

FLORIDA LAWS AND RULES PERTINENT TO INSURANCE PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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. What is the ownership structure of a stock insurance company?**
 - A. Owned entirely by its policyholders
 - B. Owned exclusively by its shareholders
 - C. Owned by the government
 - D. Owned by mutual fund investors
- 2. Which of the following best defines an insurance replacement transaction?**
 - A. Buying a policy without terminating the old one
 - B. Terminating an old policy without replacing it
 - C. Purchasing a new policy while ending an old policy
 - D. Consolidating multiple policies into one
- 3. Which of the following is an example of an Unfair Trade Practice?**
 - A. Transparency in policy terms
 - B. Coercion
 - C. Clear disclosure of risks
 - D. Providing comprehensive information
- 4. A policyowner wishing to sell their life insurance policy would sell it to which type of entity to receive a portion of its face value?**
 - A. Insurance company
 - B. Bank
 - C. Viatical settlement provider
 - D. Brokerage firm
- 5. What feature must Group Life policies in Florida include?**
 - A. Immediate cash value
 - B. A conversion privilege to an individual policy
 - C. Transferability to other insurers
 - D. Fixed premiums for life

- 6. What type of receipt is typically given to an applicant who pays the initial premium at the time of application?**
- A. Conditional receipt
 - B. Final receipt
 - C. Provisional receipt
 - D. Temporary receipt
- 7. Which health policy provision states that the agent cannot change the policy or waive its provisions?**
- A. Exclusions and Limitations
 - B. Entire Contract
 - C. Renewability
 - D. Grace Period
- 8. When must an agent deliver the Outline of Coverage to a Medicare Supplement applicant according to Florida law?**
- A. At the time of application
 - B. Within 10 days of application
 - C. At the time of policy issue
 - D. Before the first payment
- 9. Which of the following could lead to agent complaints against a company?**
- A. High customer retention rates
 - B. Misleading statements about policies
 - C. Effective communication strategies
 - D. Transparency in policy details
- 10. What is the primary difference between a mutual insurance company and a stock insurance company?**
- A. Mutual company is owned by shareholders
 - B. Stock company is owned by its policyholders
 - C. Mutual company provides higher dividends
 - D. Stock company is owned by its shareholders

Answers

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

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Explanations

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1. What is the ownership structure of a stock insurance company?

- A. Owned entirely by its policyholders
- B. Owned exclusively by its shareholders**
- C. Owned by the government
- D. Owned by mutual fund investors

A stock insurance company is structured in a way that it is owned exclusively by its shareholders. Shareholders are individuals or entities that invest in the company by purchasing stock, and they typically have a vested interest in the profitability and performance of that company. This structure allows stock insurance companies to raise capital by selling shares to investors, which can then be used to underwrite insurance policies and operate the business. In contrast to mutual insurance companies, which are owned by policyholders, stock insurance companies align their operations with the interests of shareholders, who may receive dividends based on the company's profitability. The governance and decision-making processes within stock insurance companies are heavily influenced by the needs and expectations of shareholders, making this ownership structure distinct and tailored toward generating returns on investments made by shareholders. Understanding this ownership structure is crucial for comprehending how stock insurers operate within the broader insurance market, including how they might differ in their financial strategies and customer focus compared to mutual insurers, which prioritize the benefits and rights of policyholders.

2. Which of the following best defines an insurance replacement transaction?

- A. Buying a policy without terminating the old one
- B. Terminating an old policy without replacing it
- C. Purchasing a new policy while ending an old policy**
- D. Consolidating multiple policies into one

An insurance replacement transaction is best defined as the process of purchasing a new policy while simultaneously terminating an existing policy. This definition captures the essence of what a replacement transaction entails, highlighting the transition from an old coverage to a new one. The significance of this process lies in ensuring that the insured is fully aware of the implications of replacing one policy with another, including any potential gaps in coverage and the benefits of the new policy being purchased. When a policy is replaced, the customer typically evaluates the features and costs associated with the new policy in relation to their previous coverage, which can help them make an informed decision about their insurance needs. It also often requires specific disclosures and procedures to follow under Florida law to ensure transparency and protect consumers from lapses in coverage. Other options are focused on different scenarios but do not encapsulate the core function of a replacement transaction. For instance, simply buying a new policy without terminating the old one doesn't constitute a replacement, as it may lead to redundant coverage. Terminating a policy without replacing it means the insured would have no coverage at all, which is not a replacement transaction. Consolidating multiple policies into one pertains to a different concept, focusing on streamlining coverage rather than replacing a specific insurance policy.

3. Which of the following is an example of an Unfair Trade Practice?

- A. Transparency in policy terms
- B. Coercion**
- C. Clear disclosure of risks
- D. Providing comprehensive information

Coercion is classified as an Unfair Trade Practice because it involves using threats or forceful tactics to persuade individuals to purchase insurance or to compel them to make decisions against their better judgment. This contradicts the principles of fair competition and ethical standards in the insurance industry. The expectation is that consumers should be able to make informed choices without pressure or intimidation. On the other hand, transparency in policy terms, clear disclosure of risks, and providing comprehensive information are all practices that promote clarity and understanding among consumers. These practices enhance the customer's ability to make informed decisions and foster trust between the insurer and the insured. Therefore, they do not constitute unfair trade practices but instead support ethical behavior within the insurance market.

4. A policyowner wishing to sell their life insurance policy would sell it to which type of entity to receive a portion of its face value?

- A. Insurance company
- B. Bank
- C. Viatical settlement provider**
- D. Brokerage firm

The correct answer is the viatical settlement provider because these entities specialize in purchasing life insurance policies from policyowners, typically individuals who are facing terminal illnesses. Policyowners seek to sell their policies to viatical settlement providers in exchange for a cash payment that is a percentage of the policy's face value. This transaction allows the seller to obtain immediate funds, which can be particularly important for covering medical expenses or other urgent financial needs. Viatical settlements are specifically designed to facilitate the transfer of life insurance policies, and these providers assess the policy's value based on the owner's life expectancy and the terms of the policy. In contrast, insurance companies mainly focus on underwriting and issuing new policies rather than purchasing existing ones. Banks might offer loans or lines of credit, but they do not engage in the purchase of life insurance policies. Brokerage firms primarily facilitate transactions in securities rather than life insurance policies, making them less relevant in this scenario. Thus, viatical settlement providers are uniquely positioned to offer the service sought by the policyowner.

5. What feature must Group Life policies in Florida include?

- A. Immediate cash value
- B. A conversion privilege to an individual policy**
- C. Transferability to other insurers
- D. Fixed premiums for life

Group Life insurance policies in Florida are required to include a conversion privilege to an individual policy. This provision is crucial as it allows members of the group to convert their coverage into an individual policy without having to provide proof of insurability if they leave the group, whether due to termination, retirement, or any other reason. This feature ensures that individuals are not left uninsured due to changes in their employment status or group membership, providing continued protection. While immediate cash value, transferability to other insurers, and fixed premiums may be desirable features, they are not mandated under Florida law for Group Life policies. The conversion privilege specifically addresses the need for continued life insurance coverage for individuals who may be at risk of losing their group coverage. This aligns with the broader principles of accessibility and continuity of coverage that are central to insurance regulations.

6. What type of receipt is typically given to an applicant who pays the initial premium at the time of application?

- A. Conditional receipt**
- B. Final receipt
- C. Provisional receipt
- D. Temporary receipt

The correct answer is that a conditional receipt is typically given to an applicant who pays the initial premium at the time of application. This type of receipt indicates that the coverage is conditional upon certain criteria, which are usually outlined within the receipt itself. Specifically, the coverage becomes effective only if the applicant meets specific underwriting requirements set by the insurer, and the application is eventually approved. In many instances, the conditional receipt serves an important function by providing immediate evidence of insurance coverage after the payment is made, even though the policy has not been finalized. This is particularly valuable to applicants because it offers some level of peace of mind that they are protected during the underwriting process, pending the insurer's decision. Other types of receipts serve different purposes. A final receipt is typically given once the policy is issued, confirming the policyholder's acceptance of the terms and providing evidence of enacted coverage, but it does not directly relate to the initial payment scenario. A provisional receipt is less common and often signifies that the insurer is willing to consider the application but does not necessarily provide the immediate coverage that a conditional receipt does. A temporary receipt usually indicates interim coverage but lacks the same specificity regarding the conditional status attached to the underwriting process that a conditional receipt implies.

7. Which health policy provision states that the agent cannot change the policy or waive its provisions?

- A. Exclusions and Limitations
- B. Entire Contract**
- C. Renewability
- D. Grace Period

The provision that states an agent cannot change the policy or waive its provisions is the Entire Contract provision. This provision ensures that the health insurance policy, along with the application and any amendments documented in writing, constitutes the complete and final agreement between the insurer and the insured. This means that no verbal statements or informal agreements made by the agent can modify the rights and obligations laid out in the policy itself. The specificity of the Entire Contract provision protects both the insurer and insured by maintaining clarity and stability in the contract terms, thereby minimizing misunderstandings or disputes. It emphasizes that any change to the policy must be executed in writing and approved by the insurer, reinforcing the integrity of the original agreement. In contrast, exclusions and limitations pertain to specific conditions or scenarios that are not covered by the policy. Renewability refers to the terms under which a policy may be renewed, focusing on the continuity of coverage rather than the authority of agents. The grace period provision deals with the timeframe an insured has to make a premium payment before coverage lapses. Each of these options addresses different aspects of health insurance policies, but it is the Entire Contract provision that specifically governs the agent's authority to alter the terms of the policy.

8. When must an agent deliver the Outline of Coverage to a Medicare Supplement applicant according to Florida law?

- A. At the time of application**
- B. Within 10 days of application
- C. At the time of policy issue
- D. Before the first payment

Delivering the Outline of Coverage to a Medicare Supplement applicant at the time of application is essential for ensuring that the applicant receives vital information about the policy they are considering. This requirement reflects the intent of Florida law to promote transparency and informed decision-making in insurance matters, particularly for Medicare Supplement policies, which can be complex and have significant implications for healthcare coverage. By providing the Outline of Coverage upfront, applicants are able to review the benefits, limitations, and exclusions of the policy before committing to it. This early delivery empowers individuals to make an informed choice based on a clear understanding of the products available, reducing the likelihood of confusion or regret later on. In contrast, the other choices suggest alternative timelines for providing the Outline, which do not align with the law's intent to promote immediate access to critical policy information for consumers at the very onset of the application process.

9. Which of the following could lead to agent complaints against a company?

- A. High customer retention rates
- B. Misleading statements about policies**
- C. Effective communication strategies
- D. Transparency in policy details

Misleading statements about policies are a critical concern in the insurance industry because they can significantly impact the trust relationship between agents and their clients. When an insurance company disseminates incorrect or unclear information regarding its policies, it may lead agents to face backlash from customers who feel misled or deceived. This can result in a lack of confidence in both the insurance provider and the agent, ultimately damaging their professional reputation and causing frustration among clients who may not fully understand the coverage or terms of the policies they've purchased. Misleading statements can also open the door to regulatory scrutiny and legal challenges against the company, compounding the challenges faced by agents in their interactions with customers. In contrast, high customer retention rates, effective communication strategies, and transparency in policy details generally lead to positive experiences for both agents and customers, enhancing trust, facilitating sales, and promoting a healthy working relationship within the insurance framework.

10. What is the primary difference between a mutual insurance company and a stock insurance company?

- A. Mutual company is owned by shareholders
- B. Stock company is owned by its policyholders
- C. Mutual company provides higher dividends
- D. Stock company is owned by its shareholders**

The primary difference between a mutual insurance company and a stock insurance company lies in ownership structure. A stock insurance company is owned by its shareholders, who can buy and sell shares of the company on the stock market. This aligns with the broader concept of corporate governance, where the shareholders have a financial stake in the company's profitability and decision-making. In contrast, a mutual insurance company is owned by its policyholders. This structure means that the company is focused on serving the interests of its members rather than generating profits for external shareholders. Policyholders typically receive benefits, such as dividends or reduced premiums, based on the company's performance, reflecting the cooperative nature of mutual organizations. Understanding this distinction helps clarify the fundamental operational philosophy behind each type of insurance company—stock companies prioritize shareholder profits, while mutual companies concentrate on providing value to their policyholders.

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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://flawsrulespertinenttoinsurance.examzify.com>

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

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