

# North Carolina Life Agent Practice Exam (Sample)

## Study Guide



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

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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. Which of the following is true regarding Annual premium policies?**
  - A. They are typically renewable.**
  - B. They offer lower premiums than limited-pay policies.**
  - C. They require a notice before lapsing after a missed payment.**
  - D. They do not accumulate cash value.**
- 2. What typically happens to a term life insurance policy when the term expires?**
  - A. The policyholder receives a cash benefit**
  - B. The coverage ends and no benefits are paid**
  - C. The policy automatically converts to whole life insurance**
  - D. The premiums increase significantly for renewal**
- 3. How does a typical Variable Life Policy investment account grow?**
  - A. Through fixed deposits**
  - B. Through mutual funds, stocks, bonds**
  - C. Through government securities**
  - D. Through real estate investments**
- 4. What is the primary advantage of an Accelerated Death Benefit?**
  - A. Lower premiums**
  - B. Immediate cash access in case of terminal illness**
  - C. Higher investment returns**
  - D. Additional coverage options**
- 5. J let her life insurance policy lapse 8 months ago due to nonpayment. Under which provision can she reestablish coverage?**
  - A. Extended Term provision**
  - B. Reinstatement provision**
  - C. Conversion provision**
  - D. Termination provision**

- 6. If an insurer accepts a premium payment extending coverage beyond the policy's maximum age limit, what must they do?**
- A. Refuse the payment**
  - B. Continue the coverage for a limited time**
  - C. Must continue the coverage to the end of the period of time for which the premium was accepted**
  - D. Change the policy terms and conditions**
- 7. What is a typical outcome of a policy lapse in term life insurance?**
- A. The policyholder receives a refund**
  - B. The coverage completely ceases**
  - C. The premiums double**
  - D. The grace period is extended**
- 8. What is accurate concerning an Individual Straight Life annuity?**
- A. Payments are made for a fixed term**
  - B. Payments are made to an annuitant for life**
  - C. Payments vary based on investments**
  - D. Payments stop upon death of beneficiary**
- 9. All of the following are characteristics of an Adjustable Life policy EXCEPT?**
- A. Face amount can be adjusted using policy dividends**
  - B. Premiums can be changed**
  - C. Cash values can fluctuate**
  - D. Policy loans may be available**
- 10. Which of the following is essential for reinstating a lapsed insurance policy?**
- A. New application form**
  - B. Proof of good health**
  - C. Complete payment of back premiums**
  - D. All of the above**

## **Answers**

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

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## **Explanations**

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**1. Which of the following is true regarding Annual premium policies?**

- A. They are typically renewable.**
- B. They offer lower premiums than limited-pay policies.**
- C. They require a notice before lapsing after a missed payment.**
- D. They do not accumulate cash value.**

Annual premium policies indeed have specific characteristics, and one of the defining features is that they usually require a notice before lapsing after a missed payment. This is particularly important because it provides policyholders with an opportunity to rectify their missed payments before their policy is terminated. Insurance providers typically have specific regulations or practices in place to ensure that clients are given a chance to maintain their coverage, reflecting a commitment to customer service and retention. While it is true that some annual premium policies might not accumulate cash value, that trait does not define the essence of the annual premium structure itself. It's also necessary to understand that annual premium policies may or may not be renewable depending on specific terms and conditions set forth by the insurer. Additionally, though there may be variations in premiums, annual premium policies are not categorically cheaper than limited-pay policies since different factors influence the premium rates across various policy types.

**2. What typically happens to a term life insurance policy when the term expires?**

- A. The policyholder receives a cash benefit**
- B. The coverage ends and no benefits are paid**
- C. The policy automatically converts to whole life insurance**
- D. The premiums increase significantly for renewal**

When a term life insurance policy reaches its expiration date, the coverage generally ends, and no benefits are paid out. This is fundamentally how term life insurance is designed; it provides life insurance protection for a specified period, known as the term, which can vary in length from a few years to several decades. Once this term expires, the policyholder may have options to renew the policy, convert it to a permanent policy, or let it lapse. However, if the policyholder chooses not to renew or convert the policy, then it effectively ceases to exist, and any death benefit associated with it is no longer available. Term life insurance does not accumulate any cash value over time, unlike whole life policies, which is why no cash benefit is available at the term's end. Understanding this aspect of term life insurance is crucial for policyholders as they plan for their future insurance needs and financial security. Recognizing that the coverage comes with a finite period and terms can help with making informed decisions regarding life insurance options as the end of the term approaches.

### 3. How does a typical Variable Life Policy investment account grow?

- A. Through fixed deposits
- B. Through mutual funds, stocks, bonds**
- C. Through government securities
- D. Through real estate investments

A typical Variable Life Policy investment account grows primarily through mutual funds, stocks, and bonds. This investment vehicle allows policyholders to allocate their premium payments among various investment options, including equity and debt instruments. By doing so, the cash value and potential death benefit of the policy can increase based on the performance of these underlying investments. Mutual funds provide diversification and professional management, while stocks offer a higher risk-reward potential, and bonds typically offer more stability. This combination allows for growth that can keep up with inflation and offers the opportunity for greater returns compared to traditional whole life or term life policies where the growth is generally fixed and guaranteed. In contrast, fixed deposits, government securities, and real estate investments are not the typical vehicles for growing the cash value in a Variable Life Policy. Fixed deposits usually provide a guaranteed interest rate, while government securities are typically associated with lower risk and fixed returns. Real estate investments, though potentially lucrative, are not standard components of variable life insurance policies and require direct management and market exposure that varies significantly from the investment mechanisms within variable life policies. Therefore, option B accurately reflects how the investment accounts within a Variable Life Policy operate to grow their value.

### 4. What is the primary advantage of an Accelerated Death Benefit?

- A. Lower premiums
- B. Immediate cash access in case of terminal illness**
- C. Higher investment returns
- D. Additional coverage options

The primary advantage of an Accelerated Death Benefit is the immediate cash access provided to policyholders in the event of a terminal illness. This benefit allows individuals diagnosed with a terminal condition to receive a portion of their life insurance death benefit while they are still alive, which can be critical for managing medical expenses and other financial obligations during a difficult time. This immediate access to funds can alleviate the financial burden and allow for better planning for end-of-life care, making it a significant advantage in the context of life insurance coverage. Other aspects, such as lower premiums, higher investment returns, or additional coverage options, do not specifically pertain to the unique benefit of accessing funds early due to terminal illness. Accelerated Death Benefits focus on providing timely financial support rather than altering the cost or investment nature of a policy.

**5. J let her life insurance policy lapse 8 months ago due to nonpayment. Under which provision can she reestablish coverage?**

**A. Extended Term provision**

**B. Reinstatement provision**

**C. Conversion provision**

**D. Termination provision**

The reinstatement provision allows J to reestablish her life insurance coverage after it has lapsed due to nonpayment. This provision is designed to enable policyholders to reactivate their policies within a specified time frame, often up to three years from the lapse date, typically requiring them to provide evidence of insurability and pay any outstanding premiums along with possible interest. By utilizing the reinstatement provision, J can regain her insurance protection without needing to acquire a new policy, which may come with varying terms and potentially higher premiums due to her current health status. The extended term provision involves converting the cash value of a whole life policy into term insurance for a limited period but does not offer a path for reinstating a lapsed policy. The conversion provision pertains primarily to converting a term policy to a permanent policy and does not apply in this case of nonpayment lapse either. The termination provision simply means the policy is no longer in force and does not provide any options for reinstatement. Thus, the reinstatement provision is indeed the correct answer for the opportunity to regain coverage after a nonpayment lapse.

**6. If an insurer accepts a premium payment extending coverage beyond the policy's maximum age limit, what must they do?**

**A. Refuse the payment**

**B. Continue the coverage for a limited time**

**C. Must continue the coverage to the end of the period of time for which the premium was accepted**

**D. Change the policy terms and conditions**

When an insurer accepts a premium payment that extends coverage beyond the policy's maximum age limit, they are obligated to continue the coverage for the duration that has been paid for. By accepting this premium, the insurer has effectively agreed to provide coverage despite the policyholder exceeding the maximum age limit outlined in the original policy. This acceptance creates an expectation for the policyholder that their coverage will remain in force for the paid period, and the insurer cannot unilaterally alter the terms of the policy by disregarding the premium payment. Continuing coverage for the duration of the premium paid ensures that the insurer upholds their contractual obligations, maintains trust and goodwill with policyholders, and avoids potential legal ramifications associated with abrupt cancellation of coverage. Therefore, it is essential that insurers honor their agreements when premiums are accepted, even if it means extending coverage beyond typical limitations.

**7. What is a typical outcome of a policy lapse in term life insurance?**

- A. The policyholder receives a refund**
- B. The coverage completely ceases**
- C. The premiums double**
- D. The grace period is extended**

In the context of term life insurance, a policy lapse typically means that the policyholder has failed to make the required premium payments, leading to the termination of the coverage. When a term life insurance policy lapses, the insurer ceases to provide any death benefit protection, which is the primary function of this type of policy. As a result, if the insured passes away after the policy has lapsed, no death benefit will be paid to the beneficiaries. The other options do not reflect the typical outcomes associated with a lapse in term life insurance. A refund of premiums might occur in some instances, but commonly, once a policy lapses, the premiums are not refunded. Doubling of premiums does not occur simply due to a lapse; premiums are typically set at the time of policy issuance and would only change if the policyholder decided to renew or convert the policy under specific circumstances. An extended grace period is also not a typical outcome of a lapse; instead, the standard grace period gives policyholders a short period to pay overdue premiums to avoid lapse, but once a policy lapses, it does not automatically extend the grace period.

**8. What is accurate concerning an Individual Straight Life annuity?**

- A. Payments are made for a fixed term**
- B. Payments are made to an annuitant for life**
- C. Payments vary based on investments**
- D. Payments stop upon death of beneficiary**

An Individual Straight Life annuity is designed to provide guaranteed payments to the annuitant for their entire lifetime. This means that as long as the annuitant is alive, they will continue to receive payments, regardless of how long that may be. This type of annuity is beneficial for individuals seeking to ensure a steady stream of income throughout their retirement years, allowing them to budget and manage their finances based on predictable income. The other options do not accurately describe the nature of a Straight Life annuity. For instance, payments being made for a fixed term is characteristic of a term certain annuity, where payments cease after a predetermined period, regardless of whether the annuitant is alive or not. Payments varying based on investments pertains to variable annuities, which have returns dependent on the performance of underlying assets. Lastly, the statement about payments stopping upon the death of a beneficiary does not apply here; rather, the annuitant receives payments during their lifetime, but the payments stop upon their death, making it essential to understand the specific terms of such an annuity and its design.

**9. All of the following are characteristics of an Adjustable Life policy EXCEPT?**

- A. Face amount can be adjusted using policy dividends**
- B. Premiums can be changed**
- C. Cash values can fluctuate**
- D. Policy loans may be available**

An Adjustable Life policy is designed to offer flexibility in several aspects, reflecting the evolving needs of the policyholder. The key characteristics of an Adjustable Life policy include the ability to change premiums, adjust the face amount, and allow cash values to fluctuate based on the performance of the underlying investments. The feature that states the face amount can be adjusted specifically using policy dividends is inaccurate. In an Adjustable Life policy, the face amount can be modified; however, this adjustment is not contingent upon the accumulation of dividends. Instead, policy dividends, if any are paid, can be used differently, such as to pay premiums or to increase the cash value, but they do not directly impact the face amount adjustment. The ability to change premiums allows the policyholder to adapt their financial commitment based on their current financial situation. Similarly, cash values can indeed fluctuate based on the investment performance. Additionally, the option for policy loans provides the policyholder access to funds, which is another sign of the policy's flexibility. Thus, the assertion regarding dividends is the correct distinguishing factor for understanding what does not align with the characteristics of an Adjustable Life policy.

**10. Which of the following is essential for reinstating a lapsed insurance policy?**

- A. New application form**
- B. Proof of good health**
- C. Complete payment of back premiums**
- D. All of the above**

Reinstating a lapsed insurance policy typically requires several key components to ensure that the policyholder can regain their coverage. First, a new application form may be necessary because the initial application that was submitted when the policy was first taken out may not reflect the current circumstances of the insured. This allows the insurer to reassess the risk and ensure that the policyholder still qualifies for coverage. Proof of good health is also essential because if a policy lapses, the insurer generally wants to confirm that the individual has not developed any serious health conditions that would affect their insurability. This requirement helps manage the insurer's risk by ensuring that the individual still meets the underwriting criteria. Lastly, complete payment of back premiums is crucial. This payment resolves the outstanding dues that led to the lapse in the first place, ensuring that the policy can be restored to its original terms. Without settling these premiums, the insurer cannot reinstate the policy. Therefore, all of these elements must be fulfilled for an insurance policy to be reinstated, underscoring the importance of a comprehensive approach to reinstatement that addresses application, health status, and financial obligations.

## 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://northcarolina-lifeagent.examzify.com>**

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