

# New Jersey Laws and rules Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.**

**ALL RIGHTS RESERVED.**

**No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.**

**Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.**

**SAMPLE**

## **Questions**

SAMPLE

- 1. What is the impact of a Court Order of Liquidation on an insurance provider in New Jersey?**
  - A. The provider can appeal the order**
  - B. The provider must cease operations**
  - C. The provider becomes insolvent**
  - D. The provider is required to refund premiums**
- 2. For how many years must replacement forms be kept on file by an agent?**
  - A. 2 years**
  - B. 3 years**
  - C. 5 years**
  - D. 7 years**
- 3. The Commissioner may revoke a producer's license if commissions on "controlled business" exceed what percentage of total commissions within a 12-month period?**
  - A. 25%**
  - B. 30%**
  - C. 50%**
  - D. 75%**
- 4. What is the primary purpose of issuing insurance licenses?**
  - A. To authorize transactions with the general public**
  - B. To allow individuals to benefit from commissions**
  - C. To restrict competition among insurance companies**
  - D. To create financial instability in the market**
- 5. How long does an individual have to apply for a license after passing the state Producer licensing exam?**
  - A. 6 months**
  - B. 12 months**
  - C. 18 months**
  - D. 24 months**

- 6. When can a Medicare supplement policy be denied coverage based on health status?**
- A. Only after the open enrollment period**
  - B. Never during open enrollment**
  - C. Only for pre-existing conditions**
  - D. Always, regardless of the period**
- 7. To whom is the death benefit of credit life and health insurance paid?**
- A. The insured**
  - B. The beneficiary**
  - C. The creditor**
  - D. The estate**
- 8. For which reason may the department of insurance revoke a producer's license?**
- A. Failure to pay premiums**
  - B. Felony conviction**
  - C. Noncompliance with advertising regulations**
  - D. Inadequate continuing education credits**
- 9. Within how many days must an insured submit a proof of loss for a health insurance claim after the date of loss?**
- A. 30 days**
  - B. 60 days**
  - C. 90 days**
  - D. 120 days**
- 10. An effort by an existing insured to prevent replacement and continue existing life insurance policies in force is known as which of the following?**
- A. Consolidation**
  - B. Conservation**
  - C. Continuation**
  - D. Retention**

## **Answers**

SAMPLE

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

SAMPLE

## **Explanations**

SAMPLE



**1. What is the impact of a Court Order of Liquidation on an insurance provider in New Jersey?**

- A. The provider can appeal the order**
- B. The provider must cease operations**
- C. The provider becomes insolvent**
- D. The provider is required to refund premiums**

A Court Order of Liquidation signifies that an insurance provider is unable to meet its financial obligations and has been deemed insolvent. This judicial decision is a protective measure for the policyholders and creditors of the insurance company. When a court issues such an order, it typically involves the appointment of a liquidator to oversee the winding down of the insurance company's affairs, ensuring that any remaining assets are appropriately managed and distributed to settle claims against the provider. Insolvency is the core concept here, as it indicates that the insurance provider does not have sufficient assets to cover its liabilities. This is a critical situation for both the company and its policyholders, which is why the court intervenes to facilitate an orderly liquidation process. Affected parties are then able to file claims against the liquidated assets of the provider. While appealing a liquidation order is theoretically possible, in practice, the chances of success are quite limited, as the order is usually based on clear financial insolvency evidence. Ceasing operations and refunding premiums are actions that may result from the liquidation process, but they are not the defining impact of the Court Order itself. Thus, recognizing the provider's insolvency in this context is fundamental to understanding the consequences of such a court order.

**2. For how many years must replacement forms be kept on file by an agent?**

- A. 2 years**
- B. 3 years**
- C. 5 years**
- D. 7 years**

Replacement forms must be kept on file by an agent for a duration of five years. This requirement is established to ensure that there is a clear record of any replacement transactions, which can be vital for compliance purposes and for the protection of consumers. Keeping these documents for five years allows for proper review and accountability in case there are any disputes or inquiries regarding the replacement policies. This retention period aligns with industry standards and regulations that emphasize record-keeping as necessary for both agents and their clients. It is essential for agents to adhere to this timeframe to remain compliant with laws governing insurance practices in New Jersey. Proper documentation supports transparency and provides a trail for verification if needed in future claims or investigations.

**3. The Commissioner may revoke a producer's license if commissions on "controlled business" exceed what percentage of total commissions within a 12-month period?**

- A. 25%
- B. 30%
- C. 50%**
- D. 75%

The correct percentage for commissions on "controlled business" that can be received by a producer without triggering revocation of the license is 50%. In New Jersey, controlled business generally refers to business written on behalf of an individual or entity that has a certain level of ownership or control over the producer. To prevent conflicts of interest and ensure that producers do not exclusively rely on their own businesses for commissions, the New Jersey statute stipulates that commissions from controlled business must not exceed 50% of the total commissions earned over a 12-month period. This regulation aims to encourage producers to seek a diverse client base and promote fair competition within the insurance market. Understanding this statutory limit is crucial for producers to maintain their licensing status and to ensure compliance with state laws.

**4. What is the primary purpose of issuing insurance licenses?**

- A. To authorize transactions with the general public**
- B. To allow individuals to benefit from commissions
- C. To restrict competition among insurance companies
- D. To create financial instability in the market

The primary purpose of issuing insurance licenses is to authorize transactions with the general public. Insurance licenses ensure that individuals and entities engaged in the insurance industry meet specific legal and professional standards, thereby protecting consumers by providing assurance that agents are qualified and knowledgeable. By requiring licenses, regulatory bodies can maintain oversight of the insurance market, ensuring that those who sell insurance products understand the complexities involved and can provide accurate information to clients. This authorization also serves to establish a level of trust and credibility, allowing consumers to feel secure in their transactions with licensed representatives. While benefits such as earning commissions for agents come as a result of being licensed, the overarching goal is consumer protection through regulation. Options suggesting the intent is to restrict competition or create market instability divert from the fundamental aim of licensing, which is to establish a safe and reliable environment for individuals seeking insurance products.

**5. How long does an individual have to apply for a license after passing the state Producer licensing exam?**

- A. 6 months**
- B. 12 months**
- C. 18 months**
- D. 24 months**

In New Jersey, individuals who pass the state Producer licensing exam have a specific timeframe in which they must apply for their license. This timeframe is set at 12 months, meaning that once a candidate successfully completes and passes the licensing exam, they are required to apply for their license within the following year. This requirement ensures that individuals who have demonstrated their knowledge and competence in insurance concepts can promptly enter the professional field, while also allowing regulatory bodies to maintain a current and up-to-date registry of licensed producers. Other options are not accurate according to the established regulations. For instance, a timeframe of 6 months would be too short for individuals needing to gather necessary documentation and complete their applications. Similarly, periods of 18 months or 24 months extend beyond the standard timeframe recognized by the state's licensing authority, thus misrepresenting the actual requirements that govern the licensing process.

**6. When can a Medicare supplement policy be denied coverage based on health status?**

- A. Only after the open enrollment period**
- B. Never during open enrollment**
- C. Only for pre-existing conditions**
- D. Always, regardless of the period**

A Medicare supplement policy cannot be denied coverage based on health status during the open enrollment period. This period is a critical time frame, typically lasting for six months beginning the first month a person is 65 or older and enrolled in Medicare Part B. During this time, insurers are required by law to offer coverage regardless of the applicant's health status, claims experience, or gender. This ensures that all individuals have equal access to Medicare supplement plans, promoting a fair opportunity for coverage and preventing discrimination based on health. Once the open enrollment period ends, insurers may utilize medical underwriting, meaning that applicants can potentially be denied coverage or charged higher premiums based on their health history or pre-existing conditions. Therefore, it is vital for beneficiaries to understand the importance of enrolling in a Medicare supplement plan during this designated time frame to secure coverage without health-related barriers.

**7. To whom is the death benefit of credit life and health insurance paid?**

- A. The insured**
- B. The beneficiary**
- C. The creditor**
- D. The estate**

In the context of credit life and health insurance, the death benefit is designed primarily to protect creditors by paying off the outstanding debt of the insured upon their death. This means that the creditor is the entity that receives the benefits, ensuring that any loans or debts owed by the insured are settled. The intention behind this type of insurance is to safeguard lenders from losses due to the untimely death of a borrower, thereby allowing them to recover the amounts owed without significant financial impact. Other options are associated with different types of insurance policies or situations. For instance, while the insured might directly benefit from different forms of life insurance, credit life insurance serves a specific function primarily for the creditor. In contrast, beneficiaries typically receive benefits from standard life insurance policies, which are designed to provide support to dependents or loved ones after the insured's passing. Lastly, the estate may be involved in settling debts or distributing assets after death, but in the case of credit life insurance, the focus shifts directly to the creditor rather than the estate.

**8. For which reason may the department of insurance revoke a producer's license?**

- A. Failure to pay premiums**
- B. Felony conviction**
- C. Noncompliance with advertising regulations**
- D. Inadequate continuing education credits**

The department of insurance may revoke a producer's license due to a felony conviction because such a conviction is indicative of a lack of trustworthiness and moral character, which are essential qualities for an individual who is entrusted with handling insurance transactions and managing clients' financial interests. A felony conviction can raise significant concerns about the individual's ethical judgment and reliability in the insurance profession. In contrast, while failure to pay premiums, noncompliance with advertising regulations, and inadequate continuing education credits can lead to disciplinary actions or fines, they do not inherently disrupt the fundamental trust placed in a licensed producer to conduct their business. These issues may be remedied through various administrative procedures rather than outright revocation of the license. A felony conviction, however, reflects a more serious breach of the standards expected in the insurance industry and can justify revocation.

**9. Within how many days must an insured submit a proof of loss for a health insurance claim after the date of loss?**

- A. 30 days**
- B. 60 days**
- C. 90 days**
- D. 120 days**

In New Jersey, an insured is typically required to submit proof of loss for a health insurance claim within 90 days following the date of loss. This timeframe is established to ensure that claims are processed in a timely manner. Submitting proof of loss within this period allows the insurance company to efficiently evaluate the claim and facilitates prompt payment to the insured if the claim is valid. Meeting the 90-day deadline is crucial because it can protect the insured's right to benefits under the policy. Delay in submitting the proof of loss could result in complications or potential denial of the claim. Adhering to this timeframe also ensures that the necessary documentation, such as medical records and other relevant information, is gathered while details are still fresh, thereby supporting the legitimacy of the claim. The other options present shorter or longer periods which do not align with the standard practices and regulations governing health insurance claims in New Jersey. Recognizing the correct timeframe helps individuals navigate their insurance policies more effectively while protecting their claims.

**10. An effort by an existing insured to prevent replacement and continue existing life insurance policies in force is known as which of the following?**

- A. Consolidation**
- B. Conservation**
- C. Continuation**
- D. Retention**

The process described, where an existing insured takes measures to prevent replacement of their life insurance policies and keep them active, is known as conservation. Conservation in the context of insurance refers to the activities and practices aimed at retaining policyholders and ensuring that they do not switch to different insurance providers or cancel their existing policies. This can include providing additional information about the benefits of the current policy, reevaluating the coverage to meet the insured's needs, or offering better terms. Consolidation, continuation, and retention may have related meanings in broader contexts, but they do not specifically capture the proactive measures taken to maintain existing policyholders in the insurance industry. Consolidation usually refers to combining entities or resources, continuation implies keeping something ongoing but does not emphasize the active prevention aspect, and retention generally focuses more on maintaining clients without the specific context of life insurance policies. Therefore, conservation is the most precise term for the efforts to keep policies in force.