LOUISIANA SERIES 101 – LIFE INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE

Prepare with structure. Pass with confidence

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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

1. All of the following are TRUE regarding Credit Life, EXCEPT:

A. The amount of coverage can exceed the debt

B. The coverage pays the loan balance upon death

C. It protects the loan obligation

D. It is tied to the loan amount

2. Under a waiver of premium rider, after disability period ends, what must the insured do?

A. Stop premiums permanently

B. Resume premium payments

C. Convert policy to paid-up

D. Begin paying premiums as they become due

3. Which statement is true regarding acceleration benefits?

A. They must provide for a lump sum benefit option.

B. They must be paid only as monthly installments.

C. They are excluded from being paid alongside a base policy.

D. They require a separate premium for access.

4. Which rating classification is typically used in the senior marketplace so that policies can be issued without a medical exam?

A. Preferred

B. Standard

C. Substandard

D. Lien Plan

5. Under Social Security, a worker needs 10 years of work to be considered ______ insured?

A. Fully

B. Currently

C. Partially

D. Not insured

6. Which of the following describes an absolute assignment?

A. Transfers ownership rights in the policy.

B. Transfers rights in the policy only as collateral.

C. Transfers the beneficiary designation.

D. Does not transfer any rights.

7. What is the primary purpose of the reinstatement provision?

A. To increase the premium

B. To extend the term of the policy

C. To put a policy back in force as if it had never lapsed

D. To cancel the policy

8. What is the general tax treatment of life insurance proceeds paid as a death benefit to beneficiaries?

A. Taxable as ordinary income to beneficiary

B. Tax-free to beneficiary

C. Taxed as estate income

D. Taxed as capital gains

9. How are policy loans taxed?

A. Policy loans are always taxed when taken.

B. Policy loans are taxed only if the insured dies.

C. Policy loans are generally not taxed as income until the policy lapses or is surrendered, except if the policy is a MEC where loan withdrawals are taxed.

D. Policy loans are taxed at withdrawal but not at lapse.

10. Under the Financial Privacy rule, when must insurers provide consumers with a privacy notice?

A. At the time the consumer relationship is established and annually thereafter.

B. Only at policy issue.

C. Only once, at enrollment.

D. Whenever the consumer requests it.

Answers

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

Explanations

1. All of the following are TRUE regarding Credit Life, EXCEPT:

A. The amount of coverage can exceed the debt

B. The coverage pays the loan balance upon death

C. It protects the loan obligation

D. It is tied to the loan amount

Credit life insurance is designed to protect a loan by ensuring the debt is paid if the borrower dies. The coverage is tied to the loan and normally matches the outstanding balance, declining as the loan is paid off. It pays the lender to satisfy the debt, so the loan obligation doesn't fall on heirs. Because its purpose is to cover the debt, the amount of coverage does not exceed the loan balance. That's why the statement claiming coverage can exceed the debt isn't true, making it the exception. The other points—payment to cover the loan balance, protecting the loan obligation, and being tied to the loan amount—are standard features.

2. Under a waiver of premium rider, after disability period ends, what must the insured do?

A. Stop premiums permanently

B. Resume premium payments

C. Convert policy to paid-up

D. Begin paying premiums as they become due

When you have a waiver of premium, the insurer pays your premiums while you're disabled. Once the disability ends, you return to the normal premium schedule. You must begin paying premiums as they come due to keep the policy in force. The waiver doesn't permanently stop payments, nor does it automatically convert the policy to paid-up; it simply suspends them during disability and requires you to resume on the original due dates after recovery. If you don't resume on the due dates, the policy could lapse.

3. Which statement is true regarding acceleration benefits?

A. They must provide for a lump sum benefit option.

B. They must be paid only as monthly installments.

C. They are excluded from being paid alongside a base policy.

D. They require a separate premium for access.

Acceleration benefits are living benefits that let the insured access part of the policy's death benefit before death, typically when diagnosed with a qualifying illness. A lump-sum option is a common and practical way these benefits are paid, providing immediate liquidity for medical costs or care needs. That's why the statement describing a lump-sum option as part of acceleration benefits is the best fit. While some plans may also offer installment payments, the availability of a lump-sum payout is a standard feature and doesn't require a separate premium for access in most cases. (It's also worth noting that taking an accelerated benefit usually reduces the death benefit that would be paid later.)

4. Which rating classification is typically used in the senior marketplace so that policies can be issued without a medical exam?

A. Preferred

B. Standard

C. Substandard

D. Lien Plan

In the senior market, insurers often use a no-medical-exam underwriting path to issue coverage quickly. This is typically done through a plan known as a Lien Plan. The idea is to provide life insurance without requiring a medical exam by using a simplified underwriting approach and securing the policy with a lien—often on the policy's future death benefit or cash value—to ensure premiums can be covered or repaid if needed. This lets older applicants obtain coverage even when a medical exam isn't feasible, though it usually comes with different pricing and features tied to the plan. Traditional rating classifications like Preferred, Standard, and Substandard are used to reflect risk when medical underwriting is possible and a medical exam is completed, but they don't describe the no-exam route used in the senior market. The Lien Plan is the mechanism that enables that no-exam issuance.

5. Under Social Security, a worker needs 10 years of work to be considered _____ insured?

A. Fully

B. Currently

C. Partially

D. Not insured

The key idea is how Social Security defines insured status based on quarters of coverage earned through work. To be fully insured, you need 40 quarters of coverage, which works out to about 10 years of work in covered employment. Once you reach 40 quarters, you're considered fully insured, which supports eligibility for retirement benefits (and survivor benefits) when other requirements are met. If you have fewer than 40 quarters, you'd fall into other insured categories (like currently insured or not insured) depending on the number and timing of your quarters, but the defining threshold for being fully insured is 40 quarters.

6. Which of the following describes an absolute assignment?

A. Transfers ownership rights in the policy.

B. Transfers rights in the policy only as collateral.

C. Transfers the beneficiary designation.

D. Does not transfer any rights.

Absolute assignment means you transfer ownership rights in the policy to someone else. The person who receives the assignment becomes the new owner and gains full control over the policy—this includes things like paying premiums, borrowing against the cash value, surrendering the policy, and naming or changing the beneficiary if the owner chooses. The original owner no longer has any ownership powers. This is different from collateral assignment, which only uses the policy as security for a loan and does not transfer ownership. It's also not about changing who gets the benefits under the policy, which is a change of the beneficiary designation. And it isn't simply transferring nothing at all.

7. What is the primary purpose of the reinstatement provision?

A. To increase the premium

B. To extend the term of the policy

C. To put a policy back in force as if it had never lapsed

D. To cancel the policy

Reinstatement is about reviving a policy that has lapsed due to nonpayment and restoring it to active status under its original terms. Within a set period, the insurer allows the policy to be reinstated if you provide evidence of insurability, pay all overdue premiums with interest, and settle any outstanding policy loans or charges. Once reinstated, the policy operates as if it had never lapsed, preserving the original face amount and benefits. It's not about increasing the premium, extending the term, or canceling the policy.

8. What is the general tax treatment of life insurance proceeds paid as a death benefit to beneficiaries?

A. Taxable as ordinary income to beneficiary

B. Tax-free to beneficiary

C. Taxed as estate income

D. Taxed as capital gains

When a life insurance policy pays out a death benefit to a named beneficiary, the payout is generally received income-tax-free by the beneficiary. The death benefit is excluded from gross income, so the beneficiary does not report the lump-sum as ordinary income. If the payment is made with interest because the payout is delayed, the interest portion is taxable as ordinary income to the beneficiary. In addition, the death benefit typically isn't included in the insured's estate for federal estate tax purposes, unless the insured retained incidents of ownership in the policy at death.

9. How are policy loans taxed?

A. Policy loans are always taxed when taken.

B. Policy loans are taxed only if the insured dies.

C. Policy loans are generally not taxed as income until the policy lapses or is surrendered, except if the policy is a MEC where loan withdrawals are taxed.

D. Policy loans are taxed at withdrawal but not at lapse.

Policy loans are not normally taxed as income while the policy remains in force. A loan against the cash value is simply borrowing your own money from the insurer, so no taxable event occurs at the time you take the loan. The policy can keep growing tax-deferred, and you owe the loan plus interest to the insurer. Tax consequences arise if the policy lapses or is surrendered with an outstanding loan. In that case, the loan is treated as a distribution to the extent the policy's gains (earnings) exceed the cost basis. Those gains are taxed as ordinary income to the insured. If the policy is a Modified Endowment Contract (MEC), access to cash value through loans or withdrawals is taxed as a distribution of earnings, meaning any amount withdrawn or loaned is taxed to the extent of the policy's earnings, regardless of the basis.

10. Under the Financial Privacy rule, when must insurers provide consumers with a privacy notice?

A. At the time the consumer relationship is established and annually thereafter.

B. Only at policy issue.

C. Only once, at enrollment.

D. Whenever the consumer requests it.

Under the Financial Privacy Rule, insurers must keep customers informed about their privacy practices by providing a privacy notice when the consumer relationship is established and then every year after that. This ongoing notice ensures you know what information is collected, how it's used, with whom it's shared, and how you can exercise your opt-out rights. It isn't just at policy issue or only once at enrollment, and it isn't conditional on a request. If the insurer changes its information-sharing practices in a material way, a new notice must also be provided. So you'd receive the notice at the start of your relationship and again each year thereafter.

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://louisianaseries101.examzify.com

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