

# NEBRASKA LIFE AND HEALTH INSURANCE PRACTICE EXAM (SAMPLE)

**STUDY GUIDE**



## **SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS**

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THE FULL VERSION STUDY GUIDE**

<https://nelifehealthinsurance.examzify.com>



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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 does fiduciary responsibility entail for insurance agents?**
  - A. Agents should maximize profits for insurers
  - B. Agents must treat applicants and insureds ethically
  - C. Agents are allowed to manipulate claims
  - D. Agents are responsible for underwriting decisions
- 2. Which method is considered the most effective way to handle risk?**
  - A. Reduction
  - B. Acceptance
  - C. Transfer
  - D. Avoidance
- 3. Which of the following is an example of a physical hazard?**
  - A. Fluctuating market conditions
  - B. Past medical history
  - C. Natural disaster risks
  - D. Technological advancements
- 4. What does a policy loan in a whole life insurance policy allow?**
  - A. To withdraw the death benefit early
  - B. To borrow against the cash value of the policy
  - C. To buy additional coverage
  - D. To pay premiums in advance
- 5. What is an accidental death and dismemberment (ADandD) policy designed to provide?**
  - A. Benefits under any circumstances
  - B. Benefits only for natural causes of death
  - C. Benefits for accidental injuries and death
  - D. Lifetime coverage for critical illnesses
- 6. What are representations in the context of insurance?**
  - A. Statements that are guaranteed to be true
  - B. Statements believed to be true to the best of one's knowledge
  - C. Untrue statements that void the contract
  - D. Intentional misrepresentations meant for fraud

**7. What is required to ensure a randomly selected and large loss exposure?**

- A. A diversified pool of clients with various risks
- B. A single demographic representation
- C. A minority of the insured with extensive coverage
- D. A small number of high-risk individuals

**8. What does a "pre-existing condition" refer to in health insurance policies?**

- A. A medical issue that arises after the policy starts
- B. A medical issue that existed before the start of the health insurance policy
- C. A condition that is always covered by health insurance
- D. A medical issue that has no impact on coverage

**9. Which action is an example of a morale hazard?**

- A. Accurate reporting of health conditions
- B. Driving recklessly knowing there's insurance coverage
- C. Deliberately causing a fire for insurance payment
- D. Providing misleading information on an application

**10. What is a "term rider" in a life insurance policy?**

- A. An additional provision for supplemental health insurance
- B. A temporary insurance product that only lasts for a year
- C. An additional provision that provides term life coverage alongside permanent life insurance
- D. A type of insurance that does not require payment of premiums

## **Answers**

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

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## **Explanations**

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## 1. What does fiduciary responsibility entail for insurance agents?

- A. Agents should maximize profits for insurers
- B. Agents must treat applicants and insureds ethically**
- C. Agents are allowed to manipulate claims
- D. Agents are responsible for underwriting decisions

*Fiduciary responsibility for insurance agents primarily involves the ethical obligation to act in the best interests of their clients, which consists of applicants and insureds. This duty encompasses providing accurate information, ensuring transparency, and protecting the interests of the clients they represent. Agents are expected to maintain a high level of professionalism and integrity, which includes giving fair and honest advice, as well as safeguarding their clients' financial interests. The concept is rooted in trust; clients rely on agents' knowledge and expertise to guide them through complex insurance products. As fiduciaries, agents must avoid conflicts of interest and disclose any potential issues that could affect the clients' decisions. This ethical commitment is foundational in fostering long-term relationships between agents and their clients, as well as maintaining the overall integrity of the insurance profession. In contrast, maximizing profits for insurers may not always align with the best interests of the clients; manipulating claims is unethical and illegal; and underwriting decisions are typically the responsibility of the insurer rather than the agent. Thus, the emphasis on ethical treatment encapsulated in the correct answer reflects the core of fiduciary duty in the insurance field.*

## 2. Which method is considered the most effective way to handle risk?

- A. Reduction
- B. Acceptance
- C. Transfer**
- D. Avoidance

*Handling risk effectively is crucial in both personal and business contexts. The transfer method is often seen as the most effective way to manage risk because it involves shifting the potential financial burden of a risk to another party. This can be achieved through mechanisms such as insurance policies, where the insurer takes on the responsibility of certain risks in exchange for premium payments. By transferring risk, individuals or businesses can protect themselves from potential losses that might otherwise impact their financial stability. This method is valuable because it allows the original party to focus on their core activities, knowing that certain risks are covered. For instance, a business might purchase liability insurance to protect against legal claims, thus transferring the financial risk associated with those claims to the insurance company. Although reduction, acceptance, and avoidance are also methods of handling risk, they do not provide the same level of financial security as transfer. Reduction aims to minimize the impact or likelihood of a risk but doesn't eliminate it. Acceptance involves acknowledging the risk and choosing to bear the consequences if it occurs, which could lead to significant financial loss. Avoidance, while effective in eliminating certain risks by changing plans or behaviors, is not always practical as it may limit opportunities or growth.*

### 3. Which of the following is an example of a physical hazard?

- A. Fluctuating market conditions
- B. Past medical history**
- C. Natural disaster risks
- D. Technological advancements

The correct answer reflects a clear understanding of what constitutes a physical hazard in the context of insurance. A physical hazard refers to tangible aspects that can increase the likelihood of a loss occurring, often tied to the environment or the physical condition of a person or property. In this case, past medical history signifies a physical hazard because it provides insight into an individual's health status. Specific medical conditions or previous illnesses can influence the risk assessment for underwriting life and health insurance policies, affecting both the frequency and severity of claims. Other options describe different types of risk. Fluctuating market conditions relate to economic hazards rather than physical ones, affecting financial stability but not individual health or physical risk directly. Natural disaster risks, while they involve physical events, are generally categorized as external environmental hazards rather than a direct physical hazard tied to individual assessments in health insurance. Lastly, technological advancements may present operational risks or opportunities but do not inherently constitute a physical hazard related to health underwriting.

### 4. What does a policy loan in a whole life insurance policy allow?

- A. To withdraw the death benefit early
- B. To borrow against the cash value of the policy**
- C. To buy additional coverage
- D. To pay premiums in advance

A policy loan in a whole life insurance policy allows the policyholder to borrow against the cash value of the policy. Whole life insurance accumulates cash value over time, which is a portion of the premiums that remains in the policy and can grow through interest. The policyholder has the right to access this cash value while the policy is in force, which is where the concept of a policy loan comes into play. When a policyholder takes a loan from their whole life policy, they are essentially borrowing money from the insurance company against the cash value that has been built up. It's important to note that this loan does not require a credit check and does not affect the policyholder's credit score, as it is secured by the cash value of the insurance itself. However, if the loan is not repaid, any outstanding balance will be deducted from the death benefit when the policyholder passes away. This option stands out in contrast to the other choices. Withdrawing the death benefit early would not be a feature of a policy loan; instead, it would typically involve some other provision or option, which is not standard practice in whole life policies. Buying additional coverage would require purchasing a new policy, not utilizing existing cash value. Paying premiums in advance is not related

**5. What is an accidental death and dismemberment (AD&D) policy designed to provide?**

- A. Benefits under any circumstances
- B. Benefits only for natural causes of death
- C. Benefits for accidental injuries and death**
- D. Lifetime coverage for critical illnesses

*An accidental death and dismemberment (AD&D) policy is specifically designed to provide benefits in the event of accidental injuries or death resulting from unforeseen events. This type of insurance offers financial protection to the insured or their beneficiaries if the insured suffers a severe injury, such as the loss of limbs, or if the insured dies as a result of an accident. AD&D policies typically do not cover deaths or injuries resulting from natural causes, illnesses, or pre-existing conditions, which is why the focus is on "accidental" events. Therefore, the scope of coverage is limited to situations where the death or injury results directly from an accident, making this policy distinct from other types of life insurance or health insurance products that may offer broader coverage. By focusing only on incidents deemed accidental, AD&D policies are more straightforward and often more affordable than comprehensive life insurance that covers a wider range of circumstances, including natural death or chronic illnesses.*

**6. What are representations in the context of insurance?**

- A. Statements that are guaranteed to be true
- B. Statements believed to be true to the best of one's knowledge**
- C. Untrue statements that void the contract
- D. Intentional misrepresentations meant for fraud

*In the context of insurance, representations are statements that the applicant believes to be true based on their knowledge and understanding at the time of making the statement. These representations are critical during the underwriting process because they help insurers assess the risk associated with providing coverage. When an individual applies for insurance, they provide information about their health, lifestyle, and other relevant factors. These statements are not guaranteed to be true in an absolute sense but are expected to reflect the applicant's honest belief and understanding. This distinction is significant because if a representation turns out to be untrue, it may not necessarily void the insurance contract unless the untruth was intentional or fraudulent. Insurers generally rely on the information provided by applicants to make informed decisions about offering coverage and determining premiums. Consequently, the emphasis on these representations being based on the applicant's knowledge underscores the importance of truthful disclosure rather than absolute guarantees.*

## 7. What is required to ensure a randomly selected and large loss exposure?

- A. A diversified pool of clients with various risks**
- B. A single demographic representation
- C. A minority of the insured with extensive coverage
- D. A small number of high-risk individuals

To ensure a randomly selected and large loss exposure, it is essential to have a diversified pool of clients with various risks. This diversification helps in spreading the risk among a larger group of individuals, making it more predictable and manageable for an insurance company. When a range of different risks is included in the pool, it reduces the likelihood that a single event will significantly impact the overall claims experience. It allows the insurer to use statistical methods to estimate the expected losses and set premiums appropriately, thus ensuring stability and sustainability of the insurance program. In contrast, having a single demographic representation would typically lead to concentration of risk, as similar individuals may share common risk characteristics. A minority of the insured with extensive coverage or a small number of high-risk individuals would also create an unbalanced risk pool, potentially resulting in high claims that could destabilize the actuarial balance that insurance relies on. Therefore, a diversified pool is fundamental for effective risk management in insurance.

## 8. What does a "pre-existing condition" refer to in health insurance policies?

- A. A medical issue that arises after the policy starts
- B. A medical issue that existed before the start of the health insurance policy**
- C. A condition that is always covered by health insurance
- D. A medical issue that has no impact on coverage

A "pre-existing condition" refers to any medical condition or issue that existed prior to the effective date of a health insurance policy. This means that if an individual has a health issue that was diagnosed or treated before they applied for or obtained health insurance coverage, it is classified as a pre-existing condition. Understanding this concept is important because health insurance policies often have specific stipulations regarding the coverage of pre-existing conditions. Insurers may impose waiting periods, exclusions, or even increased premiums based on the presence of such conditions. As a result, individuals with pre-existing conditions should be aware of how these factors may affect their insurance options and coverage. The other choices reflect situations that do not align with the definition of pre-existing conditions: some refer to issues that arise after the policy's start or suggest that a condition would always be covered, which is not typically the case with pre-existing conditions.

## 9. Which action is an example of a morale hazard?

- A. Accurate reporting of health conditions
- B. Driving recklessly knowing there's insurance coverage**
- C. Deliberately causing a fire for insurance payment
- D. Providing misleading information on an application

A morale hazard arises when an individual's behavior is influenced by the knowledge that they have insurance coverage. This can lead to a more careless attitude because the person may believe that any potential losses will be covered by their insurance provider. For example, someone who drives recklessly might take greater risks on the road since they feel financially protected in the event of an accident. In this case, the individual's knowledge of coverage influences their behavior, leading to higher risks and potential losses. This contrasts with the other options, which are more closely associated with intentional actions or misrepresentations rather than a change in behavior due to the presence of insurance.

## 10. What is a "term rider" in a life insurance policy?

- A. An additional provision for supplemental health insurance
- B. A temporary insurance product that only lasts for a year
- C. An additional provision that provides term life coverage alongside permanent life insurance**
- D. A type of insurance that does not require payment of premiums

*A term rider is a component added to a permanent life insurance policy that provides an additional layer of temporary term life coverage. This allows the policyholder to increase their life insurance protection for a specific period without needing to take out a separate term policy. The primary advantage of adding a term rider is that it allows individuals to secure additional coverage during times when their insurance needs might be higher—such as during the years when they may have young dependents or significant financial obligations. The coverage provided by the term rider usually aligns with the term lengths available in standard term life insurance policies, often spanning from 10 to 30 years. By utilizing a rider, policyholders can maintain their existing permanent policy while addressing specific coverage needs temporarily. This can make term riders a cost-effective solution for those who anticipate fluctuating needs for life insurance over time. In contrast, other definitions, like supplemental health insurance or temporary products lasting only a year, do not accurately depict the function and nature of a term rider. Additionally, the statement regarding insurance that does not require premium payments overlooks the standard requirement for premium payments associated with any life insurance policy, including those with riders. Thus, the correct characterization identifies the term rider as an additional provision within a permanent life insurance framework that effectively offers*

## 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](mailto:hello@examzify.com).

Or visit your dedicated course page for more study tools and resources:

<https://nelifehealthinsurance.examzify.com>

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

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