

# IDAHO LIFE INSURANCE 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

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**1. What is an accelerated death benefit?**

- A. A benefit that reduces the premium for policyholders who are terminally ill
- B. A provision that allows a policyholder to access part of the death benefit while still alive under certain conditions
- C. A benefit that increases the death payout after a certain age
- D. A provision that cancels the premiums due if the policyholder becomes disabled

**2. What is typically the consequence of failing to disclose pre-existing conditions on a life insurance policy?**

- A. The policy is voided immediately
- B. The insured may face lower premiums
- C. The insurer may deny claims related to those conditions
- D. The insured may be eligible for a refund on premiums

**3. Which of the following statements concerning the Medical Information Bureau is correct?**

- A. It denies coverage based on pre-existing conditions.
- B. It assists underwriters in evaluating and classifying risks.
- C. It records all medical history of applicants.
- D. It only uses data from hospitals.

**4. Who is eligible for a tax-sheltered annuity?**

- A. Private school teachers
- B. Public school teachers
- C. Corporate employees
- D. Federal government employees

**5. What is the main advantage of a cash value life insurance policy?**

- A. Lower premiums
- B. Guaranteed death benefit
- C. Ability to borrow against accumulated cash value
- D. Flexibility in premium payment

- 6. What does an insurance company do if an insured is found to have misstated their age or gender upon death?**
- A. Refuse to pay the death benefit
  - B. Adjust the death benefit based on what the premium would have purchased
  - C. Offer a reduced payout
  - D. Provide a full payout regardless of the misstatement
- 7. In life insurance, what does the term "premium" refer to?**
- A. The total payout at death
  - B. The amount paid for a life insurance policy
  - C. The period of coverage selected
  - D. The interest rate applied to savings
- 8. A lender who makes insurance a condition for loan approval may be guilty of what practice?**
- A. Discrimination
  - B. Coercion
  - C. Fraud
  - D. Violation
- 9. What does "renewability" mean in a term life insurance policy?**
- A. The option to convert term life insurance to permanent insurance
  - B. The ability to renew a term policy at the end of the term without further medical exams
  - C. The option to change the coverage terms without penalties
  - D. The choice to add riders for additional coverage
- 10. Which of the following statements about nonqualified deferred compensation plans is true?**
- A. Contributions are tax deductible
  - B. They require IRS approval
  - C. They are contractual agreements between employees and employers
  - D. These plans must provide guaranteed retirement income



## **Answers**

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

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## **Explanations**

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## 1. What is an accelerated death benefit?

- A. A benefit that reduces the premium for policyholders who are terminally ill
- B. A provision that allows a policyholder to access part of the death benefit while still alive under certain conditions**
- C. A benefit that increases the death payout after a certain age
- D. A provision that cancels the premiums due if the policyholder becomes disabled

*An accelerated death benefit is a provision within a life insurance policy that allows the policyholder to access a portion of the death benefit while still alive, under certain conditions, typically related to terminal illness, critical illness, or chronic illness. This feature is particularly valuable for individuals facing serious health challenges, as it provides them with funds to cover medical expenses, living costs, or any other financial needs during their illness. The mechanism works by enabling the insured to receive part of the anticipated death benefit, thereby offering financial relief in times of need. When the insured passes away, the remaining amount of the death benefit is paid out to the beneficiaries, minus the amount that was accessed through the accelerated death benefit. This provision reflects the understanding that in certain situations, having immediate access to funds can significantly impact the quality of life in challenging circumstances. This characteristic distinguishes accelerated death benefits from other features or provisions, such as premium reductions for terminally ill policyholders, which do not involve accessing the death benefit while alive, or enhancements to the death payout based on age, which does not provide any liquidity to the policyholder while they are alive.*

## 2. What is typically the consequence of failing to disclose pre-existing conditions on a life insurance policy?

- A. The policy is voided immediately
- B. The insured may face lower premiums
- C. The insurer may deny claims related to those conditions**
- D. The insured may be eligible for a refund on premiums

*When a policyholder fails to disclose pre-existing conditions when applying for life insurance, the most significant consequence is that the insurer may deny claims specifically related to those undisclosed conditions. This is because life insurance contracts rely heavily on the principle of utmost good faith, meaning that both parties must fully disclose relevant information. When a condition is pre-existing and not declared, the insurer has the right to treat that non-disclosure as a material misrepresentation. If the insured then passes away due to that condition, the insurer can reject the claim based on the premise that they were not given the full picture of the applicant's health status at the time the policy was issued. Therefore, this denies the insured or their beneficiaries access to the policy's benefits related to the undisclosed condition, making it crucial for applicants to be transparent about their health history for the policy to be honored fully in the event of a claim. This understanding highlights the importance of full disclosure to ensure that coverage is valid and that the insured can receive the benefits they expect when needed.*

### 3. Which of the following statements concerning the Medical Information Bureau is correct?

- A. It denies coverage based on pre-existing conditions.
- B. It assists underwriters in evaluating and classifying risks.**
- C. It records all medical history of applicants.
- D. It only uses data from hospitals.

The statement regarding the Medical Information Bureau is accurate as it reflects the organization's primary function. The Medical Information Bureau (MIB) serves as a resource for insurance companies, providing relevant medical information to assist underwriters in evaluating and classifying the risks associated with applicants. By compiling data related to medical conditions and history, the MIB enables insurers to make informed decisions when assessing applications for life insurance and other related products. This function is critical in the underwriting process because it helps mitigate the risk of adverse selection, where individuals with higher risks may seek insurance more aggressively. Through the information shared by the MIB, underwriters can more accurately price policies, manage risk, and uphold the integrity of the insurance system. Other options do not accurately describe the MIB's role: it does not deny coverage based solely on pre-existing conditions; it does not maintain a comprehensive record of all medical histories; and it utilizes data from various sources, not just hospitals. Thus, focusing on how the MIB aids in risk assessment underscores its value in the life insurance industry.

### 4. Who is eligible for a tax-sheltered annuity?

- A. Private school teachers
- B. Public school teachers**
- C. Corporate employees
- D. Federal government employees

The eligibility for a tax-sheltered annuity, often referred to as a 403(b) plan, is primarily aimed at certain segments of the workforce, particularly those employed by public education institutions. Public school teachers can contribute to these plans, which allow them to set aside a portion of their income for retirement while deferring taxes on that income until withdrawal, typically during retirement. This kind of retirement savings option is not just beneficial in terms of tax advantages, but also encourages long-term savings for public educators who may have limited retirement benefits compared to other sectors. In contrast, other options, such as private school teachers, corporate employees, and federal government employees, may have different retirement plans available to them that fall under different regulations and structures. For instance, private school teachers might qualify for different types of retirement plans based on their institution's offerings, while corporate employees typically engage in 401(k) plans. Federal government employees usually have access to retirement plans like the Federal Employees Retirement System (FERS), which operates under different tax rules and benefits. Hence, the specificity of public school teachers' eligibility for tax-sheltered annuities aligns with the distinct provisions made for 403(b) plans, highlighting the importance of understanding the different types of

## 5. What is the main advantage of a cash value life insurance policy?

- A. Lower premiums
- B. Guaranteed death benefit
- C. Ability to borrow against accumulated cash value**
- D. Flexibility in premium payment

*The main advantage of a cash value life insurance policy is its ability to accumulate cash value over time, which policyholders can borrow against. This feature allows individuals to access funds for various needs, such as emergency expenses, education costs, or even starting a business, without having to surrender the policy. The cash value grows tax-deferred, meaning that policyholders do not pay taxes on the growth of the cash value until they withdraw it, providing a financial benefit as well. This borrowing capability not only increases the policy's versatility but also provides a financial safety net, allowing insured individuals to access funds during their lifetime rather than relying solely on the death benefit that is paid out upon death. The loan against the cash value can be paid back over time, or it can be left unpaid, although any outstanding loans will reduce the death benefit. In contrast, while guaranteed death benefits, lower premiums, and flexibility in premium payments are important aspects of different life insurance products, they do not encompass the unique financial flexibility and potential for cash accumulation that cash value life insurance offers.*

## 6. What does an insurance company do if an insured is found to have misstated their age or gender upon death?

- A. Refuse to pay the death benefit
- B. Adjust the death benefit based on what the premium would have purchased**
- C. Offer a reduced payout
- D. Provide a full payout regardless of the misstatement

*When an insured individual is found to have misstated their age or gender at the time of policy issuance and subsequently passes away, the insurance company typically adjusts the death benefit based on what the premium that was paid would have purchased if the correct age or gender had been disclosed. This approach is fair because the premiums for life insurance policies are often calculated based on various factors, including the insured's age and gender, which significantly affect the risk underwriting process. If the true age or gender indicates a higher risk, the premiums would generally have been higher, resulting in a lower benefit payout compared to what was originally contracted. Therefore, the insurer calculates the correct benefit amount that would have been applicable for the premium paid, rather than outright denying the claim or providing a full payout. This ensures that the insurer remains equitable while adhering to the terms of the insurance contract and the principle of utmost good faith, which requires both parties to act honestly in the insurance agreement.*



**7. In life insurance, what does the term "premium" refer to?**

- A. The total payout at death
- B. The amount paid for a life insurance policy**
- C. The period of coverage selected
- D. The interest rate applied to savings

*The term "premium" in the context of life insurance specifically refers to the amount paid for a life insurance policy. This payment is typically made on a regular basis, such as monthly or annually, and serves as the cost for maintaining the insurance coverage. The premium is essential because it funds the insurance policy and, in exchange, the insurer commits to providing financial benefits to the policyholder's beneficiaries in the event of the policyholder's death. Understanding the role of the premium is crucial for individuals purchasing life insurance, as it impacts both their budget and the overall coverage they can secure. The selected premium amount can also influence the type of policy and the level of benefits provided. This concept is foundational in life insurance, as it is essentially the financial agreement between the policyholder and the insurance company, determining the sustainability of the coverage over time.*

**8. A lender who makes insurance a condition for loan approval may be guilty of what practice?**

- A. Discrimination
- B. Coercion**
- C. Fraud
- D. Violation

*A lender who requires insurance as a condition for loan approval may be engaging in coercion. This practice can create undue pressure on borrowers to obtain insurance through specific channels or providers that may not offer the best terms. Coercion occurs when someone is forced to take certain actions against their will due to the influence or pressure from another party. In the context of lending, it can manifest when borrowers feel they have no choice but to comply with the lender's terms, thereby compromising their autonomy in the decision-making process. This practice could be viewed as manipulative and unethical, leading to potential harm to the borrower. While other options like discrimination, fraud, and violation may refer to other unethical or illegal practices within lending and insurance, they do not specifically address the scenario of a lender making insurance a mandatory condition for loan approval as strongly as coercion does. Discrimination relates more to unfair treatment based on specific characteristics, fraud involves deceit for personal gain, and violation typically refers to breaching laws or regulations rather than the exertion of pressure.*

**9. What does "renewability" mean in a term life insurance policy?**

- A. The option to convert term life insurance to permanent insurance
- B. The ability to renew a term policy at the end of the term without further medical exams**
- C. The option to change the coverage terms without penalties
- D. The choice to add riders for additional coverage

*Renewability in a term life insurance policy refers specifically to the ability of the policyholder to extend the coverage beyond the initial term without the need for additional medical examinations. This feature is particularly important because it allows individuals to maintain their life insurance protection even if their health declines or if they develop new health conditions that might otherwise make it difficult or costly to obtain a new policy. Term life insurance is typically purchased for a specified period (e.g., 10, 20, or 30 years), and as this period comes to an end, the option to renew enables the policyholder to continue their life insurance coverage. This is a significant advantage for many individuals who want to ensure that their loved ones remain protected against financial hardship in the event of their untimely death, regardless of how their health status may change in the future. The other options presented, while relevant to aspects of life insurance, do not accurately define "renewability" in the context of a term life insurance policy.*

**10. Which of the following statements about nonqualified deferred compensation plans is true?**

- A. Contributions are tax deductible
- B. They require IRS approval
- C. They are contractual agreements between employees and employers**
- D. These plans must provide guaranteed retirement income

*Nonqualified deferred compensation plans are indeed defined as contractual agreements between employees and employers. This means that they are arrangements whereby an employer agrees to pay an employee a portion of their income at a later date, typically after retirement. Such plans are not subject to the same regulatory requirements and restrictions as qualified plans, which allows for more flexibility in their design and implementation. The nature of these agreements allows employers to provide additional compensation to select employees without adhering to the strict contribution limits or plan requirements set forth by the IRS for qualified plans. This enables organizations to attract and retain talent by offering deferred income based on individual contracts that suit both the employer and the employee's financial goals. In contrast, the other statements do not accurately describe nonqualified deferred compensation plans. For example, contributions made to these plans are typically not tax-deductible at the time of contribution for the employer, they do not require IRS approval, and they do not necessarily provide guaranteed retirement income, as benefits are contingent upon the financial health of the employer.*

## 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://idlifeinsurance.examzify.com>

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

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