

# New Jersey Life Insurance Practice Exam (Sample)

## Study Guide



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

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**SAMPLE**

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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

- 1. What characterizes variable universal life insurance?**
  - A. Guaranteed fixed premiums**
  - B. Combines flexible premiums with investment components**
  - C. Only insures a single life**
  - D. Does not participate in investment risk**
- 2. Which document provides basic, generic information about life insurance policies?**
  - A. Life Insurance Illustration**
  - B. Buyers Guide**
  - C. Policy Summary**
  - D. Illustrations**
- 3. Which type of life insurance provides a death benefit for the entire life of the insured?**
  - A. Term Life Insurance**
  - B. Whole Life Insurance**
  - C. Endowment Life Insurance**
  - D. Group Life Insurance**
- 4. What unique characteristic do fixed annuities offer investors?**
  - A. Inflation Hedge**
  - B. Risk-Based Investments**
  - C. Guaranteed Interest Rates**
  - D. Investment Diversification**
- 5. What type of insurance is specifically written to insure the life of a debtor?**
  - A. Term insurance**
  - B. Credit insurance**
  - C. Whole life insurance**
  - D. Universal life insurance**

- 6. Which of the following must be included in a life insurance policy summary?**
- A. Client's social security number**
  - B. Name and address of the agent**
  - C. All previous insurance policies**
  - D. The client's medical history**
- 7. Which of the following protects life insurance proceeds from creditors of the insured or beneficiary?**
- A. State insurance laws**
  - B. Credit insurance regulations**
  - C. Life Insurance Proceeds protection clause**
  - D. Federal bankruptcy laws**
- 8. What must all premiums collected by a producer be held in?**
- A. Trust account**
  - B. General account**
  - C. Fiduciary capacity**
  - D. Escrow account**
- 9. What type of information is included in the general section of an insurance application?**
- A. Medical background and health status**
  - B. Existing policies and proposed insurance replacement**
  - C. Name, address, age, and occupation**
  - D. Agents personal observations**
- 10. What occurs when a policy is terminated due to the nonpayment of premium?**
- A. Adverse Selection**
  - B. Lapse**
  - C. Insurance**
  - D. Life Insurance**



## **Answers**

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

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## **Explanations**

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## 1. What characterizes variable universal life insurance?

- A. Guaranteed fixed premiums
- B. Combines flexible premiums with investment components**
- C. Only insures a single life
- D. Does not participate in investment risk

Variable universal life insurance is characterized by its combination of flexible premiums and investment components. This unique structure allows policyholders to adjust their premium payments and to allocate a portion of their cash value into various investment options, such as stocks, bonds, or mutual funds. This combination offers a dual benefit: the flexibility to adapt premiums based on financial circumstances and the potential for cash value growth linked to the performance of selected investments. This feature distinguishes it from other types of life insurance that may not provide such flexibility or investment opportunities. The other options do not accurately capture the essence of variable universal life insurance. For instance, guaranteed fixed premiums are generally associated with whole life insurance policies rather than variable universal life. Additionally, while it can insure multiple lives, it may not be limited to a single life, and all variable universal life policies involve some level of investment risk, contrary to what the answer about not participating in investment risk suggests.

## 2. Which document provides basic, generic information about life insurance policies?

- A. Life Insurance Illustration
- B. Buyers Guide**
- C. Policy Summary
- D. Illustrations

The Buyers Guide is designed to provide consumers with essential and general information about life insurance policies. It serves as an educational resource that explains the different types of life insurance available, the benefits and features, and how to choose a policy that fits individual needs. The purpose of the Buyers Guide is to help individuals understand the complexities of life insurance in a straightforward manner, allowing them to make informed decisions when purchasing a policy. While other documents like the Life Insurance Illustration, Policy Summary, and Illustrations provide more specific details about individual policies and their projected performance or benefits, they are not structured to provide the broad overview that the Buyers Guide does. Therefore, when seeking basic and generic information about life insurance policies, the Buyers Guide is the most appropriate resource.

**3. Which type of life insurance provides a death benefit for the entire life of the insured?**

- A. Term Life Insurance**
- B. Whole Life Insurance**
- C. Endowment Life Insurance**
- D. Group Life Insurance**

Whole Life Insurance is a type of life insurance designed to provide a death benefit that remains in effect for the insured's entire lifetime, as long as the premiums are paid. This policy combines both insurance protection and a savings component, which builds cash value over time. The cash value grows at a guaranteed rate, and the policyholder can borrow against it or withdraw it if needed. Unlike term life insurance, which offers coverage for a specific period and has no cash value, whole life insurance guarantees a payout regardless of when the insured passes away, making it a permanent form of coverage. Endowment life insurance is designed to pay a benefit if the insured reaches a certain age, which is different from providing a lifelong death benefit. Group life insurance typically provides coverage for a group, such as employees at a company, and may not ensure a lifelong benefit for individuals who leave the group. The permanence and cash value component of whole life insurance make it a unique and attractive option for those seeking lifelong protection along with a savings element.

**4. What unique characteristic do fixed annuities offer investors?**

- A. Inflation Hedge**
- B. Risk-Based Investments**
- C. Guaranteed Interest Rates**
- D. Investment Diversification**

Fixed annuities are designed to provide a guaranteed return on investment, which is a fundamental characteristic that appeals to many investors seeking stability and predictability in their financial planning. With fixed annuities, the issuing insurance company guarantees that the investor will receive a specified interest rate over a predetermined period. This unique feature provides a sense of security as investors know exactly how much interest they will earn, which is particularly valuable in volatile financial markets where investment returns can fluctuate significantly. The guarantee of interest rates in fixed annuities contrasts with other investment options that may come with risks and variable returns, making fixed annuities a reliable choice for those looking for a steady income stream during retirement or for capital preservation. Furthermore, since fixed annuities are often used as long-term savings vehicles, the certainty of guaranteed interest can help investors meet their long-term financial goals without exposure to market risk. In summary, the defining characteristic that draws investors to fixed annuities is the assurance of guaranteed interest rates, offering a reliable and predictable income stream.

**5. What type of insurance is specifically written to insure the life of a debtor?**

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

Credit insurance is designed specifically to insure the life of a debtor. This type of insurance provides coverage that pays off the remaining debt if the debtor passes away before the obligation is fully satisfied. Its main purpose is to protect lenders against the risk of default due to the borrower's death, ensuring that debts such as personal loans or mortgages are settled and do not burden the deceased's estate or their family members. Other types of life insurance, while they provide death benefits, do not serve the specific function of covering debts tied to a borrower. For instance, term insurance provides a death benefit for a specific period but is not exclusively tied to insuring debts. Whole life and universal life insurance are forms of permanent insurance that build cash value and provide lifelong coverage, but they are not tailored specifically for debt obligations. Therefore, credit insurance stands out as the appropriate choice for insuring the life of a debtor, reinforcing the financial security of lenders and the peace of mind for borrowers.

**6. Which of the following must be included in a life insurance policy summary?**

- A. Client's social security number**
- B. Name and address of the agent**
- C. All previous insurance policies**
- D. The client's medical history**

In a life insurance policy summary, including the name and address of the agent is essential for transparency and accountability. This information allows the policyholder to know who their point of contact is, facilitating communication between the client and the insurance company. It also ensures that the agent can be easily reached for any questions or concerns regarding the policy or to provide further assistance. The other options point to information that is typically not required in a policy summary. The client's social security number is sensitive personal information that is not necessary to include in a summary document for privacy reasons. A summary should concisely provide key details about the policy rather than listing all previous insurance policies or documenting the client's medical history, which are typically maintained separately and are not relevant to the summary itself. Thus, the focus on the agent's information is crucial for supporting the relationship between the insurance provider and the policyholder.

**7. Which of the following protects life insurance proceeds from creditors of the insured or beneficiary?**

- A. State insurance laws**
- B. Credit insurance regulations**
- C. Life Insurance Proceeds protection clause**
- D. Federal bankruptcy laws**

The protection of life insurance proceeds from creditors is primarily governed by specific provisions within state laws that explicitly outline how such proceeds are treated when it comes to claims by creditors. The correct answer emphasizes the importance of a specific clause known as the "Life Insurance Proceeds protection clause." This clause ensures that the benefits provided by life insurance policies are not subject to claims from the insured's creditors upon their death or from the beneficiaries' creditors. This legal safeguard is put in place to ensure that the intended beneficiaries receive the financial support intended for them, regardless of any financial obligations the insured individual may have had. State laws typically support this protection as they recognize the significance of life insurance in providing financial security for families and dependents. In the case of bankruptcy or other financial difficulties faced by the insured, the life insurance benefits remain safe for the designated beneficiaries, thus fulfilling the intention behind purchasing life insurance. While other options may mention various legal frameworks, they do not specifically address the targeted protection that the life insurance proceeds clause provides within the context of creditor claims. It is this specific clause that enshrines the protection of those proceeds and distinguishes it from broader regulatory frameworks.

**8. What must all premiums collected by a producer be held in?**

- A. Trust account**
- B. General account**
- C. Fiduciary capacity**
- D. Escrow account**

In the context of insurance, all premiums collected by a producer must be held in fiduciary capacity. This means that the producer is acting in a trust-like role regarding the funds collected from policyholders. They are responsible for handling those premiums on behalf of the insurer until they are formally submitted to the insurance company or until the premiums are used according to the terms of the policy. Holding premiums in fiduciary capacity emphasizes the obligation to manage these funds with care, integrity, and for the benefit of the rightful party, ensuring that personal or business funds do not intermingle with the insurance premiums collected. This approach safeguards both the insurer and the policyholders, maintaining transparency and trust in the insurance transaction process. In contrast, while a trust account and escrow account might serve similar purposes in terms of holding funds for specific purposes, they are not the standard terminology used in the context of premium collection in insurance. The general account refers typically to the insurer's operating funds and is not specific to how agents must handle premiums collected from clients. Thus, fiduciary capacity captures the essence of the responsibility and ethical management required of insurance producers.

**9. What type of information is included in the general section of an insurance application?**

- A. Medical background and health status**
- B. Existing policies and proposed insurance replacement**
- C. Name, address, age, and occupation**
- D. Agents personal observations**

The general section of an insurance application includes fundamental details about the applicant, such as their name, address, age, and occupation. This information provides insurers with a basic understanding of the individual seeking insurance. Knowing the personal details like name and address is crucial for identification and communication purposes, while age helps assess risk and determine premium rates. Additionally, the occupation may provide insight into the applicant's lifestyle and potential risk factors associated with their job. In contrast, other sections of the application typically contain more specific or technical information. For example, medical background and health status are detailed in a separate medical section concerning the applicant's health history. Existing policies and proposed insurance replacement would be found in sections dedicated to evaluating additional coverage and existing financial commitments, while agents' personal observations are usually documented in a comments section or a similar area and not part of the general information profile.

**10. What occurs when a policy is terminated due to the nonpayment of premium?**

- A. Adverse Selection**
- B. Lapse**
- C. Insurance**
- D. Life Insurance**

When a policy is terminated due to the nonpayment of premium, this situation is referred to as a lapse. A lapse means that the policyholder has failed to pay the required premiums by the due date, leading to the loss of coverage provided by the insurance policy. In the context of life insurance, this is critical because it signifies that the insurer is no longer obligated to provide coverage or benefits, and the insured will not be compensated in the event of a covered loss during the lapsed period. Lapsing can occur for various reasons, such as financial difficulties or a lack of awareness of the policy's premium due dates. Understanding lapses is important for policyholders, as they may be given a grace period to make payments without having the policy lapse, but once that grace period ends, the policy is considered lapsed, and coverage ceases. This underscores the importance of timely premium payments in maintaining insurance coverage.



## 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://njlifeinsurance.examzify.com>**

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