DELAWARE 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. **How do decreasing term premiums compare to level term premiums when initially issued?**

   A. They are higher than level term premiums.

   B. They are the same as level term premiums.

   C. They are lower than level term premiums.

   D. They vary greatly depending on age.

2. **What does an insurance company need to do to be considered a surplus lines insurer?**

   A. Be authorized in every state

   B. Be used only when regular insurance is unavailable

   C. Offer lower premiums than traditional insurers

   D. Specialize in federal insurance programs

3. **Which type of life insurance pays the death benefit upon the death of the second insured?**

   A. Joint life insurance

   B. Family income policy

   C. Survivorship life insurance

   D. Group life insurance

4. **Which type of insurance company is authorized to sell unauthorized insurance?**

   A. Domestic insurer

   B. Alien insurer

   C. Surplus Lines Insurance

   D. Mutual insurance company

5. **Which of the following is NOT an objective of load factors?**

   A. To provide a safety margin for mortality losses

   B. To attract new clients with lower premiums

   C. To cover total operational costs

   D. To contribute to profits

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6. How often must divisible surplus be apportioned in participating annuity contracts?

A. Monthly

B. Quarterly

C. Annually

D. Biannually

7. What are the federal insurance programs commonly recognized?

A. Social Security and Private Insurance

B. Medicaid and Social Security

C. Medicare and Surplus Lines

D. Health Insurance and Unemployment Benefits

8. When a trust is the beneficiary of a life insurance policy, who manages the policy proceeds?

A. The insurer directly to the beneficiaries

B. A trustee designated to manage the proceeds

C. The policyowner

D. An attorney designated by the insurer

9. What is the primary benefit of risk sharing in insurance?

A. Lower premiums for all individuals

B. Reducing individual exposure to risk

C. Ensuring that risks are eliminated

D. Maximizing profits for insurers

10. How do family maintenance policies differ from family income policies?

A. Family maintenance policies use increasing term insurance

B. Family income policies provide level term coverage

C. Family maintenance policies maintain income for a level period of time

D. Family income policies cover only children

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Answers

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

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Explanations

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1. How do decreasing term premiums compare to level term premiums when initially issued?

A. They are higher than level term premiums.

B. They are the same as level term premiums.

C. They are lower than level term premiums.

D. They vary greatly depending on age.

Decreasing term premiums are typically lower than level term premiums when initially issued due to the structure of the policies. With a decreasing term policy, the face amount of the insurance decreases over time, usually in regular intervals, which inherently reduces the insurer's risk as the policyholder ages or as the term approaches its end. Since the amount of coverage decreases, the cost to the policyholder for that coverage also tends to be lower compared to a level term policy where the coverage remains constant throughout the term. This relationship in pricing comes from the insurer's assessment of risk over time. With level term insurance, premiums remain consistent for the duration of the policy, reflecting the higher perpetual risk due to the constant coverage amount. In contrast, with decreasing term insurance, the total payout reduces, aligning with the lower premium costs associated with the decreasing liability to the insurer.

2. What does an insurance company need to do to be considered a surplus lines insurer?

A. Be authorized in every state

B. Be used only when regular insurance is unavailable

C. Offer lower premiums than traditional insurers

D. Specialize in federal insurance programs

To be considered a surplus lines insurer, the company must operate in a manner that addresses the gaps in the traditional insurance market. This typically means that a surplus lines insurer is used in situations where regular insurance is unavailable, such as for high-risk individuals or unusual types of coverage that standard insurers do not provide. Surplus lines insurance is essential for providing coverage to risks that are not insurable through standard policies due to their unique nature or increased risk. This concept is rooted in the idea that surplus lines insurers can underwrite risks that traditional insurers deem too risky or unprofitable, thereby filling a crucial role in the insurance ecosystem. As a result, surplus lines insurers often cater to niche markets or specialized risks, making their existence vital for comprehensive insurance coverage options.

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3. Which type of life insurance pays the death benefit upon the death of the second insured?

A. Joint life insurance

B. Family income policy

C. Survivorship life insurance

D. Group life insurance

Survivorship life insurance, also referred to as second-to-die insurance, is specifically designed to pay out the death benefit upon the death of the second insured individual in a policy. This type of policy covers two people, often spouses, and is commonly used in estate planning to provide funds for beneficiaries after both insured parties have passed away. Survivorship life insurance can be particularly advantageous for couples who wish to ensure that their heirs receive a tax-efficient inheritance or have funds available for estate taxes. This structure also generally allows for lower premiums compared to two separate life insurance policies on each individual, given that the payout is delayed until the death of the second insured. In contrast, joint life insurance pays the death benefit upon the death of the first insured, which is mainly used for satisfying debts or obligations that arise immediately upon someone's passing. A family income policy provides a set amount of income for a specified period after the death of the insured, mainly focusing on income replacement rather than the timing of multiple deaths. Group life insurance typically covers a group of individuals — usually employees of a company — and pays out upon the death of any individual in the group, rather than the second insured. Thus, survivorship life insurance is the only option that accurately describes the

4. Which type of insurance company is authorized to sell unauthorized insurance?

A. Domestic insurer

B. Alien insurer

C. Surplus Lines Insurance

D. Mutual insurance company

Surplus lines insurance companies are specifically designed to cover risks that standard insurance companies are unwilling or unable to insure. These companies provide coverage for unusual or high-risk situations and operate in a regulatory framework that allows them to sell policies without being licensed in the specific state where the insurance is sold. In many instances, surplus lines insurers deal with unique risks that are not adequately addressed by traditional insurance markets. They offer flexibility and specialized coverage options, which makes them an essential part of the insurance landscape, particularly for businesses and individuals with non-standard insurance needs. When a broker, for example, seeks a policy for a high-risk venture that a domestic or alien insurer cannot cover, they would turn to surplus lines for the necessary coverage. The nature of surplus lines also involves regulatory considerations; while they aren't 'unauthorized' in the sense of being illegal, they operate outside the standard licensing requirements for most insurers in a given state. This unique status allows them to provide vital coverage options for specific risks, exemplifying their role in the insurance industry.

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5. Which of the following is NOT an objective of load factors?

A. To provide a safety margin for mortality losses

B. To attract new clients with lower premiums

C. To cover total operational costs

D. To contribute to profits

The option indicating that attracting new clients with lower premiums is not an objective of load factors is correct. Load factors, in the context of insurance, are primarily used to ensure that the insurer remains financially stable and can meet its obligations. They include elements that provide a safety margin for unexpected mortality losses, cover operational costs, and contribute to overall profitability. Load factors help set premiums at a level that is sufficient to account for various risks and expenses associated with providing life insurance. For instance, the safety margin protects against higher-than-expected mortality rates, while covering operational costs ensures that the company can maintain its infrastructure and customer service. While attracting new clients through competitive pricing might be a business strategy, it is not an inherent objective of load factors themselves. Load factors focus more on ensuring that premiums collected will adequately meet the financial needs of the insurance company, rather than directly lowering premiums to attract customers.

6. How often must divisible surplus be apportioned in participating annuity contracts?

A. Monthly

B. Quarterly

C. Annually

D. Biannually

In participating annuity contracts, divisible surplus must be apportioned annually. This practice is rooted in the operation of mutual insurance companies, which distribute surplus among policyholders at the end of each fiscal year. By doing so, the company can assess its financial performance and allocate the surplus in a manner that reflects the profitability of the annuity contracts issued during that period. The annual apportionment allows for a precise calculation of the surplus generated from investments and underwriting profits, providing policyholders with a clearer understanding of their dividends or benefits. Additionally, this annual assessment aligns with the financial reporting and accounting cycles typical in insurance operations, making it a standard practice within the industry. This annual allocation is in contrast to more frequent distributions, such as monthly or quarterly, which would not give enough time to accurately evaluate the financial conditions necessary for an effective apportionment of surpluses. Biannual distributions may not align as effectively with the typical financial reporting practices common in the industry. Therefore, annual apportionment is the established norm for participating annuity contracts.

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7. What are the federal insurance programs commonly recognized?

A. Social Security and Private Insurance

B. Medicaid and Social Security

C. Medicare and Surplus Lines

D. Health Insurance and Unemployment Benefits

The correct answer identifies Medicaid and Social Security as the commonly recognized federal insurance programs. Social Security is a social insurance program that provides retirement, disability, and survivor benefits to eligible individuals, helping to ensure a basic income level for retirees and others who are unable to work due to disability. Medicaid, on the other hand, is a health care program that assists low-income individuals and families by providing access to medical care and services. Both of these programs are government-funded and play vital roles in the social safety net. When considering the other options, private insurance, while important, is not a federal program. Surplus lines refer to insurance policies offered by unauthorized insurers and do not fall under federal programs. Health Insurance, in a general sense, can include both private and public options and is not a specific federal program. Unemployment benefits are typically state-administered, though there can be federal components to these programs. Thus, Medicaid and Social Security stand out as the significant federal insurance programs that provide crucial support to Americans across various life circumstances.

8. When a trust is the beneficiary of a life insurance policy, who manages the policy proceeds?

A. The insurer directly to the beneficiaries

B. A trustee designated to manage the proceeds

C. The policyowner

D. An attorney designated by the insurer

When a trust is named as the beneficiary of a life insurance policy, it is the responsibility of a trustee to manage the policy proceeds. The trustee is a person or entity designated specifically to handle the management and distribution of the assets held within the trust according to the terms outlined in the trust document. This includes overseeing the life insurance proceeds upon the death of the insured. The trustee's role is crucial because they act in a fiduciary capacity, meaning they are legally and ethically required to act in the best interest of the trust's beneficiaries. This can involve decisions about how to allocate the funds, whether to disburse them immediately to the beneficiaries or invest them for future benefit, and how to ensure that the trust's conditions are met. In contrast, other potential beneficiaries or parties mentioned, such as the policyowner or legal representatives, do not have the authority or responsibility to manage the proceeds when a trust is involved. The insurer will pay the proceeds to the trustee, as dictated by the terms of the trust, ensuring that the processes are handled according to the established trust management guidelines.

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9. What is the primary benefit of risk sharing in insurance?

A. Lower premiums for all individuals

B. Reducing individual exposure to risk

C. Ensuring that risks are eliminated

D. Maximizing profits for insurers

The primary benefit of risk sharing in insurance is reducing individual exposure to risk. This concept is fundamental to how insurance operates. When individuals purchase insurance, they are essentially pooling their risks with others in similar circumstances. By doing so, the financial burden of a loss is distributed among all policyholders rather than being shouldered by a single individual. In this way, if a claim is made, the costs associated with that claim are spread out over a larger group. This not only helps to manage the financial impact on any one person but also provides peace of mind knowing that a significant loss will not fall entirely on an individual's shoulders. This shared risk allows for more manageable financial consequences resulting from unforeseen events, such as accidents, illnesses, or property damage. This choice reflects the core activity of insurance, which aims to provide security to individuals by mitigating their risk exposure through collective support.

10. How do family maintenance policies differ from family income policies?

A. Family maintenance policies use increasing term insurance

B. Family income policies provide level term coverage

C. Family maintenance policies maintain income for a level period of time

D. Family income policies cover only children

Family maintenance policies and family income policies are designed to provide financial support for families, but they do so under different structures and timeframes. Family maintenance policies blend life insurance and income replacement by combining a term insurance component with a cash benefit that is paid to the beneficiary over a specific period following the insured's death. This structure is intended to maintain the family's income level for a fixed duration, ensuring that the family's financial needs are met for that specified period. This aspect makes it clear that these policies focus on maintaining income consistency over time rather than solely providing a lump-sum payment. In contrast, family income policies primarily focus on providing a regular income stream for a limited time after the policyholder's death. It offers a fixed monthly benefit until the end of the term rather than maintaining income through a combination of insurance payout and cash benefits. Thus, the correct choice highlights the key characteristic of family maintenance policies, which is their emphasis on sustaining income for a particular duration, ensuring that families can meet their financial obligations during a critical period of adjustment after losing a breadwinner.

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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://delifeinsurance.examzify.com

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

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