

Montana Life and Health Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of 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.

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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. What typically happens to the cash value of a whole life policy during the insured's lifetime?**
 - A. It is not accessible for loans**
 - B. It decreases as premiums are paid**
 - C. It accumulates over time**
 - D. It is returned if the policy is canceled**
- 2. What type of insurance provides a lump-sum payment for specified critical illnesses?**
 - A. Accidental death insurance**
 - B. Disability insurance**
 - C. Critical illness insurance**
 - D. Whole life insurance**
- 3. Which is true regarding the taxation of life insurance proceeds?**
 - A. Life insurance proceeds are always taxable**
 - B. Only interest earned is taxable upon death**
 - C. The death benefit is generally not taxable to the beneficiary**
 - D. Death benefits are subject to income tax if the policy is surrendered**
- 4. What is typically included in an insurance policy to define a covered event?**
 - A. A premium schedule**
 - B. A coverage limit**
 - C. A list of exclusions**
 - D. A policy declaration page**
- 5. What is a policy rider?**
 - A. A mandatory addition to an insurance policy**
 - B. An optional add-on that provides additional benefits or coverage**
 - C. An automatic renewal feature of an insurance policy**
 - D. A clause that reduces coverage in specific situations**

6. What is a characteristic of a Decreasing term life policy?

- A. Coverage amount increases over time**
- B. It provides coverage for a specified term**
- C. It builds cash value**
- D. It is typically more expensive than whole life insurance**

7. What is a common feature of life insurance policies that offer risk pooling?

- A. Guaranteed returns**
- B. Investment opportunity**
- C. Variable contributions**
- D. Survivor benefits**

8. What type of insurance primarily provides coverage for an individual's entire life as long as premiums are paid?

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

9. What is the primary purpose of a prescription drug formulary?

- A. To list all medications available in the marketplace**
- B. To outline cost-sharing for each medication covered by a health plan**
- C. To identify medications that are available for commercial purchase**
- D. To provide information about the side effects of medications**

10. What is the provision in a group health policy that postpones coverage for a covered illness after the policy's effective date?

- A. Waiting period**
- B. Exclusion period**
- C. Suspension period**
- D. Deferred coverage**

Answers

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

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Explanations

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1. What typically happens to the cash value of a whole life policy during the insured's lifetime?

- A. It is not accessible for loans**
- B. It decreases as premiums are paid**
- C. It accumulates over time**
- D. It is returned if the policy is canceled**

The cash value of a whole life insurance policy is designed to accumulate over time, which is a fundamental characteristic of this type of insurance. As the policyholder pays premiums, a portion of those payments contributes to the cash value, which builds up gradually. This growth is typically guaranteed, and the accumulation happens at a predetermined rate set by the insurance company. Policyholders can often borrow against this cash value or withdraw from it, providing financial flexibility during their lifetime. This feature differentiates whole life insurance from term insurance, which does not accumulate cash value. While there are options related to accessing funds and potential returns upon cancellation, the crucial point in understanding whole life policies is recognizing that they are meant to provide growth in cash value as long as the policy remains active.

2. What type of insurance provides a lump-sum payment for specified critical illnesses?

- A. Accidental death insurance**
- B. Disability insurance**
- C. Critical illness insurance**
- D. Whole life insurance**

Critical illness insurance is designed to provide financial support in the event that the policyholder is diagnosed with one or more specified critical illnesses, such as cancer, heart attack, or stroke. Upon diagnosis, the insurance pays out a lump-sum benefit that can be used for various expenses, such as medical bills, living expenses, or any other needs the individual might have during recovery. This type of insurance is particularly valuable because it offers immediate cash flow to help alleviate some of the financial burdens that come with serious health issues. In contrast, accidental death insurance pays a benefit only upon the death of the insured due to an accident, which does not cover illnesses. Disability insurance provides income replacement if the policyholder is unable to work due to a disabling condition, but it does not provide a lump sum for medical expenses related to a critical illness. Whole life insurance, on the other hand, is a type of permanent life insurance that pays a death benefit upon the insured's death, along with a cash value component that accumulates over time, but it does not specifically address the concerns associated with critical illness.

3. Which is true regarding the taxation of life insurance proceeds?

- A. Life insurance proceeds are always taxable**
- B. Only interest earned is taxable upon death**
- C. The death benefit is generally not taxable to the beneficiary**
- D. Death benefits are subject to income tax if the policy is surrendered**

Life insurance proceeds are generally not taxable to the beneficiary, which makes this answer the correct choice. When a life insurance policyholder passes away, the death benefit paid out to the named beneficiaries is typically received as a tax-free lump sum. This tax advantage is one of the key benefits of life insurance, allowing beneficiaries to receive the full amount of the death benefit without having to worry about income taxes on that amount. The rationale for this tax treatment stems from the intention behind life insurance; it is designed to provide financial support to beneficiaries in the event of the policyholder's death. This allows families and loved ones to maintain their financial stability. Some nuances exist, such as the tax implications of accumulated interest on the payout if the proceeds are kept with the insurance company for a period before being distributed. However, under normal circumstances, the core death benefit remains entirely exempt from federal income taxes. Other choices present scenarios that are not accurate or applicable to most situations surrounding life insurance proceeds. For instance, stating that life insurance proceeds are always taxable misrepresents the general rule. Similarly, mentioning that death benefits are subject to income tax if the policy is surrendered introduces complexities that do not pertain to the typical treatment of proceeds received upon death. Overall, understanding the

4. What is typically included in an insurance policy to define a covered event?

- A. A premium schedule**
- B. A coverage limit**
- C. A list of exclusions**
- D. A policy declaration page**

The policy declaration page is a critical component of an insurance policy, as it outlines essential information that defines the covered event. This page typically includes details such as the insured parties, the types of coverage provided, the durations of the coverage, policy limits, and the specific terms and conditions applicable to the insurance agreement. By clearly stating what is included in the policy, the declaration page helps policyholders understand what events or circumstances are covered under their insurance. While other elements such as premium schedules, coverage limits, and lists of exclusions are important aspects of an insurance policy, they serve different functions. A premium schedule outlines payment details, coverage limits specify the maximum amount the insurer will pay, and a list of exclusions clarifies what is not covered. However, the policy declaration page specifically provides the foundational information that defines the coverage, directly identifying the events or incidents for which the policyholder can seek benefits under the terms of their insurance.

5. What is a policy rider?

- A. A mandatory addition to an insurance policy**
- B. An optional add-on that provides additional benefits or coverage**
- C. An automatic renewal feature of an insurance policy**
- D. A clause that reduces coverage in specific situations**

A policy rider is indeed an optional add-on that provides additional benefits or coverage to an insurance policy. This means that policyholders can enhance their existing insurance by selecting riders tailored to their specific needs or preferences, thus customizing their coverage. Riders can serve various purposes, such as adding coverage for critical illnesses, accidental death, disability, or other specialized risks that may not be included in the standard policy. The flexibility of riders allows individuals to adapt their insurance policy to better meet their life circumstances or specific requirements, making them a valuable tool for many policyholders. This option to expand coverage is particularly important in life and health insurance, where individual needs can vary widely. Mandatory additions, automatic renewal features, or clauses that reduce coverage in certain situations do not encompass the intended functionality of a policy rider, as they don't allow for the same level of customization or enhancement of benefits. Thus, the classification that defines a policy rider as an optional add-on offering additional benefits is accurate and reflects its purpose within insurance policies.

6. What is a characteristic of a Decreasing term life policy?

- A. Coverage amount increases over time**
- B. It provides coverage for a specified term**
- C. It builds cash value**
- D. It is typically more expensive than whole life insurance**

A characteristic of a Decreasing term life policy is that it provides coverage for a specified term. This type of policy is designed to provide a death benefit that decreases over the duration of the term, typically used to cover financial obligations that lessen over time, such as a mortgage or other debts. The structure of the policy is focused on providing protection for a set period, which can be anywhere from a few years to several decades, depending on the terms set during the purchase. The predetermined nature of the term means that the policyholder can plan for financial coverage that aligns with their specific needs. In contrast, other options do not accurately describe the characteristics of a Decreasing term life policy. For instance, a policy that builds cash value is a characteristic associated with whole life insurance rather than term insurance. Similarly, while others might assume that coverage amounts could increase, this is not true for a Decreasing term life policy, which is, by definition, designed for the coverage amount to diminish over time, not grow. Regarding pricing, Decreasing term policies typically are less expensive than whole life insurance, which is another factor that distinguishes them from other types of life insurance coverage.

7. What is a common feature of life insurance policies that offer risk pooling?

- A. Guaranteed returns**
- B. Investment opportunity**
- C. Variable contributions**
- D. Survivor benefits**

Life insurance policies that incorporate risk pooling are designed to spread the risk of financial loss among a larger group of policyholders. This is a fundamental principle of insurance, where the financial contributions (premiums) from many individuals are pooled together to provide benefits to a few who experience a claim, such as a death. Survivor benefits are a key feature of life insurance policies that exemplifies risk pooling, as they provide a death benefit to the designated beneficiaries of the policyholder upon their passing. This benefit is possible because premiums collected from all policyholders create a fund that is used to pay out these claims. The pooling of risk allows insurers to manage the uncertainty and distribution of claims over time, which is critical in maintaining financial stability within the insurance framework. In contrast, features such as guaranteed returns and investment opportunities are more aligned with certain financial products or investment-related insurance policies, rather than the fundamental purpose of traditional life insurance. Variable contributions typically refer to policies with flexible premium payments, which do not directly relate to the concept of risk pooling and benefits distribution in life insurance.

8. What type of insurance primarily provides coverage for an individual's entire life as long as premiums are paid?

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

Whole life insurance is designed to provide coverage for the entire lifetime of the insured, as long as the premiums are continuously paid. This type of insurance combines a death benefit with a cash value component, which grows over time at a guaranteed rate. This dual feature allows policyholders not only to have the peace of mind that their beneficiaries will receive a death benefit, but also to build savings within the policy. In contrast, term life insurance offers coverage for a specified term, such as 10, 20, or 30 years. If the insured passes away during this period, the death benefit is paid; otherwise, the policy expires without any cash value. Universal life insurance, while also providing lifelong coverage, allows for flexible premiums and death benefits, but it typically does not guarantee a fixed cash value growth like whole life does. Accidental death insurance only pays a benefit in cases of accidental death, lacking the comprehensive coverage and savings aspects associated with whole life policies.

9. What is the primary purpose of a prescription drug formulary?

- A. To list all medications available in the marketplace**
- B. To outline cost-sharing for each medication covered by a health plan**
- C. To identify medications that are available for commercial purchase**
- D. To provide information about the side effects of medications**

The primary purpose of a prescription drug formulary is to outline cost-sharing for each medication covered by a health plan. A formulary serves as a list of prescription drugs that are covered by a specific health insurance plan and typically categorizes these medications based on their coverage levels. This helps both healthcare providers and patients understand which drugs are available, the associated costs, and the tiers of coverage, which can vary in terms of copayments or coinsurance. Understanding the cost-sharing associated with each medication is crucial for patients when making decisions about their treatment options and managing their healthcare expenses effectively. Other options, although related to the topic of medication management, do not correctly define the primary purpose of a formulary. For instance, while a formulary may include some information about the medications available within a health plan, it does not encompass all medications available in the marketplace nor does it provide the comprehensive information about side effects or commercial purchase options. Each of these aspects is relevant, but they do not capture the central function of a formulary concerning financial considerations in medication access.

10. What is the provision in a group health policy that postpones coverage for a covered illness after the policy's effective date?

- A. Waiting period**
- B. Exclusion period**
- C. Suspension period**
- D. Deferred coverage**

The provision in a group health policy that postpones coverage for a covered illness after the policy's effective date is known as a waiting period. This waiting period is designed to prevent adverse selection by ensuring that individuals do not enroll in a group health plan only when they know they need medical care or will incur significant healthcare costs. During the waiting period, any claims related to the pre-existing conditions or illnesses may not be covered, allowing the insurer to manage risks associated with individuals who may have existing health issues. This provision is standard practice in many health insurance plans, and it helps ensure that the insurer can maintain a balance between premium income and claims expenditure. While similar terms might be used in the insurance industry, such as exclusion period, suspension period, or deferred coverage, they refer to other specific aspects of insurance coverage or claims management. The waiting period specifically addresses the gap between the policy's effective date and the time when coverage for certain illnesses begins, making it a key aspect of the policy's structure.

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://mtlifeandhealth.examzify.com>

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

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