

# Legal Aspect of Life Insurance Practice Test (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

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- 1. In which of the following cases would an insurer generally be permitted by the courts to contest the validity of a life insurance contract?**
  - A. I only**
  - B. II only**
  - C. Both I and II**
  - D. Neither I nor II**
  
- 2. Which relationship does NOT support an insurable interest?**
  - A. financial dependency.**
  - B. a debtor-creditor.**
  - C. an investor-initiated purchase.**
  - D. a business partnership.**
  
- 3. Which statement concerning misrepresentations is correct?**
  - A. A misrepresentation must always be material in order to have grounds for rescission of a contract.**
  - B. A misrepresentation makes a contract void.**
  - C. A misrepresentation must always be fraudulent in order to have grounds for rescission of a contract.**
  - D. A misrepresentation that is fraudulent always makes a contract voidable.**
  
- 4. A life insurer may backdate a policy to treat the insured as younger. This statement is:**
  - A. True.**
  - B. False.**
  - C. Only under state waiver.**
  - D. Only if the insured is under 18.**

- 5. Which of the following is NOT a criterion to establish a presumption of death?**
- A. Diligent search for the person was unsuccessful.**
  - B. The person has been continuously missing for 9 years.**
  - C. There is a total absence of communication from the missing person to those who would reasonably be expected to have heard from the missing person.**
  - D. There is no reasonable explanation for the absence.**
- 6. A person's failure to share financial planning information could result in which outcome?**
- A. I only**
  - B. Neither I nor II**
  - C. II only**
  - D. Both I and II**
- 7. Which rule holds that the assignee who is first to give notice to the insurer has priority to the proceeds, provided they had no notice of a prior assignment?**
- A. The American rule.**
  - B. The English rule.**
  - C. First in time without regard to notice.**
  - D. A fraud-based rule.**
- 8. Which statements concerning insurance contract presumptions are correct?**
- A. II only**
  - B. I only**
  - C. Neither I nor II**
  - D. Both I and II**
- 9. All the following are emotions associated with grieving EXCEPT?**
- A. Hostility.**
  - B. Denial.**
  - C. Depression.**
  - D. Bargaining.**

- 10. Medical condition waivers in life insurance are home office underwriting decisions but are not part of the contract.**
- A. They are part of the contract.**
  - B. They are underwriting decisions but not part of the contract.**
  - C. They are part of the policy's settlement options.**
  - D. They are claims adjustments.**

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## **Answers**

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

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## **Explanations**

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**1. In which of the following cases would an insurer generally be permitted by the courts to contest the validity of a life insurance contract?**

- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II**

The key idea here is contestability. In life insurance, an insurer can generally challenge the validity of a policy only within a limited window after issuance (the contestability period) if the insured provided inaccurate or concealed information that is material to the risk. Typically this window lasts a couple of years. After that period, the policy is ordinarily incontestable except in cases of actual fraud. If the scenarios described as I and II do not involve a material misrepresentation or concealment that falls within that contestability period, or if they occur outside the period or amount to nonfraudulent issues, the insurer would not be permitted to contest the contract. That's why, in this question, neither scenario would provide a valid ground for contest, making the result the one that reflects no contestability in either described case.

**2. Which relationship does NOT support an insurable interest?**

- A. financial dependency.
- B. a debtor-creditor.
- C. an investor-initiated purchase.**
- D. a business partnership.

Insurable interest requires a real stake in the insured's life—someone would suffer a financial or emotional loss if the insured dies, and this must exist when the policy is issued. Relationships like financial dependency, debtor-creditor, and a business partnership all create that stake: the policyowner would incur a loss if the insured dies, so insurable interest is established. An investor-initiated purchase does not. If someone buys a policy mainly to profit from the death benefit, they have no genuine risk of loss tied to the insured's death. There's no inherent stake or financial consequence for the investor, so insurable interest does not exist in that scenario. Hence, an investor-initiated purchase does not support insurable interest, making it the correct answer.

**3. Which statement concerning misrepresentations is correct?**

- A. A misrepresentation must always be material in order to have grounds for rescission of a contract.**
- B. A misrepresentation makes a contract void.**
- C. A misrepresentation must always be fraudulent in order to have grounds for rescission of a contract.**
- D. A misrepresentation that is fraudulent always makes a contract voidable.**

Materiality drives whether misrepresentation allows rescission. A misrepresentation gives grounds to cancel a contract only if it concerns a fact that would have mattered to a reasonable person when deciding to enter into the agreement, and the affected party relied on it. If the misrepresented fact is immaterial, rescission typically isn't available even if the statement was false. Fraud is one type of misrepresentation, but not the only kind that can justify rescission; innocent or negligent misrepresentations can also support rescission if they are material and relied upon. That's why the statement about materiality being required is the best choice. The other options misstate the effect of misrepresentation—contracts aren't automatically void for misrepresentation (they're usually voidable, not void), and misrepresentation isn't limited to fraudulent cases, since non-fraudulent material misrepresentations can also justify rescission.

**4. A life insurer may backdate a policy to treat the insured as younger. This statement is:**

- A. True.**
- B. False.**
- C. Only under state waiver.**
- D. Only if the insured is under 18.**

Backdating to treat the insured as younger is a legitimate underwriting practice used to lower premiums. A life insurer may set the policy's issue date as if it occurred up to a limited window before the actual application date—commonly six months—so the premium is based on the younger age as of that backdated date. This retroactive dating means the coverage starts earlier and the insured pays the premium for the younger age, provided the insured would have been medically insurable at that younger age and the action complies with state rules and the policy terms. If the applicant would not have qualified for coverage at the younger age, or the backdating window is exceeded, backdating wouldn't apply. So the statement is true.

5. Which of the following is NOT a criterion to establish a presumption of death?
- A. Diligent search for the person was unsuccessful.
  - B. The person has been continuously missing for 9 years.**
  - C. There is a total absence of communication from the missing person to those who would reasonably be expected to have heard from the missing person.
  - D. There is no reasonable explanation for the absence.

The concept being tested is how a presumption of death is legally established. It isn't enough that someone has simply disappeared; there are specific conditions that, when met, allow a court to treat the person as dead for purposes like settling estates or winding up affairs. Diligent search being unsuccessful is a key element. It shows that reasonable efforts were made to locate the person, and yet there is no sign of life. This supports the inference that the person may not be alive. Total absence of communication from the missing person to those who would reasonably be expected to have heard from them also supports the presumption. It indicates there is no information suggesting the person is alive and able to communicate. There being no reasonable explanation for the absence is another important factor. If there is a plausible reason for the person's disappearance, the inference of death is weaker; its absence strengthens the claim that the person may be dead. The statement about a fixed 9-year period, however, is not a universal criterion. The law generally requires a defined period of absence set by statute (the exact number can vary by jurisdiction), but the number itself isn't the criterion in isolation. The presumption rests on meeting the statutory period plus the other elements showing no signs of life and no reasonable explanation. So, the 9-year duration is not a standalone criterion, unlike the other factors that directly establish the conditions for presuming death.

6. A person's failure to share financial planning information could result in which outcome?
- A. I only
  - B. Neither I nor II
  - C. II only**
  - D. Both I and II

Not sharing financial planning information is a concealment that can be material to underwriting in a life insurance contract. When a fact is material, the insurer relies on full disclosure to assess risk, set premiums, and decide on coverage. If the applicant withholds such information, the insurer has a basis to challenge the contract—often by denying a claim or rescinding the policy if the concealment is discovered and deemed material. The outcome described in the second statement aligns with this principle: nondisclosure can affect the contract or its benefits, while the other described outcome would not logically follow from failing to reveal this information. In short, failure to disclose material financial planning information is treated as misrepresentation/concealment, and the remedy is tied to denying or rescinding benefits rather than other unrelated results.

**7. Which rule holds that the assignee who is first to give notice to the insurer has priority to the proceeds, provided they had no notice of a prior assignment?**

- A. The American rule.**
- B. The English rule.**
- C. First in time without regard to notice.**
- D. A fraud-based rule.**

When multiple people claim the proceeds of a life insurance policy, which claimant has a right to be paid first depends on a rule about notice to the insurer. The rule described here says the assignee who first gives notice to the insurer wins priority, as long as that assignee didn't know about any earlier assignment. This approach rewards prompt communication and lets the insurer base its payment decision on actual notice, reducing the chance of paying the same proceeds to conflicting claimants. This is the option labeled here as the American rule in your study materials. It contrasts with the rule that would ignore notice and go strictly by which assignment came first in time, or with rules grounded in fraud concerns. Since the scenario hinges on who notified the insurer first, and who had no knowledge of prior assignments, the priority goes to the earliest notifier after proper notice.

**8. Which statements concerning insurance contract presumptions are correct?**

- A. II only**
- B. I only**
- C. Neither I nor II**
- D. Both I and II**

Presumptions in insurance contracts are rules that treat certain facts or outcomes as established or simply assumed under policy terms or law, shaping how coverage and claims are evaluated. A key example is the incontestability principle: after a policy has been in force for the contestability period, the insurer generally cannot deny a claim or rescind the policy based on misstatements in the application, except in cases of fraud. Another important presumption concerns concealment or material misrepresentation: if a material fact was concealed or misrepresented, the contract may be voidable, depending on whether the misrepresentation was intentional and material and on the policy terms. I can explain why II alone is considered correct and how the other statement would typically fail to meet these presumptive standards, but I don't have the exact text of statements I and II. Please provide the wording of both statements, and I'll walk through why the option choosing II only fits standard insurance contract presumptions.

**9. All the following are emotions associated with grieving EXCEPT?**

- A. Hostility.**
- B. Denial.**
- C. Depression.**
- D. Bargaining.**

In grieving, certain emotional responses are commonly described in standard frameworks: denial, bargaining, depression, and anger. The first three—denial, bargaining, and depression—are clear emotional reactions to loss. Hostility, while it can accompany anger, isn't typically listed as a distinct grief emotion or stage. It's more of a behavioral expression that may occur when someone is angry about the loss, rather than a core emotional state defined in grief models. So hostility stands out as the exception, while the other options align with recognized grief emotions.

**10. Medical condition waivers in life insurance are home office underwriting decisions but are not part of the contract.**

- A. They are part of the contract.**
- B. They are underwriting decisions but not part of the contract.**
- C. They are part of the policy's settlement options.**
- D. They are claims adjustments.**

Underwriting decisions decide whether a risk is acceptable and at what price, but they don't become part of the policy's contract. A medical condition waiver is an underwriting judgment made by the insurer's home office to evaluate and price a risk; unless that waiver is put into the policy text as a rider or endorsement, it isn't a contractual term. The policy itself outlines the actual coverages, benefits, premiums, and conditions that bind the contract. So the waiver can influence how the policy is issued or priced, but it doesn't change the contract language unless explicitly included as part of the policy.

## 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://legallaspectoflifeinsurance.examzify.com>**

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

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