

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. How long is the free-look period for Michigan annuity contracts?**
 - A. 5 calendar days**
 - B. 15 calendar days**
 - C. 30 calendar days**
 - D. 10 calendar days**

- 2. Which statement best describes the target premium for flexible-premium products?**
 - A. The premium set by the policyowner that never changes.**
 - B. The premium calculated by the insurer's actuaries that will maintain the death benefit for the insured's lifetime.**
 - C. The minimum premium required to keep the policy in force for a year.**
 - D. The premium priced to guarantee a specific rate of return on the cash value.**

- 3. Guaranteed minimum income payments (GMIP) ensure that each annuitized payment will be no less than what?**
 - A. The first payment**
 - B. A specified percentage of the first payment**
 - C. The average of the prior year's payments**
 - D. A fixed-dollar amount unrelated to the first payment**

- 4. Premiums paid into a variable annuity are credited as what, with accumulation units converted to annuity units at the end of the accumulation period?**
 - A. Accumulation Units**
 - B. Annuity Units**
 - C. Premiums**
 - D. Administration Charge**

- 5. Which act requires insurer separate accounts to be registered as investment companies with the securities industry?**
- A. Investment Company Act of 1940**
 - B. Securities Act of 1933**
 - C. Investment Advisers Act**
 - D. Securities Exchange Act**
- 6. Which annuity option guarantees payments for life with a guaranteed period if death occurs within that period?**
- A. Pure life**
 - B. Life with period certain**
 - C. Life with refund**
 - D. Life with contingent payments**
- 7. When surrendering a life insurance policy for its cash value, which portion is taxable?**
- A. The entire cash value**
 - B. The gain (cash value minus cost basis)**
 - C. The premiums paid**
 - D. The death benefit**
- 8. 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**
- 9. Which statement defines the role of a prospectus in variable product sales?**
- A. A marketing brochure for the insurer**
 - B. A list of investment portfolios**
 - C. A detailed summary of the SEC registration for a security**
 - D. A letter from the regulator**

- 10. What is the Assumed Interest Rate (AIR) in relation to separate accounts in a variable annuity?**
- A. A fixed rate of return guaranteed by the insurer**
 - B. A hypothetical rate used for illustration**
 - C. An arbitrary rate of return set by the insurer for any separate account they establish**
 - D. The actual realized rate of return in the account**

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Answers

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

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Explanations

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1. How long is the free-look period for Michigan annuity contracts?

- A. 5 calendar days**
- B. 15 calendar days**
- C. 30 calendar days**
- D. 10 calendar days**

In Michigan, the free-look period for annuity contracts is a 10-calendar-day cooling-off window after delivery. This starts when the contract is delivered to you and ends on the tenth day after delivery. During this time you can return the contract for a full refund of any premiums paid, with no surrender charges. This period gives you time to review the terms, fees, and guarantees to ensure the product truly fits your retirement planning. The other durations listed don't match Michigan's requirement, which sets the free-look at 10 calendar days.

2. Which statement best describes the target premium for flexible-premium products?

- A. The premium set by the policyowner that never changes.**
- B. The premium calculated by the insurer's actuaries that will maintain the death benefit for the insured's lifetime.**
- C. The minimum premium required to keep the policy in force for a year.**
- D. The premium priced to guarantee a specific rate of return on the cash value.**

In flexible-premium life policies, the target premium is the amount determined by the insurer's actuaries that would fund the policy so the death benefit can be kept in force for the insured's lifetime. This figure accounts for the policy's cost of insurance, expenses, and the cash value needs to offset those costs over time. Paying at least the target premium helps ensure the policy remains in force and the death benefit stays intact, whereas paying less can lead to lapse unless other factors cover the shortfall, and paying more mainly affects cash value growth rather than the fundamental goal of keeping the benefit guaranteed.

3. Guaranteed minimum income payments (GMIP) ensure that each annuitized payment will be no less than what?

A. The first payment

B. A specified percentage of the first payment

C. The average of the prior year's payments

D. A fixed-dollar amount unrelated to the first payment

GMIP creates a guaranteed income floor by tying the minimum payment to a percentage of the initial payment. This means every future annuitized payment will be at least that specified percentage of what you received at the start, even if the investment performance declines. The first payment sets the baseline, so the floor moves with that baseline and provides a predictable minimum throughout the payout period. This protects against market risk while still allowing for higher actual payments if returns are strong. The other ideas don't fit because the floor isn't the first payment amount itself, nor an average of past payments, nor a fixed dollar amount unrelated to the initial payout.

4. Premiums paid into a variable annuity are credited as what, with accumulation units converted to annuity units at the end of the accumulation period?

A. Accumulation Units

B. Annuity Units

C. Premiums

D. Administration Charge

In the accumulation phase, premiums paid into a variable annuity are used to buy accumulation units in the separate account. The number of units you acquire depends on the premium amount and the current accumulation unit price, which changes with the performance of the underlying investments. When you move to the annuitization phase, those accumulation units are converted into annuity units at the then-current values, and the number of annuity units times the annuity unit value determines your periodic payout. Annuity units are used for the payout calculation, not for the initial credited amount, and administration charges are separate costs.

5. Which act requires insurer separate accounts to be registered as investment companies with the securities industry?

A. Investment Company Act of 1940

B. Securities Act of 1933

C. Investment Advisers Act

D. Securities Exchange Act

The main idea here is regulatory oversight of pooled investment vehicles. Insurer separate accounts that fund variable annuities are considered investment companies because they pool policyowners' money and invest in securities. The Investment Company Act of 1940 is the law that requires these investment companies to register with the SEC and follow rules intended to protect investors, such as disclosures and governance standards. The other acts cover different parts of the securities world: the Securities Act of 1933 governs the initial issuance of securities, the Securities Exchange Act of 1934 covers trading and ongoing reporting, and the Investment Advisers Act regulates who can provide investment advice. Therefore, the act that requires insurer separate accounts to be registered as investment companies is the Investment Company Act of 1940.

6. Which annuity option guarantees payments for life with a guaranteed period if death occurs within that period?

A. Pure life

B. Life with period certain

C. Life with refund

D. Life with contingent payments

Payments that blend lifetime payments with a minimum guarantee. This option provides money for as long as the insured is alive, but also locks in a guaranteed period. If death happens during that guarantee period, the remaining scheduled payments are made to a beneficiary for the rest of the period. If the insured lives beyond the guarantee period, payments continue to the insured for life and no further payments are made after the period ends. That combination—paying for life while ensuring a minimum payment period if death occurs early—fits the description. The other designs don't match: pure life has no survivor guarantee; life with refund focuses on returning principal rather than guaranteeing a period of payments; and life with contingent payments isn't the standard form of a guaranteed-period option.

7. When surrendering a life insurance policy for its cash value, which portion is taxable?

- A. The entire cash value**
- B. The gain (cash value minus cost basis)**
- C. The premiums paid**
- D. The death benefit**

When you surrender a life insurance policy for its cash value, only the amount that represents a gain is taxable. The policy's cash value grows tax-deferred, so you've already paid for the money with after-tax premiums, and the portion representing earnings is the part you owe taxes on. The gain is calculated as cash value minus the cost basis, where the cost basis is the total premiums you've paid into the policy. That gain is taxed as ordinary income in the year you surrender. For example, if you've paid \$40,000 in premiums and surrender for \$60,000, the taxable amount is \$20,000. The remaining \$40,000 isn't taxed because it's your return of the money you invested. The death benefit, if paid later to beneficiaries, is generally income-free. If the surrender value is less than the premiums paid, there's typically no tax on a loss, and premiums aren't deductible. Also, any outstanding policy loans reduce the surrender value but don't change the rule: the taxable amount is the gain above your cost basis.

8. 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.

9. Which statement defines the role of a prospectus in variable product sales?

- A. A marketing brochure for the insurer**
- B. A list of investment portfolios**
- C. A detailed summary of the SEC registration for a security**
- D. A letter from the regulator**

The key idea here is that a prospectus is the formal, regulatory disclosure document that accompanies a variable product, providing a detailed summary of the security's SEC-registered information. It isn't just promotional material or a listing of investments; it's the official document that outlines what the product is, how it works, the investment objective, the risks involved, the fees and expenses, and how performance is reported. Because it reflects the SEC-registration and required disclosures, it serves as the primary source investors use to understand the investment before purchasing. That makes it the best description of the prospectus's role: it summarizes the security's registration and the essential terms and disclosures mandated by regulators. It is not simply a marketing brochure, which would be designed to sell rather than inform; it is not merely a list of portfolios, which would omit critical legal and risk details; and it is not a letter from the regulator, which would convey regulatory action rather than the investment's specific terms and disclosures.

10. What is the Assumed Interest Rate (AIR) in relation to separate accounts in a variable annuity?

- A. A fixed rate of return guaranteed by the insurer**
- B. A hypothetical rate used for illustration**
- C. An arbitrary rate of return set by the insurer for any separate account they establish**
- D. The actual realized rate of return in the account**

The Assumed Interest Rate is the rate used to illustrate how a variable annuity's separate account might grow. It's not guaranteed and not the actual return you'll earn. Insurers pick an AIR for each separate account they establish, and that rate is used to project or illustrate future values. Because it's chosen by the insurer for each account and used only for illustration, it's best described as an arbitrary rate set by the insurer for the separate accounts they offer. This helps show potential outcomes, but actual results will depend on market performance.

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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