

# Ohio Life Insurance Practice exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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**SAMPLE**

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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!**

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## Questions

- 1. What happens when a life insurance policy fails the 7 pay test?**
  - A. It becomes a MEC**
  - B. It automatically terminates**
  - C. The premiums are refunded**
  - D. It gains additional benefits**
- 2. What is a limitation associated with Education IRAs?**
  - A. Contributions are unlimited**
  - B. Contributions are capped at \$2,000 per year per beneficiary**
  - C. Contributions can be made until age 30**
  - D. All distributions are taxable**
- 3. Which of the following is NOT a characteristic of 401(k) retirement plans?**
  - A. They are employer-sponsored**
  - B. They allow for investment through variable annuities**
  - C. They are exclusively for public sector employees**
  - D. They often include employer matching contributions**
- 4. What is a viatical settlement?**
  - A. A purchase of a life insurance policy by an investment firm**
  - B. An agreement to sell a life insurance policy to an unrelated person**
  - C. A contract between family members regarding insurance**
  - D. An agreement solely for people with terminal illness**
- 5. Who benefits from estate conservation in terms of life insurance?**
  - A. The deceased's business partners**
  - B. The government taxing authority**
  - C. The deceased's heirs to cover taxes owed**
  - D. The policyholder's creditors**



- 6. Which of the following is a feature of a 457 plan?**
- A. Available primarily to teachers**
  - B. Designed for private sector employees**
  - C. Similar to TSAs for public employees**
  - D. Exclusively for federal employees**
- 7. In an entity purchase agreement, who collects the death benefits?**
- A. The surviving owners**
  - B. The deceased owner's heirs directly**
  - C. A designated trust**
  - D. The insurance company**
- 8. What type of life insurance is often utilized to ensure a financial benefit after the second insured individual passes away?**
- A. Term life insurance**
  - B. Last Survivor Policy**
  - C. Whole life insurance**
  - D. Universal life insurance**
- 9. What does ERISA stand for in the context of employer-sponsored retirement plans?**
- A. Employee Retirement Income Security Act**
  - B. Enterprise Risk Insurance Strategy Act**
  - C. Employee Resource Investment and Savings Act**
  - D. Equity Retirement Investment Security Act**
- 10. What does 'Graded Vesting' indicate for an employee's retirement plan?**
- A. The employee becomes 100% vested after one year**
  - B. The employee receives a gradual increase in ownership yearly**
  - C. There is a total loss of contributions if the employee leaves**
  - D. The employer contributes only based on tenure**

## **Answers**

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

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## **Explanations**

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**1. What happens when a life insurance policy fails the 7 pay test?**

**A. It becomes a MEC**

**B. It automatically terminates**

**C. The premiums are refunded**

**D. It gains additional benefits**

When a life insurance policy fails the 7 pay test, it becomes classified as a Modified Endowment Contract (MEC). The 7 pay test is a key part of the tax regulations concerning life insurance policies, specifically designed to determine whether the premiums paid into the policy exceed a certain limit relative to the death benefit over the first seven years. When a policy is classified as a MEC, it loses certain tax advantages that are typically available to life insurance products. Specifically, withdrawals and loans taken from the MEC may be subject to income tax, and if the policyholder is under age 59½, they could also incur a 10% penalty on those distributions. Understanding this classification is crucial for insurance professionals and policyholders alike, as it impacts both the tax treatment and the overall efficiency of the policy in meeting the needs of the insured and their beneficiaries.

**2. What is a limitation associated with Education IRAs?**

**A. Contributions are unlimited**

**B. Contributions are capped at \$2,000 per year per beneficiary**

**C. Contributions can be made until age 30**

**D. All distributions are taxable**

The limitation associated with Education IRAs, also known as Coverdell Education Savings Accounts (ESAs), is that contributions are capped at \$2,000 per year per beneficiary. This means that regardless of the number of contributors or accounts, the total contribution amount for any one beneficiary cannot exceed this annual limit. This design helps to maintain the intended purpose of the account, which is to provide a modest savings vehicle for education expenses, rather than allowing for excessive accumulation of funds in one account. The annual contribution limit is crucial for financial planning, as it helps families manage their education savings within a defined framework. Options regarding unlimited contributions, contributions until age 30, or the notion that all distributions are taxable do not reflect the actual characteristics of Education IRAs. The key takeaway is the contribution limit, which encourages systematic saving for education without allowing for disproportionate tax advantages.

**3. Which of the following is NOT a characteristic of 401(k) retirement plans?**

- A. They are employer-sponsored**
- B. They allow for investment through variable annuities**
- C. They are exclusively for public sector employees**
- D. They often include employer matching contributions**

401(k) retirement plans are indeed employer-sponsored plans that enable employees to set aside a portion of their income for retirement, often with contributions from their employers. One of the key characteristics of these plans is their accessibility; they are available to both private and public sector employees, not just exclusively for public sector employees. Therefore, stating that they are exclusively for public sector employees is incorrect. The statement regarding employer matching contributions reflects another common feature of 401(k) plans. Many employers offer matching contributions as an incentive for employees to save for retirement, which further supports the growth of the employees' retirement funds. Additionally, the option about allowing investments through variable annuities is also a valid characteristic of some 401(k) plans, as they often provide various investment options, including mutual funds and variable annuities, allowing participants to choose how they want to grow their retirement savings. Thus, identifying that 401(k) plans are not limited to public sector employees clarifies why this particular statement does not align with the true characteristics of 401(k) plans.

**4. What is a viatical settlement?**

- A. A purchase of a life insurance policy by an investment firm**
- B. An agreement to sell a life insurance policy to an unrelated person**
- C. A contract between family members regarding insurance**
- D. An agreement solely for people with terminal illness**

A viatical settlement refers to the process where a policyholder sells their life insurance policy to a third party for a lump sum cash payment that is less than the death benefit but more than the cash surrender value. This typically occurs when the policyholder is facing terminal illness and needs immediate cash for medical expenses or other needs. Choosing the option that defines it as an agreement to sell a life insurance policy to an unrelated person accurately captures the essence of a viatical settlement. In this arrangement, the buyer, who is usually an investor or investment firm, becomes the new beneficiary of the policy and is responsible for paying future premiums. When the original policyholder passes away, the new owner receives the death benefit. This mechanism provides liquidity to individuals who might otherwise face financial difficulties due to a terminal condition, making the correct answer essential for understanding the practical application and purpose of viatical settlements in the life insurance industry.

**5. Who benefits from estate conservation in terms of life insurance?**

- A. The deceased's business partners**
- B. The government taxing authority**
- C. The deceased's heirs to cover taxes owed**
- D. The policyholder's creditors**

In the context of life insurance and estate conservation, the most notable beneficiaries are the deceased's heirs. Life insurance can provide critical financial support to cover various expenses that arise upon a person's death, including any taxes owed to the government. When an individual passes away, their estate may be subjected to estate taxes and other financial obligations. If these liabilities are not properly addressed, the heirs may find themselves facing significant financial challenges, potentially requiring them to liquidate assets or incur debt to settle these obligations. The life insurance policy pays out a death benefit, which can be directed towards covering these taxes and ensuring that the heirs receive the maximum possible inheritance without undue financial burden. This is particularly important in estate planning, as individuals strive to preserve their wealth for the next generation while also ensuring that their final affairs are settled appropriately, and tax liabilities are managed efficiently. By utilizing life insurance in this capacity, heirs can maintain financial stability and continuity without the added stress of tax concerns.

**6. Which of the following is a feature of a 457 plan?**

- A. Available primarily to teachers**
- B. Designed for private sector employees**
- C. Similar to TSAs for public employees**
- D. Exclusively for federal employees**

A 457 plan is a type of deferred compensation plan that is primarily designed for government employees and certain non-profit employees. It allows participants to set aside a portion of their salary for retirement on a tax-deferred basis. The characteristic that makes the selected answer accurate is that it draws a comparison to Tax Sheltered Annuities (TSAs), which also serve public employees. Both vehicles are aimed at providing tax advantages for the retirement savings of public sector workers, helping them to build financial security for their future after employment. Options suggesting that the plan is available only to specific groups, such as teachers or federal employees, misrepresent the broader application of 457 plans. While certain 457 plans may be more common in public sector roles, the plan itself is not exclusively intended for teachers. Similarly, it does not apply solely to federal employees or private sector workers, emphasizing its inclusivity for qualified state and local government employees.

**7. In an entity purchase agreement, who collects the death benefits?**

- A. The surviving owners**
- B. The deceased owner's heirs directly**
- C. A designated trust**
- D. The insurance company**

In an entity purchase agreement, a designated trust typically serves as the entity that collects the death benefits from the life insurance policy. When the insured owner of a business passes away, the life insurance policy is in place to provide necessary funds to help facilitate the smooth transition of ownership. The trust is pre-established and designated within the purchase agreement to handle the proceeds, ensuring that the funds are used appropriately to buy out the deceased owner's share according to the terms set forth. By having a trust as the beneficiary, it helps isolate the benefits from the direct claims of heirs or other parties, thus simplifying the process of transferring ownership and utilizing the funds for their intended purpose, which is the buy-sell agreement. This mechanism helps protect the business continuity and ensures that surviving owners can maintain control without the complications that could arise from direct distributions to heirs.

**8. What type of life insurance is often utilized to ensure a financial benefit after the second insured individual passes away?**

- A. Term life insurance**
- B. Last Survivor Policy**
- C. Whole life insurance**
- D. Universal life insurance**

The Last Survivor Policy, also known as a second-to-die policy, is specifically designed to provide a death benefit after the death of the second insured person. This type of policy is particularly advantageous for couples or business partners who want to ensure that their beneficiaries receive a financial benefit only after both individuals have passed away. The mechanics of a Last Survivor Policy allow it to be a cost-effective solution as it typically has lower premiums compared to two separate individual life policies, given that the risk of payout is deferred until both insureds are deceased. This can be particularly useful for estate planning purposes, as it can help cover estate taxes or provide an inheritance to heirs. The other types of insurance listed do not specifically cater to the scenario of providing a benefit after the second insured person dies. Term life insurance provides coverage for a specified period, whole life insurance offers coverage for the entire lifetime of an individual but is focused on the death of the insured individual, and universal life insurance has flexible premiums and death benefits but is still centered around individual policyholders rather than a second-to-die benefit structure. This distinguishes the Last Survivor Policy as the most suitable choice for the situation described.



**9. What does ERISA stand for in the context of employer-sponsored retirement plans?**

- A. Employee Retirement Income Security Act**
- B. Enterprise Risk Insurance Strategy Act**
- C. Employee Resource Investment and Savings Act**
- D. Equity Retirement Investment Security Act**

The correct answer is the Employee Retirement Income Security Act. ERISA is a federal law established in 1974 that sets standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans. Its primary purpose is to ensure that employees receive the retirement benefits that they are promised. This law includes provisions related to plan participation, funding, disclosure, and fiduciary responsibilities, among other topics. The other options do not accurately represent the meaning of ERISA. For example, the "Enterprise Risk Insurance Strategy Act," "Employee Resource Investment and Savings Act," and "Equity Retirement Investment Security Act" are not recognized legal terms concerning retirement plans. Understanding ERISA is crucial for comprehending the regulatory landscape surrounding employer-sponsored retirement plans and ensuring compliance and participant security.

**10. What does 'Graded Vesting' indicate for an employee's retirement plan?**

- A. The employee becomes 100% vested after one year**
- B. The employee receives a gradual increase in ownership yearly**
- C. There is a total loss of contributions if the employee leaves**
- D. The employer contributes only based on tenure**

Graded vesting indicates that an employee's ownership of employer contributions to their retirement plan increases gradually over a specified period. Under this vesting schedule, employees gain a certain percentage of their employer's contributions—usually in annual increments—until they reach full ownership. For example, an employee might become 20% vested after two years, 40% after three years, and so on, eventually reaching 100% vesting after a set number of years. This method of vesting serves to encourage employee retention, as employees become more invested in their retirement plan the longer they remain with the company. It contrasts with immediate vesting, where employees would retain all contributions right away, and cliff vesting, where all contributions vest at once after a specific period.

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

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