

New Jersey 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

- 1. How are the maximum insurance amounts typically determined under credit insurance?**
 - A. By the age of the debtor**
 - B. Through actuarial calculations**
 - C. Based on the amount of indebtedness**
 - D. By the creditor's discretion**
- 2. What flexibility does a Universal Life Insurance policy offer to the policy owner?**
 - A. Change the face amount only**
 - B. Increase or decrease the amount of premium paid**
 - C. Modify the type of coverage only**
 - D. Choose a different insurer at any time**
- 3. What does the second part of the application focus on?**
 - A. General information about the applicant**
 - B. Medical history of the applicant and their relatives**
 - C. Details about existing insurance policies**
 - D. Agents observations regarding the applicant**
- 4. Which type of annuities aim for higher returns through aggressive investments?**
 - A. Fixed Annuities**
 - B. Indexed Annuities**
 - C. Immediate Annuities**
 - D. Deferred Annuities**
- 5. Which type of plan must meet certain requirements set by the IRS including non-discrimination against prohibited groups?**
 - A. Nonqualified Plans**
 - B. Qualified Plans**
 - C. Employee Stock Ownership Plans**
 - D. Individual Retirement Accounts**

- 6. What must a producer do at least 10 days before their license expiration for renewal?**
- A. Submit proof of income**
 - B. Submit a completed renewal application**
 - C. Take an additional examination**
 - D. Pay a late renewal fee**
- 7. Qualified retirement plans are designed to meet which of the following?**
- A. Investment Growth**
 - B. IRS Guidelines**
 - C. Flexible Withdrawals**
 - D. Unlimited Contributions**
- 8. What is the term for the person who receives annuity assets if the annuitant dies during the accumulation period?**
- A. Owner**
 - B. Beneficiary**
 - C. Annuitant**
 - D. Trustee**
- 9. Which option provides the recipient with income that he or she cannot outlive?**
- A. Life Income Option**
 - B. Fixed Period Option**
 - C. Life Income Joint and Survivor**
 - D. Life income with period certain option**
- 10. How quickly must premiums be remitted to the insurer after receipt?**
- A. 2 business days**
 - B. 5 business days**
 - C. 15 business days**
 - D. 30 business days**

Answers

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

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Explanations

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1. How are the maximum insurance amounts typically determined under credit insurance?

- A. By the age of the debtor**
- B. Through actuarial calculations**
- C. Based on the amount of indebtedness**
- D. By the creditor's discretion**

The maximum insurance amounts under credit insurance are typically determined based on the amount of indebtedness. This method aligns the coverage with the financial obligations of the debtor, ensuring that the insurance provides sufficient protection for the outstanding debt. Credit insurance is designed to pay off the borrower's debt in case of events such as death or disability. By tying the insurance amount directly to the amount owed, the insurer can effectively manage risk while offering borrowers peace of mind. If the debtor owes a larger sum, the corresponding insurance coverage will naturally be higher, reflecting the greater financial exposure. Other methods, such as using actuarial calculations, might inform pricing and risk assessment but do not directly dictate the maximum insurance amounts for credit insurance. Similarly, while a debtor's age might influence risk factors, it does not establish the maximum insurance limit. Lastly, while a creditor might have certain authorities within the lending agreement, such discretion does not typically set the maximum coverage limits of the credit insurance itself.

2. What flexibility does a Universal Life Insurance policy offer to the policy owner?

- A. Change the face amount only**
- B. Increase or decrease the amount of premium paid**
- C. Modify the type of coverage only**
- D. Choose a different insurer at any time**

A Universal Life Insurance policy offers significant flexibility to the policy owner, particularly in terms of premium payments. The correct response indicates that the policy owner has the ability to increase or decrease the amount of premium paid. This feature is essential because it allows policy owners to adjust their premium payments according to their financial circumstances or needs over time. For instance, if a policy owner encounters a financial strain, they can opt to pay a lower premium for a period or even suspend payments, as long as there is enough cash value in the policy to cover costs. Conversely, if the policy owner wants to build more cash value or increase their death benefit, they can choose to pay a higher premium. This degree of adaptability is one of the hallmark features of Universal Life Insurance, distinguishing it from more rigid policy types like whole life insurance, which typically requires fixed premiums. The other options do not accurately capture the unique flexibility provided by Universal Life policies. For example, the ability to change the face amount might exist, but it is not the primary flexibility that sets these policies apart. Similarly, modifying the type of coverage or selecting a different insurer is outside the typical scope of changes allowed by Universal Life Insurance. Hence, the option regarding the adjustable premium payments best represents the key advantage.

3. What does the second part of the application focus on?

- A. General information about the applicant**
- B. Medical history of the applicant and their relatives**
- C. Details about existing insurance policies**
- D. Agents observations regarding the applicant**

The second part of the life insurance application typically focuses on the medical history of the applicant and their relatives. This section is crucial because it provides underwriters with insights into the health status and potential risks associated with the applicant. The medical history of both the applicant and their relatives can indicate hereditary conditions that might affect insurability and premium rates. By gathering detailed medical information, insurance companies can make informed decisions regarding coverage eligibility and the pricing of premiums. This includes assessing any pre-existing conditions, medications taken, surgeries undergone, and family health histories, all of which are essential in evaluating the risk that the insurer takes on by issuing a policy. In summary, this focus on medical history is primarily aimed at proactively managing risk while ensuring that the applicant receives appropriate coverage based on their health profile.

4. Which type of annuities aim for higher returns through aggressive investments?

- A. Fixed Annuities**
- B. Indexed Annuities**
- C. Immediate Annuities**
- D. Deferred Annuities**

Indexed annuities aim for higher returns through aggressive investments by linking their performance to a stock market index, such as the S&P 500. Unlike fixed annuities, which provide guaranteed interest rates with little risk of loss, indexed annuities have the potential for greater returns because they allow policyholders to benefit from a percentage of the increase in the chosen index. This makes indexed annuities appealing to those who seek a balance between safety and potential growth. The nature of indexed annuities provides a combination of downside protection with minimum guarantees and upside potential linked to market performance, which can lead to higher overall returns compared to more conservative annuity types. This characteristic differentiates indexed annuities from other types, such as fixed annuities, which do not offer the same growth potential, or immediate annuities, which primarily focus on providing a steady income stream right away without a focus on maximizing investment returns. Deferred annuities can offer investment growth as well, but they usually include a wider range of investment options, rather than being directly linked to a specific market index.

5. Which type of plan must meet certain requirements set by the IRS including non-discrimination against prohibited groups?

A. Nonqualified Plans

B. Qualified Plans

C. Employee Stock Ownership Plans

D. Individual Retirement Accounts

Qualified plans are retirement plans that must adhere to specific regulations set by the Internal Revenue Service (IRS). One critical requirement is that these plans must not discriminate in favor of higher-paid employees, shareholders, or owners, ensuring that benefits are available fairly to all eligible employees. This principle of non-discrimination is designed to encourage widespread participation and inclusion among employees of varying income levels. By meeting these IRS guidelines, a qualified plan also receives favorable tax treatment. Contributions made to these plans can be tax-deferred, and earnings on the investments in these plans can grow tax-free until they are withdrawn. The stringent adherence to these standards is what differentiates qualified plans from nonqualified plans, which do not have to meet the same regulatory requirements and can potentially discriminate in favor of higher earners. The other options listed do not have the same overarching requirement regarding non-discrimination. Nonqualified plans can be tailored to specific employees without the same oversight. Employee Stock Ownership Plans (ESOPs) and Individual Retirement Accounts (IRAs) have their respective rules and benefits but do not encompass the same broad non-discrimination requirements applicable to qualified plans.

6. What must a producer do at least 10 days before their license expiration for renewal?

A. Submit proof of income

B. Submit a completed renewal application

C. Take an additional examination

D. Pay a late renewal fee

To ensure that a life insurance producer maintains their license without interruption, they must submit a completed renewal application at least 10 days before their license expiration. This requirement is in place to allow adequate time for the regulatory authority to process the renewal application and confirm that the producer continues to meet all licensing standards. Submitting a renewal application is a crucial step in the licensing process, as it not only demonstrates the producer's intention to continue in their role but also allows for any necessary checks on continuing education requirements, compliance with state regulations, and payment of renewal fees. By fulfilling this requirement, producers contribute to the integrity of the insurance industry and ensure that they are legally authorized to conduct business in New Jersey. In contrast to this vital procedure, other options like submitting proof of income or taking an additional examination are not standard requirements for renewal, as the emphasis is more on maintaining regulatory compliance and ongoing education. While the payment of a late renewal fee may be applicable if the renewal is not submitted on time, it does not replace the need for the renewal application itself. Thus, timely submission of a completed renewal application is essential for maintaining active licensure.

7. Qualified retirement plans are designed to meet which of the following?

- A. Investment Growth**
- B. IRS Guidelines**
- C. Flexible Withdrawals**
- D. Unlimited Contributions**

Qualified retirement plans are specifically designed to meet IRS guidelines to obtain favorable tax treatment. These plans must comply with a set of regulations established by the Internal Revenue Service that dictate how they should be funded, how contributions can be made, how benefits can be distributed, and eligibility requirements for participants. Meeting these guidelines allows the plans to provide tax advantages to both employers and employees. For instance, contributions made to a qualified retirement plan are typically tax-deductible for the employer and deferred for the employee until withdrawal, leading to significant tax savings. While investment growth is certainly an important aspect of retirement planning, and some plans may offer flexibility in withdrawals, these elements do not inherently fulfill the specific purpose of a qualified retirement plan. Additionally, unlimited contributions do not align with IRS guidelines, which impose limits on the amount that can be contributed to these plans each year. Therefore, the necessity for qualified retirement plans to follow IRS guidelines is what makes this answer correct.

8. What is the term for the person who receives annuity assets if the annuitant dies during the accumulation period?

- A. Owner**
- B. Beneficiary**
- C. Annuitant**
- D. Trustee**

The person who receives annuity assets if the annuitant dies during the accumulation period is referred to as the beneficiary. In the context of annuities, the accumulation period is the phase during which the annuity is being funded through contributions or premium payments. If the annuitant passes away before the annuity is fully matured or before they start receiving payments, the beneficiary is the individual designated to receive the remaining assets or value built up in the annuity. In this case, the beneficiary may receive a death benefit that could include the premiums paid or the current value of the annuity, depending on the terms of the contract. This allows for a financial safeguard for the annuitant's chosen loved ones or designated parties. The other terms listed refer to different aspects of an annuity or insurance policy but are not the correct answer in this context. The owner is the person who holds the rights to the annuity contract, the annuitant is the individual on whose life the annuity is based, and a trustee is typically involved in managing assets for another party under a trust agreement. Therefore, the clarity about the role of the beneficiary is crucial in understanding how benefits are administered upon the death of the annuitant during the accumulation phase.

9. Which option provides the recipient with income that he or she cannot outlive?

- A. Life Income Option**
- B. Fixed Period Option**
- C. Life Income Joint and Survivor**
- D. Life income with period certain option**

The Life Income Option is designed to provide a stream of income for the recipient that will continue for their entire lifetime, ensuring financial security until death. This feature is particularly beneficial for individuals who seek stability in their retirement years or those who want to ensure that they will have ongoing income regardless of how long they live. This means that even if the recipient outlives their initial investment amount, they will still receive payments, thereby eliminating the risk of outliving their income. The other options, while providing various forms of income, do not guarantee payments for the life of the recipient in the same way. The Fixed Period Option provides income for a predetermined period, which may not last the entirety of the individual's life. The Life Income Joint and Survivor option, while it offers income for the lives of two individuals, might not provide benefits to just one. Finally, the Life Income with Period Certain option guarantees payments for a specific period but may provide less certainty if an individual lives beyond that period. Therefore, the Life Income Option stands out as the most comprehensive option for ensuring that the recipient will receive income throughout their lifetime.

10. How quickly must premiums be remitted to the insurer after receipt?

- A. 2 business days**
- B. 5 business days**
- C. 15 business days**
- D. 30 business days**

The requirement for how quickly premiums must be remitted to the insurer after receipt is critical for maintaining the integrity of insurance operations and ensuring that coverage remains in force. The correct timeframe for remitting premiums is within 5 business days. This guideline helps to ensure that funds are transferred promptly, minimizing the risk of lapses in coverage and ensuring that both the insured and insurer can manage their finances effectively. Remitting premiums in a timely manner builds trust and supports the regulatory framework that governs insurance practices, helping to protect consumers and maintain the overall health of the insurance market. While the other choices suggest longer time periods, those durations would not align with the regulatory expectations for prompt and responsible business practices within the insurance industry in New Jersey. A 5-day timeframe strikes a balance between operational efficiency and consumer protection, ensuring that premiums are handled efficiently without undue delay.

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://njlifeinsurance.examzify.com>

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