

NEW JERSEY LIFE AND HEALTH STATE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 type of health insurance policies exclusively cover low frequency diseases?**
 - A. Comprehensive policies
 - B. Limited policies
 - C. High-risk policies
 - D. Major medical policies
- 2. What is typically not covered by life insurance policies?**
 - A. Natural deaths
 - B. Accidental deaths
 - C. Suicides within the first year
 - D. Death from illness
- 3. Which entity plays a key role in the oversight of life and health insurance guarantees in New Jersey?**
 - A. Department of Banking and Insurance
 - B. Federal Trade Commission
 - C. Consumer Financial Protection Bureau
 - D. National Association of Insurance Commissioners
- 4. How does an individual qualify as fully insured under Social Security disability coverage?**
 - A. Individual must be currently employed
 - B. Individual has been credited with the appropriate number of quarters of coverage
 - C. Individual is covered under Medicaid
 - D. Individual must expect to be disabled for 5 months
- 5. Who is responsible for assembling the policy forms for insureds?**
 - A. Insurance brokers
 - B. Insurance carriers
 - C. State regulators
 - D. Third-party administrators

- 6. An insurer owned by its policyholders typically functions on what principle?**
- A. Profit maximization
 - B. Demutualization
 - C. Participatory model
 - D. Capital accumulation
- 7. Which of the following is NOT typically included in a life insurance policy illustration?**
- A. Names of the beneficiary
 - B. Projected cash value
 - C. Specified policy premiums
 - D. Death benefit amounts
- 8. Which of the following circumstances requires an individual to be a licensed producer?**
- A. Filing claims for clients
 - B. Discussing premiums with a potential insured
 - C. Coordinating policy payments
 - D. Providing customer service
- 9. An example of rebating would be:**
- A. A producer who offers lower premiums
 - B. A producer who shares commissions with a client
 - C. A producer who charges fees for services
 - D. A producer who provides gifts to all clients
- 10. When a company applies for group health insurance, which information is used by the insurer's underwriters to assess coverage and premium rates?**
- A. Claims history
 - B. Demographic information
 - C. Experience rating
 - D. Policyholder choices

Answers

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

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Explanations

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1. What type of health insurance policies exclusively cover low frequency diseases?

- A. Comprehensive policies
- B. Limited policies**
- C. High-risk policies
- D. Major medical policies

Limited policies are designed to cover specific, often uncommon health issues, which aligns with the focus on low frequency diseases. These policies typically provide benefits for only certain types of care or conditions, such as catastrophic events or specific limited events, rather than a broad range of health care services. As such, they usually have lower premiums than comprehensive policies but also offer less extensive coverage. In contrast, comprehensive policies offer broader coverage that includes various medical services and conditions, and major medical policies provide extensive health coverage, focusing on a wide array of health-related expenses rather than on limited low frequency diseases. High-risk policies target individuals with pre-existing conditions or lifestyle factors that lead to a higher chance of health issues but also encompass a wide range of diseases rather than being restricted to low frequency ones. Therefore, the emphasis of limited policies on low frequency diseases makes them the correct choice in this context.

2. What is typically not covered by life insurance policies?

- A. Natural deaths
- B. Accidental deaths
- C. Suicides within the first year**
- D. Death from illness

Life insurance policies are designed to provide financial support to beneficiaries upon the death of the insured person. However, there are specific circumstances under which claims may not be honored. In the context of the question, suicide within the first year is typically excluded from coverage in most life insurance policies. This provision, often called a "suicide clause," serves to deter individuals from taking out life insurance with the intent of committing suicide shortly thereafter, which could be seen as an abuse of the insurance system. The first year exclusion means that if the insured dies by suicide within the specified timeframe, the insurer is not obligated to pay the death benefit. After the first year, many policies will pay the benefit for death by suicide, recognizing that such situations can be complex and are often related to mental health issues. By understanding this exclusion, policyholders are better informed about what can affect their coverage and claims, especially in sensitive situations.

3. Which entity plays a key role in the oversight of life and health insurance guarantees in New Jersey?

- A. Department of Banking and Insurance**
- B. Federal Trade Commission
- C. Consumer Financial Protection Bureau
- D. National Association of Insurance Commissioners

The Department of Banking and Insurance (DOBI) plays a crucial role in overseeing life and health insurance guarantees in New Jersey. This state department is responsible for regulating the insurance industry within New Jersey, ensuring that insurers operate within the laws and regulations established by the state. Their responsibilities include monitoring the financial health of insurance companies, enforcing consumer protection laws, and implementing programs that safeguard policyholders' interests, particularly when it comes to insurance guarantees. While the Federal Trade Commission, Consumer Financial Protection Bureau, and National Association of Insurance Commissioners have important roles in various financial and consumer protection areas, they do not specifically focus on the oversight of life and health insurance guarantees at the state level in New Jersey. The DOBI is the designated authority that specifically addresses and manages these matters, making it the key entity for this purpose in the state.

4. How does an individual qualify as fully insured under Social Security disability coverage?

- A. Individual must be currently employed
- B. Individual has been credited with the appropriate number of quarters of coverage**
- C. Individual is covered under Medicaid
- D. Individual must expect to be disabled for 5 months

To qualify as fully insured under Social Security disability coverage, an individual must have been credited with the appropriate number of quarters of coverage. This means that the person needs to have earned a certain number of work credits, which are based on their historical employment and earnings. Specifically, an individual typically needs to have accumulated at least 40 quarters of coverage, although younger individuals may qualify with fewer quarters based on their age and work history. This system ensures that only those who have contributed to the Social Security system through their work are eligible for benefits, thus linking the benefits directly to their employment record. The other options focus on aspects that do not determine the qualification for being fully insured. For instance, being currently employed or expecting to be disabled for a specific duration does not directly impact the individual's work history required for Social Security coverage. Additionally, coverage under Medicaid is a separate program aimed at providing medical assistance and is not a factor in determining eligibility for Social Security disability benefits.

5. Who is responsible for assembling the policy forms for insureds?

- A. Insurance brokers
- B. Insurance carriers**
- C. State regulators
- D. Third-party administrators

The insurance carriers are responsible for assembling the policy forms for insureds. This is because insurance carriers are the entities that define the terms, conditions, and coverages of the insurance policies they offer. They create, file, and ensure that their policy forms comply with state regulations before making them available to agents and insureds. Insurance brokers, while they play a crucial role in selling and advising clients on insurance policies, do not assemble policy forms themselves; they typically work with the forms provided by the insurance carriers. State regulators oversee and approve the forms to ensure they meet legal requirements and protect consumers, but they do not assemble the forms. Third-party administrators manage claims and policy administration on behalf of the insurance carriers but do not create policy forms. Thus, the responsibility of assembling the policy forms rests with the insurance carriers.

6. An insurer owned by its policyholders typically functions on what principle?

- A. Profit maximization
- B. Demutualization
- C. Participatory model**
- D. Capital accumulation

An insurer owned by its policyholders typically functions on the participatory model principle. In this structure, policyholders have a stake in the company and share in its profits and losses. This means that decisions made by the insurer often reflect the interests and needs of its policyholders rather than a focus solely on maximizing profits for external shareholders. In the participatory model, policyholders may receive dividends based on the insurer's performance, which aligns the insurer's operations with the interests of those it serves. This structure encourages a sense of community and collective benefit, ensuring that policyholders are actively involved in the company's direction and decisions. In contrast, other principles such as profit maximization are typically associated with stock companies where the focus is on generating returns for shareholders. Demutualization refers to the process of converting a mutual insurance company into a stock insurance company, which fundamentally changes its operational dynamics away from the participatory model. Capital accumulation, while important for any insurance company, does not define the mutual ownership structure focusing on policyholder interests.

7. Which of the following is NOT typically included in a life insurance policy illustration?

- A. Names of the beneficiary**
- B. Projected cash value
- C. Specified policy premiums
- D. Death benefit amounts

In a life insurance policy illustration, the primary purpose is to provide potential policyholders with a visual representation of how the policy works over time, including its financial performance. This illustration typically includes projected cash values, specified policy premiums, and death benefit amounts to give an overview of the policy's value and costs. The names of the beneficiary, however, are not included in these illustrations. The beneficiary designations can change based on the policyholder's circumstances or decisions and typically do not affect the financial projections or illustrations of the policy itself. Thus, the inclusion of beneficiary names is not essential to understanding how the policy functions or its performance over time, which solidifies why this option is not typically featured in policy illustrations.

8. Which of the following circumstances requires an individual to be a licensed producer?

- A. Filing claims for clients
- B. Discussing premiums with a potential insured**
- C. Coordinating policy payments
- D. Providing customer service

An individual must be a licensed producer when discussing premiums with a potential insured because this activity involves presenting, explaining, and potentially influencing the consumer's decisions regarding insurance policies. In many jurisdictions, including New Jersey, discussing premiums typically constitutes soliciting or negotiating insurance coverage, which legally requires the individual to hold a valid insurance producer license. This is to ensure that consumers receive accurate information about the financial obligations and coverage options associated with the premiums they are being quoted. Licensing also assures that the producer has met certain educational and ethical standards, protecting the consumer's interests. In contrast, filing claims, coordinating policy payments, and providing customer service may involve assisting with administrative tasks that do not directly influence the sale or negotiation of insurance products and may not require a producer's license. These activities are often considered support roles within the insurance process rather than direct engagement in sales or negotiations.

9. An example of rebating would be:

- A. A producer who offers lower premiums
- B. A producer who shares commissions with a client**
- C. A producer who charges fees for services
- D. A producer who provides gifts to all clients

Rebating occurs when an insurance producer provides a client with a portion of their commission as an incentive for purchasing a policy. This practice is considered a form of rebating because it involves sharing the income generated from the sale of the insurance product directly with the policyholder. In this case, when a producer shares commissions with a client, it is seen as offering an inducement to enter into a contract that is not reflected in the standard premium. Regulatory bodies often prohibit this practice to maintain fairness and integrity in the insurance marketplace, ensuring that all consumers are treated equitably. The other options do not represent rebating in the same context. Offering lower premiums is simply a pricing strategy, charging fees for services is a standard business practice where fees replace commissions, and providing gifts to clients may be seen as a marketing gesture, provided they are within acceptable limits defined by law. However, these do not involve directly sharing commission payouts, which is central to the definition of rebating.

10. When a company applies for group health insurance, which information is used by the insurer's underwriters to assess coverage and premium rates?

- A. Claims history
- B. Demographic information
- C. Experience rating**
- D. Policyholder choices

In the context of group health insurance, experience rating is critical for underwriters as they evaluate the risk associated with the group applying for coverage. Experience rating involves analyzing the historical claims experience of the group to determine the likelihood of future claims. The underwriters look at this information to assess how much risk the insurer will undertake and to set appropriate premium rates based on past claims data. When a group has a higher volume of claims than average, this could result in higher premiums, as the insurer anticipates similar future claims. Conversely, a group with a lower claims history may qualify for lower premiums, reflecting the reduced risk. This method allows insurers not only to price coverage competitively but also to ensure that it accurately reflects the risk involved with the specific group applying for insurance. While claims history, demographic information, and policyholder choices are all relevant in various contexts, experience rating provides a tailored approach to understanding the specific risk presented by the group applying for coverage.

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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://newjersey-lifeandhealth.examzify.com>

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

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