

LLQP LIFE INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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.

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!

Questions

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- 1. What will happen if a Term-100 policy is canceled before age 100?**
 - A. The insured will receive a prorated refund of premiums
 - B. The insured will receive no financial consideration
 - C. The death benefit will be reduced
 - D. The policy will convert to whole life automatically
- 2. What is one of the conditions that would end the validity of a TIA?**
 - A. The applicant changes their mind about coverage.
 - B. The premiums for the TIA are unpaid.
 - C. The main policy is either approved or declined.
 - D. The applicant cancels the application.
- 3. What distinguishes a converted permanent insurance policy from a brand new permanent insurance policy in terms of the exclusion period?**
 - A. Always has a 2-year contestability period
 - B. New policies start fresh exclusion periods
 - C. Converted policies incur no fees
 - D. All policies have the same exclusion periods
- 4. What formula is used to calculate the Net Amount at Risk (NAAR)?**
 - A. $NAAR = \text{Death benefit} + \text{Investment Account Value}$
 - B. $NAAR = \text{Death benefit} - \text{Investment Account Value}$
 - C. $NAAR = \text{Investment Account Value} - \text{Death Benefit}$
 - D. $NAAR = \text{Investment Return} + \text{Death Benefit}$
- 5. Under what circumstance would a TIA automatically cancel?**
 - A. If the insurer decides not to offer insurance.
 - B. If the insured passes away during the waiting period.
 - C. If the applicant withdraws their application.
 - D. If the premiums have not been paid on time.

- 6. Which non-forfeiture option allows a policyholder to maintain some level of coverage despite not paying premiums?**
- A. Cash Surrender Value
 - B. Extended Term Insurance
 - C. Reduced Paid Up Insurance
 - D. Automatic Premium Loan
- 7. What is a key feature of Whole Life insurance?**
- A. It is temporary and expires after a certain term
 - B. It provides cash value accumulation
 - C. It is cheaper than Term-100 policies
 - D. It can only be sold as part of a bundle with other policies
- 8. Whole Life Insurance is best described as?**
- A. Temporary insurance covering a fixed period
 - B. A type of insurance that remains active for the policyholder's lifetime
 - C. A policy with variable benefits based on investment performance
 - D. Insurance that ends automatically after 10 years
- 9. Which type of insurance is required to cover potential capital gain tax liability?**
- A. Term insurance
 - B. Whole life insurance
 - C. Permanent insurance
 - D. Universal life insurance
- 10. Under which condition should a TIA be issued?**
- A. When the client has a history of health issues
 - B. When the agent believes the client may not qualify for coverage
 - C. When the client has paid the first premium and answered key questions positively
 - D. When there are no medical examinations required

Answers

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

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Explanations

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1. What will happen if a Term-100 policy is canceled before age 100?

- A. The insured will receive a prorated refund of premiums
- B. The insured will receive no financial consideration**
- C. The death benefit will be reduced
- D. The policy will convert to whole life automatically

In the context of a Term-100 policy, cancellation before age 100 results in no financial consideration being given to the insured. A Term-100 policy is designed to provide coverage for the insured's life until they reach the age of 100, but it does not accumulate cash value nor does it offer a refund of premiums upon cancellation. The nature of this product is such that once the policy is terminated, the insured does not benefit from any return of premiums paid during the term of the policy. Instead, the policy merely acts as pure insurance that covers the insured's life risk without investment or savings components. This characteristic distinctly separates Term-100 from whole life policies, where cash values might accrue over time and could potentially lead to different financial outcomes upon cancellation. By understanding this aspect, it becomes clear why there is no financial consideration when a Term-100 policy is canceled prior to reaching the age of 100.

2. What is one of the conditions that would end the validity of a TIA?

- A. The applicant changes their mind about coverage.
- B. The premiums for the TIA are unpaid.
- C. The main policy is either approved or declined.**
- D. The applicant cancels the application.

One of the key conditions that would end the validity of a Temporary Insurance Agreement (TIA) is when the main policy is either approved or declined. A TIA is typically issued to provide interim coverage while the insurer evaluates the risk and determines whether to issue the full policy. The TIA serves as a bridge, ensuring that the applicant is protected during this period. When the insurer makes a decision regarding the main policy application, whether it's an acceptance or decline, the TIA is rendered obsolete. If the main policy is approved, the coverage under the TIA will typically convert to the permanent policy terms, or if declined, the TIA will naturally cease as there is no longer a need for interim coverage. This process underscores the relationship between the TIA and the formal policy application, highlighting its temporary nature. The other choices reflect scenarios that do not fulfill the criteria for terminating a TIA. For instance, changing one's mind about coverage or canceling the application may impact the applicant's intentions but does not directly influence the validity status of the TIA itself in the context of the existing agreement. Similarly, unpaid premiums might create issues with the implementation of the coverage but do not inherently invalidate the TIA until the main policy's decision is made.

3. What distinguishes a converted permanent insurance policy from a brand new permanent insurance policy in terms of the exclusion period?

- A. Always has a 2-year contestability period
- B. New policies start fresh exclusion periods**
- C. Converted policies incur no fees
- D. All policies have the same exclusion periods

A converted permanent insurance policy is typically derived from a term life policy and allows the policyholder to transition to a permanent insurance option without undergoing a new round of underwriting. When comparing it to a brand new permanent insurance policy, one key distinction lies in the exclusion periods associated with the policies. When a new permanent policy is issued, it starts with its own fresh exclusion periods. This means that any contests or claims might be scrutinized based on the details provided during the application process, as the insurance company essentially begins its evaluation anew. On the other hand, a converted policy may carry over some of the benefits from the original term policy, such as the absence of a new contestability period for claims related to conditions that were disclosed during the term policy's application. This understanding shows that the exclusion periods differ significantly, which is crucial for policyholders who are considering their options for coverage. The new policy's fresh start can be beneficial in some contexts while the converted policy retains some of the original terms, thus impacting how exclusions and contestability are applied.

4. What formula is used to calculate the Net Amount at Risk (NAAR)?

- A. $NAAR = \text{Death benefit} + \text{Investment Account Value}$
- B. $NAAR = \text{Death benefit} - \text{Investment Account Value}$**
- C. $NAAR = \text{Investment Account Value} - \text{Death Benefit}$
- D. $NAAR = \text{Investment Return} + \text{Death Benefit}$

The formula for calculating the Net Amount at Risk (NAAR) is based on understanding the relationship between the death benefit of an insurance policy and the investment account value, particularly in the context of policies that have an investment component, such as universal life insurance. NAAR represents the amount of risk that the insurer retains at the time of the policyholder's death. In this context, it is determined by subtracting the investment account value from the death benefit. Essentially, it shows the net liability that the insurance company would face if the insured were to pass away. When the death benefit is greater than the investment account value, the NAAR accurately reflects the amount the insurer would have to pay out. This trimodal assessment of risk helps actuaries and insurers manage and price the life insurance product efficiently. In contrast, the other formulas do not accurately reflect the concept of risk being assessed. For instance, adding the investment account value to the death benefit does not represent a loss or net risk situation. Therefore, focusing on the subtraction as per the correct formula is crucial for clear financial and insurance practice understanding.

5. Under what circumstance would a TIA automatically cancel?

- A. If the insurer decides not to offer insurance.**
- B. If the insured passes away during the waiting period.
- C. If the applicant withdraws their application.
- D. If the premiums have not been paid on time.

A Temporary Insurance Agreement (TIA) typically serves as a short-term insurance policy that provides coverage while an application for permanent insurance is being processed. The conditions under which a TIA can automatically cancel usually revolve around the status of the application or payment of premiums related to the insurance policy. In the scenario where the insurer decides not to offer insurance, the TIA would automatically cancel because the basis of the agreement hinges on the insurer's willingness to underwrite the policy. If the insurer determines that they will not provide coverage based on factors such as risk assessment or underwriting standards, then the TIA essentially becomes void since there is no valid insurance arrangement in place. Other factors, such as the death of the insured during the waiting period or the applicant withdrawing their application, may not necessarily result in an automatic cancellation of the TIA. For instance, in some cases, a claim may still be processed even if the applicant withdraws unless the withdrawal is formally acted upon in a manner that invalidates the TIA. Similarly, non-payment of premiums might lead to cancellation in a standard insurance policy context, but a TIA can be invalidated more immediately by the insurer's decision not to provide coverage. Thus, the condition where the insurer decides not to offer insurance

6. Which non-forfeiture option allows a policyholder to maintain some level of coverage despite not paying premiums?

- A. Cash Surrender Value
- B. Extended Term Insurance**
- C. Reduced Paid Up Insurance
- D. Automatic Premium Loan

The choice of Extended Term Insurance as the correct answer highlights an important aspect of non-forfeiture options in life insurance policies. When a policyholder stops paying premiums, rather than losing their coverage entirely, Extended Term Insurance allows them to convert their existing policy into a term policy for a specified period. This option provides a level of continued coverage without the need for further premium payments, enabling the policyholder to maintain a death benefit even when they are unable to pay premiums. Under this provision, the cash value accumulated in the policy is used to purchase a term policy with the same face amount as the original permanent policy. The terms of the extended coverage are based on the policyholder's age and the value accumulated at the time premiums stopped. This ensures that the policyholder still has some level of financial protection for their beneficiaries during the term. The other options, such as Cash Surrender Value, typically involve surrendering the policy for its cash worth, which means no coverage remains. Reduced Paid Up Insurance allows for a smaller policy to be maintained without additional premiums but does not provide the same level of term coverage advantages as Extended Term Insurance. An Automatic Premium Loan utilizes the cash value to pay the premium, keeping the original insurance active but not offering a new term option

7. What is a key feature of Whole Life insurance?

- A. It is temporary and expires after a certain term
- B. It provides cash value accumulation**
- C. It is cheaper than Term-100 policies
- D. It can only be sold as part of a bundle with other policies

Whole Life insurance is characterized by its provision for cash value accumulation. This means that as policyholders pay their premiums, a portion of those payments goes toward building cash value within the policy, which grows over time on a tax-deferred basis. This cash value can be borrowed against or withdrawn, providing financial flexibility to the policyholder. Additionally, the policy remains in force for the lifetime of the insured, as long as the premiums are paid, making it a lifelong coverage solution. The other options present features that do not apply to Whole Life insurance. For instance, the idea of being temporary and expiring after a certain term relates to term life insurance, which is distinctly different. Moreover, while cost comparisons can vary depending on the specific policies and situations, Whole Life insurance typically involves higher premiums compared to Term-100 policies because of its lifelong coverage and cash value benefits. Lastly, Whole Life insurance is generally sold as an individual product and does not inherently require bundling with other policies. Thus, the fundamental aspect of cash value accumulation is what sets Whole Life insurance apart from other types of life insurance products.

8. Whole Life Insurance is best described as?

- A. Temporary insurance covering a fixed period
- B. A type of insurance that remains active for the policyholder's lifetime**
- C. A policy with variable benefits based on investment performance
- D. Insurance that ends automatically after 10 years

Whole Life Insurance is best described as a type of insurance that remains active for the policyholder's lifetime. This means that the policy is designed to provide coverage until the insured individual passes away, as long as the premiums are paid. One of the main features of whole life insurance is its permanent nature, distinguishing it from temporary insurance products, which provide coverage for a specific period. Additionally, whole life policies often include a cash value component that grows over time, providing a savings element alongside the death benefit. This aspect of the policy ensures that, unlike term insurance, which expires without value if the insured outlives the term, whole life insurance continues to offer both death benefit protection and an accumulating cash value throughout the insured's life. Thus, the accurate description emphasizes the lifelong coverage aspect, making it a reliable choice for individuals seeking permanent insurance protection.

9. Which type of insurance is required to cover potential capital gain tax liability?

- A. Term insurance
- B. Whole life insurance
- C. Permanent insurance**
- D. Universal life insurance

When evaluating the types of insurance suitable for covering potential capital gains tax liability, permanent insurance emerges as the most fitting choice. Permanent insurance encompasses a variety of policies designed to last for the insured's entire life or until they choose to discontinue coverage. This type of insurance not only provides a death benefit but also accumulates cash value over time, which can be accessed while the policyholder is still alive. The cash value aspect is especially significant in tax planning, as it can potentially be used to cover taxes associated with capital gains upon the sale of an asset. In particular, permanent insurance policies can offer flexibility in funding strategies for liabilities such as capital gains taxes, which are often incurred from selling appreciating assets. The other insurance types, while beneficial in various contexts, do not provide the same advantages in terms of lifetime coverage and cash accumulation. Term insurance, for example, is designed for a specific period and does not build cash value, making it less suitable for addressing long-term tax liabilities. Whole life insurance is a specific type of permanent insurance, but it may not offer the same level of investment flexibility as universal life insurance, which allows for premium adjustments and death benefits that can change over time based on the policyholder's needs. However, it is classified under the

10. Under which condition should a TIA be issued?

- A. When the client has a history of health issues
- B. When the agent believes the client may not qualify for coverage
- C. When the client has paid the first premium and answered key questions positively**
- D. When there are no medical examinations required

A Temporary Insurance Agreement (TIA) should typically be issued when the client has paid the first premium and answered key underwriting questions positively. This condition is essential because it establishes a commitment from the client while indicating that they have provided initial information that would likely lead to coverage approval. The paid premium is crucial, as it activates the coverage period of the TIA, allowing the client some immediate protection prior to the policy being fully underwritten and delivered. Issuing a TIA based on the paid premium and satisfactory answers ensures that the insurer can confidently begin the coverage process while still evaluating the full risk associated with the applicant. This practice helps in facilitating coverage for clients who might need protection immediately while underwriting is still in progress. While considerations about health history, potential qualification issues, and the lack of medical examinations can all play a role in the decision-making process around coverage, they don't specifically dictate the issuance of a TIA as effectively as the condition of having received a premium along with positive responses to key questions. Therefore, the option related to the first premium and positive answers is the most appropriate condition for issuing a TIA.

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://llqlifeinsurance.examzify.com>

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

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