

# LLQP Ethics and Professional Practice (Common Law) Practice Exam (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. Why is transparency important for insurance advisors?**
  - A. It allows them to increase commission rates**
  - B. It builds trust with clients and ensures informed decisions**
  - C. It simplifies the sales process**
  - D. It satisfies regulatory requirements only**
  
- 2. What does misusing company-provided illustrations suggest?**
  - A. Using them to enhance client understanding**
  - B. Creating misleading impressions about policy benefits**
  - C. Providing accurate comparisons**
  - D. Offering insights into the insurance process**
  
- 3. What does "holding out improperly" mean in the insurance field?**
  - A. Accurate representation of services**
  - B. False claims about one's qualifications**
  - C. Transparent communication with clients**
  - D. Providing client testimonials**
  
- 4. What is one of the federal government public plans in Canada?**
  - A. Social assistance programs**
  - B. Canada pension plan (CPP)**
  - C. Provincial education funding**
  - D. Private health insurance**
  
- 5. What is typically NOT considered a requirement in an insurance contract?**
  - A. Natural person**
  - B. Criminal intent**
  - C. Legal capacity**
  - D. Legal representation**

**6. Which of the following best describes a managing general agent's function?**

- A. Providing legal advice**
- B. Representing a single insurance provider**
- C. Bridging multiple insurance carriers as a broker**
- D. Processing claims for clients**

**7. When can an insurer terminate a policy for non-payment?**

- A. After three late payments**
- B. Only during the grace period**
- C. After a notice has been mailed**
- D. At the end of the policy term**

**8. What does misrepresentation refer to in insurance practices?**

- A. Misleading information**
- B. Providing accurate data**
- C. Offering multiple policy options**
- D. Including comprehensive benefits**

**9. Who is eligible to make claims on an insurance policy?**

- A. Only the insured**
- B. Insured and beneficiaries**
- C. Creditor or court order**
- D. All of the above**

**10. What are the stages of the formation of an insurance policy?**

- A. Application, approval, payment**
- B. Application, underwriting, renewal**
- C. Application, underwriting, delivery**
- D. Submission, approval, delivery**

## **Answers**

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

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## **Explanations**

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## 1. Why is transparency important for insurance advisors?

- A. It allows them to increase commission rates
- B. It builds trust with clients and ensures informed decisions**
- C. It simplifies the sales process
- D. It satisfies regulatory requirements only

Transparency is crucial for insurance advisors because it significantly fosters trust between the advisor and their clients. When advisors provide clear and honest information about products, services, fees, and potential risks, clients are better able to make informed decisions regarding their insurance needs. This relationship of trust can lead to long-term client retention and satisfaction, as clients feel they can rely on their advisor for accurate advice and support. Moreover, transparency also helps to mitigate misunderstandings and potential disputes. By openly sharing information and explaining terms and conditions, advisors can ensure that clients fully understand what they are purchasing, which is essential in a complex field like insurance. Although there are aspects such as regulatory requirements or simplified processes that may touch on transparency, the core benefit lies in building a trustworthy relationship with clients. Thus, the focus on informed decision-making underscores the importance of ethics in the insurance industry.

## 2. What does misusing company-provided illustrations suggest?

- A. Using them to enhance client understanding
- B. Creating misleading impressions about policy benefits**
- C. Providing accurate comparisons
- D. Offering insights into the insurance process

Misusing company-provided illustrations suggests creating misleading impressions about policy benefits. When illustrations are presented inaccurately or manipulated, they can distort the true nature of the insurance product, leading clients to form unrealistic expectations. This misrepresentation violates ethical standards and can undermine trust in the advisor-client relationship. It indicates a lack of integrity and professionalism, as clients rely on these materials to make informed decisions regarding their insurance needs. In contrast, the other options portray appropriate uses of illustrations. Enhancing client understanding or providing accurate comparisons involves using the tools ethically to ensure informed decision-making, while offering insights into the insurance process emphasizes transparency and education. These approaches foster trust and clarity, which are essential for maintaining ethical standards in financial advising.

### 3. What does "holding out improperly" mean in the insurance field?

- A. Accurate representation of services
- B. False claims about one's qualifications**
- C. Transparent communication with clients
- D. Providing client testimonials

"Holding out improperly" in the insurance field refers to the act of making false claims about one's qualifications or capabilities. This behavior undermines the integrity of the profession and can mislead clients, resulting in a breach of trust and potential legal ramifications. In the context of insurance, it is crucial that professionals accurately represent their expertise, licenses, and the services they provide. Misrepresentation can lead to significant consequences, including disciplinary actions by regulatory bodies, loss of licensure, and legal action from clients who relied on the inaccurate information to their detriment. The other options do not fit the definition of "holding out improperly." Accurate representation of services is essential in maintaining professionalism, while transparent communication with clients promotes trust and clarity in the advisor-client relationship. Providing client testimonials, when done ethically and accurately, can be beneficial for building credibility, as long as they do not involve misleading or false claims.

### 4. What is one of the federal government public plans in Canada?

- A. Social assistance programs
- B. Canada pension plan (CPP)**
- C. Provincial education funding
- D. Private health insurance

The Canada Pension Plan (CPP) is a federal government public plan that provides retirement income, disability benefits, and survivor benefits to Canadians. It is designed to ensure that individuals have a source of income when they retire or if they become disabled and are unable to work. Funded primarily through contributions from employers and employees, the CPP is a cornerstone of Canada's retirement income system, reflecting the government's commitment to providing financial security for its citizens in their later years. Other options represent different types of programs or funding that are either provincial or privately managed, rather than being public plans at the federal level. Social assistance programs typically operate at the provincial or territorial level to support individuals in need. Provincial education funding is also managed by regional governments to support local schools and educational initiatives. Private health insurance is offered by various companies and is not a public plan, as it is based on individual enrollment and contributions.

**5. What is typically NOT considered a requirement in an insurance contract?**

- A. Natural person**
- B. Criminal intent**
- C. Legal capacity**
- D. Legal representation**

In the context of insurance contracts, criminal intent is typically not considered a requirement. Insurance contracts are grounded in the principles of good faith and honest representation, rather than any underlying criminal intent by the parties involved. The focus of an insurance contract is on the mutual agreement between the insurer and the insured to provide coverage in exchange for premiums, which can only be valid if both parties are acting without deceptive motives. On the other hand, natural person, legal capacity, and legal representation are all essential elements in forming a valid insurance contract. A natural person refers to an individual as opposed to an artificial entity such as a corporation. Legal capacity is crucial because both parties must have the ability to enter into a contract, typically meaning they are of legal age and of sound mind. Legal representation ensures that the parties are accurately represented in the negotiation and formation of the contract, providing an added layer of legitimacy and understanding in the transaction.

**6. Which of the following best describes a managing general agent's function?**

- A. Providing legal advice**
- B. Representing a single insurance provider**
- C. Bridging multiple insurance carriers as a broker**
- D. Processing claims for clients**

The role of a managing general agent (MGA) primarily involves acting as an intermediary between insurance carriers and brokers or agents. This position allows the MGA to facilitate relationships and bridge various insurance carriers, enabling them to offer a broader range of products and services to clients than a single insurer could. The MGA typically has the authority to underwrite policies, manage claims, and earn a commission on premiums, which enhances their ability to serve multiple insurance providers and distribute their products effectively. This function is distinct from other options. Providing legal advice is typically associated with legal professionals rather than insurance agents. Representing a single insurance provider confines the role to that one entity, which does not capture the essence of the MGA's function to represent multiple carriers. Processing claims is a part of many insurance roles but does not encapsulate the MGA's overarching purpose of managing and bridging various markets and agents effectively.

## 7. When can an insurer terminate a policy for non-payment?

- A. After three late payments**
- B. Only during the grace period**
- C. After a notice has been mailed**
- D. At the end of the policy term**

An insurer can terminate a policy for non-payment specifically after proper notification has been given, which typically involves mailing a notice to the policyholder. This allows the insured a chance to rectify the situation before termination occurs. The requirement for a notice is a key consumer protection measure, ensuring that policyholders are informed of the impending termination and have an opportunity to make the necessary payment to keep their coverage active. The mention of "after three late payments," does not accurately reflect the standard procedure for policy termination, as each insurer's policy terms can vary significantly regarding late payments. The option regarding the grace period is also not entirely correct since the insurer can still proceed with termination during and after this time frame, provided notification is given. Lastly, terminating a policy solely at the end of the policy term does not account for the insurer's right to terminate the policy due to non-payment prior to that point, which can happen once the proper notice is issued. Thus, the correct understanding revolves around the necessity of mailing a notice to properly terminate a policy for non-payment.

## 8. What does misrepresentation refer to in insurance practices?

- A. Misleading information**
- B. Providing accurate data**
- C. Offering multiple policy options**
- D. Including comprehensive benefits**

Misrepresentation in insurance practices refers to the provision of misleading or false information by either the insurer or the insured, which can affect the validity of the policy or the underwriting process. This can occur when an applicant provides incorrect details about their health history or other relevant factors that influence the insurer's decision to provide coverage, or the insurer may misstate the terms of coverage or important policy details. When misleading information is presented, it can create an environment where the parties involved operate under false assumptions, potentially leading to disputes, denial of claims, or cancellation of the policy. Understanding this concept is essential for ensuring ethical practices in the insurance industry, as it emphasizes the importance of transparency and honesty in all transactions and communications. The other options do not capture the essence of misrepresentation, as providing accurate data, offering multiple policy options, and including comprehensive benefits all align with ethical and standard practices in insurance, rather than practices that could be deemed misleading.

## 9. Who is eligible to make claims on an insurance policy?

- A. Only the insured
- B. Insured and beneficiaries
- C. Creditor or court order
- D. All of the above**

The eligibility to make claims on an insurance policy can encompass a diverse group of individuals, which makes the option stating "All of the above" the correct choice. The insured, naturally, has the right to file a claim directly with the insurer since they are the party most directly involved in the policy. Beneficiaries, on the other hand, are specifically named individuals who are entitled to receive the benefits from the policy in the event of a claim, such as life insurance payouts. Their eligibility stems from their designation in the policy, which grants them the authority to make a claim when the insured event occurs. Moreover, creditors can also be eligible to make claims under specific circumstances, such as when a court order mandates that a claim be paid out to satisfy a debt owed by the insured. This can occur in situations involving bankruptcy or divorce, where a court may decide that certain monetary assets should be allocated to creditors or dependents. Thus, the comprehensive nature of the right to make claims includes the insured, the named beneficiaries, and, under specific conditions, creditors or as dictated by court orders, making "All of the above" the most accurate representation of the eligible claimants on an insurance policy.

## 10. What are the stages of the formation of an insurance policy?

- A. Application, approval, payment
- B. Application, underwriting, renewal
- C. Application, underwriting, delivery**
- D. Submission, approval, delivery

The stages of the formation of an insurance policy include application, underwriting, and delivery. In the application stage, the potential insured provides necessary information to the insurance company through an application form. This information typically includes personal details, risk factors, and coverage needs. The underwriting stage follows, where the insurer assesses the information collected in the application. Underwriting involves evaluating the risk associated with insuring the applicant and determining appropriate pricing. This step is crucial because it helps the insurer decide whether to accept or decline coverage and under what terms. Finally, we reach the delivery stage, where the insurer issues the policy to the applicant once the underwriting process is complete. This stage confirms the agreement between the parties and outlines the coverage specifics, including the conditions and terms of the policy. This sequence reflects the logical flow found in insurance operations, directly connecting how a policy is formally established and the responsibilities of both parties throughout the process.

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

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

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