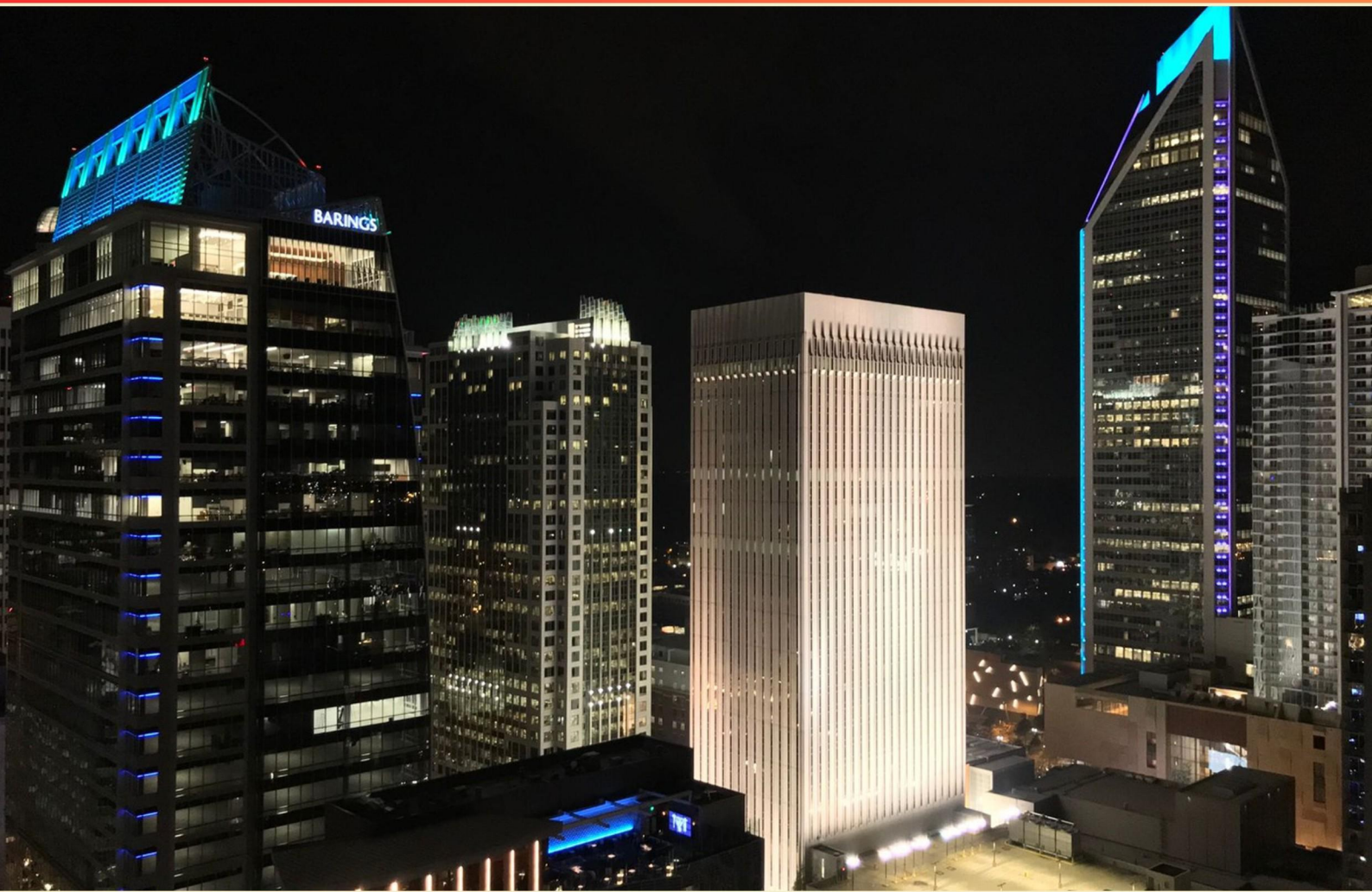


NORTH CAROLINA LIFE AGENT PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://northcarolina-lifeagent.examzify.com>



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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 typically increases the cash value in a life insurance policy?**
 - A. Dividend payments
 - B. Regular premium payments
 - C. Interest earnings
 - D. All of the above
- 2. 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
- 3. What action will an insurer take if an interest payment on a policy loan is not made on time?**
 - A. Automatically cancel the policy
 - B. Add the amount of interest due to the loan balance
 - C. Notify the policyowner of default
 - D. Reduce the death benefit
- 4. What does the process of replacing one life insurance policy with another typically require?**
 - A. Approval from the original insurer
 - B. Agent recommendation
 - C. Disclosure of the transaction to the new insurer
 - D. Written consent from the insured
- 5. A life policy loan in North Carolina cannot charge a fixed rate of interest higher than?**
 - A. 6%
 - B. 8%
 - C. 10%
 - D. 12%

- 6. What are "letters of competency" in the context of life insurance?**
- A. Documents validating a policyholder's financial status
 - B. Assessments of an applicant's capacity to make decisions regarding insurance
 - C. Reports from insurers outlining policy terms
 - D. Communications from beneficiaries about claims
- 7. If a licensee or person willingly misstates information on any financial document or statement, the entity in which they represent is subject to a fine between:**
- A. \$1,000-\$5,000
 - B. \$2,000-\$10,000
 - C. \$5,000-\$15,000
 - D. \$10,000-\$25,000
- 8. In life insurance, what does the term "benefit period" specifically indicate?**
- A. The duration of the policy before it expires
 - B. The time frame in which premiums can be paid
 - C. The length of time benefits are available for a claim
 - D. The time it takes to process a claim
- 9. What is an example of a rider in a life insurance policy?**
- A. Term conversion option
 - B. Accelerated death benefit
 - C. Guaranteed renewable term
 - D. Endowment value
- 10. What is the main function of the Medical Information Bureau (MIB) in the insurance industry?**
- A. To collect premiums from policyholders
 - B. To provide medical histories of applicants to insurers
 - C. To evaluate the financial stability of insurers
 - D. To determine the legal compliance of insurance policies

Answers

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

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Explanations

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1. What typically increases the cash value in a life insurance policy?

- A. Dividend payments
- B. Regular premium payments
- C. Interest earnings
- D. All of the above**

The cash value in a life insurance policy typically increases through several mechanisms, each contributing to the overall growth. Dividend payments are a significant factor for participating policies, rewarding policyholders with a share of the insurer's profits, which can be added to the cash value. Regular premium payments directly contribute to the cash value, as a portion of these premiums is allocated to build this value over time. Additionally, interest earnings play a crucial role; the cash value accumulates interest, further enhancing its growth. Therefore, selecting all of the above as the correct answer reflects the comprehensive nature of how cash value increases within a life insurance policy, encompassing dividends, routine premium contributions, and accrued interest. Each of these factors works in concert to build the policy's cash value, making them integral to understanding how life insurance can serve as a financial asset.

2. 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.

3. What action will an insurer take if an interest payment on a policy loan is not made on time?

- A. Automatically cancel the policy
- B. Add the amount of interest due to the loan balance**
- C. Notify the policyowner of default
- D. Reduce the death benefit

When an interest payment on a policy loan is not made on time, the insurer will typically add the amount of interest due to the loan balance. This means that the unpaid interest becomes part of the total amount owed on the loan, increasing the total debt. Insurers use this approach to help policyholders manage their loans without immediately penalizing them with defaults or cancellations. This mechanism allows for continuity of coverage and provides the policyholder with a grace period to make their payments without losing their policy or facing a loss of benefits. This practice is a common feature of insurances that have loan provisions, ensuring that the insurer maintains coverage while also securing the repayment of the loan. The other actions suggested in the other options are generally not the first course of action taken by insurers in the case of missed interest payments.

4. What does the process of replacing one life insurance policy with another typically require?

- A. Approval from the original insurer
- B. Agent recommendation
- C. Disclosure of the transaction to the new insurer
- D. Written consent from the insured**

The requirement for written consent from the insured during the process of replacing one life insurance policy with another is crucial because it ensures that the policyholder is fully informed and agrees to the new policy. This consent is needed to protect the interests of the insured and to comply with regulations that govern the replacement of life insurance policies. The insured must understand the implications of making such a change, including differences in coverage, costs, and benefits associated with the new policy compared to the old one. This process is designed to prevent potential misunderstandings or adverse outcomes that may arise from replacing a policy without the informed consent of the insured party. Additionally, it underscores the duty of the agent to ensure transparency and uphold ethical standards when advising clients on such significant financial decisions.

5. A life policy loan in North Carolina cannot charge a fixed rate of interest higher than?

- A. 6%
- B. 8%**
- C. 10%
- D. 12%

In North Carolina, the law specifies that the maximum fixed interest rate that life insurance policies can charge on loans is 8%. This regulation is designed to protect policyholders from excessive interest rates, ensuring that they can access their policy's cash value without incurring overly burdensome costs. Understanding this limit is crucial for agents and policyholders alike, as it ensures that borrowing against a life insurance policy remains an affordable option. It also reflects the state's effort to maintain fair lending practices within the insurance industry. The fixed rate applies to loans taken against the cash value of a life insurance policy, enabling consumers to make informed financial decisions regarding their policies.

6. What are "letters of competency" in the context of life insurance?

- A. Documents validating a policyholder's financial status
- B. Assessments of an applicant's capacity to make decisions regarding insurance**
- C. Reports from insurers outlining policy terms
- D. Communications from beneficiaries about claims

Letters of competency are important documents used in the context of life insurance that evaluate and confirm an individual's mental capacity to make informed decisions about insurance matters. This assessment ensures that the applicant understands the implications of the insurance products they may be purchasing and is capable of comprehending the associated terms and conditions. This is crucial in life insurance, as it aims to protect both the insured individual and the insurer—ensuring that policies are bought and claims made without disputes regarding the individual's ability to understand and agree to the terms. By establishing competency, it also supports the integrity and smooth operation of the insurance process. The other options do relate to aspects of the insurance field but do not accurately define letters of competency. Documents validating financial status, for instance, would demonstrate a person's economic capability to afford insurance, while insurers' reports and communications about claims pertain to different administrative functions within the insurance process rather than the competencies of the individuals involved.

7. If a licensee or person willingly misstates information on any financial document or statement, the entity in which they represent is subject to a fine between:

- A. \$1,000-\$5,000
- B. \$2,000-\$10,000**
- C. \$5,000-\$15,000
- D. \$10,000-\$25,000

The chosen answer indicates that if a licensee or person intentionally misstates information on any financial document or statement, the entity they represent can face significant penalties. In the context of North Carolina's insurance regulations, a penalty range of \$2,000-\$10,000 reflects the seriousness with which such misconduct is treated. Misrepresentation on financial documents can lead to fraudulent activities and can undermine the trust in the insurance industry, which is why the penalties are designed to deter such behavior. This aligns with the overarching goal of maintaining ethical standards and protecting consumers in the financial services sector. The fine range also underscores the regulatory intent to impose substantial consequences for actions that compromise the integrity of financial information, ensuring that entities take accuracy seriously when it comes to reporting and documentation. Therefore, this range is appropriate as it serves both as a punishment for wrongdoing and a deterrent against future infractions, aiming to promote higher standards of practice within the industry.

8. In life insurance, what does the term "benefit period" specifically indicate?

- A. The duration of the policy before it expires
- B. The time frame in which premiums can be paid
- C. The length of time benefits are available for a claim**
- D. The time it takes to process a claim

The term "benefit period" specifically refers to the length of time that benefits will be available to a policyholder or their beneficiaries after a claim has been made. In the context of life insurance, this is particularly relevant for certain types of policies or riders, such as those that provide long-term care benefits or disability income. During this period, if a qualifying event occurs, the policy provides coverage and pays out the specified benefits. Understanding this term is crucial for policyholders, as it defines how long they or their beneficiaries can rely on the policy for financial support following a death or qualifying event. This distinction is essential in assessing the adequacy of a life insurance policy in meeting potential future needs. In contrast, other options focus on different aspects of the policy or claims process, which do not accurately capture the essence of the "benefit period."

9. What is an example of a rider in a life insurance policy?

- A. Term conversion option
- B. Accelerated death benefit**
- C. Guaranteed renewable term
- D. Endowment value

A rider in a life insurance policy is an additional provision that modifies the terms of the policy. It can provide added benefits or enhance coverage. The accelerated death benefit is a prime example of a rider because it allows the policyholder to receive a portion of the death benefit while still living, typically in the event of a terminal illness. This valuable feature enables the insured to access funds for medical expenses or other financial needs that may arise due to their serious health condition. In contrast, while the term conversion option provides flexibility to convert a term policy to a permanent policy, it does not fundamentally modify the original terms or benefits of the policy. Similarly, the guaranteed renewable term refers to a policy that can be renewed without evidence of insurability, but again does not enhance or modify the basic benefits. The endowment value relates to a specific type of policy that pays out benefits after a certain period or upon death, without the provision for modifications typically seen in rider benefits. Thus, the accelerated death benefit stands out as a true rider, providing significant additional value to the insured.

10. What is the main function of the Medical Information Bureau (MIB) in the insurance industry?

- A. To collect premiums from policyholders
- B. To provide medical histories of applicants to insurers**
- C. To evaluate the financial stability of insurers
- D. To determine the legal compliance of insurance policies

The Medical Information Bureau (MIB) plays a crucial role in the insurance industry by providing medical histories of applicants to insurers. This function allows insurance companies to assess the risk associated with insuring an individual. When individuals apply for life or health insurance, their medical information can significantly impact underwriting decisions. The MIB collects and maintains data regarding the medical conditions, treatments, and risk factors of applicants from multiple insurance companies. This centralized source of medical information helps insurers make informed decisions about coverage and premium pricing, thereby streamlining the underwriting process. By accessing the MIB database, insurance companies can verify information provided by applicants and ensure that they have a complete view of an applicant's health background, which is essential for determining eligibility and pricing. The other options relate to different functions within the insurance sector but do not accurately describe the primary role of the MIB. Collecting premiums pertains to the financial transactions that insurers engage in with policyholders, while evaluating the financial stability of insurers involves assessing their ability to meet future claims, which is separate from the MIB's purpose. Legal compliance concerns the adherence of insurance policies to regulations, which is again outside the MIB's main function. Therefore, providing medical histories of applicants is the central aspect of the MIB's

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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