

Georgia State Life Insurance Agent Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. Which type of term insurance typically has a decreasing benefit over time?**
 - A. Renewable term**
 - B. Level term**
 - C. Convertible term**
 - D. Decreasing term**
- 2. What is meant by "individual life insurance policy"?**
 - A. Coverage provided by employers only**
 - B. Coverage issued to an individual rather than a group**
 - C. A policy that covers a whole family**
 - D. Policies that are only available for a limited time**
- 3. Which dividend option buys additional small amounts of paid-up insurance?**
 - A. Cash**
 - B. Reduce Premium**
 - C. Paid-Up Additions**
 - D. Accumulate at Interest**
- 4. A contingent beneficiary receives the death benefit if:**
 - A. The primary beneficiary dies before the insured**
 - B. The insured lives beyond the policy term**
 - C. The policy lapses**
 - D. The insurer becomes insolvent**
- 5. What do underwriting guidelines involve?**
 - A. General policies for customer service interactions**
 - B. Specific criteria to evaluate risks and determine coverage eligibility**
 - C. Instructions for claim processing and approval**
 - D. Criteria for adjusting premium rates annually**

- 6. Premium payments are typically based on which factors?**
- A. The insured's financial history only**
 - B. The insured's age, health, gender, and lifestyle**
 - C. The insured's occupation alone**
 - D. The geographical location of the insured**
- 7. Settlement option paying a chosen dollar amount until funds (plus interest) are exhausted:**
- A. Fixed Period**
 - B. Fixed Amount**
 - C. Interest Only**
 - D. Life Income**
- 8. What is a "statement of good health"?**
- A. A declaration of the applicant's income level**
 - B. A declaration made by an applicant confirming their health status**
 - C. A report by the insurer detailing the policy terms**
 - D. A confirmation of the insured's beneficiaries**
- 9. What does the Insurance Information Institute do?**
- A. Provides legal representation for insurance companies**
 - B. Offers information and resources related to insurance and consumer education**
 - C. Regulates insurance rates across states**
 - D. Coordinates insurance claims processing**
- 10. What is the purpose of an "accelerated death benefit"?**
- A. To extend the life of the insurance policy**
 - B. To allow policyholders to receive part of their death benefit upon terminal illness diagnosis**
 - C. To increase the death benefit payout to beneficiaries**
 - D. To provide tax advantages on the policy's cash value**

Answers

SAMPLE

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

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Explanations

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1. Which type of term insurance typically has a decreasing benefit over time?

- A. Renewable term**
- B. Level term**
- C. Convertible term**
- D. Decreasing term**

Decreasing term insurance is designed specifically to provide a death benefit that decreases over the life of the policy. This type of policy is often used for financial obligations that decrease over time, such as a mortgage. As the outstanding balance of the mortgage shrinks, so does the death benefit of the insurance policy, matching the liability. Decreasing term insurance may be appealing to policyholders who want to ensure that their beneficiaries can pay off certain liabilities without experiencing unnecessary or excessive coverage costs over time. This structure allows for lower premium costs compared to level term insurance, making it an attractive option for specific financial planning needs.

2. What is meant by "individual life insurance policy"?

- A. Coverage provided by employers only**
- B. Coverage issued to an individual rather than a group**
- C. A policy that covers a whole family**
- D. Policies that are only available for a limited time**

An "individual life insurance policy" refers specifically to a contract of insurance that is issued to an individual person, rather than to a group of people. This type of policy is tailored to meet the specific needs of the individual insured, providing a personalized level of coverage. It typically involves the individual paying premiums that correspond to their risk profile, age, and other personal factors, ensuring that the coverage is directly linked to their circumstances. In the context of life insurance, this means that the policy is designed to provide death benefits to the beneficiary chosen by the individual policyholder if the insured individual passes away. Individual policies can also come with various options and riders that allow for additional coverage or benefits, which may not be available with group policies offered by employers. The other choices do not accurately capture the essence of an individual life insurance policy. For example, coverage provided by employers refers to group life insurance, which is distinct from individual policies. A policy that covers a whole family is more indicative of a family or joint policy, not an individual policy. Lastly, policies that are only available for a limited time typically describe term insurance, which can be a type of individual policy but does not encompass the broader definition of what an individual life insurance policy is.

3. Which dividend option buys additional small amounts of paid-up insurance?

- A. Cash**
- B. Reduce Premium**
- C. Paid-Up Additions**
- D. Accumulate at Interest**

Choosing the option that allows policyholders to buy additional small amounts of paid-up insurance directly relates to the concept of paid-up additions. This dividend option specifically enables the reinvestment of dividends to purchase additional life insurance coverage without requiring further premium payments. The additional coverage accumulates value and provides a death benefit as part of the original policy. When dividends are paid out in the form of paid-up additions, they not only increase the total coverage amount but also enhance the cash value of the policy, which can be beneficial for both the policyholder and beneficiaries. This option is advantageous as it raises the face value of the policy in a cost-effective manner and contributes to the long-term growth of the policy. Other options like cash, reduce premium, and accumulate at interest do not specifically pertain to purchasing additional paid-up insurance. Instead, they either provide immediate financial benefits or affect the policy's premiums or interest earnings, but they do not generate extra coverage as paid-up additions do.

4. A contingent beneficiary receives the death benefit if:

- A. The primary beneficiary dies before the insured**
- B. The insured lives beyond the policy term**
- C. The policy lapses**
- D. The insurer becomes insolvent**

A contingent beneficiary is secondary and only receives the death benefit if the primary beneficiary cannot do so. This typically occurs if the primary beneficiary passes away before the insured individual. Essentially, the contingent beneficiary serves as a backup in the hierarchy of beneficiaries designated by the policyholder. The other options involve scenarios that do not pertain to the contingent beneficiary's role. If the insured lives beyond the policy term, the coverage ends, and there will be no death benefit. Should the policy lapse, the benefits would likely be forfeited and not payable to any beneficiary. In the case of the insurer becoming insolvent, the situation would involve the insurance company's financial status rather than the beneficiary designations. Thus, the correct answer emphasizes the importance of the primary beneficiary's status in determining the contingent beneficiary's eligibility to receive the death benefit.

5. What do underwriting guidelines involve?

- A. General policies for customer service interactions
- B. Specific criteria to evaluate risks and determine coverage eligibility**
- C. Instructions for claim processing and approval
- D. Criteria for adjusting premium rates annually

Underwriting guidelines are essential in the insurance industry, specifically for assessing risks and determining eligibility for coverage. The primary focus of these guidelines is to establish specific criteria used by underwriters to evaluate the likelihood of a potential policyholder filing a claim based on their risk profile. This assessment often considers various factors, including health status, lifestyle choices, occupation, and past claim history. By using these guidelines, insurers can make informed decisions about the types of risks they are willing to accept and the terms of coverage they will offer. This process ensures that the insurance company remains financially stable while providing appropriate policies to clients. Therefore, the emphasis on specific criteria for evaluating risks is crucial in underwriting and distinguishes it from general customer service policies, claim processing instructions, or premium adjustment criteria.

6. Premium payments are typically based on which factors?

- A. The insured's financial history only
- B. The insured's age, health, gender, and lifestyle**
- C. The insured's occupation alone
- D. The geographical location of the insured

Premium payments for life insurance are influenced by a variety of factors that assess the overall risk profile of the insured individual. The correct choice focuses on the insured's age, health, gender, and lifestyle, all of which are critical components in determining risk for the insurance provider. Age is a significant factor because younger individuals generally represent a lower risk to the insurer, as they are expected to live longer than older individuals. Health status is another vital determinant, as those in better health are less likely to require benefits soon after taking out a policy. Gender also plays a role, as statistical data may indicate differences in life expectancy between genders. Lastly, lifestyle choices, such as smoking or engaging in hazardous activities, are considered as they can directly impact the likelihood of premature death or significant health issues. In contrast, focusing solely on an individual's financial history, occupation, or geographical location does not provide a comprehensive view of the risks associated with insuring that individual. While these factors can contribute to a profile, they do not encompass the primary determinants of health and longevity that significantly influence premium rates. Thus, the holistic approach that includes age, health, gender, and lifestyle is why this answer is correct.

7. Settlement option paying a chosen dollar amount until funds (plus interest) are exhausted:

- A. Fixed Period**
- B. Fixed Amount**
- C. Interest Only**
- D. Life Income**

The correct answer refers to a settlement option that provides a specific dollar amount to the policyholder or beneficiary until the funds, along with any accrued interest, are fully depleted. This option allows the recipient to receive regular payments of a predetermined amount, giving them control over how long the funds will last based on their withdrawal rate. In this option, emphasis is placed on how the insured or beneficiary receives the payments, making it a preferable choice for individuals who wish to budget their funds over a specific period while ensuring they receive a consistent income. The payments will continue until both the principal amount and the interest are completely exhausted, which provides a transparent and predictable financial arrangement. Other settlement options may offer different mechanisms or considerations, such as the fixed period option, which pays out over a defined timeframe regardless of the balance. The interest-only option involves receiving only the earned interest on a principal amount, and the life income option guarantees payments for the lifetime of the insured or beneficiary but does not focus on the withdrawal of a fixed dollar amount that can be managed. The fixed amount option stands out by ensuring that the recipient can withdraw a specific dollar amount, thus allowing for tailored financial planning.

8. What is a "statement of good health"?

- A. A declaration of the applicant's income level**
- B. A declaration made by an applicant confirming their health status**
- C. A report by the insurer detailing the policy terms**
- D. A confirmation of the insured's beneficiaries**

A "statement of good health" is a declaration made by an applicant confirming their health status. This statement is a critical component in the life insurance application process, as it ensures that the insurer is aware of the applicant's health condition at the time they are applying for coverage. Providing this information helps the insurance company assess the risk involved in insuring that individual. The statement typically ensures that since their initial application, the applicant has not experienced any significant changes in their health status, such as the development of a serious illness or condition that could affect their insurability. This declaration is important for both the insurer, to manage risk, and the applicant, to ensure that their coverage remains valid based on accurate health information. The other responses do not accurately describe a statement of good health. For instance, a declaration of the applicant's income level relates to the financial assessment, policy terms pertain to the specifics of the insurance coverage, and beneficiary confirmation is focused on who receives the benefits of the policy, rather than the applicant's health status.

9. What does the Insurance Information Institute do?

- A. Provides legal representation for insurance companies
- B. Offers information and resources related to insurance and consumer education**
- C. Regulates insurance rates across states
- D. Coordinates insurance claims processing

The Insurance Information Institute (I.I.I.) plays a crucial role in offering information and resources that enhance consumer education regarding insurance matters. Its mission is to help consumers understand various types of insurance, the importance of insurance, and the intricacies of insurance products. By providing clear, accessible information, the I.I.I. helps individuals make informed decisions about their insurance needs and helps demystify the insurance process. Through its resources, which include data analysis, educational materials, and public awareness campaigns, the organization works to clarify misconceptions about insurance and improve understanding among consumers. This focus on education aligns closely with its mission to promote awareness and knowledge, particularly in a field that can often be complex and confusing for those without expert insight. The other options, while potentially related to the insurance industry, do not accurately describe the primary function of the Insurance Information Institute. Legal representation, regulation of rates, and claims processing are distinct tasks handled by other entities within the insurance landscape, such as regulatory bodies and insurance companies themselves.

10. What is the purpose of an "accelerated death benefit"?

- A. To extend the life of the insurance policy
- B. To allow policyholders to receive part of their death benefit upon terminal illness diagnosis**
- C. To increase the death benefit payout to beneficiaries
- D. To provide tax advantages on the policy's cash value

The purpose of an "accelerated death benefit" is to allow policyholders to receive part of their death benefit upon being diagnosed with a terminal illness. This feature provides financial relief to individuals who are facing significant medical expenses or wish to utilize their benefits while still alive, possibly to fund care or fulfill personal wishes before passing away. When a policyholder qualifies for this benefit, they can access a portion of their death benefit, thus providing essential support during a challenging time. This option is particularly advantageous as it allows for quicker access to funds, bypassing the need for the beneficiary to wait until after the policyholder's death for the full payout. This approach can alleviate some of the stress and burden associated with terminal illnesses. In contrast, other options are not aligned with the fundamental goal of an accelerated death benefit. For instance, extending the policy, increasing the death benefit payout, or providing tax advantages regarding cash value do not directly address the specific situation of accessing funds due to terminal illness.