

NEW MEXICO HEALTH AND LIFE INSURANCE 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 is the primary function of fraternal insurers?**
 - A. To maximize profitability
 - B. To provide social welfare and charity
 - C. To focus solely on financial investments
 - D. To offer high-risk insurance products

- 2. What typically happens if the insured does not die during the term of a term life insurance policy?**
 - A. The policyholder receives a refund of all premiums
 - B. The policy expires without any benefits paid
 - C. The policy automatically converts to whole life insurance
 - D. The premiums are credited to a retirement account

- 3. Which of the following is NOT an element of insurable risks?**
 - A. Large number of homogeneous units
 - B. Uncertain loss
 - C. High frequency of loss
 - D. Potential for economic hardship

- 4. Which of the following best describes a 'peril'?**
 - A. A cause of loss
 - B. An insurance policy
 - C. A safety protocol
 - D. A type of risk assessment

- 5. What is the penalty for failing to notify the superintendent of a change of address within the specified time?**
 - A. No penalty
 - B. \$25
 - C. \$50
 - D. \$100

6. What is emphasized in an insurance policy's "policyholder agreement"?

- A. Terms, rights, and responsibilities of the insurer and policyholder
- B. The method for filing claims
- C. A list of covered medical conditions
- D. The maximum payout limits for claims

7. What is a health insurance exchange?

- A. A place for insurance companies to sell policies
- B. A marketplace to compare and buy health insurance plans
- C. A government health clinic
- D. A service for claim assistance

8. What additional benefits does a 'rider' provide in a health insurance policy?

- A. The rider specifies the premium amounts
- B. The rider adds more coverage beyond the standard policy
- C. The rider only allows for exclusions
- D. The rider reduces the waiting period for claims

9. What distinguishes 'term' life insurance from 'whole' life insurance?

- A. Term life covers for life, while whole life is for a specific period
- B. Term life offers cash value, while whole life does not
- C. Term life provides coverage for a specific period, while whole life covers for life
- D. Term life is less expensive than whole life for everyone

10. Which of the following is true about the risk retention groups?

- A. They can provide workers compensation insurance
- B. They allow members to self-insure
- C. They only provide personal lines insurance
- D. They engage exclusively in liability insurance

Answers

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

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Explanations

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1. What is the primary function of fraternal insurers?

- A. To maximize profitability
- B. To provide social welfare and charity**
- C. To focus solely on financial investments
- D. To offer high-risk insurance products

Fraternal insurers primarily aim to provide social welfare and charitable services to their members. These organizations operate on a not-for-profit basis and are often structured as societies or associations that offer insurance benefits to their members, who typically share a common bond, such as a religion, profession, or ethnicity. The foundational principle of fraternal organizations is mutual aid and support among members. They not only provide life insurance and other financial products but also engage in community service activities and charitable works, emphasizing the importance of helping one another and supporting communal initiatives. This mission aligns with their goal of fostering a sense of belonging and community among members, which is a key distinguishing feature from other types of insurers that may prioritize profit maximization over social objectives. Other options, such as focusing solely on financial investments or offering high-risk insurance products, do not reflect the core mission of fraternal insurers, which is rooted in mutual support and charitable engagement rather than purely profit-driven motives or specific market segments.

2. What typically happens if the insured does not die during the term of a term life insurance policy?

- A. The policyholder receives a refund of all premiums
- B. The policy expires without any benefits paid**
- C. The policy automatically converts to whole life insurance
- D. The premiums are credited to a retirement account

In a term life insurance policy, the coverage is designed to provide a death benefit for a specified period, known as the term. If the insured does not pass away during this period, the policy simply expires at the end of the term without any benefits being paid. This is a fundamental characteristic of term life insurance; it serves as a safety net for loved ones in the event of the insured's untimely death but does not have any cash value or refund provisions if the term ends without a death claim. This structure differentiates term life from other types of life insurance, such as whole life policies, which provide lifelong coverage and may accumulate cash value or be refundable in certain cases. Options that suggest a refund of premiums, automatic conversion to whole life, or contributions to a retirement account misrepresent the typical outcomes of a standard term life insurance policy. Each of these alternatives is not aligned with how a term policy operates, reinforcing that, upon reaching the end of the term with no death benefit paid, the policy simply ceases to exist.

3. Which of the following is NOT an element of insurable risks?

- A. Large number of homogeneous units
- B. Uncertain loss
- C. High frequency of loss**
- D. Potential for economic hardship

In the context of insurable risks, each element plays a vital role in determining whether a risk is insurable. A key aspect of insurable risks is a large number of homogeneous units, which helps in spreading the risk over a larger pool. This ensures that while individual losses may occur, they can be offset by the premiums collected from a larger group. Uncertain loss is also a crucial element, as insurance is designed to protect against risks that are not predictable in terms of when they may occur or the amount of loss. This uncertainty makes the formation of insurance viable; if losses were fully predictable, the concept of insurance would not hold. Considering these elements, high frequency of loss is not a desirable characteristic of an insurable risk. Typically, for effective risk management, insurers prefer risks that occur infrequently, as frequent losses can lead to unsustainable claims and disrupt the balance that insurance relies on. Therefore, a high frequency of loss fails to align with the foundational principles of underwriting and risk pooling. The potential for economic hardship is also a significant factor, as it emphasizes the need for coverage. Insurance aims to provide financial protection against losses that could cause serious financial distress. Thus, the aspect that does not conform to the typical elements of ins

4. Which of the following best describes a 'peril'?

- A. A cause of loss**
- B. An insurance policy
- C. A safety protocol
- D. A type of risk assessment

A peril is defined as a specific risk or cause of loss that can lead to damage or destruction in an insurance context. In insurance policies, perils typically outline the events that may trigger a claim. For example, perils may include fire, theft, flood, or other events that can result in financial loss or damage to insured property. Understanding perils is crucial for both insurers and policyholders, as identifying covered perils helps determine the extent of coverage and the conditions under which claims can be made. The other options do not align with the definition of a peril. An insurance policy refers to the contract that outlines the terms of coverage, including protections against certain perils. A safety protocol is a set of practices designed to minimize risks, while a type of risk assessment involves evaluating potential hazards and is not synonymous with the term peril itself. Thus, the choice indicating that a peril is a cause of loss is the most accurate and relevant in the context of insurance.

5. What is the penalty for failing to notify the superintendent of a change of address within the specified time?

- A. No penalty
- B. \$25
- C. \$50**
- D. \$100

The penalty for failing to notify the superintendent of a change of address within the specified time is set at \$50. This amount reflects the regulatory requirement for insurance agents and companies to maintain up-to-date records with the superintendent to ensure proper communication and compliance with state laws. Failing to provide this notification can disrupt the regulatory oversight and undermines the integrity of the insurance process. The established penalty serves as a deterrent against neglecting to keep essential information current, thereby promoting accountability among insurance professionals. Many regulatory frameworks impose similar penalties to encourage adherence to reporting standards, which helps safeguard consumer interests and maintain orderly operations within the insurance industry. Hence, the \$50 penalty effectively reinforces the importance of compliance regarding address changes in insurance practices.

6. What is emphasized in an insurance policy's "policyholder agreement"?

- A. Terms, rights, and responsibilities of the insurer and policyholder**
- B. The method for filing claims
- C. A list of covered medical conditions
- D. The maximum payout limits for claims

The policyholder agreement is a foundational document in an insurance policy that outlines the essential terms, rights, and responsibilities of both the insurer and the policyholder. This agreement serves as a mutual understanding of what each party can expect from the other during the term of the policy. Within this agreement, you will find important details such as the obligations of the insurer to provide coverage, handle claims, and communicate policy changes, as well as the responsibilities of the policyholder, including timely premium payments and the requirement to disclose accurate information during the application process. This framework is crucial as it shapes the entire relationship between the insurer and the policyholder, ensuring both parties understand their roles. While the other aspects mentioned, such as the method for filing claims, lists of covered medical conditions, and maximum payout limits, are important parts of an insurance policy, they specifically fall under broader categories of policy details rather than the comprehensive nature of the policyholder agreement itself. Thus, the emphasis of the policyholder agreement is indeed on the overall terms that govern the entire insurance contract.

7. What is a health insurance exchange?

- A. A place for insurance companies to sell policies
- B. A marketplace to compare and buy health insurance plans**
- C. A government health clinic
- D. A service for claim assistance

A health insurance exchange serves as a facilitated marketplace where individuals, families, and small businesses can compare and purchase a variety of health insurance plans. These exchanges provide a centralized location to evaluate different plans based on price, coverage options, and benefits, making it easier for consumers to make informed decisions regarding their healthcare needs. This structure is especially significant under the Affordable Care Act (ACA), which established health insurance exchanges to help ensure that many Americans have access to affordable coverage. The exchanges may offer plans from both private insurers and government-subsidized options, allowing users to select coverage that best meets their healthcare requirements and budget considerations. The focus is on consumer choice and transparency, promoting competition among insurers to offer better rates and services. This contrasts with the other options listed, as they do not encompass the role of a health insurance exchange in facilitating access to multiple plans and simplifying the purchasing process.

8. What additional benefits does a 'rider' provide in a health insurance policy?

- A. The rider specifies the premium amounts
- B. The rider adds more coverage beyond the standard policy**
- C. The rider only allows for exclusions
- D. The rider reduces the waiting period for claims

A rider in a health insurance policy serves as an add-on that modifies or enhances the coverage provided by the standard policy. By including a rider, policyholders can tailor their insurance coverage to better meet their specific needs, allowing for additional benefits or coverage enhancements that go beyond the base plan. This customization can include benefits for critical illnesses, increased limits for certain types of care, or coverage for services that are typically excluded by a standard policy. Riders are particularly valuable because they allow individuals to address particular concerns or needs that arise in their health coverage without having to purchase an entirely new policy. As a result, policyholders can enjoy more comprehensive protection that aligns with their health circumstances and financial goals. Understanding the role of riders is crucial, as it highlights how policies can be adjusted to provide better security and support in various health-related circumstances. This adaptability is what makes riders a key feature in health insurance offerings.

9. What distinguishes 'term' life insurance from 'whole' life insurance?

- A. Term life covers for life, while whole life is for a specific period
- B. Term life offers cash value, while whole life does not
- C. Term life provides coverage for a specific period, while whole life covers for life**
- D. Term life is less expensive than whole life for everyone

Term life insurance is specifically designed to provide coverage for a predetermined period, or "term," such as 10, 20, or 30 years. This type of insurance offers a death benefit to the beneficiaries if the insured passes away during the specified period. If the term expires and the policyholder is still alive, the coverage ends without any payout and no cash value accumulates. Whole life insurance, on the other hand, provides lifelong coverage as long as premiums are paid. Aside from the death benefit, whole life policies also accumulate cash value over time, which can be borrowed against or withdrawn. This makes whole life an investment component in addition to merely being a death benefit. The distinction is therefore clear: term life insurance is temporary and does not build cash value, while whole life insurance is permanent and includes a savings component, ensuring coverage lasts for the policyholder's lifetime.

10. Which of the following is true about the risk retention groups?

- A. They can provide workers compensation insurance
- B. They allow members to self-insure
- C. They only provide personal lines insurance
- D. They engage exclusively in liability insurance**

Risk retention groups are specialized insurance entities formed by businesses with similar risks to provide liability insurance to their members. The primary purpose of these groups is to enable members to manage their risks collectively and potentially lower insurance costs by pooling resources. The correct answer states that they engage exclusively in liability insurance, which reflects the core function of risk retention groups. They are authorized under the Liability Risk Retention Act of 1986 to provide liability coverage to their members, which can encompass various types of liability, such as professional liability, general liability, and other related coverages essential for businesses exposed to risks. As for the other options, they do not accurately represent the nature of risk retention groups. For instance, while self-insurance might be a strategy employed within a risk retention group, true self-insurance involves risk bearing by the insured entity itself rather than through a third-party provider; hence, saying that they allow members to self-insure doesn't fully capture the essence of how these groups operate. Risk retention groups cannot provide workers' compensation insurance due to regulatory restrictions, and they do not focus on personal lines insurance, as their main objective revolves around providing liability coverage. Therefore, the emphasis on liability insurance aligns with the fundamental principle under which risk retention groups are established.

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://nmhealthlifeinsurance.examzify.com>

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

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