ALASKA 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.

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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!

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Questions

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1. What qualified plan is suitable for the self-employed?

A. 401(k)

B. HR-10 or Keogh

C. Simple IRA

D. Roth IRA

2. In a whole life insurance policy, what happens to premiums paid after the insured's death?

A. They are refunded to the policy owner

B. They accumulate interest for beneficiaries

C. They are not returned, but death benefits are paid out

D. They are partially refunded to the estate

3. What is the main purpose of life insurance in estate planning?

A. To guarantee heirs receive income

B. To cover potential liabilities of the estate

C. To provide liquidity for tax payments

D. To serve as a retirement plan

4. What law protects consumers against the circulation of inaccurate or obsolete information?

A. The Fair Credit Reporting Act

B. The Privacy Act

C. The Insurance Information and Privacy Protection Act

D. The Consumer Protection Act

5. What do individuals primarily use to transfer their risk of loss?

A. Investment

B. Insurance

C. Bond trading

D. Retirement funds

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6. Which of the following is an example of a qualified retirement plan?

A. Traditional Savings Account

B. 401(k)

C. Health Savings Account

D. Money Market Fund

7. What type of report provides information about the applicant's hobbies, habits, and financial status?

A. Consumer Report

B. Credit Report

C. Investigative Consumer Report

D. Life Insurance Report

8. What type of assignment is used to secure the payment of a debt with an existing life insurance policy?

A. Absolute assignment

B. Permanent assignment

C. Collateral assignment

D. Temporary assignment

9. What are the death benefit options in universal life policies?

A. Option A- level death benefit, Option B- increasing death benefit

B. Option A- increasing death benefit, Option B- decreasing death benefit

C. Option A- level death benefit only

D. Option A- decreasing death benefit, Option B- level death benefit

10. Which document is essential to fulfill the entire contract policy provision in an insurance policy?

A. A copy of the original insurance application

B. A summary of the policy provisions

C. A list of the beneficiaries

D. A statement of health

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Answers

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

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Explanations

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1. What qualified plan is suitable for the self-employed?

A. 401(k)

B. HR-10 or Keogh

C. Simple IRA

D. Roth IRA

The HR-10, also known as Keogh, is specifically designed for self-employed individuals and unincorporated businesses. This plan allows self-employed persons to contribute a significant amount of their earnings toward retirement savings, providing both a defined contribution and defined benefit option. The flexibility in contribution limits makes it particularly attractive as it allows contributions based on the business's income, enabling self-employed individuals to maximize their retirement savings based on their financial situation. In contrast, while a 401(k) can also be used by the self-employed, it is typically structured for businesses with employees and has different operational requirements. A Simple IRA is designed for small businesses and requires a minimum number of employees to be practical, making it less ideal for sole proprietorships. A Roth IRA is excellent as a retirement savings tool but has income limitations and lower contribution limits compared to a Keogh plan, which may not be as beneficial for someone self-employed looking to save maximally for retirement. Thus, the HR-10 or Keogh plan stands out as the most suitable and advantageous option for those who are self-employed, providing flexibility and potentially higher contributions suited to their income levels.

2. In a whole life insurance policy, what happens to premiums paid after the insured's death?

A. They are refunded to the policy owner

B. They accumulate interest for beneficiaries

C. They are not returned, but death benefits are paid out

D. They are partially refunded to the estate

In a whole life insurance policy, when the insured passes away, the premiums that were paid prior to the insured's death are not refunded to the policy owner. Instead, the policy will pay out a death benefit to the beneficiaries. This death benefit is typically much larger than the total amount of premiums paid, as it is designed to provide financial support to the beneficiaries in the event of the policyholder's death. The reason for this structure is that whole life insurance is meant to provide lifelong coverage, and the premiums contribute to a cash value component in addition to the death benefit. When the policyholder dies, the insurance company fulfills its obligation by paying the agreed-upon amount to the beneficiaries, thereby ensuring that the intended financial support is delivered as planned.

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3. What is the main purpose of life insurance in estate planning?

A. To guarantee heirs receive income

B. To cover potential liabilities of the estate

C. To provide liquidity for tax payments

D. To serve as a retirement plan

The main purpose of life insurance in estate planning is to provide liquidity for tax payments. When an individual passes away, their estate may be subject to various taxes, such as estate or inheritance taxes. Liquid assets can be crucial to cover these tax obligations without forcing the sale of other estate assets, which may not be easily liquidated or could be subject to unfavorable market conditions at the time of death. Incorporating life insurance into estate planning can ensure that there are immediate funds available to pay these taxes, allowing heirs to inherit the estate without the burden of financial complications. This is particularly important because tax liabilities can arise swiftly and unexpectedly. Paying them from the life insurance proceeds can help maintain the integrity of the estate and provide peace of mind to the beneficiaries. While other options touch on important aspects of estate management, they do not focus on the primary goal of addressing immediate financial needs associated with an estate. For example, guaranteeing income to heirs does not directly address tax liabilities, and using life insurance as a retirement plan diverts from its primary role in managing estate taxes. Covering potential liabilities is relevant but secondary to ensuring liquidity for tax obligations.

4. What law protects consumers against the circulation of inaccurate or obsolete information?

A. The Fair Credit Reporting Act

B. The Privacy Act

C. The Insurance Information and Privacy Protection Act

D. The Consumer Protection Act

The Fair Credit Reporting Act (FCRA) is fundamentally designed to protect consumers from the potential harms associated with inaccurate or outdated information in their credit reports. It establishes guidelines for how consumer reporting agencies must handle the collection, maintenance, and sharing of consumer information. This act ensures that consumers have the right to know what information is being reported about them, as well as the right to dispute any incorrect or obsolete data. Under the FCRA, individuals are empowered to request their credit reports and challenge inaccuracies. If a consumer identifies errors, reporting agencies are obligated to investigate and correct any discrepancies. This law is crucial for maintaining the integrity of information that can affect a person's creditworthiness and access to credit, insurance, and employment opportunities. The other options focus on different aspects of consumer protection but do not specifically address the issue of inaccurate or obsolete information in the same way the FCRA does. The Privacy Act, for instance, deals primarily with the handling of personal data by government entities, while the Insurance Information and Privacy Protection Act pertains specifically to insurance information and consumer privacy. The Consumer Protection Act generally aims to prevent unfair, deceptive, or fraudulent practices but does not specifically focus on credit reporting or the accuracy of consumer records.

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5. What do individuals primarily use to transfer their risk of loss?

A. Investment

B. Insurance

C. Bond trading

D. Retirement funds

Individuals primarily use insurance to transfer their risk of loss because it provides a systematic way to manage potential financial setbacks. Insurance acts as a protective financial mechanism that allows individuals to minimize their exposure to significant losses, such as those caused by accidents, illness, property damage, or death. By paying a premium to an insurance company, individuals enter into a contract that promises financial compensation in the event of a covered loss. This allows them to safeguard their assets and ensure financial stability despite the uncertainties of life. The other options, while related to financial management, do not serve the specific purpose of risk transfer in the same manner. Investments can grow wealth over time but do not directly address loss risk. Bond trading is a method of participating in the debt market and carries its own risks, but it is not a tool designed for loss transfer. Retirement funds are focused on saving and preparing for retirement rather than transferring risk associated with unexpected events. Therefore, insurance is the most effective tool for transferring risk among the options provided.

6. Which of the following is an example of a qualified retirement plan?

A. Traditional Savings Account

B. 401(k)

C. Health Savings Account

D. Money Market Fund

A 401(k) is classified as a qualified retirement plan because it meets specific requirements set by the Internal Revenue Service (IRS) and the Employee Retirement Income Security Act (ERISA). These plans provide employees with a way to save for retirement through tax-deferred contributions, meaning that taxes on the money saved and the investment earnings are deferred until withdrawal, typically during retirement when the individual may be in a lower tax bracket. Qualified retirement plans, like the 401(k), also generally include features such as employer matching contributions, loan provisions, and specific rules regarding contributions and distributions that adhere to IRS regulations. The plan must also provide certain protections for participants, ensuring that the funds are managed according to established fiduciary standards. In contrast, the other options do not qualify as retirement plans under IRS guidelines. A traditional savings account is not specifically designated for retirement and does not provide tax advantages. A Health Savings Account, while beneficial for medical expenses, is not a retirement account in the traditional sense and is intended for health-related costs. A money market fund, although it can be part of investment strategies, is simply an investment vehicle and does not meet the defined criteria of a qualified retirement plan. This distinction emphasizes the unique structure and benefits associated with qualified retirement plans like

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7. What type of report provides information about the applicant's hobbies, habits, and financial status?

A. Consumer Report

B. Credit Report

C. Investigative Consumer Report

D. Life Insurance Report

The correct choice is the type of report known as an Investigative Consumer Report. This report is particularly comprehensive as it not only includes standard details about the applicant's credit history and financial standing but also delves into more personal aspects, such as hobbies and habits. In the context of life insurance, this report is crucial because insurers often seek a thorough understanding of an applicant's lifestyle choices, which can directly impact risk assessment and premium calculations. Understanding an applicant's interests and behaviors, alongside their financial background, allows insurers to evaluate potential risks more accurately. This means that, for example, engaging in high-risk hobbies may lead to higher premiums or even denial of coverage, depending on the insurer's policies. Consumer Reports, while useful for general information on an applicant's credit and transaction history, do not offer the same detailed personal insights as Investigative Consumer Reports. Credit Reports focus solely on financial and credit-related information, lacking the comprehensive lifestyle context. The Life Insurance Report is not a standard term used within insurance practices; thus, it does not specifically encompass the diverse information needed when underwriting life insurance policies.

8. What type of assignment is used to secure the payment of a debt with an existing life insurance policy?

A. Absolute assignment

B. Permanent assignment

C. Collateral assignment

D. Temporary assignment

Collateral assignment is the term used to refer to the process in which a life insurance policy is used as security for a debt. In this scenario, the policyholder temporarily transfers certain rights of the policy to a creditor. This transfer allows the creditor to claim the policy's death benefit up to the amount owed if the policyholder dies before the debt is repaid. The rights of the policy remain with the policyholder, ensuring that they can continue to maintain coverage and access the policy's benefits as long as the debt is settled. This method is commonly used in loans, such as when individuals take out a mortgage or personal loan and use their life insurance as a form of collateral. It gives the lender assurance that they will recover funds should the insured individual pass away before the debt is cleared, without requiring a complete transfer of ownership of the policy. In contrast, absolute assignment involves a full transfer of ownership of the policy to another party, which is not solely focused on securing a debt. Permanent and temporary assignments are not standard terms used to describe the aspect of using an insurance policy as collateral. Therefore, collateral assignment is the appropriate term for this type of arrangement.

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9. What are the death benefit options in universal life policies?

A. Option A- level death benefit, Option B- increasing death benefit

B. Option A- increasing death benefit, Option B- decreasing death benefit

C. Option A- level death benefit only

D. Option A- decreasing death benefit, Option B- level death benefit

In universal life insurance policies, the death benefit options are designed to provide flexibility based on the policyholder's needs and goals. The correct answer highlights two primary options: Option A provides a level death benefit, which means that the death benefit remains constant throughout the life of the policy. This is particularly beneficial for policyholders who want to ensure that their beneficiaries receive a fixed amount upon their death, allowing for financial planning and stability. Option B features an increasing death benefit, which allows the death benefit to rise over time. This increase typically correlates with the accumulated cash value of the policy, meaning that as the policyholder contributes more to the cash value, the total death benefit grows. This option can be appealing for individuals who anticipate needing greater financial support for their beneficiaries as inflation changes the value of money or as their family's financial needs evolve. These two options in universal life insurance provide policyholders with the ability to tailor their coverage based on both immediate and long-term needs, making it a versatile financial tool.

10. Which document is essential to fulfill the entire contract policy provision in an insurance policy?

A. A copy of the original insurance application

B. A summary of the policy provisions

C. A list of the beneficiaries

D. A statement of health

The correct answer highlights the importance of the original insurance application as a crucial component of the insurance contract. The entire contract provision specifies that the insurance policy, along with the approved application, constitutes the totality of the agreement between the policyholder and the insurer. This means that whatever is stated in the original application becomes an integral part of the policy. The application serves several key roles. It not only provides the insurer with vital information about the insured's health and eligibility but also establishes the basis for the underwriting process. If disputes arise regarding coverage or claims, the original application can be referenced to clarify terms and conditions agreed upon at the outset of the policy. Thus, it is essential for upholding the integrity of the contract as it reflects both parties' expectations and agreements. The other options, while relevant to different aspects of insurance, do not fulfill this specific requirement. A summary of the policy provisions may offer helpful information but does not constitute the official contractual agreement. A list of beneficiaries indicates who will receive benefits but does not impact the contract's legal foundation. A statement of health may provide updated medical information but is not part of the original agreement unless directly incorporated into the policy document.

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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://aklifeinsurance.examzify.com

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

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