

PSI OHIO INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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 a primary use of an annuity?**
 - A. To fund a child's education
 - B. To provide retirement income
 - C. To cover medical expenses
 - D. To pay for life insurance premiums
- 2. Which of the following is NOT considered an element of an uninsurable loss?**
 - A. High risk activity
 - B. Avoidable conditions
 - C. Affordability of premiums
 - D. Statistical data related to loss
- 3. A producer who makes false statements about the financial condition of an insurer may be found guilty of what?**
 - A. Fraud
 - B. Defamation
 - C. Misinformation
 - D. Negligence
- 4. What is a key advantage of taking a policy loan over making a withdrawal from a life insurance policy?**
 - A. The loan is not taxed
 - B. The loan has lower interest rates
 - C. The loan does not affect cash value
 - D. The loan increases the death benefit
- 5. In noncontributory plans, what is the required percentage of eligible members that must participate?**
 - A. 50%
 - B. 70%
 - C. 100%
 - D. 1%

- 6. Which of the following is NOT included in all life insurance and health insurance contracts?**
- A. Material representations
 - B. Beneficiary designations
 - C. Immaterial representations
 - D. Coverage exclusions
- 7. How do warranties differ from representations in insurance contracts?**
- A. A warranty is believed to be true
 - B. A warranty is guaranteed to be true
 - C. A representation is guaranteed to be true
 - D. A representation is not documented
- 8. A basic vision care package typically includes all of the following EXCEPT?**
- A. Eye exams
 - B. Prescription glasses
 - C. Contact lenses
 - D. Safety glasses
- 9. What is the maximum period an insured has to initiate legal action against the insurer after providing written proof of loss?**
- A. 1 year
 - B. 2 years
 - C. 3 years
 - D. 5 years
- 10. Which account is most commonly associated with a high deductible health plan?**
- A. Flexible Spending Account (FSA)
 - B. Health Savings Account (HSA)
 - C. Health Reimbursement Arrangement (HRA)
 - D. Retirement Health Account (RHA)

Answers

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

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Explanations

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1. What is a primary use of an annuity?

- A. To fund a child's education
- B. To provide retirement income**
- C. To cover medical expenses
- D. To pay for life insurance premiums

The primary use of an annuity is to provide retirement income. Annuities are financial products designed to help individuals accumulate savings during their working years and then convert those savings into a stream of income during retirement. They can be structured in various ways, such as immediate or deferred, fixed or variable, to ensure that retirees have a reliable income source for their living expenses, which is particularly crucial given the decreasing reliance on traditional pensions in recent years. While annuities can be used for purposes like funding a child's education or covering medical expenses, these are secondary uses. Their main function aligns closely with the need for long-term financial security and income stability in retirement years. Annuities help mitigate the risk of outliving one's savings, thus emphasizing their role as a retirement income vehicle.

2. Which of the following is NOT considered an element of an uninsurable loss?

- A. High risk activity
- B. Avoidable conditions
- C. Affordability of premiums**
- D. Statistical data related to loss

In the context of insurance, elements of an uninsurable loss typically include factors that contribute to the likelihood or frequency of losses that are either too high for an insurer to assume or can be managed by the insured party. High-risk activities, such as extreme sports, present a greater chance of loss, while avoidable conditions relate to circumstances that can be controlled or mitigated by the insured, which makes them uninsurable due to the high probability of occurrence. Statistical data related to loss is essential for insurers to assess risks and determine premiums or coverage limits. It is part of the underwriting process and helps in understanding the likelihood of potential claims based on past occurrences. Affordability of premiums, on the other hand, does not categorize a loss as uninsurable, since it pertains to the financial aspect of the policyholder's ability to pay for insurance rather than the intrinsic nature of the loss itself. Factors like risk, mitigation, and statistical assessments are more directly related to determining whether certain losses can be insured. Thus, affordability of premiums stands apart from the criteria that define uninsurable losses.

3. A producer who makes false statements about the financial condition of an insurer may be found guilty of what?

- A. Fraud
- B. Defamation**
- C. Misinformation
- D. Negligence

When a producer makes false statements about the financial condition of an insurer, this act can fall under the category of defamation. Defamation involves making false statements about an individual or entity that harm their reputation. In the context of insurance, if a producer falsely claims that an insurer is financially unstable, this misleading information can damage the insurer's reputation and business potential. The key element in this scenario is that the producer's statements are not merely untrue but are damaging and misleading assertions presented as fact, which aligns precisely with the definition of defamation. Other terms like fraud, misinformation, and negligence do not capture the essence of making false statements specifically aimed at harming another party's reputation, which is the core of defamation. Fraud typically involves deceit for personal gain, misinformation refers to incorrect information provided without malice, and negligence includes a failure to exercise reasonable care, but none directly address the specifics of harming reputation through false statements about financial status.

4. What is a key advantage of taking a policy loan over making a withdrawal from a life insurance policy?

- A. The loan is not taxed**
- B. The loan has lower interest rates
- C. The loan does not affect cash value
- D. The loan increases the death benefit

A key advantage of taking a policy loan over making a withdrawal from a life insurance policy is that the loan is not taxed. When a policyholder takes out a loan against the cash value of their life insurance policy, it is considered a loan rather than income. Therefore, it does not trigger tax obligations at that time, as long as the policy remains in force. In contrast, making a withdrawal from the cash value can lead to tax implications, especially if the amount withdrawn exceeds the premiums paid into the policy. Withdrawals are typically regarded as income up to the policy's basis (the amount of premiums paid), which can create a tax event if the cash value exceeds that threshold. Understanding this aspect is crucial for policyholders who wish to access funds without incurring tax liabilities, highlighting the importance of strategic financial planning when using life insurance policies.

5. In noncontributory plans, what is the required percentage of eligible members that must participate?

- A. 50%
- B. 70%
- C. 100%**
- D. 1%

In noncontributory plans, the requirement is that 100% of eligible members must participate. This means that the employer covers the entire cost of the insurance premium without requiring any contribution from employees. The rationale behind this requirement stems from the nature of noncontributory plans, which aim to provide universal coverage for all eligible employees. By mandating that every eligible participant enrolls, the plan ensures a larger risk pool, which can help stabilize premiums and improve the overall effectiveness of the benefits provided. This structure also promotes inclusiveness, as it guarantees that all employees receive the same level of coverage without any financial barriers, encouraging participation and ensuring that everyone is protected under the plan. In contrast, other options would either indicate a lower involvement which is not characteristic of a noncontributory plan, or suggest that some members could opt-out completely, which contradicts the essence of such plans.

6. Which of the following is NOT included in all life insurance and health insurance contracts?

- A. Material representations
- B. Beneficiary designations
- C. Immaterial representations**
- D. Coverage exclusions

In life insurance and health insurance contracts, the elements included commonly are material representations, beneficiary designations, and coverage exclusions. Material representations refer to the crucial information disclosed by the policyholder regarding their health and circumstances, which can affect the underwriting process and premium rates. Beneficiary designations specify who will receive the death benefit in the case of life insurance, an integral part of any life insurance policy. Coverage exclusions outline specific conditions or situations that are not covered under the policy, which is vital for understanding the limitations of coverage. In contrast, immaterial representations are not a standard aspect of these contracts. Such representations do not carry significant weight in the underwriting or claims processes. Since they do not materially impact the terms or enforceability of the policies, they are typically not included in the insurance contracts. This distinction makes immaterial representations the correct answer to the question regarding what is NOT included in all life and health insurance contracts.

7. How do warranties differ from representations in insurance contracts?

- A. A warranty is believed to be true
- B. A warranty is guaranteed to be true**
- C. A representation is guaranteed to be true
- D. A representation is not documented

In insurance contracts, warranties and representations serve different functions in determining the obligations and responsibilities of the parties involved. A warranty is a specific promise or guarantee made by one party to the contract, indicating that a certain fact or condition about the insured property or behavior will remain true for the duration of the contract. When a warranty is included in an insurance policy, it creates a binding commitment. If the warranty is later found to be untrue, the insurer can deny a claim, even if the misrepresentation was immaterial or did not affect the risk. On the other hand, representations are statements made by the applicant or insured regarding their situation or the property to be covered. While representations are expected to be truthful and accurate, they are not guaranteed to be true in the same strict sense as warranties. If a representation is proven false, the insurer must demonstrate that this falsehood materially affected the risk they were taking on to deny coverage or rescind the policy. Thus, the distinction lies in the level of certainty and obligation: a warranty is a guaranteed truth that must be upheld, while a representation is believed to be true but does not carry the same binding guarantee.

8. A basic vision care package typically includes all of the following EXCEPT?

- A. Eye exams
- B. Prescription glasses
- C. Contact lenses
- D. Safety glasses**

A basic vision care package usually covers essential services and items related to vision health to help individuals maintain good eyesight. This typically includes routine eye exams, which are crucial for assessing one's vision and detecting potential eye conditions early. Additionally, many plans provide coverage for prescription glasses, recognizing that corrective lenses are often necessary for individuals with refractive errors. Contact lenses are also commonly included in vision care packages, as they are a popular alternative to eyeglasses for many people. Therefore, these items are standard components of most vision care plans. On the other hand, safety glasses may not be included as a basic provision in many vision care packages. Safety glasses are specialized eyewear designed to protect the eyes from injuries in specific environments or while performing certain activities, such as in construction sites or laboratories. While important, they are more often considered separately from standard vision benefits, focusing on occupational safety rather than routine vision care. Therefore, safety glasses are typically not part of the basic offerings in a vision care package, making this option the exception.

9. What is the maximum period an insured has to initiate legal action against the insurer after providing written proof of loss?

- A. 1 year
- B. 2 years
- C. 3 years**
- D. 5 years

The pertinent time frame for initiating legal action against an insurer after submitting written proof of loss is typically outlined in the policy provisions and relevant state insurance regulations. In many jurisdictions, including Ohio, this period is generally set at three years. This allows the insured adequate time to gather necessary evidence and pursue legal recourse if they believe the insurer has not fulfilled their obligations under the policy. This three-year period is considered reasonable, balancing the interests of the insurer in having cases resolved in a timely manner with the rights of the insured to seek legal redress if dissatisfaction arises from a claims process. Understanding this timeline is crucial for policyholders, as it underscores the importance of timely filing and the need to understand when coverage can be contested in a court of law. The variations in the options available underscore the importance of checking specific state regulations and individual policy terms, as they might offer different timeframes.

10. Which account is most commonly associated with a high deductible health plan?

- A. Flexible Spending Account (FSA)
- B. Health Savings Account (HSA)**
- C. Health Reimbursement Arrangement (HRA)
- D. Retirement Health Account (RHA)

The answer is Health Savings Account (HSA) because HSAs are specifically designed to work in conjunction with high deductible health plans (HDHPs). An HSA allows individuals to save money tax-free for medical expenses, promoting the use of HDHPs, which typically have lower premiums but higher deductibles. The fundamental purpose of an HSA is to provide a financial tool that enables individuals to set aside funds for qualified medical costs incurred before they reach their deductible, thereby making high deductible plans more accessible and manageable. This coupling encourages consumers to be more cost-conscious about their healthcare choices and can ultimately lower overall healthcare costs. In contrast, a Flexible Spending Account (FSA) is not specifically tied to high deductible plans and has different rules regarding fund availability and usage. A Health Reimbursement Arrangement (HRA) is employer-funded and not typically linked to high deductible plans in the same way as HSAs. Lastly, a Retirement Health Account (RHA) is focused on retirement and is not commonly associated with the current medical expense usage that HSAs support.

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://psi-ohio.examzify.com>

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

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