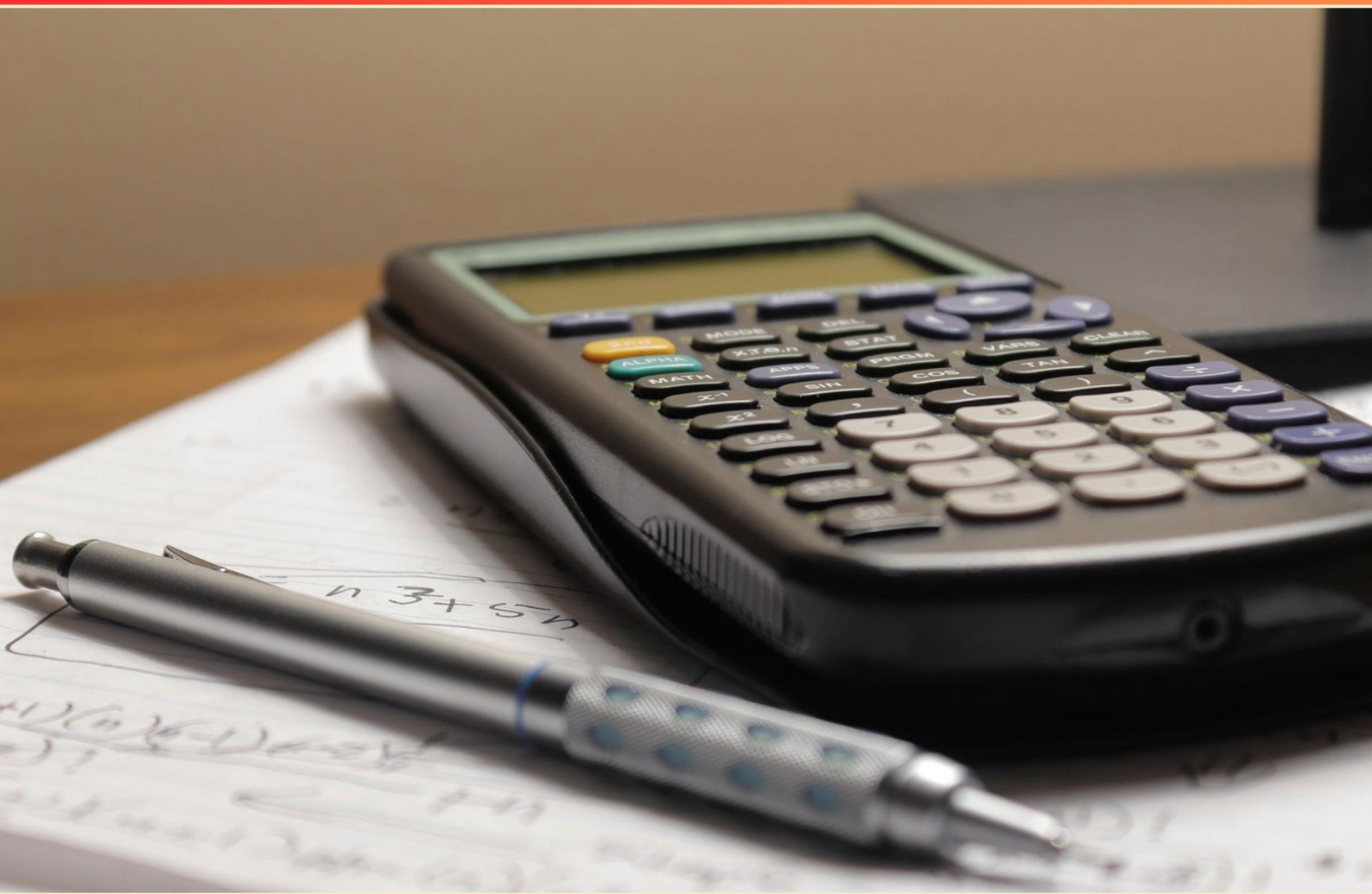


LIFE AND ANNUITY LICENSE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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 practice occurs when an insurance company charges higher rates based on a customer's financial position compared to others with similar lifestyles?**
 - A. Underwriting
 - B. Discrimination
 - C. Risk Assessment
 - D. Premium Adjustment
- 2. What term describes the policy owner's rights to change beneficiaries and receive proceeds of a policy?**
 - A. Beneficiary rights
 - B. Owner's rights
 - C. Insured's rights
 - D. Policyholder's rights
- 3. Who is primarily responsible for enforcing the Fair Credit Reporting Act?**
 - A. Federal Trade Commission
 - B. Consumer Financial Protection Bureau
 - C. Office of the Comptroller of the Currency
 - D. National Credit Union Administration
- 4. A universal life insurance policy is best described as what?**
 - A. A fixed premium policy with cash value
 - B. An annually renewable term policy with a cash value account
 - C. A whole life policy with flexible premiums
 - D. An adjustable life policy
- 5. If a life insurer holds the proceeds of any policy, what is true regarding those proceeds?**
 - A. The proceeds are fully taxable
 - B. The proceeds may be exempt from creditor claims against a beneficiary
 - C. The proceeds can only be accessed by the policy owner
 - D. The proceeds must be distributed upon the insured's death

- 6. Which of the following can negatively impact a consumer's credit score?**
- A. Paying bills on time
 - B. High credit utilization ratios
 - C. Closed accounts
 - D. Having multiple credit inquiries
- 7. What term describes the benefit of a life insurance policy that is retained even if the policy lapses?**
- A. Cash Surrender Values
 - B. Dividends
 - C. Nonforfeiture Values
 - D. Premium Refunds
- 8. If an insurance company claims its policies are guaranteed by the existence of the Insurance Guaranty Association, what is this considered?**
- A. An accurate advertisement
 - B. An unfair trade practice
 - C. A legal assurance
 - D. A marketing strategy
- 9. If an insured submits a proof of loss form within 10 days of a loss, but the insurer does not acknowledge the form for 3 months, what violation has occurred?**
- A. Fraudulent claims processing
 - B. Unfair claims settlement
 - C. Negligent documentation handling
 - D. Delayed processing of claims
- 10. In an adjustable life policy, which element cannot be changed by the owner?**
- A. The premium amount
 - B. The type of investment
 - C. The death benefit amount
 - D. The duration of the policy

Answers

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

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Explanations

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1. What practice occurs when an insurance company charges higher rates based on a customer's financial position compared to others with similar lifestyles?

- A. Underwriting
- B. Discrimination**
- C. Risk Assessment
- D. Premium Adjustment

The practice in question refers to how insurance companies determine the rates they charge customers. When an insurance company charges higher rates based on a customer's financial position compared to others with similar lifestyles, it is engaging in discriminatory practices. In the context of insurance, discrimination occurs when companies assess risk and set premium rates differently based on factors that may not be directly related to the insurance risk itself, such as a customer's financial background, socioeconomic status, or race. While underwriting indeed involves evaluating the risk associated with insuring an individual, it typically focuses on characteristics such as health, age, and lifestyle choices rather than solely on financial status. Risk assessment is the broader process of identifying and quantifying risks to determine potential losses and policy pricing, but it does not specifically refer to the act of adjusting rates based on financial position. Premium adjustment could imply alterations in rates due to claims history or changes in policy parameters, but it does not encapsulate the concept of charging higher rates purely based on financial standing. Thus, the practice of charging higher rates based on financial position aligns with discrimination in insurance practices, as it highlights inconsistency and inequity in how individuals are treated based on their economic situation.

2. What term describes the policy owner's rights to change beneficiaries and receive proceeds of a policy?

- A. Beneficiary rights
- B. Owner's rights**
- C. Insured's rights
- D. Policyholder's rights

The term that describes the policy owner's rights to change beneficiaries and receive proceeds of a policy is "Owner's rights." This concept encompasses the various privileges held by the policy owner, including the ability to designate or alter beneficiaries, access cash values, and ultimately receive the payout from the policy under specified conditions. In the context of insurance policies, the owner's rights are distinct from the rights of the insured or beneficiaries. While the insured is the individual whose life is covered by the policy, it is the policy owner who holds the authority to make significant changes regarding the policy. For instance, a policy owner can shift the beneficiary designation to ensure that the proceeds are directed to the desired recipient. Additionally, they may also have the right to access accumulated cash values or dividends, depending on the type of policy. Understanding these owner rights is crucial for anyone involved in life insurance or annuity agreements, as it establishes who has control over the policy and its benefits.

3. Who is primarily responsible for enforcing the Fair Credit Reporting Act?

- A. Federal Trade Commission**
- B. Consumer Financial Protection Bureau
- C. Office of the Comptroller of the Currency
- D. National Credit Union Administration

The Federal Trade Commission (FTC) is the primary agency responsible for enforcing the Fair Credit Reporting Act (FCRA). The FCRA regulates the collection, dissemination, and use of consumer information, including consumer credit information. One of the key roles of the FTC in this context is to ensure that consumers are treated fairly in their credit reporting practices. The FTC has the authority to investigate any violations of the FCRA and can take action against companies that do not comply with its provisions. This enforcement power is critical as it helps protect consumers from unfair or inaccurate credit reporting practices, which can significantly impact their access to credit, loans, and other financial services. The FTC actively works to educate consumers about their rights under the FCRA, providing guidance on how to handle disputes regarding their credit reports. Other agencies, such as the Consumer Financial Protection Bureau (CFPB), do have some roles related to consumer protection and financial laws, but the primary responsibility for enforcing the FCRA rests with the FTC. The Office of the Comptroller of the Currency and the National Credit Union Administration largely focus on banking and credit union regulations, respectively, rather than directly enforcing the FCRA.

4. A universal life insurance policy is best described as what?

- A. A fixed premium policy with cash value
- B. An annually renewable term policy with a cash value account**
- C. A whole life policy with flexible premiums
- D. An adjustable life policy

A universal life insurance policy is best described as an annually renewable term policy with a cash value account. This type of policy is unique because it combines features of both term and permanent insurance. Universal life allows the policyholder to adjust their premium payments and death benefit amounts, providing flexibility that is not typically available with traditional whole life insurance. The cash value component grows over time and can be accessed by the policyholder, making it a versatile financial tool that responds to changing needs. While the other options present characteristics of different policy types, they don't capture the key elements of universal life insurance. For instance, fixed premium policies typically have a predetermined premium that does not vary, while universal life allows for premium adjustments. A whole life policy provides guaranteed benefits and fixed premiums but lacks the flexibility of an adjustable premium structure. An adjustable life policy offers some flexibility, but it generally does not provide the same cash value features in conjunction with a term component that universal life does. This explanation helps clarify why option B accurately reflects the nature of universal life insurance.

5. If a life insurer holds the proceeds of any policy, what is true regarding those proceeds?

- A. The proceeds are fully taxable
- B. The proceeds may be exempt from creditor claims against a beneficiary**
- C. The proceeds can only be accessed by the policy owner
- D. The proceeds must be distributed upon the insured's death

Beneficiary proceeds from a life insurance policy hold several significant legal protections, one of which is that they may be exempt from creditor claims against the beneficiary. This means that if a beneficiary faces financial difficulties or legal judgments against them, the life insurance proceeds they receive upon the death of the insured are typically protected from being claimed by creditors. This characteristic is crucial for policyholders and beneficiaries, as it ensures that the intended financial support remains intact for the beneficiary, regardless of their financial situation. Many states have laws that protect life insurance proceeds from creditors, recognizing the importance of these funds as a means of providing financial stability for the beneficiaries after a loss. Understanding this exemption is vital for individuals considering life insurance, as it helps them plan their finances more effectively and ensures that loved ones receive the intended support without the fear of losing it to debts. The other options do not accurately reflect the conditions surrounding life insurance proceeds. While proceeds may intertwine with tax laws, they typically enjoy a tax-free status for the beneficiaries upon the insured's death. Access to proceeds is not limited solely to the policy owner; it is primarily determined by the named beneficiary. Moreover, the distribution of proceeds does not have a strict requirement for immediate disbursement; various factors, like policy terms

6. Which of the following can negatively impact a consumer's credit score?

- A. Paying bills on time
- B. High credit utilization ratios**
- C. Closed accounts
- D. Having multiple credit inquiries

High credit utilization ratios can negatively impact a consumer's credit score because they represent the amount of available credit being used in relation to the total credit limit across all accounts. A high utilization ratio suggests that a consumer may be overly reliant on credit, which can be seen as a risk by lenders. In general, it is advisable to keep credit utilization below 30% of the total credit limit. When the ratio exceeds this threshold, it may indicate financial strain or poor credit management, which can lead to a decrease in credit scores. This is in contrast to paying bills on time, which is a positive behavior that contributes to a higher credit score. Closed accounts can also have varying impacts on credit scores depending on the circumstances surrounding the closure, such as whether they were closed in good standing or resulted from missed payments. Lastly, while having multiple credit inquiries can impact a score, particularly if they are for new credit applications over a short period, it's often less significant than the effect of high credit utilization. Therefore, high credit utilization ratios are a clear indicator of potential credit risk and can have a direct negative consequence on a consumer's credit score.

7. What term describes the benefit of a life insurance policy that is retained even if the policy lapses?

- A. Cash Surrender Values
- B. Dividends
- C. Nonforfeiture Values**
- D. Premium Refunds

The correct answer is C, which refers to "Nonforfeiture Values." Nonforfeiture Values are important features of certain life insurance policies, particularly whole life policies, that ensure the policyholder retains some benefits even if they stop paying premiums and the policy lapses. These values help protect the policyholder's investment in the policy by allowing them to access benefits such as cash surrender values or reduced paid-up insurance when they can no longer maintain premium payments. It provides a safety net, ensuring that the insured does not completely lose the benefits accrued over the years. Understanding nonforfeiture values is crucial because they reassure policyholders that they have options if they face financial difficulties. This term highlights the peace of mind that comes with knowing that the insurance policy has a value that can be tapped into even if the policy is not active.

8. If an insurance company claims its policies are guaranteed by the existence of the Insurance Guaranty Association, what is this considered?

- A. An accurate advertisement
- B. An unfair trade practice**
- C. A legal assurance
- D. A marketing strategy

When an insurance company claims that its policies are guaranteed by the existence of the Insurance Guaranty Association, this representation can be misleading and may constitute an unfair trade practice. The role of the Insurance Guaranty Association is to provide a safety net for policyholders by covering claims in the event of an insurance company's insolvency, but it does not guarantee all aspects of a policy, nor does it mean that the policy itself is free from risk or can be relied upon in all situations. This statement can create an illusion of safety and assurance that might not be entirely accurate, potentially leading customers to believe their policies are risk-free or more secure than they actually are. Regulatory bodies governing insurance practices specifically aim to protect consumers from deceptive marketing claims and ensure fair competition amongst insurance providers. Hence, misrepresenting the role of the Insurance Guaranty Association in this context aligns with behaviors classified as unfair trade practices.

9. If an insured submits a proof of loss form within 10 days of a loss, but the insurer does not acknowledge the form for 3 months, what violation has occurred?

- A. Fraudulent claims processing
- B. Unfair claims settlement**
- C. Negligent documentation handling
- D. Delayed processing of claims

The situation described illustrates a failure on the part of the insurer to adhere to proper claims handling practices, which encompasses timely acknowledgment and processing of proof of loss forms. The correct answer highlights the violation of fair claims settlement practices. Insurers are generally required to act promptly in acknowledging and processing claims to ensure that policyholders are treated fairly and are not left waiting unnecessarily for the resolution of their claims. In this case, the insured submitted the proof of loss form within the stipulated timeframe of 10 days, demonstrating compliance on their part. However, the insurer's delay in acknowledging this submission for three months represents a significant lapse in their duty to provide timely responses. Such actions can be interpreted as an unfair claims settlement practice since they lead to undue delays and potentially harm the policyholder financially and emotionally during a critical time. This understanding highlights the importance of efficient claims processing and adherence to timeframes set within insurance policies to protect the interests of the insured. Insurers who fail to do so can face regulatory scrutiny and potential penalties as a result of unfair practices, emphasizing the need for transparency and accountability in the claims process.

10. In an adjustable life policy, which element cannot be changed by the owner?

- A. The premium amount
- B. The type of investment**
- C. The death benefit amount
- D. The duration of the policy

In an adjustable life policy, the owner has the flexibility to modify several key aspects, including adjusting premium amounts, death benefits, and the overall duration of the policy. However, the type of investment is not typically an element that policyholders can alter. Adjustable life policies allow policyholders to adapt their coverage to fit their changing financial situations or needs, thus they can choose how much to pay in premiums and decide how much coverage is necessary at different life stages. The duration of the policy can also be modified depending on the policyholder's preferences and financial strategy. In contrast, the type of investment refers to the underlying investments associated with the policy, such as the mix of stocks, bonds, or other assets that may be used to accumulate cash value. This component is usually governed by the insurance company's investment options and is not chosen or changed by the policyholder. Consequently, this makes the type of investment the aspect that cannot be adjusted by the policyowner in an adjustable life 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.

Or visit your dedicated course page for more study tools and resources:

<https://lifeandannuity.examzify.com>

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

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