OHIO 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. **Which term describes the process of giving up rights to a life insurance policy to another party?**
   - A. Transfer of Beneficiary
   - B. Absolute Assignment
   - C. Collateral Assignment
   - D. Policy Reassignment

2. **In what scenario does the Double Indemnity benefit apply?**
   - A. If the insured dies of natural causes
   - B. If the insured accidentally dies within 90 days
   - C. If the insured dies from a long-term illness
   - D. If the insured dies while traveling

3. **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

4. **What feature of a life insurance policy does cash value represent?**
   - A. The pay-out amount to beneficiaries
   - B. The savings component that grows over time
   - C. The total cost of premiums paid
   - D. The insurance company's profit margin

5. **How do riders typically affect insurance policies?**
   - A. They usually increase the cash value
   - B. They add extra benefits but at an additional cost
   - C. They automatically extend the policy coverage
   - D. They reduce the premium price

6. **What is the feature of a joint and survivor annuity?**
   - A. Payments continue only to the second owner after the first dies
   - B. Payments are stopped completely after the first death
   - C. Payments increase after one owner dies
   - D. Both parties receive equal payments regardless of age

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7. What type of clients are classified as substandard risk?

A. Low-risk individuals with high premiums

B. High exposure clients charged a surcharge rate

C. Clients with a preferred health background

D. Clients with standard occupations

8. What is the maximum interest rate that can be charged on a new policy in Ohio?

A. 6% fixed annual interest

B. 7% fixed annual interest

C. 8% fixed annual interest

D. 9% fixed annual interest

9. What occurs if an annuitant dies before their total investment has been collected in a refund life annuity?

A. The insurance company keeps the remaining balance

B. The accumulated value is paid to the designated beneficiary

C. A monthly refund is issued

D. The annuity is transferred to the state

10. What defines a transfer of IRA assets?

A. Direct withdrawal of funds by the account owner

B. Direct transfer to a new trustee

C. Any movement of funds within the same institution

D. Only applicable to educational funds

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Answers

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

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Explanations

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1. Which term describes the process of giving up rights to a life insurance policy to another party?

A. Transfer of Beneficiary

B. Absolute Assignment

C. Collateral Assignment

D. Policy Reassignment

The correct term that describes the process of giving up rights to a life insurance policy to another party is absolute assignment. This process involves the original policyholder transferring all ownership rights in the life insurance policy to a new party, which can include the right to make changes to the policy, access its cash value, and name beneficiaries. Once an absolute assignment occurs, the original policyholder relinquishes all rights to the policy, effectively making the new assignee the policy owner. This is an important concept in life insurance because it allows policyholders to transfer their interests in a policy for various reasons, such as leveraging the policy's value for a loan or gifting it to someone else. It is essential to differentiate this from other terms like collateral assignment, where the rights are typically retained partially by the original policyholder, usually as security for a debt, or a transfer of beneficiary, which refers specifically to changing who receives the benefit of the policy but does not involve transferring ownership of the policy itself.

2. In what scenario does the Double Indemnity benefit apply?

A. If the insured dies of natural causes

B. If the insured accidentally dies within 90 days

C. If the insured dies from a long-term illness

D. If the insured dies while traveling

The Double Indemnity benefit is designed to provide a greater payout from a life insurance policy when the insured's death occurs under specific circumstances, typically in cases of accidental death. This benefit often applies when the insured dies as a result of an accident, and many policies stipulate that this accidental death must occur within a certain timeframe, such as 90 days, from the date of the accident. In this case, the correct choice highlights that the Double Indemnity benefit applies if the insured accidentally dies within 90 days. This timeframe is significant because it establishes a direct and immediate correlation between the accident and the insured's death, reinforcing the concept that the payout is meant to offer additional financial protection in unexpected and tragic circumstances. The other scenarios do not trigger the Double Indemnity benefit because they involve causes of death that are not accidental in nature, such as natural causes or long-term illnesses. Therefore, without an element of accident, the increased benefit does not apply. Additionally, while dying while traveling might seem relevant, it depends on the circumstances surrounding the death. If the death is due to an accident during travel, it could qualify, but simply traveling does not guarantee eligibility for the Double Indemnity benefit. Thus, the focus on accidental death

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3. 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.

4. What feature of a life insurance policy does cash value represent?

A. The pay-out amount to beneficiaries

B. The savings component that grows over time

C. The total cost of premiums paid

D. The insurance company's profit margin

The cash value in a life insurance policy represents the savings component that grows over time. This feature is primarily found in permanent life insurance policies, such as whole life or universal life insurance. As policyholders make premium payments, a portion of those premiums is allocated to the cash value, which accumulates on a tax-deferred basis. This means that the policyholder can access this cash value through loans or withdrawals, providing them with a financial resource during their lifetime. This growth in cash value can be influenced by a variety of factors, including the type of policy and the performance of any underlying investments in universal policies. Over time, the cash value increases, offering a potential source of funds in the future, whether for emergencies, investments, or other personal needs. Understanding this aspect of life insurance is vital, as it distinguishes permanent life insurance from term insurance, which does not build cash value.

5. How do riders typically affect insurance policies?

A. They usually increase the cash value

B. They add extra benefits but at an additional cost

C. They automatically extend the policy coverage

D. They reduce the premium price

Riders are additional provisions or amendments added to an insurance policy that provide extra benefits or coverage options tailored to the policyholder's needs. When you add a rider to a life insurance policy, you are effectively enhancing the policy's features, which often means there will be an additional cost associated with that rider. For instance, a common rider might provide accelerated death benefits in case of a terminal illness, or it may offer a waiver of premium if the insured becomes disabled. While these riders do enrich the policy by offering more comprehensive coverage in specific situations, policyholders typically incur a higher premium or a one-time fee for these enhancements. This reflects the principle that increased benefits involve additional costs in the context of insurance. The other options do not accurately describe the fundamental nature of riders. Riders do not generally increase cash value, extend coverage automatically, or reduce premium costs; instead, they are designed to tailor existing policies to meet specific life circumstances or needs at a premium cost.

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6. What is the feature of a joint and survivor annuity?

A. Payments continue only to the second owner after the first dies

B. Payments are stopped completely after the first death

C. Payments increase after one owner dies

D. Both parties receive equal payments regardless of age

In a joint and survivor annuity, the feature that sets it apart is that payments continue to the surviving annuitant after the first owner passes away. This ensures that the surviving spouse or partner continues to receive income for the duration of their life, which can provide financial stability and security. The structure of this annuity is designed specifically to address the needs of couples by providing a reliable stream of income that lasts beyond the death of one party. The other options do not accurately describe the key aspects of a joint and survivor annuity. One option states that payments are completely stopped after the first death, which contradicts the primary purpose of this type of annuity. Another suggests that payments increase after one owner dies; however, joint and survivor annuities typically maintain the same payment amounts or sometimes reduce slightly after the first death, rather than increasing. Lastly, while equal payments may be standard for the initial joint disbursement, the provision of equal payments doesn't effectively account for any age differences or changing needs after the death of one annuitant, which is not a defining characteristic of joint and survivor annuities.

7. What type of clients are classified as substandard risk?

A. Low-risk individuals with high premiums

B. High exposure clients charged a surcharge rate

C. Clients with a preferred health background

D. Clients with standard occupations

Clients classified as substandard risk are typically those who present higher levels of risk to the insurance company due to various factors, such as pre-existing medical conditions, lifestyle choices, or hazardous hobbies. These clients require a deeper evaluation of their health and risk profile before coverage can be granted or terms set. In the context of the correct choice, clients considered high exposure are often those whose potential for loss is greater than that of the average population, leading insurers to assess them as substandard. To mitigate this increased risk, insurers usually apply a surcharge or additional cost to the premiums for these policyholders. This is a standard practice in underwriting for life insurance — ensuring that higher risk clients are charged appropriately to cover the potential financial risk to the insurer. The other classifications mentioned do not fit the definition of substandard risk. Low-risk individuals with high premiums tend to be those deemed less risky but might pay more due to other factors unrelated to health. Clients with a preferred health background would usually fall into a favorable category, and those with standard occupations generally exhibit average risk profiles, not classified as substandard. Thus, only high exposure clients requiring a surcharge clearly align with the substandard risk category.

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8. What is the maximum interest rate that can be charged on a new policy in Ohio?

A. 6% fixed annual interest

B. 7% fixed annual interest

C. 8% fixed annual interest

D. 9% fixed annual interest

The maximum interest rate that can be charged on a new life insurance policy in Ohio is established based on state regulations, which are designed to protect consumers while allowing insurers to manage their finances effectively. In Ohio, the law permits a maximum fixed annual interest rate of 8% on life insurance policies. This ensures that policyholders are not subjected to excessively high interest charges that could impact their long-term financial obligations associated with the policy. The rate strikes a balance between providing insurers with a reasonable return while ensuring consumers are safeguarded against extreme financial practices. Understanding this regulation helps policyholders make informed decisions regarding life insurance products that adhere to state guidelines and standards.

9. What occurs if an annuitant dies before their total investment has been collected in a refund life annuity?

A. The insurance company keeps the remaining balance

B. The accumulated value is paid to the designated beneficiary

C. A monthly refund is issued

D. The annuity is transferred to the state

In a refund life annuity, if the annuitant passes away before they have received back their total investment amount, the remaining balance is paid to the designated beneficiary. This feature ensures that the annuitant's initial investment is not lost upon their death, providing a financial benefit to their beneficiaries. The refund provision protects the annuitant's assets by guaranteeing that the total amount contributed will be returned, either through monthly payments or in a lump sum, depending on the structure of the annuity. This inherent safeguard is a significant reason individuals may choose a refund life annuity over other types, as it offers peace of mind regarding their investment. Other options do not accurately represent the function of a refund life annuity. For instance, the insurance company retaining the remaining balance would undermine the purpose of the annuity, while monthly refunds typically do not apply once the annuitant has died, and transferring the annuity to the state would not follow standard practices regarding beneficiary designations.

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10. What defines a transfer of IRA assets?

A. Direct withdrawal of funds by the account owner

B. Direct transfer to a new trustee

C. Any movement of funds within the same institution

D. Only applicable to educational funds

A transfer of IRA assets is specifically defined by the movement of funds from one trustee or custodian to another without the account owner taking possession of the funds. This process can occur when an individual decides to change financial institutions or investment providers while maintaining the tax-deferred status of their retirement savings. When a direct transfer to a new trustee occurs, it ensures that the IRA retains its tax advantages because the account owner does not withdraw the funds personally, which would trigger tax implications. This method of moving assets is essential because it upholds the continuity of the tax-deferred benefits associated with the IRA. Other options relate to IRA transactions but do not accurately describe a transfer. For instance, a direct withdrawal of funds by the account owner represents a distribution rather than a transfer. Similarly, any movement of funds within the same institution does not typically count as a transfer if it remains under the same trustee or custodian. Lastly, the concept of transfers is not limited to educational funds; it primarily pertains to retirement accounts like IRAs. Therefore, the correct distinction lies in the nature of the direct transfer to a new trustee, maintaining the tax implications and protections specific to IRAs.

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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:

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

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