

LLQP ETHICS AND PROFESSIONAL PRACTICE (COMMON LAW) PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

**VISIT US ONLINE FOR
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 term for money that has been gained illegally and is reintegrated into the economy?**
 - A. Black money
 - B. Laundered money
 - C. Tax evasion
 - D. Fraudulent earnings
- 2. Which type of agent or agency is least likely to use the services of a Managing General Agent (MGA)?**
 - A. Independent Agent
 - B. Captive Agent
 - C. Brokers
 - D. Insurance Adjusters
- 3. Which ethical principle is crucial in LLQP Ethics and Professional Practice?**
 - A. Maximizing commissions for agents
 - B. Honesty and integrity in all dealings with clients
 - C. Providing minimal information to clients
 - D. Advocating for aggressive sales tactics
- 4. Which principle underlines the establishment of an insurance contract?**
 - A. Regulatory compliance
 - B. Mutual agreement between parties
 - C. Commercial speculation
 - D. Industry competition
- 5. What can misrepresentation in insurance lead to?**
 - A. Greater client trust and satisfaction
 - B. Penalties, fines, and loss of license
 - C. Increased sales for the professional
 - D. More lenient regulatory scrutiny

- 6. What does the term policy owner refer to?**
- A. The person entitled to make changes to the policy
 - B. The person receiving the death benefit
 - C. The insurance company
 - D. The agent selling the policy
- 7. What is the length of a rescission period for an annuity or investment?**
- A. 10 days
 - B. 15 days
 - C. 2 days
 - D. 30 days
- 8. 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
- 9. What is referred to as "inter vivos" in the context of insurance?**
- A. Payment after death
 - B. Payment while the holder is alive
 - C. Payment after a will is declared
 - D. Payment during bankruptcy
- 10. What rights do common law spouses have regarding possession during separation?**
- A. Ownership of shared property
 - B. Only rights to child support and spousal support
 - C. Equal division of assets
 - D. No rights to possession

Answers

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

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Explanations

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1. What is the term for money that has been gained illegally and is reintegrated into the economy?

- A. Black money
- B. Laundered money**
- C. Tax evasion
- D. Fraudulent earnings

Laundered money refers to funds obtained through illegal activities that have been processed to appear legitimate and can thus be reintegrated into the economy. The process of money laundering typically involves three stages: placement, layering, and integration. During placement, the illicit funds are introduced into the financial system; layering then obscures the original source of the money through complex transactions; and finally, integration makes the money seem legitimate, allowing it to re-enter the economy without raising suspicion. Understanding the concept of money laundering is crucial in the context of ethics and professional practice, especially for financial professionals, as they are often responsible for identifying and reporting suspicious transactions. Knowledge of this term helps to promote compliance with laws and regulations aimed at preventing financial crimes.

2. Which type of agent or agency is least likely to use the services of a Managing General Agent (MGA)?

- A. Independent Agent
- B. Captive Agent**
- C. Brokers
- D. Insurance Adjusters

The best choice for the type of agent or agency least likely to use the services of a Managing General Agent (MGA) is the captive agent. A captive agent works exclusively for one insurance company and is aligned with that company's products and services. These agents typically do not need to rely on an MGA, as they have direct access to the insurer's underwriting, policies, and support, which aligns completely with the company they represent. On the other hand, independent agents and brokers, who represent multiple insurance companies and have a broader range of products available to their clients, are more likely to utilize the services of an MGA. An MGA can provide these agents with access to markets that they might not typically have, helping them to place business that requires specialized underwriting or unique policies. Insurance adjusters, while important in the claims process, do not typically engage with MGAs in the same capacity as agents and brokers do. Thus, the captive agent's exclusive affiliation with a single insurer makes them the group least likely to seek the services of a Managing General Agent, as they have no need to access multiple markets or underwriting support outside of their primary affiliation.

3. Which ethical principle is crucial in LLQP Ethics and Professional Practice?

- A. Maximizing commissions for agents
- B. Honesty and integrity in all dealings with clients**
- C. Providing minimal information to clients
- D. Advocating for aggressive sales tactics

The principle of honesty and integrity in all dealings with clients is fundamental in LLQP Ethics and Professional Practice. This ethical guideline highlights the importance of building trust and maintaining transparency in the relationship between agents and their clients. Clients rely on agents to provide accurate information about products and services, and to act in their best interests. Adhering to this principle fosters ethical conduct and helps to ensure that clients are well-informed, which can lead to better decision-making and a stronger, long-term relationship. In contrast, focusing on maximizing commissions for agents undermines the client's trust by prioritizing profit over client welfare. Providing minimal information to clients does not serve their best interests and can lead to misunderstandings or uninformed decisions. Advocating for aggressive sales tactics promotes a sales-first mentality that may compromise the ethical treatment of clients, leading to pressure sales practices that are not in line with the ethical standards expected in the industry. Thus, honesty and integrity stand out as essential to upholding ethical principles in LLQP practices.

4. Which principle underlines the establishment of an insurance contract?

- A. Regulatory compliance
- B. Mutual agreement between parties**
- C. Commercial speculation
- D. Industry competition

The principle of mutual agreement between parties is fundamental in establishing an insurance contract because it underscores the essence of contract law, which is the voluntary and informed assent of both parties involved. An insurance contract is created when an insurer offers coverage and the insured accepts that offer, which typically involves negotiating terms, conditions, and premiums. This mutual agreement signifies that both parties have a clear understanding of their rights and obligations, thereby laying the groundwork for a binding legal relationship. In contrast, regulatory compliance, while important for ensuring that insurance contracts adhere to established laws and guidelines, does not by itself form the basis of the contract. Similarly, commercial speculation pertains more to the intentions of the parties in a business context, rather than the contractual relationship itself. Industry competition influences market dynamics and pricing, but it is not a foundational principle for the establishment of a contract. The core of any valid contract, including insurance, is the mutuality of agreement, ensuring that both the insurer and the insured have reached a consensus on the terms of their arrangement.

5. What can misrepresentation in insurance lead to?

- A. Greater client trust and satisfaction
- B. Penalties, fines, and loss of license**
- C. Increased sales for the professional
- D. More lenient regulatory scrutiny

Misrepresentation in insurance can lead to significant consequences, including penalties, fines, and even the potential loss of a professional license. This stems from the fact that insurance relies heavily on the principle of utmost good faith, or "uberrima fides," where all parties involved must be truthful and transparent. When an individual or organization misrepresents information, it undermines this principle and can lead to a range of regulatory actions. Regulatory bodies view misrepresentation seriously, as it can affect the integrity of the insurance market and harm consumers. Therefore, professionals who engage in such practices may face disciplinary measures, including financial penalties, legal repercussions, and possibly the revocation of their license to operate in the field. Maintaining transparency and trust is essential for the industry, and breaching these standards through misrepresentation can compromise this trust and result in substantial professional consequences.

6. What does the term policy owner refer to?

- A. The person entitled to make changes to the policy**
- B. The person receiving the death benefit
- C. The insurance company
- D. The agent selling the policy

The term policy owner refers to the individual who holds the rights associated with an insurance policy, which includes the authority to make changes to the policy itself. This can encompass various actions such as altering coverage, assigning the policy to another person, or even deciding on beneficiary designations. The policy owner has legal control over the policy, ensuring their ability to manage its terms and conditions as needed throughout the life of the policy. The other options identify roles that do not have the same level of control or ownership rights. For instance, the person receiving the death benefit is typically a beneficiary, who may have rights to the proceeds after the insured event occurs, but they do not have the authority to manage the policy. The insurance company is the entity providing the coverage and is not the owner of the policy. Lastly, the agent selling the policy acts as an intermediary and facilitator but does not own the policy itself. Thus, the correct understanding of who the policy owner is reinforces the concept of ownership and control within an insurance contract.

7. What is the length of a rescission period for an annuity or investment?

- A. 10 days
- B. 15 days
- C. 2 days**
- D. 30 days

The length of the rescission period for an annuity or investment is commonly established at 10 days, depending on the regulations in specific jurisdictions. During this period, a client has the right to cancel a contract or policy without penalty. In many regions, this allows the client to review the terms of the contract fully and ensures they have sufficient time to make an informed decision about their investment. A rescission period is a protective measure to encourage responsible decision-making and ensure that consumers are aware of their rights after entering into a financial agreement. The other options provided (15 days, 2 days, and 30 days) do not accurately represent the standard rescission period for annuities or investment products, which is generally accepted as being around 10 days in most regulatory frameworks.

8. 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.

9. What is referred to as “inter vivos” in the context of insurance?

- A. Payment after death
- B. Payment while the holder is alive**
- C. Payment after a will is declared
- D. Payment during bankruptcy

The term “inter vivos” refers to transactions or arrangements that occur during a person's lifetime. In the context of insurance, it specifically denotes payments or benefits that are available to the policyholder while they are still alive. This can encompass various types of insurance where the policyholder receives funds or benefits prior to death, such as certain life insurance policies that offer living benefits or accumulated cash values. Understanding this terminology is crucial for distinguishing between different types of insurance products and their associated benefits, as it directly impacts financial planning and the potential use of funds during the lifetime of the insured.

10. What rights do common law spouses have regarding possession during separation?

- A. Ownership of shared property
- B. Only rights to child support and spousal support**
- C. Equal division of assets
- D. No rights to possession

The correct answer emphasizes that common law spouses primarily have rights to child support and spousal support during separation rather than automatic rights to property division or possession. In the context of common law relationships, the legal framework does not equate to marriage in terms of property rights unless there is a cohabitation agreement or specific legal arrangements in place. As a result, during a separation, common law spouses are generally not entitled to an equal division of assets or ownership of shared property just by virtue of their relationship. This means they may seek support from their partner, but possession of property or assets will not be automatically granted unless otherwise established through legal agreements or evidence of partnership that dictates ownership interest.

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://llqpethics.examzify.com>

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

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