence

D. Switching from term to whole life

A life insurance policy can lapse primarily due to non-payment of premium. When a policyholder fails to pay the required premiums on time, the insurance company may terminate the policy after a grace period. During this grace period, the policyholder has the opportunity to make the overdue payment without any loss of coverage. However, if the payment is not made, the policy will lapse, meaning that the coverage provided by the insurance is no longer in effect. The other options do not lead to a policy lapse. Changing the beneficiary, for instance, simply reallocates the future death benefit but does not affect the status of the policy itself. Similarly, changing one's residence or switching from term to whole life insurance are also administrative tasks that do not cause a policy to lapse. Instead, switching from term to whole life typically involves converting the policy without affecting its continuity. Therefore, non-payment of premium is the sole circumstance that directly leads to the lapse of a life insurance policy.

4. The exchange of unequal values reflects:

A. Mutual Benefit

B. Aleatory

C. Adhesion

D. Conditionality

The exchange of unequal values in an insurance contract is accurately represented by the concept of aleatory. In insurance, an aleatory contract is one where the performance or monetary value exchanged is not equal, and the outcome is largely dependent on uncertain events. For example, an individual might pay a relatively small premium in exchange for a potentially substantial benefit from the insurer, such as a death benefit. This element of chance, where one party may receive a much greater value than they paid into the contract, is the hallmark of aleatory contracts. This characteristic is fundamental to insurance products, where premiums collected are pooled to cover claims of the policyholders, leading to situations where the benefits may vastly outweigh the costs incurred by any single policyholder. Understanding this concept is essential for comprehending how insurance works and the basis of risks involved in these types of contracts.

5. Which type of insurance company allows their policyowners to elect a governing body?

A. Stock Companies

B. Mutual Companies

C. Fraternal Organizations

D. Nonprofit Organizations

Mutual companies are structured to allow policyowners to participate in the governance of the company. This means that the policyowners have the right to elect a board of directors, making decisions that can directly impact the management and policies of the company. One of the defining characteristics of a mutual company is that it is owned by its policyholders, who are also its customers. As a result, any profits made by the mutual company may be returned to the policyholders in the form of dividends or reduced premiums. In contrast, stock companies are owned by shareholders. These shareholders do not necessarily have to be policyholders, and they typically elect their own board of directors to oversee the company. Fraternal organizations often operate similarly to mutual companies but are specifically designed for members of a particular group or society. Nonprofit organizations don't typically sell insurance directly but may provide insurance as a secondary service, and they do not usually involve policyowners in governance in the same way that mutual companies do. The governance structure of mutual companies is designed to ensure that the interests of the policyholders are prioritized, distinguishing them from other types of insurance organizations.

6. Which of the following is an important underwriting principle of group life insurance?

A. Individual selection

B. Only high-risk individuals are covered

C. Everyone must be covered in the group

D. Coverage for only a portion of the group members

An important underwriting principle of group life insurance is that everyone must be covered in the group. This principle ensures that the risk is spread across a larger pool of individuals, which helps lower the overall cost of coverage for each member. By including all eligible members of a group, insurers can more accurately assess risk and maintain a balanced risk pool. In contrast to individual life insurance, where underwriting focuses on the health and risk profiles of individual applicants, group life insurance emphasizes collective underwriting. This is beneficial because it allows people who might have difficulty obtaining individual coverage due to health concerns to still be included in the group plan. When all members of a group are covered, the policy typically becomes more affordable, and those who might otherwise be seen as higher risks can still receive coverage, contributing to the collective risk-sharing aspect that is a hallmark of group insurance arrangements.

7. When is a term life policy considered effective?

A. Upon application submission

B. When the first premium is received

C. After underwriting approval

D. When the policy document is delivered and premium paid

A term life insurance policy is considered effective when the policy document is delivered to the insured and the premium is paid. This is because the delivery of the policy signifies that the insurer has formally accepted the risk and is agreeing to provide coverage. Until both the policy is delivered and the premium payment is made, there is no legally binding contract between the insurer and the insured. When the policy document is delivered, the insured is also given an opportunity to review the terms and details of the coverage. The requirement of premium payment further solidifies the agreement, as the insurer is compensated for the risk being taken on by issuing the policy. Thus, coverage genuinely begins at this point, when the insured has fulfilled both actions. Other scenarios, like submitting an application or receiving the first premium, do not establish coverage legally. An application merely starts the process and indicates intent to purchase, but it is not binding until the policy is delivered and paid for. Underwriting approval is a step necessary to assess risk, but coverage does not commence until the aforementioned conditions are met.

8. If an individual wants an annuity that begins payments in the future after their contributions, what type should they select?

A. Immediate Annuity

B. Deferred Annuity

C. Single Premium Annuity

D. Joint Annuity

The correct choice is to select a deferred annuity when an individual wants an annuity that begins payments in the future after their contributions. A deferred annuity allows the investor to make contributions or deposits, and the accumulation of funds grows tax-deferred until the individual is ready to receive the income payments at a later date. This product is particularly beneficial for people planning for retirement, as it provides the opportunity to grow their savings over time before they start drawing on those funds. Immediate annuities, in contrast, begin payments almost right away after a lump-sum investment. Single premium annuities refer specifically to an annuity funded by a single lump-sum payment, and while they can be immediate or deferred, the key feature is not the timing of payments. Joint annuities are designed to provide payments to two individuals, which also does not specifically address the need for payments to start in the future. Therefore, the focus on future payments makes the deferred annuity the clear choice for this scenario.

9. What law requires that an insurance application disclose the possibility of an investigative consumer report being obtained on an applicant?

A. The Health Insurance Portability and Accountability Act

B. The Insurance Information and Privacy Protection Act

C. The Fair Credit Reporting Act

D. The Public Records Act

The Fair Credit Reporting Act is the correct answer because this federal law was designed to promote accuracy, fairness, and privacy in the information collected by credit reporting agencies. It requires that consumers be informed if a consumer report, which can include an investigative consumer report, is going to be obtained for underwriting insurance applications or any other specific purpose. Under this Act, if an insurance company intends to use information from a consumer report when making decisions about coverage, the applicant must be notified, and they must also be given an opportunity to understand the nature of the report and how it will be used. This ensures transparency and protects consumers' rights regarding their personal information. The other laws mentioned do not specifically govern the disclosure of investigative consumer reports in the context of insurance applications. The Health Insurance Portability and Accountability Act primarily deals with the privacy of healthcare information, while the Insurance Information and Privacy Protection Act relates to the collection of personal information in the insurance industry without addressing consumer report disclosures. The Public Records Act pertains to the accessibility of public records and is not focused on the regulation of consumer reporting in the insurance context.

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!