MICHIGAN 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

1. What type of rider pays a death benefit in the event of the insured's spouse's death?

A. Dependent term rider

B. Family term insurance rider

C. Spousal benefit rider

D. Child rider

2. During the application process, which role is NOT associated with field underwriting by an insurance producer?

A. Verifying applicant information

B. Providing commission information to the applicant

C. Assessing risk factors

D. Collecting premiums

3. What typically dictates the amount a beneficiary receives from a term life insurance policy?

A. Duration of premium payments

B. Length of the policy term

C. If the policyholder dies during the term

D. The insured's age at policy inception

4. What is implied authority in the context of an insurance agent?

A. Authority stated explicitly in the contract

B. Authority derived from job responsibilities

C. Authority granted by the insurer only

D. Authority to act in accordance with state laws

5. Upon receiving a producer complaint, what action may the Commissioner immediately take?

A. Arrange a public hearing

B. Issue a cease and desist order

C. Notify the producer directly

D. Remove the license of the producer

6. **Which of the following would disqualify a company's retirement plan from receiving favorable tax treatment?**
   A. It is permanent
   B. It is free for employees
   C. It is temporary
   D. It offers high returns

7. **What is typically associated with the term "estate" in the context of life insurance?**
   A. A fund for children's education
   B. A legal entity for debt settlement
   C. A collection of assets after death
   D. A retirement investment plan

8. **A life insurance policy written on one contract for two people which is payable upon the first death is called?**
   A. Joint life policy
   B. Survivorship policy
   C. Term policy
   D. Whole life policy

9. **When a qualified plan starts making payments, which portion of the distributions is taxable?**
   A. Principal
   B. Gains
   C. Investment costs
   D. Tax credits

10. **Which term refers to a life insurance policy that is in effect until the insured reaches a certain age or event?**
   A. Term life insurance
   B. Whole life insurance
   C. Universal life insurance
   D. Endowment policy

Answers

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

Explanations

1. What type of rider pays a death benefit in the event of the insured's spouse's death?

A. Dependent term rider

B. Family term insurance rider

C. Spousal benefit rider

D. Child rider

The correct choice involves a rider that specifically provides coverage for the spouse in the event of their death. The family term insurance rider essentially extends the life insurance coverage to family members, including the spouse. This rider allows the primary insured individual to have the ability to protect their spouse financially by paying out a death benefit if the spouse passes away. In contrast, the dependent term rider usually covers children or other dependents rather than a spouse, which makes it not applicable in this context. A spousal benefit rider, while it sounds like it might relate to the coverage of a spouse, is not an official term typically used in standard insurance terminology, and therefore is less relevant. Similarly, a child rider focuses specifically on providing benefits in case of the death of a child, not a spouse. Therefore, the family term insurance rider correctly identifies the provision that pays a death benefit in the event of a spouse's death, meeting the criteria of the question effectively.

2. During the application process, which role is NOT associated with field underwriting by an insurance producer?

A. Verifying applicant information

B. Providing commission information to the applicant

C. Assessing risk factors

D. Collecting premiums

In the context of field underwriting by an insurance producer, the role of providing commission information to the applicant is not typically associated with underwriting tasks. Field underwriting primarily involves evaluating the risk profile of an applicant to determine insurability and the appropriate premium. This includes verifying applicant information, assessing risk factors, and collecting premiums to finalize the insurance contract. Verifying applicant information ensures that the details submitted are accurate and truthful, which is essential for effective risk assessment. Assessing risk factors involves analyzing the applicant's health, lifestyle, and other relevant conditions that could influence their insurance coverage. Collecting premiums is a necessary step to bind the policy, confirming the applicant's commitment to the insurance agreement. Thus, providing commission information is more related to the operational and compensation aspects of the insurance business rather than a direct part of the underwriting process.

3. What typically dictates the amount a beneficiary receives from a term life insurance policy?

A. Duration of premium payments

B. Length of the policy term

C. If the policyholder dies during the term

D. The insured's age at policy inception

In a term life insurance policy, the amount a beneficiary receives is primarily determined by whether the policyholder dies during the specified term of coverage. If the policyholder passes away while the policy is active, the insurance company pays the death benefit to the beneficiary, as stipulated in the policy. This benefit is set at the inception of the policy and is unaffected by factors such as the amount of premiums paid or the length of the policy term beyond ensuring it is active at the time of death. The other options involve elements that do not impact the beneficiary's payout in the same straightforward manner. For instance, while the duration of premium payments is crucial for keeping the policy in force, it does not dictate the payment amount at the time of death. Similarly, the length of the policy term only determines a fixed duration during which the policy is active but does not influence the amount paid if the policyholder dies. Lastly, the insured's age at policy inception may affect the premium rates, but it does not impact the fixed death benefit amount outlined in the policy. Thus, the pivotal factor for the payout is indeed whether the policyholder dies during the term.

4. What is implied authority in the context of an insurance agent?

A. Authority stated explicitly in the contract

B. Authority derived from job responsibilities

C. Authority granted by the insurer only

D. Authority to act in accordance with state laws

Implied authority refers to the ability of an insurance agent to perform acts that are necessary to fulfill their responsibilities, even if those specific acts are not explicitly mentioned in a contract. An agent's role often encompasses various tasks needed to carry out their duties effectively, and this type of authority allows them to act in ways that are customary or typical for their position. For instance, if an agent is given the task of selling insurance policies, they naturally have the implied authority to negotiate terms with potential clients, process applications, and address client questions, even if these actions are not specifically detailed in a written agreement. This type of authority is essential in the insurance industry because it empowers agents to serve clients promptly and efficiently without waiting for explicit approval for every action they take.

5. Upon receiving a producer complaint, what action may the Commissioner immediately take?

A. Arrange a public hearing

B. Issue a cease and desist order

C. Notify the producer directly

D. Remove the license of the producer

The Commissioner has the authority to issue a cease and desist order immediately upon receiving a complaint against a producer. This action is significant because it allows the Commissioner to quickly halt any suspected unethical or illegal activities that the producer may be engaged in, thereby protecting the public and maintaining the integrity of the insurance market. A cease and desist order can prevent further harm while the complaint is investigated. Issuing a cease and desist order is typically a first step in the regulatory process, ensuring that any potentially harmful activities are addressed swiftly. While other actions such as arranging a public hearing, notifying the producer directly, or even removing the producer's license can be considered later in the process, these steps do not carry the same immediate protective effect as a cease and desist order.

6. Which of the following would disqualify a company's retirement plan from receiving favorable tax treatment?

A. It is permanent

B. It is free for employees

C. It is temporary

D. It offers high returns

A retirement plan's eligibility for favorable tax treatment hinges on certain criteria defined by the Internal Revenue Service (IRS). One key requirement is that retirement plans are intended to be permanent, providing stable and reliable benefits to employees over the long term. If a retirement plan is deemed temporary, it implies that the benefits may not be available indefinitely or that the plan itself could be subject to discontinuation. This lacks the long-term commitment required for tax-favored status. Employers are encouraged to establish plans that provide significant benefits over time, which aligns with the purpose of retirement savings. In contrast, having a plan that is permanent, free for employees, or offering high returns would not, in themselves, disqualify a plan from favorable tax treatment. The permanence of the plan is critical; temporary plans do not satisfy the IRS's requirements, thus impacting their eligibility for favorable tax benefits.

7. What is typically associated with the term "estate" in the context of life insurance?

A. A fund for children's education

B. A legal entity for debt settlement

C. A collection of assets after death

D. A retirement investment plan

The term "estate" in the context of life insurance refers to a collection of assets after an individual passes away. When someone dies, their estate encompasses all the properties, assets, rights, and obligations they leave behind. This includes cash, real estate, personal belongings, and any financial accounts. In life insurance, the policy's death benefit is typically paid into the decedent's estate if there are no named beneficiaries. This means the life insurance proceeds can be used to settle debts and distribute remaining assets according to the individual's will or state law, making it an essential concept in the planning of one's financial legacy. Understanding what constitutes an estate helps individuals appreciate the significance of life insurance in providing financial protection for their beneficiaries and ensuring that debts and obligations can be met, leaving the heirs with the intended assets.

8. A life insurance policy written on one contract for two people which is payable upon the first death is called?

A. Joint life policy

B. Survivorship policy

C. Term policy

D. Whole life policy

A life insurance policy written on one contract for two people that pays out upon the first death is known as a joint life policy. This type of policy is specifically designed for couples, such as spouses or business partners, and it provides a death benefit to the surviving individual upon the death of the first insured. Joint life policies can be beneficial for ensuring financial support for the surviving partner or to cover debts or obligations that may arise upon the first death. They often have lower premiums compared to purchasing two individual policies because they are based on the joint mortality of the insured individuals. In contrast, a survivorship policy, typically known as a second-to-die policy, only pays out after both insured individuals have passed away, making it unsuitable for upon the first death payout scenario. Term policies provide coverage for a specified period and do not have an investment component, while whole life policies offer lifelong coverage with a savings component, but do not specifically pertain to two people in the context of a joint contract like a joint life policy does.

9. When a qualified plan starts making payments, which portion of the distributions is taxable?

A. Principal

B. Gains

C. Investment costs

D. Tax credits

When a qualified plan starts making payments, it is the gains that are taxable. This is because contributions made to qualified plans, such as 401(k)s or IRAs, are often pre-tax, meaning tax has not yet been paid on the money contributed. Instead, taxes are deferred until distributions are taken. In contrast, the principal represents the amount that was originally contributed, which, if made with pre-tax dollars, would not be subject to taxation upon withdrawal. Investment costs and tax credits also don't apply in this context since they do not directly represent taxable distributions from the plan. Gains, however, are the earnings generated from the investments in the account, and since these earnings have not been taxed yet, they are subject to income tax when distributions are received. This reflects the tax-deferred nature of qualified retirement plans, emphasizing the importance of recognizing that earnings (gains) will indeed be taxed upon withdrawal.

10. Which term refers to a life insurance policy that is in effect until the insured reaches a certain age or event?

A. Term life insurance

B. Whole life insurance

C. Universal life insurance

D. Endowment policy

The term that refers to a life insurance policy providing coverage until the insured reaches a certain age or event aligns with the characteristics of an endowment policy. An endowment policy combines life insurance with a savings plan that pays out a benefit either upon the death of the insured or at a specified point in time, such as when they reach a certain age. This results in a cash value that accumulates over time, and it is designed to pay out a lump sum after a set period or upon death. Whole life insurance, on the other hand, continues for the insured's entire life as long as premiums are paid and typically has a cash value component but does not specify a coverage period based on age or event. Similarly, term life insurance is purely coverage for a limited period and does not accumulate cash value, while universal life insurance offers flexible premium payments and death benefits but also does not specify an end date based on reaching an age or event. Therefore, the most fitting term for a policy that is effective until a certain age or event is indeed the endowment 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://michigan-lifeinsurance.examzify.com

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