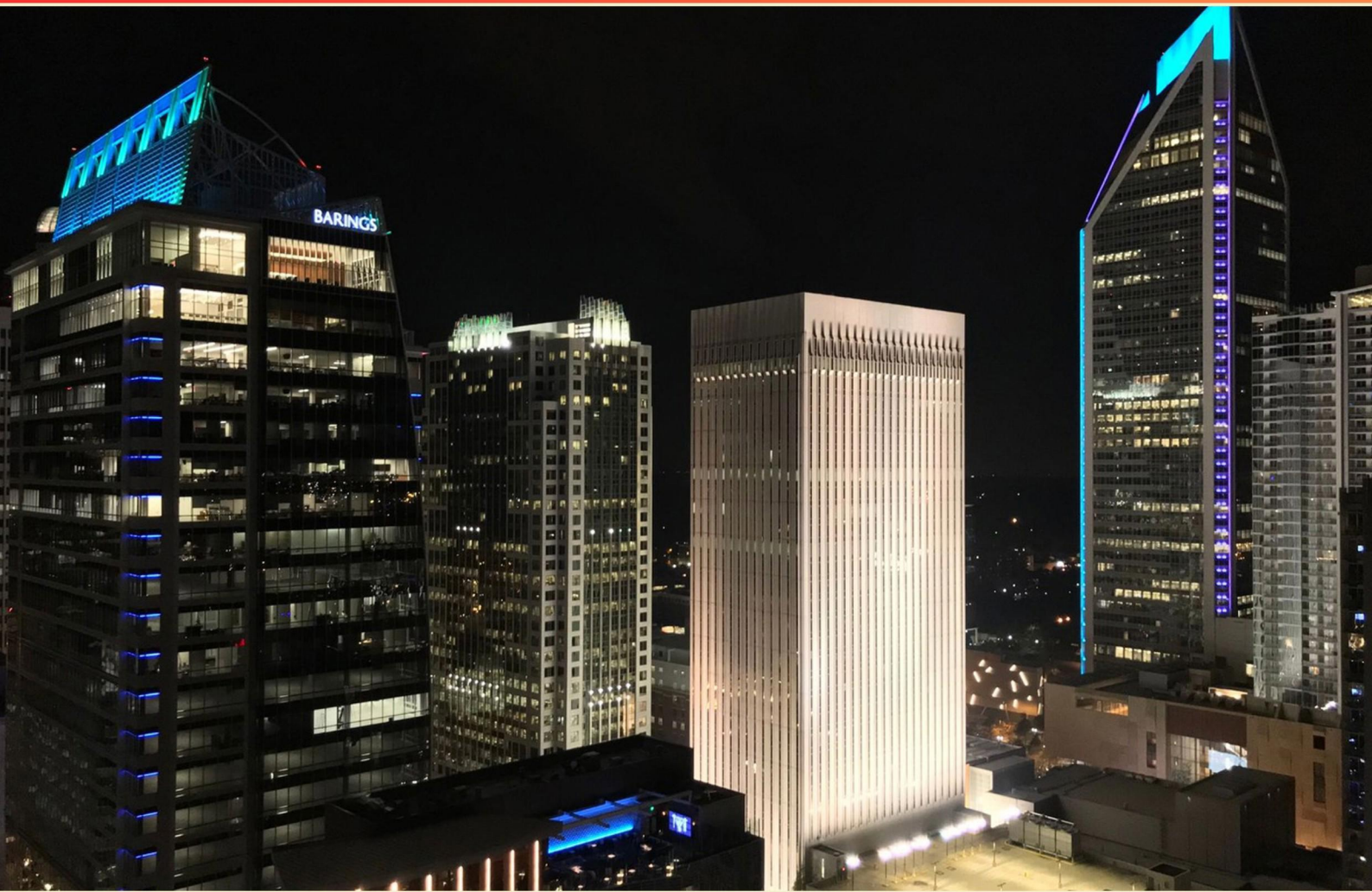


NORTH CAROLINA LIFE AGENT PRACTICE EXAM (SAMPLE)

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. How can the cash value of a whole life insurance policy be utilized?**
 - A. It can be withdrawn without any penalties
 - B. It can be used to pay premiums or for loans
 - C. It can only be used upon the death of the insured
 - D. It cannot be accessed until retirement
- 2. What is the term for a written agreement that allows a life insurance policyowner to receive immediate cash for their policy?**
 - A. Life Settlement
 - B. Viatical Settlement
 - C. Policy Loan
 - D. Cash Value Agreement
- 3. What type of beneficiary designation should J use if he wants to maintain the right to change beneficiaries?**
 - A. Irrevocable
 - B. Contingent
 - C. Revocable
 - D. Primary
- 4. Which document typically accompanies the sale of a new insurance policy?**
 - A. Policy Declaration
 - B. Insurance License
 - C. Policy Application
 - D. Notice Regarding Replacement of Life Insurance or Annuity
- 5. Which factor is considered in determining the premium for life insurance?**
 - A. The insured's credit score
 - B. The insured's health status
 - C. The insured's employment history
 - D. The insured's income level

- 6. Under which beneficiary designation are a policy owner's rights limited?**
- A. Revocable
 - B. Contingent
 - C. Irrevocable
 - D. Primary
- 7. What is the term used for the portion of a company's profit set aside for employee distributions?**
- A. Revenue sharing
 - B. Profit-sharing plan
 - C. Employee bonus program
 - D. Retirement allocation
- 8. Which of the following is an element of a Variable Life policy?**
- A. A flexible premium
 - B. A fixed, level premium
 - C. Universal coverage
 - D. Term coverage
- 9. What information is included in the Consideration clause of a life insurance contract?**
- A. Details of the insured's health status
 - B. Amount of premium payments and when they are due
 - C. Specific terms of policy cancellation
 - D. Beneficiary's responsibilities
- 10. Which of the following is a feature of a whole life insurance policy?**
- A. Adjustable premiums
 - B. Cash value accumulation
 - C. Immediate net payout
 - D. Limited duration of coverage

Answers

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

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Explanations

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1. How can the cash value of a whole life insurance policy be utilized?

- A. It can be withdrawn without any penalties
- B. It can be used to pay premiums or for loans**
- C. It can only be used upon the death of the insured
- D. It cannot be accessed until retirement

The cash value of a whole life insurance policy can be utilized in a couple of beneficial ways, primarily as a source of funds for the policyholder. One of the key features of whole life insurance is that it accumulates cash value over time, which is essentially a savings component of the policy. This cash value can be accessed in two significant ways: it can be used to pay premiums, effectively reducing the out-of-pocket costs for the policyholder, or it can be borrowed against as a loan. When a policyholder borrows against the cash value, they are not required to pay taxes on the amount borrowed; however, any outstanding loans will be deducted from the death benefit if not repaid. This flexibility in accessing cash value makes whole life insurance an integral part of financial planning, allowing policyholders to leverage their policies in times of need. The other choices mentioned do not accurately represent the functionality of cash value in a whole life policy. Access to cash value is not limited to the insured's death or retirement, making the correct understanding of its accessibility crucial for effective financial management.

2. What is the term for a written agreement that allows a life insurance policyowner to receive immediate cash for their policy?

- A. Life Settlement
- B. Viatical Settlement**
- C. Policy Loan
- D. Cash Value Agreement

The term that refers to a written agreement allowing a life insurance policyowner to receive immediate cash for their policy is known as a viatical settlement. This arrangement specifically involves the sale of a life insurance policy by someone who is critically ill and expects to pass away within a certain time frame. The policyowner receives a lump sum payment that is typically less than the full death benefit but more than the cash surrender value of the policy. Viatical settlements are designed to provide financial relief for individuals facing terminal illnesses, allowing them to access the value of their life insurance while still alive. This can be crucial for covering medical expenses, living costs, or other financial needs during a difficult time. In contrast, other options relate to different concepts within life insurance. A life settlement generally refers to the sale of a policy by an insured who is not necessarily terminally ill, while a policy loan allows the policyholder to borrow against the cash value of their policy, which must be repaid with interest. A cash value agreement isn't a recognized term in the context of life insurance and does not accurately describe any specific financial arrangement associated with life insurance policies.

3. What type of beneficiary designation should J use if he wants to maintain the right to change beneficiaries?

- A. Irrevocable
- B. Contingent
- C. Revocable**
- D. Primary

If J wants to maintain the right to change beneficiaries on a life insurance policy, he should select a revocable beneficiary designation. This type allows the policyholder to alter the beneficiary at any time without needing the consent of the current beneficiary. In contrast, an irrevocable beneficiary designation locks in a specific individual as the beneficiary, preventing the policyholder from making changes to the beneficiary without the irrevocable beneficiary's consent. This type of designation offers greater security for the beneficiary but limits the policyholder's flexibility. Contingent beneficiaries are secondary beneficiaries who receive the policy benefits only if the primary beneficiary is deceased at the time of the insured's passing. While they are important for estate planning, they do not relate to the policyholder's ability to change beneficiaries. A primary beneficiary is the first in line to receive the benefits upon the policyholder's death but does not inherently confer any rights regarding changes to the beneficiary designation itself. Thus, the key factor of maintaining the right to change beneficiaries makes a revocable designation the appropriate choice for J.

4. Which document typically accompanies the sale of a new insurance policy?

- A. Policy Declaration
- B. Insurance License
- C. Policy Application
- D. Notice Regarding Replacement of Life Insurance or Annuity**

The document that typically accompanies the sale of a new insurance policy is the Notice Regarding Replacement of Life Insurance or Annuity. This notice serves an important purpose in the insurance transaction process by ensuring that the policyholder fully understands the implications of replacing an existing policy with a new one. The notice is designed to inform consumers about the potential consequences of replacing their current insurance, such as loss of benefits, changes in premium rates, and any waiting periods for new coverage. Providing this notice helps to protect the interests of the policyholder by making them aware of key factors that could affect their financial security. While other documents, such as the policy declaration and policy application, are essential to the overall insurance process, they do not specifically address the important considerations related to replacing existing insurance policies. The insurance license is necessary for agents to sell policies but is not a document that accompanies the sale itself. Hence, the Notice Regarding Replacement is vital for ensuring informed decision-making during the policy sale.

5. Which factor is considered in determining the premium for life insurance?

- A. The insured's credit score
- B. The insured's health status**
- C. The insured's employment history
- D. The insured's income level

Health status is a critical factor in determining the premium for life insurance because it directly impacts the insurer's risk assessment of the individual. When underwriters evaluate an application for life insurance, they look at the applicant's health history, current health conditions, and lifestyle choices that could affect longevity. This assessment helps insurers gauge the likelihood of a claim being made during the policy term. Individuals in good health are generally considered lower risk, leading to lower premiums, while those with existing health issues or a history of serious medical conditions may face higher premiums due to increased risk of mortality. Insurers often require medical exams or health questionnaires to gather this information, which plays a crucial role in the underwriting process. The other factors mentioned do not have as direct an impact on determining life insurance premiums as health status does. For instance, credit score may affect some types of insurance, but it is less relevant in life insurance. Employment history and income level can be taken into account for certain aspects of eligibility or policy type but are not primary determinants of pricing as health condition is.

6. Under which beneficiary designation are a policy owner's rights limited?

- A. Revocable
- B. Contingent
- C. Irrevocable**
- D. Primary

The designation of an irrevocable beneficiary is significant because it places limitations on the policy owner's rights concerning the policy. When a beneficiary is designated as irrevocable, the policy owner cannot change the beneficiary without the consent of that beneficiary. This means that the irrevocable beneficiary has certain rights to the policy that cannot be altered at the discretion of the policy owner alone. This designation is often used to provide security for beneficiaries, ensuring that they are guaranteed to receive the policy benefits upon the policyholder's death. In contrast, revocable beneficiaries allow the policy owner to change the beneficiary at any time without the need for consent. Contingent beneficiaries are secondary beneficiaries who only receive death benefits if the primary beneficiary is deceased or cannot be found. Primary beneficiaries are the first in line to receive benefits upon the policy owner's death but do not limit the rights of the policy owner like an irrevocable designation does.

7. What is the term used for the portion of a company's profit set aside for employee distributions?

- A. Revenue sharing
- B. Profit-sharing plan**
- C. Employee bonus program
- D. Retirement allocation

The term "profit-sharing plan" is used to describe a system in which a portion of a company's profits is allocated to its employees as a form of compensation. This approach encourages employees to feel vested in the company's success, as they directly benefit from its profitability. Profit-sharing plans can vary in structure, but they generally involve distributing a percentage of the company's earnings to employees, typically on an annual basis. By providing financial incentives tied to company performance, profit-sharing plans aim to enhance employee motivation and retention. These plans commonly include stipulations regarding eligibility, distribution methods, and the timing of payments, creating a structured approach to sharing profits with employees. The other terms mentioned, such as revenue sharing, employee bonus program, and retirement allocation, encompass different concepts. Revenue sharing usually relates to distributing income generated from specific operations or revenue streams, an employee bonus program often refers to one-time cash incentives based on performance or achievements rather than ongoing profit allocation, and retirement allocation typically deals with funds set aside for retirement plans rather than profit distribution during employment.

8. Which of the following is an element of a Variable Life policy?

- A. A flexible premium
- B. A fixed, level premium**
- C. Universal coverage
- D. Term coverage

A Variable Life policy is characterized by its flexible nature with regard to premiums and benefits. The core feature of a Variable Life policy is that it allows policyholders to allocate premiums among various investment options, which can lead to varying cash values and death benefits depending on the performance of these investments. The correct answer, flexible premium, highlights the ability to adjust the premium payments according to the policyholder's financial situation. This flexibility is a key component that distinguishes Variable Life from other life insurance products, as it offers greater adaptability to the policyholder's needs. Additionally, Variable Life policies typically have varies benefits that can move with the market, rather than being confined to fixed structures, aligning with the variable aspect of the product. Contrary to this, options like a fixed, level premium apply to whole life policies, which do not have the same investment component or flexibility. Universal coverage refers to universal life policies, which, while also flexible, do not have the variable investment aspect of a Variable Life policy. Lastly, term coverage focuses on providing death benefits for a specified term and does not encompass the investment component or premium flexibility inherent in a Variable Life policy.

9. What information is included in the Consideration clause of a life insurance contract?

- A. Details of the insured's health status
- B. Amount of premium payments and when they are due**
- C. Specific terms of policy cancellation
- D. Beneficiary's responsibilities

The Consideration clause in a life insurance contract specifically outlines the amount of premium payments the policyholder is obligated to pay and the schedule or timing of when these payments are due. This clause serves as a critical component of the contract, ensuring both parties—the insurer and the insured—acknowledge the financial terms that underpin the agreement. In insurance contracts, consideration refers to the value exchanged between the insurer and the insured. The insured provides premium payments, while the insurer provides coverage. Therefore, detailing the premium amount and payment schedule is essential for defining the responsibilities of the policyholder and setting expectations for the insurer regarding the ongoing financial relationship. Understanding this clause is crucial, as it ensures that the insured is aware of their financial commitments for maintaining coverage, and it protects the insurer's interests by clearly stating what is required for the contract to remain in force.

10. Which of the following is a feature of a whole life insurance policy?

- A. Adjustable premiums
- B. Cash value accumulation**
- C. Immediate net payout
- D. Limited duration of coverage

A feature of a whole life insurance policy is cash value accumulation. Whole life insurance is structured to provide lifelong coverage, meaning it does not expire as long as premiums are paid. This type of policy includes a savings component known as cash value, which grows over time at a guaranteed rate and is accessible to the policyholder through loans or withdrawals. This accumulation of cash value is one of the key benefits of whole life insurance, making it a unique and attractive option for individuals looking for both insurance protection and an investment component. The other choices refer to characteristics not typically associated with whole life policies. Adjustable premiums are generally found in universal life insurance, which allows for flexible premium payments. Immediate net payout is a feature more common in term life insurance, where the policy pays a benefit only upon the death of the insured during the term. Limited duration of coverage describes policies with a set expiration date, which is characteristic of term life insurance and not applicable to whole life policies that are intended to last for the insured's lifetime.

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://northcarolina-lifeagent.examzify.com>

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

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