IIAP ORDINARY LIFE (OL) 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. Who is referred to as the person who purchases the annuity plan?

A. Owner

B. Annuitant

C. Assignor

D. Insured

2. Disability benefits are typically not paid for which of the following reasons?

A. If there is a loan against the policy

B. If all the policy dividends have been withdrawn

C. For self-inflicted injuries

D. If disability resulted from sickness only

3. In insurance, risks are classified as?

A. unacceptable and acceptable

B. regular and irregular

C. standard, substandard and declined

D. complete and incomplete

4. What defines level premiums in an insurance policy?

A. They decrease over time

B. They remain constant throughout the policy

C. They vary based on the insured's age

D. They only apply to term policies

5. What is the purpose of a waiting period in some life insurance policies?

A. To allow the policy to accrue value

B. To prevent moral hazard by delaying benefit payouts

C. To enable easier policy updates

D. To increase premium rates

6. What is an insurance trust and its primary benefit?

A. A trust managed by the life insurer

B. A way to circumvent state regulations

C. A legal entity providing estate tax advantages

D. A policyholder's will for managing funds

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7. Why are health disclosures essential during the insurance application process?

A. To attract more applicants

B. To deter applicants with past health issues

C. To evaluate risk and set premium rates

D. To comply with legal requirements

8. What type of plan entitles Mr. Juan Valdez to receive dividends yearly?

A. Participating plans

B. Non-participating plans

C. Term insurance

D. None of the above

9. Which of the following is NOT true about life insurance applications?

A. It must be signed by the applicant

B. It is usually made part of the policy contract

C. Misstatements could void the policy during the contestable period

D. Statements made on the applications are warranties

10. Which of the following is NOT considered an unethical practice in insurance solicitation?

A. Misleading estimates of dividends

B. Inducing a policyholder to forfeit their policy

C. Misrepresenting policy terms

D. Obtaining a license by fraud or misrepresentation

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Answers

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

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Explanations

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1. Who is referred to as the person who purchases the annuity plan?

A. Owner

B. Annuitant

C. Assignor

D. Insured

The term that refers to the individual who purchases the annuity plan is the "Owner." The owner is the person who enters into the contract with the insurance company and pays the premiums or contributions toward the annuity. While the annuitant is the individual on whose life the annuity payments are based, and they may or may not be the same as the owner, the distinction is important. The owner retains control over the annuity, including decisions such as the payment options and the ability to change beneficiaries. In many cases, the annuitant is simply the individual whose life expectancy determines when and how much the payouts occur, but they do not necessarily have to be the person who purchased the annuity. Now, regarding the other terms: the assignor refers to someone who transfers their rights under the contract to another party, and the insured is typically applicable in life insurance contracts, not annuities. Thus, "Owner" is indeed the accurate term for the person who purchases the annuity plan.

2. Disability benefits are typically not paid for which of the following reasons?

A. If there is a loan against the policy

B. If all the policy dividends have been withdrawn

C. For self-inflicted injuries

D. If disability resulted from sickness only

Disability benefits are typically not paid for self-inflicted injuries because insurance policies are designed to protect against unforeseen events and risks. When a policyholder intentionally causes harm to themselves, it is viewed as a preventable circumstance, which does not align with the principle of indemnity that underpins insurance. This principle states that insurance should compensate for losses that are fortuitous or accidental in nature, and not for situations arising from the policyholder's own actions. As a result, most insurance contracts explicitly exclude coverage for injuries that result from self-inflicted harm to uphold the integrity of the insurance system and discourage intentional harm. The other reasons, such as having a loan against the policy, withdrawing all policy dividends, or a disability resulting solely from sickness, do not universally negate eligibility for benefits. Each of those situations may have specific conditions under which coverage could still be maintained, making them less definitive as reasons for denial of benefits.

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3. In insurance, risks are classified as?

A. unacceptable and acceptable

B. regular and irregular

C. standard, substandard and declined

D. complete and incomplete

The classification of risks in insurance as standard, substandard, and declined is foundational to understanding how insurance underwriting works. Standard risks refer to individuals or situations that meet the criteria set by an insurer and are expected to follow predictable loss patterns. These risks typically qualify for standard premiums, meaning they are charged the average rate for coverage based on similar profiles within a demographic. Substandard risks, on the other hand, involve individuals or scenarios that present a higher likelihood of loss. This might be due to health issues, lifestyle choices, or other factors that increase the risk level. Insurers will often charge higher premiums for these risks to cover the additional potential losses. Declined risks are those that the insurer determines to be too high or unmanageable, meaning they are not willing to offer coverage under any circumstances. Declining coverage can happen due to significant medical issues, hazardous occupations, or any factors that present an overwhelming risk of loss. This classification system enables insurers to effectively evaluate and price the different types of risks they encounter, ensuring that they can maintain profitability while still serving a diverse client base.

4. What defines level premiums in an insurance policy?

A. They decrease over time

B. They remain constant throughout the policy

C. They vary based on the insured's age

D. They only apply to term policies

Level premiums in an insurance policy are defined as premiums that remain constant throughout the duration of the policy. This structure means that the policyholder pays the same amount in premiums every payment period, whether that's monthly, quarterly, or annually, for the life of the policy. This predictability is a major advantage for policyholders, as it allows for easier financial planning and budgeting. In contrast, other premium structures involve variations, such as decreasing premiums over time or adjustments based on changes in the insured's age. For example, premiums that vary based on the insured's age would mean that the cost could increase as the insured gets older, which is not applicable to level premiums. While level premiums can apply to various types of insurance products, including whole life and universal life policies, they are not restricted to term policies, which may have a different premium structure. Understanding this characteristic of level premiums helps individuals make informed decisions when selecting insurance products.

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5. What is the purpose of a waiting period in some life insurance policies?

A. To allow the policy to accrue value

B. To prevent moral hazard by delaying benefit payouts

C. To enable easier policy updates

D. To increase premium rates

The purpose of a waiting period in some life insurance policies is primarily to prevent moral hazard by delaying benefit payouts. Moral hazard refers to the idea that individuals may take on greater risks if they know they are insured against potential losses. By implementing a waiting period, insurers mitigate the risk that policyholders may act recklessly or intentionally misrepresent their situations to obtain benefits shortly after purchasing the policy. This delay serves as a deterrent against such behavior, ensuring that the individual remains committed to a valid insurable interest for a specified time before benefits are payable. The other options provided pertain to different aspects of life insurance and do not accurately reflect the primary function of a waiting period. A waiting period does not facilitate the accrual of value in a typical sense, nor is it designed to enable easier policy updates or increase premium rates.

6. What is an insurance trust and its primary benefit?

A. A trust managed by the life insurer

B. A way to circumvent state regulations

C. A legal entity providing estate tax advantages

D. A policyholder's will for managing funds

An insurance trust is designed primarily to manage the proceeds of a life insurance policy, and its primary benefit lies in providing estate tax advantages. When a life insurance policy is placed in an irrevocable trust, the death benefit is not included in the policyholder's estate for tax purposes. This can significantly reduce the estate tax liability upon the policyholder's death, allowing more of the wealth to be passed on to beneficiaries rather than being diminished by taxes. Furthermore, by using an insurance trust, the policyholder can set clear guidelines for how the insurance proceeds are to be distributed among the beneficiaries, which adds an additional layer of control and can help avoid potential disputes among heirs. This ensures that the life insurance benefits are allocated according to the policyholder's wishes. While there are other aspects related to trusts and insurance, such as management and compliance with legal regulations, the key factor that highlights the value of an insurance trust is its role in effectively managing estate taxes, making this choice the most accurate.

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7. Why are health disclosures essential during the insurance application process?

A. To attract more applicants

B. To deter applicants with past health issues

C. To evaluate risk and set premium rates

D. To comply with legal requirements

Health disclosures are essential during the insurance application process primarily because they allow insurers to evaluate the risk associated with an applicant. Insurers must determine the likelihood that a policyholder will require medical care or make a claim, which is significantly influenced by the applicant's health status. By collecting information about an applicant's medical history, current health conditions, and other relevant factors, insurers can accurately assess the level of risk involved in providing coverage. This assessment is crucial for setting appropriate premium rates that reflect the potential cost of claims. Higher risk individuals may be charged higher premiums, while those with lower risk may benefit from lower rates. The evaluation of risk through health disclosures also helps maintain the overall financial stability of the insurance pool, ensuring that premiums collected are sufficient to cover the claims made by policyholders. This systematic approach protects both the insurer and the insured, fostering a fair distribution of costs and benefits within the insurance system.

8. What type of plan entitles Mr. Juan Valdez to receive dividends yearly?

A. Participating plans

B. Non-participating plans

C. Term insurance

D. None of the above

Participating plans are designed to pay out dividends to policyholders based on the insurer's financial performance. These plans typically involve whole life insurance policies where the premiums collected exceed the claims and expenses, allowing the insurance company to distribute the surplus back to the policyholders in the form of dividends. Dividends from participating policies can be used in various ways, such as reducing future premiums, purchasing additional coverage, or being taken as cash. In contrast, non-participating plans do not offer dividends to policyholders, meaning their benefits are fixed and do not fluctuate based on the insurer's performance. Term insurance, on the other hand, provides coverage for a specific duration without any cash value or dividends. Therefore, participating plans are the correct answer as they are specifically intended for policyholders like Mr. Juan Valdez looking to receive dividends annually.

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9. Which of the following is NOT true about life insurance applications?

A. It must be signed by the applicant

B. It is usually made part of the policy contract

C. Misstatements could void the policy during the contestable period

D. Statements made on the applications are warranties

The statement that "statements made on the applications are warranties" is not true, which is why it is the correct answer. In the context of life insurance applications, the information provided by the applicant is typically referred to as representations, not warranties. Repentations are statements that the applicant believes to be true to the best of their knowledge at the time of application. They are held to be accurate and can be relied upon by the insurer, but they do not carry the same absolute obligation as warranties, which are guarantees that certain statements are true. On the other hand, the other statements are indeed true. The application must be signed by the applicant, ensuring that the applicant acknowledges the information provided. The application is usually incorporated into the insurance policy contract, meaning it is part of the official documentation governing the insurance agreement. Additionally, if there are misstatements made on the application, the insurer has the right to contest and potentially void the policy during the contestable period if those misstatements are material to the risk being insured.

10. Which of the following is NOT considered an unethical practice in insurance solicitation?

A. Misleading estimates of dividends

B. Inducing a policyholder to forfeit their policy

C. Misrepresenting policy terms

D. Obtaining a license by fraud or misrepresentation

Obtaining a license by fraud or misrepresentation is considered a serious ethical violation in the insurance industry, as it undermines the integrity of the entire profession. Licensing is intended to ensure that agents are qualified and capable of providing appropriate financial advice and services. When an individual secures a license through deception, it not only compromises their ability to sell insurance ethically but also puts consumers at risk. Insurance agents are expected to adhere to high standards of honesty and integrity to protect the interests of their clients and the industry as a whole. In contrast, the other options listed represent various forms of unethical practices that can directly harm clients or mislead them regarding their insurance products. Misleading estimates of dividends can create unrealistic expectations for policyholders, inducing them to make poor financial decisions. Inducing a policyholder to forfeit their policy can result in significant financial loss for the policyholder and typically serves the agent's interests rather than the client's. Misrepresenting policy terms not only breaches trust but can also lead to disputes and potential financial detriment for the insurance buyer. Each of these practices erodes the foundational trust that is necessary in the insurance relationship.

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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://iiapordinarylife.examzify.com

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

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