

Michigan Variable Annuities 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. Applying AIR to variable life affects which component?**
 - A. The cash value only**
 - B. The death benefit only**
 - C. Both the cash value and the death benefit**
 - D. The death benefit but not the cash value**

- 2. Which option describes a refund option?**
 - A. It pays a fixed amount for life**
 - B. It pays to the named beneficiary after death with no remaining balance**
 - C. It pays for life with no beneficiary**
 - D. It pays to the longer of life or until the original principal is paid, with any remaining balance paid as a lump sum to the named beneficiary at the annuitant's death**

- 3. Which statement describes the accumulation phase of an annuity?**
 - A. The payout phase where distributions begin**
 - B. The period during which the contract owner pays in**
 - C. The phase when a beneficiary receives payments during death**
 - D. The time to withdraw all funds tax-free**

- 4. The period of time in a variable annuity when the owner receives payments is called what?**
 - A. Annuity Phase**
 - B. Accumulation Phase**
 - C. Deferment Phase**
 - D. Maturity Phase**

- 5. The exchange privilege for variable policies, as mandated by the SEC, applies for how many months?**
 - A. 12 months**
 - B. 24 months**
 - C. 36 months**
 - D. 48 months**

- 6. Under Section 1035 Exchanges, can a life insurance policy be exchanged for a qualified long-term care insurance policy?**
- A. Yes**
 - B. No**
 - C. Only if the policy is convertible**
 - D. Only for term life**
- 7. In a variable life policy, the cash values are maintained where, and who bears the investment risk?**
- A. The cash values are guaranteed by the insurer.**
 - B. The cash values are maintained in a separate account and investment risk is borne by the owner.**
 - C. The separate account is funded solely by the insurer's profits.**
 - D. Fees in the separate account are fixed and never change.**
- 8. During accumulation, new premium payments change the number of accumulation units.**
- A. They change the unit value only**
 - B. They change both number and value of accumulation units**
 - C. They change the number of accumulation units**
 - D. They have no effect**
- 9. Mortality Guarantee — which of the following best describes it?**
- A. A fixed withdrawal period guarantee**
 - B. A death benefit guarantee**
 - C. A basic settlement option guarantee to continue annuity payments for as long as the annuitant lives, even beyond life expectancy**
 - D. The prospectus**
- 10. Applying AIR to a variable annuity affects which components?**
- A. The variable annuity unit value and any payments**
 - B. The variable accumulation value**
 - C. The separate account return below AIR**
 - D. The guaranteed death benefit**

Answers

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

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Explanations

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1. Applying AIR to variable life affects which component?

- A. The cash value only
- B. The death benefit only
- C. Both the cash value and the death benefit
- D. The death benefit but not the cash value**

In variable life, the cash value comes from the actual performance of the policy's separate accounts, so it reflects realized investment returns and any withdrawals or loans. The AIR (assumed interest rate or illustration rate) is a calculation device used to determine guarantees or how benefits are projected, not the actual credited performance of the investments. Because AIR is a planning figure used for guarantees or death-benefit calculations, applying it can change the death benefit amount to preserve those guarantees or reflect the assumed scenario, while the cash value remains driven by the real investment results. So the death benefit can be adjusted by AIR, but the cash value stays tied to the actual credited value from the separate accounts.

2. Which option describes a refund option?

- A. It pays a fixed amount for life
- B. It pays to the named beneficiary after death with no remaining balance
- C. It pays for life with no beneficiary
- D. It pays to the longer of life or until the original principal is paid, with any remaining balance paid as a lump sum to the named beneficiary at the annuitant's death**

Refund options guarantee that the original premium is recovered through ongoing payments, with any unrecovered portion paid to a named beneficiary if the annuitant dies early. The described option provides lifetime payments but continues until the principal is fully paid, and any remaining balance is then paid to the beneficiary as a lump sum at death. This combination—ensuring principal recovery and a beneficiary payout if death occurs before full recovery—defines a refund option. The other choices describe payout arrangements that do not include returning the principal to a beneficiary or lack a beneficiary provision, so they do not fit the concept of a refund option.

3. Which statement describes the accumulation phase of an annuity?

- A. The payout phase where distributions begin**
- B. The period during which the contract owner pays in**
- C. The phase when a beneficiary receives payments during death**
- D. The time to withdraw all funds tax-free**

The accumulation phase is the funding period of an annuity when you make premium payments and the account value grows as those funds are invested. This phase is typically tax-deferred inside the contract, until you start taking distributions. The statement that best describes this phase is that it is the period during which the contract owner pays in. Once you begin receiving payments, you move into the payout phase. The idea of payments to a beneficiary after death describes a death benefit during the payout/redistribution period, not the accumulation phase. And the notion of withdrawing all funds tax-free isn't accurate for annuities, since earnings are taxed as ordinary income when withdrawals are taken (with any tax-free return limited to the return of your principal).

4. The period of time in a variable annuity when the owner receives payments is called what?

- A. Annuity Phase**
- B. Accumulation Phase**
- C. Deferment Phase**
- D. Maturity Phase**

In a variable annuity, there are two main phases: accumulation, when you contribute and the value grows, and the period when you actually receive payments. The period during which the owner begins to receive income is called the annuity phase. That's the phase where the contract turns from saving into providing regular (potentially variable) income, based on the performance of the chosen sub-accounts. The other terms don't describe the payout period: accumulation is the saving-and-growth stage, deferment (when distributions are postponed) is not the standard name for the payout period, and maturity is not used to designate the annuity's payout phase.

5. The exchange privilege for variable policies, as mandated by the SEC, applies for how many months?

- A. 12 months**
- B. 24 months**
- C. 36 months**
- D. 48 months**

The exchange privilege is the right to swap a variable policy for another variable policy within a limited period after issue without having to undergo new underwriting. The SEC requires this window to be 24 months. This gives policyowners the flexibility to move to a more suitable product early on without extra medical questions or underwriting, while preserving the ability to do so within the tax-advantaged framework. After that 24-month period, exchanges may still be possible but typically involve standard underwriting and potential changes in charges or benefits.

6. Under Section 1035 Exchanges, can a life insurance policy be exchanged for a qualified long-term care insurance policy?

A. Yes

B. No

C. Only if the policy is convertible

D. Only for term life

Under Section 1035, you can swap a life insurance policy for a qualified long-term care insurance contract without recognizing taxable gain. This provision lets you shift from life coverage to LTC coverage when your needs change, while preserving tax deferral. The exchange is between contracts issued by an insurer, with the policyowner remaining the same, and the old policy's value carries into the new LTC contract. Any gains aren't taxed at the time of the exchange, and LTC benefits on a qualified contract are generally tax-free when used for eligible expenses. So, it's allowed to exchange a life policy for a qualified LTC policy, making that the best answer.

7. In a variable life policy, the cash values are maintained where, and who bears the investment risk?

A. The cash values are guaranteed by the insurer.

B. The cash values are maintained in a separate account and investment risk is borne by the owner.

C. The separate account is funded solely by the insurer's profits.

D. Fees in the separate account are fixed and never change.

In a variable life policy, the cash value sits in a separate account from the insurer's general account, and the policy owner controls how that money is invested through subaccounts. The key point is that the investment results determine the cash value, so there is no guarantee of the cash value from the insurer—the owner bears the investment risk. The insurer may guarantee a minimum death benefit, but the cash value can go up or down with market performance. That's why this option is the best: cash values are kept in the separate account and investment risk is borne by the owner. The other ideas aren't accurate because the cash value isn't guaranteed by the insurer, the separate account isn't funded solely by the insurer's profits, and fees can vary rather than stay fixed forever.

8. During accumulation, new premium payments change the number of accumulation units.

- A. They change the unit value only**
- B. They change both number and value of accumulation units**
- C. They change the number of accumulation units**
- D. They have no effect**

In the accumulation phase, premiums are used to purchase accumulation units. Each premium payment buys a number of units equal to the payment amount divided by the current unit value. So when you add money, you're increasing the total number of accumulation units held in the contract. The per-unit value, driven by the investment performance of the separate account, can go up or down, but it isn't set by the new premium payment itself. For example, if the unit value is \$10 and you contribute \$5,000, you'd receive 500 new units, increasing the total count. If the fund's performance later raises the unit value to \$12, those units' value will reflect the new price, but the premium didn't change the unit price directly—it added more units.

9. Mortality Guarantee — which of the following best describes it?

- A. A fixed withdrawal period guarantee**
- B. A death benefit guarantee**
- C. A basic settlement option guarantee to continue annuity payments for as long as the annuitant lives, even beyond life expectancy**
- D. The prospectus**

Mortality guarantee means the insurer promises to continue paying annuity income for as long as the annuitant is alive, even if that extends beyond the expected life span. This is a life-contingent feature that shifts longevity risk to the insurer, ensuring the annuitant won't outlive the income. It's a basic settlement option aimed at lifetime income. It isn't about a fixed withdrawal period, a death benefit in a life insurance policy, or the prospectus, which is why the description focusing on continuing payments for life is the best fit.

10. Applying AIR to a variable annuity affects which components?

- A. The variable annuity unit value and any payments**
- B. The variable accumulation value**
- C. The separate account return below AIR**
- D. The guaranteed death benefit**

AIR, the assumed interest rate, is used to price and credit guaranteed features within a variable annuity. When you apply AIR, it directly influences how much is credited per unit and the guaranteed payments that can be taken from the contract. That means the variable annuity unit value—the price of a unit in the contract’s subaccounts—and any payments tied to guarantees are affected. The underlying accumulation value, which tracks actual market performance, isn’t set by AIR, and the separate account’s actual return isn’t dictated by the AIR assumption. Likewise, the guaranteed death benefit is determined by the contract’s terms and rider provisions, not directly by applying AIR in this way. So the effect is on the unit value and the guaranteed payments.

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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://mivariableannuities.examzify.com>

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

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