

Nevada Life Insurance Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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 is a policy loan in life insurance?**
 - A. A loan secured by collateral assets outside of life insurance**
 - B. A loan made against the cash value of a permanent life insurance policy**
 - C. A penalty for late premium payment**
 - D. An advance on the death benefit amount**

- 2. What does universal life insurance provide?**
 - A. Fixed premium payments**
 - B. Flexible premium payments and cash value**
 - C. Guaranteed death benefits**
 - D. Lower rates for high-risk individuals**

- 3. Which type of life insurance policy pays out only if the insured passes away during the term period?**
 - A. Whole life insurance**
 - B. Universal life insurance**
 - C. Term life insurance**
 - D. Variable life insurance**

- 4. To be classified as terminally ill, how many months must a person be expected to die from a sickness?**
 - A. 3**
 - B. 6**
 - C. 12**
 - D. 24**

- 5. What is group life insurance?**
 - A. Insurance for individual members of a family**
 - B. A policy offered to a group by an employer or organization**
 - C. A type of private insurance policy**
 - D. Coverage for members of a charitable organization**

- 6. How long must agents retain copies of notices and sales proposals for life insurance applications?**
- A. 1 year**
 - B. 5 years**
 - C. 10 years**
 - D. 3 years**
- 7. What information does a policy illustration typically provide to a policyholder?**
- A. Rules and regulations governing the insurance industry**
 - B. A predicted overview of benefits, premiums, and cash values**
 - C. The annual profit statements of the insurance company**
 - D. A summary of the agent's qualifications and commissions**
- 8. How is whole life insurance best described?**
- A. A type of short-term insurance that provides benefits only for accidents**
 - B. A permanent insurance that includes a cash value component**
 - C. An insurance that requires no premiums after a certain age**
 - D. An investment plan without insurance benefits**
- 9. What type of coverage does a "term insurance policy" provide?**
- A. A term insurance policy provides coverage for a specified period.**
 - B. A term insurance policy covers the insured for their entire life.**
 - C. A term insurance policy is only applicable to funeral expenses.**
 - D. A term insurance policy guarantees investment growth.**
- 10. What does "permanent life insurance" refer to?**
- A. Policies providing temporary coverage**
 - B. Policies that cover the insured for their entire life**
 - C. Policies without a cash value component**
 - D. Policies issued for a specific term only**

Answers

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

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Explanations

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1. What is a policy loan in life insurance?

- A. A loan secured by collateral assets outside of life insurance
- B. A loan made against the cash value of a permanent life insurance policy**
- C. A penalty for late premium payment
- D. An advance on the death benefit amount

A policy loan in life insurance specifically refers to a loan that a policyholder can take against the cash value of a permanent life insurance policy. Permanent life insurance, such as whole life or universal life, accumulates cash value over time, which the policyholder can borrow against. This loan does not require a credit check, as it is secured by the cash value of the policy itself. The main appeal of a policy loan is that it allows policyholders to access funds without having to terminate their insurance coverage or sell their policy. The borrowed amount typically accrues interest, and any unpaid balance will be deducted from the death benefit if the policyholder passes away with an outstanding loan. This arrangement provides flexibility and is often used for emergencies, opportunities, or significant expenses without the rigid requirements of traditional loans.

2. What does universal life insurance provide?

- A. Fixed premium payments
- B. Flexible premium payments and cash value**
- C. Guaranteed death benefits
- D. Lower rates for high-risk individuals

Universal life insurance is designed to offer both flexibility and a cash value component, making it distinct from other types of life insurance. One key feature is the flexible premium payments, which allow policyholders to adjust the amount and frequency of their premium payments within certain limits. This flexible approach can accommodate changes in the policyholder's financial situation or goals over time. In addition, universal life insurance includes a cash value accumulation feature. This means that a portion of the premiums paid goes into a savings component, which can grow over time based on interest rates set by the insurer. This accumulated cash value can be accessed by the policyholder through loans or withdrawals, providing an additional layer of financial utility. While other types of life insurance, such as whole life or term life, may offer fixed premium payments or guaranteed death benefits, universal life stands out for its combination of flexibility in premium payments and the potential for cash value growth. Therefore, the correct understanding of universal life insurance lies in its unique offering of both flexible premium payments and a cash value component, making it a versatile choice for many individuals.

3. Which type of life insurance policy pays out only if the insured passes away during the term period?

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

Term life insurance is designed specifically to provide a death benefit if the insured passes away within a specified period, known as the term. This type of policy is straightforward: if the insured survives past the term's expiration, no benefit is paid out, and the coverage typically ends. This makes term life insurance an appealing choice for individuals looking for affordable coverage to protect their beneficiaries for a certain span of time, such as during the child-rearing years or while paying off a mortgage. In contrast, whole life insurance, universal life insurance, and variable life insurance policies include a cash value component and are designed for coverage over the insured's entire lifetime, with benefits payable upon death at any point, rather than just during a specified term. Therefore, term life insurance is distinctively identified as the option that only pays out if the insured dies during the term period.

4. To be classified as terminally ill, how many months must a person be expected to die from a sickness?

- A. 3**
- B. 6**
- C. 12**
- D. 24**

The correct classification for someone to be deemed terminally ill typically aligns with the life insurance industry's standard definition, which is generally defined as having a life expectancy of six months or less due to a specific illness. This period reflects the medical consensus that patients with a diagnosis of terminal illness usually do not survive beyond this time frame. A person diagnosed with a terminal illness often has a prognosis that allows for planning and decision-making around end-of-life care options, involving palliative care or hospice services. The focus of this classification is closely linked to ensuring that both policyholders and insurers understand the severity of the illness and its implications for life insurance benefits, which can include accelerated death benefits or other options designed to support individuals at the end of life. In terms of the incorrect response regarding 24 months, while some long-term care insurance policies may have different considerations for chronic illnesses, terminal illness typically does not extend to such prolonged time frames. The 12-month option also falls outside the standard used in life insurance practice. It's crucial to be aware of how various definitions and time frames apply to different policies, but for terminal illness classification, the general consensus centers around that six-month expectation of life left.

5. What is group life insurance?

- A. Insurance for individual members of a family
- B. A policy offered to a group by an employer or organization**
- C. A type of private insurance policy
- D. Coverage for members of a charitable organization

Group life insurance is a type of life insurance policy that is offered to a group of individuals, typically by an employer, a professional organization, or an association. This kind of insurance is designed to provide coverage for all eligible members of the group under a single contract, simplifying the enrollment and management processes. The key feature of group life insurance is that it often offers more affordable premiums than individual policies, as the risk is spread across a larger group. In group life insurance, coverage may be provided as a basic benefit with options for additional voluntary coverage, allowing members to enhance their benefits as needed. This type of insurance facilitates access to life insurance protection for members who may not qualify for individual coverage due to health issues or who may find individual policies more expensive. While other types of insurance, such as private policies or family policies, cater to specific individuals or families, the essence of group life insurance lies in its collective approach. This structure contributes to the accessibility and cost-effectiveness that group life insurance offers to its members.

6. How long must agents retain copies of notices and sales proposals for life insurance applications?

- A. 1 year
- B. 5 years
- C. 10 years
- D. 3 years**

Agents are required to retain copies of notices and sales proposals for life insurance applications for a period of three years. This retention requirement is important for ensuring compliance with regulatory standards and for providing a reference in case of future inquiries or disputes regarding the application process or the information provided to potential clients. By keeping these documents for three years, agents can demonstrate transparency and accountability in their dealings, which is essential in the life insurance industry. Other options, such as one year, five years, and ten years, do not align with the specific regulations governing document retention for life insurance applications. The three-year period strikes a balance between maintaining adequate records to serve clients and protecting consumers while avoiding excessive storage of outdated documents. This time frame reflects industry norms and allows agents to manage their records efficiently while ensuring compliance with legal requirements.

- 7. What information does a policy illustration typically provide to a policyholder?**
- A. Rules and regulations governing the insurance industry**
 - B. A predicted overview of benefits, premiums, and cash values**
 - C. The annual profit statements of the insurance company**
 - D. A summary of the agent's qualifications and commissions**

A policy illustration is a crucial tool designed to help policyholders understand the key features of their life insurance policy. It typically provides a predicted overview of benefits, premiums, and cash values, which enables policyholders to assess how their policy may perform over time. This means that the illustration will show projected premiums that the policyholder will be required to pay, the death benefits that will be payable to beneficiaries upon the insured's death, and the cash value that may accumulate throughout the policy's duration. By offering this detailed outlook, the illustration assists policyholders in making informed decisions about their life insurance options. Other choices do not encapsulate the primary function of a policy illustration. For instance, while rules and regulations governing the insurance industry are important, they do not pertain to an individual policy's performance. Similarly, annual profit statements of the insurance company provide a broader picture of the company's financial health, which isn't relevant to the details of an individual policy. Lastly, a summary of the agent's qualifications and commissions pertains more to the sales aspect of the policy and does not provide direct information about the individual policy's terms and benefits.

- 8. How is whole life insurance best described?**
- A. A type of short-term insurance that provides benefits only for accidents**
 - B. A permanent insurance that includes a cash value component**
 - C. An insurance that requires no premiums after a certain age**
 - D. An investment plan without insurance benefits**

Whole life insurance is best described as a permanent insurance policy that includes a cash value component. This means that, unlike term insurance, which only provides coverage for a specific period and has no cash value, whole life insurance offers lifelong coverage as long as premiums are paid. In addition to the death benefit that provides financial security to beneficiaries upon the insured's passing, whole life insurance also accumulates cash value over time. This cash value grows at a guaranteed rate and can be accessed by the policyholder during their lifetime through policy loans or withdrawals, adding an element of savings or investment to the policy. This dual benefit of protection and cash value accumulation distinguishes whole life insurance in the realm of life insurance products. The other options do not accurately capture the essence of whole life insurance or its features: - Short-term insurance that only covers accidents does not apply to whole life policies, which provide comprehensive lifetime coverage. - The concept of no premiums after a certain age typically relates more to other types of policies or riders, but is not a defining feature of whole life insurance. - Labeling whole life insurance as an investment plan without insurance benefits is misleading since the primary purpose is life coverage, along with the added value of cash accumulation.

9. What type of coverage does a "term insurance policy" provide?

- A. A term insurance policy provides coverage for a specified period.**
- B. A term insurance policy covers the insured for their entire life.**
- C. A term insurance policy is only applicable to funeral expenses.**
- D. A term insurance policy guarantees investment growth.**

A term insurance policy is designed to offer coverage for a predetermined duration, typically ranging from one to thirty years. This type of coverage is primarily focused on providing a death benefit to the beneficiaries if the insured passes away during the specified term. If the policyholder survives the term, the coverage expires with no payout, which distinguishes it from permanent life insurance policies that provide lifelong coverage and often include a cash value component. The correct answer emphasizes the specific nature of term insurance, highlighting its temporary nature and the fact that it does not build cash value or provide lifelong protection. Thus, it serves as an affordable option for individuals looking for financial protection for a limited time, often suitable for covering liabilities such as mortgages or supporting dependents during crucial financial years.

10. What does "permanent life insurance" refer to?

- A. Policies providing temporary coverage**
- B. Policies that cover the insured for their entire life**
- C. Policies without a cash value component**
- D. Policies issued for a specific term only**

Permanent life insurance refers to policies designed to provide coverage for the entire lifetime of the insured, typically as long as the premiums are paid. Unlike term insurance, which only lasts for a specified period, permanent life insurance offers lifelong protection, addressing the financial needs that may arise at any time over the insured's lifetime. These policies also include a cash value component, which accumulates over time and can be borrowed against or withdrawn under certain conditions. This cash value growth offers additional benefits that term policies do not provide. The other options discuss features or types of coverage that do not align with the concept of permanent life insurance. Temporary coverage or policies issued for a specific term suggest a limit on how long the insurance is effective, while a lack of a cash value component is characteristic of term life insurance rather than permanent life policies. Permanent life insurance is fundamentally about long-term financial security and coverage throughout an individual's life.

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://nvlifeinsurance.examzify.com>

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

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