

Montana State Life Insurance 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. Which document is required for a person to act as an administrator?**
 - A. A signed contract**
 - B. A license from the state**
 - C. A written agreement with the insurer**
 - D. A certification of training**
- 2. Which action is not an acceptable practice for a consultant in relation to commissions?**
 - A. Receiving compensation from the insurer**
 - B. Being paid for consulting services**
 - C. Receiving both consulting and commission fees on the same line of insurance**
 - D. Offering advice without any charge**
- 3. What are the potential penalties for acting as an administrator without the necessary certificate?**
 - A. \$100-\$500**
 - B. \$500-\$1,500**
 - C. \$1,000-\$2,500**
 - D. \$2,500-\$5,000**
- 4. What is the time limit for a policyowner to request nonforfeiture options after premiums are not paid?**
 - A. Within 30 days**
 - B. Within 45 days**
 - C. Within 60 days**
 - D. Within 90 days**
- 5. If an investigatory hearing is required, how much advance notice must be given?**
 - A. No less than 10 days**
 - B. No less than 20 days**
 - C. No less than 30 days**
 - D. No less than 45 days**

- 6. If an insured's age is misstated, how will the insurer calculate payouts upon their death?**
- A. At the benefits listed in the policy**
 - B. Based on the correct age calculation**
 - C. At the average age for the risk class**
 - D. By multiplying the premiums paid**
- 7. Controlled business refers to insurance written on individuals except for which category?**
- A. Relatives**
 - B. Neighbors**
 - C. Employees**
 - D. Spouse**
- 8. Which policies does the Replacement Law apply to?**
- A. Health Insurance Policies**
 - B. Issuer of Life Insurance including fraternal benefit societies**
 - C. Property Insurance Policies**
 - D. Commercial Insurance Policies**
- 9. What might lead the Commissioner to initiate an investigation?**
- A. The request of an individual policyholder**
 - B. Reason to believe insurance fraud is being committed**
 - C. The complaint of an agent**
 - D. The resignation of a company executive**
- 10. If the policy allows the policyowner a period to select a dividend option, how many days must it be after the dividend becomes payable?**
- A. 15 days**
 - B. 30 days**
 - C. 60 days**
 - D. 90 days**

Answers

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

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Explanations

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1. Which document is required for a person to act as an administrator?

- A. A signed contract**
- B. A license from the state**
- C. A written agreement with the insurer**
- D. A certification of training**

The correct answer is a written agreement with the insurer. For an individual to act as an administrator in the context of insurance, this document formalizes the relationship between the administrator and the insurance company. It outlines the terms under which the administrator will operate, the responsibilities involved, and the authority granted to perform certain tasks related to policyholders or beneficiaries. While a signed contract generally implies an agreement is in place, a written agreement with the insurer is specific to the insurance industry and essential for ensuring compliance with state regulations and the insurer's policies. This agreement also serves as a legal safeguard for both parties, detailing expectations, duties, and remuneration for the services provided. A license from the state is necessary for many roles within the insurance industry but particularly pertains to the provision of services rather than the administrative function itself. Certification of training could enhance an administrator's qualifications but is not a formal requirement to act as an administrator.

2. Which action is not an acceptable practice for a consultant in relation to commissions?

- A. Receiving compensation from the insurer**
- B. Being paid for consulting services**
- C. Receiving both consulting and commission fees on the same line of insurance**
- D. Offering advice without any charge**

The action of receiving both consulting and commission fees on the same line of insurance is viewed as problematic because it can create a conflict of interest or the appearance of impropriety. When a consultant is compensated in two different ways for the same service or product, it raises concerns about whether their advice might be biased in favor of one form of compensation over the other. This dual compensation could lead clients to question the integrity of the consultant's recommendations, as their financial incentives may not align with the best interests of the client. In the insurance industry, ensuring transparency and maintaining a clear boundary between advisory roles and sales roles is crucial for upholding ethical standards. By refraining from receiving both types of compensation simultaneously, consultants can help ensure their advice is perceived as objective and client-focused, rather than influenced by the possibility of receiving a commission.

3. What are the potential penalties for acting as an administrator without the necessary certificate?

- A. \$100-\$500**
- B. \$500-\$1,500**
- C. \$1,000-\$2,500**
- D. \$2,500-\$5,000**

The penalties for acting as an administrator without the necessary certificate can vary widely, but in this case, the correct range is \$500 to \$1,500. This range reflects appropriate state regulatory enforcement actions against individuals who operate without proper authorization or certification. This penalty serves several purposes: it serves as a deterrent to unlawful practice, ensures compliance with state laws, and protects consumers from uncredentialed administrators who may not be properly qualified to manage insurance matters. Understanding the range of penalties emphasizes the importance of maintaining compliance with regulatory requirements in the insurance industry, ensuring that all individuals involved in managing insurance contracts and responsibilities are duly certified. This helps to uphold the integrity and trustworthiness of the insurance system, thereby protecting consumers' interests.

4. What is the time limit for a policyowner to request nonforfeiture options after premiums are not paid?

- A. Within 30 days**
- B. Within 45 days**
- C. Within 60 days**
- D. Within 90 days**

The correct answer is that the policyowner has a time limit of 60 days to request nonforfeiture options after premiums are not paid. This period is established to ensure that the policyholder has an adequate amount of time to consider their options and make a decision regarding their nonforfeiture rights. Nonforfeiture options typically include alternatives such as obtaining a paid-up policy or receiving a cash surrender value when premium payments cease, and the designated period provides necessary protection and flexibility for policyowners facing financial difficulties. By allowing a 60-day window, the insurance policy aims to balance the needs of policyholders with the financial integrity of the insurance company, ensuring that policyowners have the opportunity to act without undue pressure or haste. This standard time frame is recognized within the industry and aligns with various regulations that govern life insurance policies.

5. If an investigatory hearing is required, how much advance notice must be given?

- A. No less than 10 days**
- B. No less than 20 days**
- C. No less than 30 days**
- D. No less than 45 days**

The requirement for providing no less than 20 days' advance notice for an investigatory hearing is significant because it ensures all parties involved have sufficient time to prepare for the hearing. This preparation time is essential for individuals to gather necessary evidence, formulate their arguments, and seek legal representation if needed. Having at least 20 days of notice promotes fairness and transparency in the process, allowing for a more thorough examination of the issues at hand. In many regulatory and legal contexts, including insurance matters in Montana, adherence to such timelines is mandated to uphold due process. This helps to prevent any cases where someone might be taken by surprise or unfairly disadvantaged due to inadequate time to respond to allegations or charges against them. The requirement reflects an established standard in administrative procedures to balance the interests of both the regulatory authority and the individuals involved.

6. If an insured's age is misstated, how will the insurer calculate payouts upon their death?

- A. At the benefits listed in the policy**
- B. Based on the correct age calculation**
- C. At the average age for the risk class**
- D. By multiplying the premiums paid**

When an insured's age is misstated on a life insurance policy, the insurer will calculate the payout based on the correct age of the insured at the time of their death. This ensures that the benefits provided align with the risk associated with the actual age, as underwriting decisions often depend heavily on an insured's age. Life insurance premiums and coverage amounts are typically determined using age as a key factor in risk assessment. If an insured is older than stated, they may have paid lower premiums based on the incorrect age, which could result in a lower coverage amount being paid out. Conversely, if the insured is younger than indicated, the insurer might adjust the payout upward to reflect the correct risk profile. By utilizing the correct age, the insurer can ensure that payouts are fair and commensurate with the terms of the policy and the associated risks that were underwritten. This approach emphasizes the importance of accurate information in life insurance underwriting and policy administration.

7. Controlled business refers to insurance written on individuals except for which category?

- A. Relatives**
- B. Neighbors**
- C. Employees**
- D. Spouse**

Controlled business refers to insurance policies that an agent writes predominantly on individuals with whom they have a personal relationship, as this could indicate a conflict of interest and raise ethical concerns. The emphasis is on avoiding situations where agents might prioritize their personal connections over their professional responsibilities. In this context, neighbors typically do not fall under the category of controlled business. While neighbors can be considered part of one's community, they are not typically viewed as individuals with whom there is a personal relationship of the same degree as relatives, employees, or a spouse. Insurance regulations generally scrutinize the writing of policies on those who have a close relationship with the agent to ensure that the business is conducted ethically and that the agent's motivations are transparent. Thus, the relationship with neighbors is less personal compared to the other options, which are explicitly covered by the definition of controlled business due to the closeness of those relationships.

8. Which policies does the Replacement Law apply to?

- A. Health Insurance Policies**
- B. Issuer of Life Insurance including fraternal benefit societies**
- C. Property Insurance Policies**
- D. Commercial Insurance Policies**

The Replacement Law specifically applies to the issuer of life insurance policies, including fraternal benefit societies. This law is designed to protect consumers from being misled or harmed when they are switching from one life insurance policy to another. It ensures that the insurer discloses important information regarding the new policy and how it compares to the existing one the consumer is considering replacing. By focusing on life insurance, the Replacement Law addresses issues such as the potential loss of benefits, changes in premiums, and other critical factors that may not be immediately evident to the policyholder. This framework promotes transparency and encourages consumers to make informed decisions about their insurance coverage. In contrast, health, property, and commercial insurance policies are subject to different regulations and protections, which do not fall under the specific mandates of the Replacement Law that is tailored for life insurance products.

9. What might lead the Commissioner to initiate an investigation?

- A. The request of an individual policyholder**
- B. Reason to believe insurance fraud is being committed**
- C. The complaint of an agent**
- D. The resignation of a company executive**

The initiation of an investigation by the Commissioner is often prompted by a reasonable belief that insurance fraud is being committed. Insurance fraud undermines the integrity of the insurance system and can lead to substantial financial losses for both insurers and consumers. If there are indicators or evidence suggesting that fraudulent activities are occurring, it is the Commissioner's responsibility to protect the interests of the public and the insurance market by launching an investigation. This approach ensures that any illegal activities are addressed promptly to maintain trust in the insurance industry. While individual policyholder requests, complaints from agents, or the resignation of a company executive may raise concerns that warrant attention, they do not inherently provide sufficient grounds for an investigation unless they are linked to suspicions of fraud or other illegal activities. The proactive stance against suspected fraud reflects the regulatory standards upheld by the Commissioner, emphasizing accountability and ethical conduct within the insurance sector.

10. If the policy allows the policyowner a period to select a dividend option, how many days must it be after the dividend becomes payable?

- A. 15 days**
- B. 30 days**
- C. 60 days**
- D. 90 days**

The correct answer is based on the standard provisions for policy benefits in life insurance. In many life insurance policies, once a dividend is declared and becomes payable, the policyowner is often given a specific timeframe to select how they would like to utilize those dividends, whether reinvesting them, receiving them as cash, or applying them to premiums. In this case, the period specified is 30 days. This timeframe is established to allow policyowners sufficient time to make an informed decision regarding their dividends while ensuring the insurance company can manage these benefits effectively without prolonged delays. This provision not only protects the interests of the policyholder by giving them time to review their options but also assists insurers in maintaining clear and efficient accounting practices. Understanding this timeframe is crucial for policyholders, as it impacts their financial planning and choices related to their policy's dividends. Thus, recognizing that 30 days is the commonly accepted duration for selecting dividend options after they become payable is key in managing life insurance benefit expectations.

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://montanastatelifeinsurance.examzify.com>

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

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