

# North Carolina Life Insurance 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. What benefit allows the insurer to waive premium payments for a minor insured whose parents have died or become disabled?**
  - A. Rider benefit**
  - B. Payor Benefit**
  - C. Extended coverage**
  - D. Accidental death benefit**
- 2. What is the role of a person licensed to solicit applications or negotiate a policy of insurance?**
  - A. Adjuster.**
  - B. Broker.**
  - C. Underwriter.**
  - D. Agent.**
- 3. Which statement about Juvenile Life insurance is false?**
  - A. Juvenile Life can be purchased by a parent or guardian**
  - B. Juvenile Life provides coverage for children**
  - C. Juvenile Life is classified as any life insurance purchased by a minor**
  - D. Juvenile Life can build cash value**
- 4. When a beneficiary receives payments consisting of both principal and interest portions, which parts are taxable as income?**
  - A. Principal payments only**
  - B. Interest only**
  - C. Both principal and interest**
  - D. Neither principal nor interest**
- 5. What is the contestability period for life insurance in North Carolina?**
  - A. The first year after a policy is issued**
  - B. The first two years after a policy is issued**
  - C. The first five years after a policy is issued**
  - D. The period leading up to the renewal of the policy**

- 6. What does a policy's grace period refer to?**
- A. The time allowed for paying premiums after the due date**
  - B. The period before the policy becomes active**
  - C. The time frame in which beneficiaries can make claims**
  - D. The duration for which the policyholder can alter coverage options**
- 7. What is the primary purpose of credit life insurance?**
- A. To pay off debts in the event of the insured's death**
  - B. To provide a cash value component**
  - C. To fund a retirement account**
  - D. To cover extensive medical expenses**
- 8. What is required to obtain a duplicate insurance license if the original is lost?**
- A. A notarized affidavit of loss**
  - B. A written request to the Commissioner and payment of fees**
  - C. Legal representation to file for reinstatement**
  - D. A police report documenting the loss**
- 9. What is the purpose of a buy-sell agreement in business insurance?**
- A. To maintain employee morale after an owner's death**
  - B. To ensure the smooth transfer of ownership in case of an owner's death**
  - C. To protect against natural disasters affecting the business**
  - D. To provide insurance for all employees**
- 10. What is the primary purpose of a fixed-period settlement option?**
- A. To provide a lump sum payment.**
  - B. To provide a guaranteed income for a certain amount of time.**
  - C. To reduce premium payments.**
  - D. To allow for policy loans.**



## **Answers**

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

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## **Explanations**

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**1. What benefit allows the insurer to waive premium payments for a minor insured whose parents have died or become disabled?**

**A. Rider benefit**

**B. Payor Benefit**

**C. Extended coverage**

**D. Accidental death benefit**

The payor benefit is a specific feature in life insurance policies that is designed to protect minors whose parents, who are responsible for the premium payments, have died or become disabled. This benefit ensures that the life insurance protection continues without the need for the minor to pay premiums during a crucial time when financial resources may be strained due to the loss or incapacity of the parent. By waiving these premium payments, the payor benefit helps to maintain the insurance coverage for the minor, securing their financial future and ensuring that they remain protected during a vulnerable period in their lives. It addresses potential gaps in coverage during challenging circumstances, enabling the insured minor to benefit from the policy without the burden of premium payments. This is particularly important for ensuring that the intended financial protection remains in place when it is needed most.

**2. What is the role of a person licensed to solicit applications or negotiate a policy of insurance?**

**A. Adjuster.**

**B. Broker.**

**C. Underwriter.**

**D. Agent.**

A person licensed to solicit applications or negotiate a policy of insurance is referred to as an agent. The role of an agent is fundamental in the insurance industry, as they serve as the primary point of contact between the insurance company and potential customers. Agents have the responsibility to provide information about various insurance policies, assess clients' needs, and help them select the appropriate coverage. Agents also facilitate the application process and can play a key role in explaining the terms and conditions of the policy, ensuring that clients understand what they are purchasing. Their position requires them to be knowledgeable about the products they offer and applicable laws and regulations governing insurance practices. While brokers and adjusters also play important roles in the insurance process, their functions differ significantly from that of agents. Brokers represent clients seeking insurance coverage but do not necessarily belong to an insurance company, whereas adjusters deal with claims and assess losses on behalf of the insurer. Underwriters, on the other hand, evaluate risk and determine the terms of insurance coverage, but they do not engage directly with clients. Therefore, the agent's role is distinct and crucial in soliciting applications and negotiating policies, making it the correct answer in this context.

**3. Which statement about Juvenile Life insurance is false?**

- A. Juvenile Life can be purchased by a parent or guardian**
- B. Juvenile Life provides coverage for children**
- C. Juvenile Life is classified as any life insurance purchased by a minor**
- D. Juvenile Life can build cash value**

Juvenile Life insurance is specifically designed to provide coverage for children, and it can indeed be purchased by a parent or guardian. The policy builds cash value over time, similar to permanent life insurance policies. However, the inaccurate statement is that Juvenile Life is classified as any life insurance purchased by a minor. This is misleading because Juvenile Life insurance is a distinct category that specifically refers to coverage taken out for children by adults. Not every life insurance policy purchased by a minor falls under this classification, as some could be standard policies that don't have the unique characteristics or benefits associated with Juvenile Life insurance. Understanding this distinction is crucial, as it highlights the intent and design of Juvenile Life policies, which are tailored to ensure coverage for children and provide potential future benefits such as cash value accumulation.

**4. When a beneficiary receives payments consisting of both principal and interest portions, which parts are taxable as income?**

- A. Principal payments only**
- B. Interest only**
- C. Both principal and interest**
- D. Neither principal nor interest**

When a beneficiary receives payments from a life insurance policy consisting of both principal and interest portions, only the interest is considered taxable as income. The principal, which is the original amount paid out from the policy, is not subject to income tax because it is considered a return of the beneficiary's original investment. The rationale behind this tax treatment is rooted in tax law principles: the principal amount represents a tax-free return of the actual death benefit or investment made in the policy, while the interest earned on that principal is treated as income and is therefore taxable. This distinction is important for beneficiaries to understand, as only reporting the interest portion when filing taxes can help them avoid potential complications or penalties associated with incorrect income reporting. Knowing this difference ensures that beneficiaries handle their tax obligations correctly and maintain compliance with Internal Revenue Service guidelines.

**5. What is the contestability period for life insurance in North Carolina?**

- A. The first year after a policy is issued**
- B. The first two years after a policy is issued**
- C. The first five years after a policy is issued**
- D. The period leading up to the renewal of the policy**

In North Carolina, the contestability period for life insurance is established as the first two years after a policy is issued. During this time, the insurance company has the right to investigate and contest claims based on misrepresentations or inaccuracies in the application. This period is crucial because it offers a window for insurers to ensure that all information provided by the insured is truthful and accurate, thus helping to prevent fraudulent claims. After the two-year period, insurers are generally unable to contest claims based solely on information provided in the application, thereby providing greater security to policyholders and their beneficiaries. This period aims to balance the interests of both the insurer and the insured, ensuring that claims can be properly assessed while giving policyholders a sense of assurance after they pass this threshold.

**6. What does a policy's grace period refer to?**

- A. The time allowed for paying premiums after the due date**
- B. The period before the policy becomes active**
- C. The time frame in which beneficiaries can make claims**
- D. The duration for which the policyholder can alter coverage options**

A policy's grace period refers to the time allowed for paying premiums after the due date. This feature is vital as it provides policyholders with a buffer to maintain their coverage even if they miss a premium payment on the exact due date. Typically, the grace period can range from 30 to 31 days, during which the insured can pay the overdue premium without risking the lapse of the policy. If the payment is made within this time frame, the policy remains in force, and coverage persists. Understanding this aspect of a policy is crucial for both agents and consumers, as it can prevent policy termination and ensure continued protection for the insured and beneficiaries. The other options address different aspects of insurance but do not accurately represent the grace period. The period before a policy becomes active refers to the waiting period, while the timeframe for beneficiaries to make claims pertains to claims processing, and changing coverage options relates to policy amendments, none of which correspond to what a grace period entails.

**7. What is the primary purpose of credit life insurance?**

- A. To pay off debts in the event of the insured's death**
- B. To provide a cash value component**
- C. To fund a retirement account**
- D. To cover extensive medical expenses**

The primary purpose of credit life insurance is to pay off debts in the event of the insured's death. This type of insurance ensures that, should the borrower pass away, their outstanding debts—such as loans or credit card balances—are settled, thereby protecting the deceased's loved ones from financial burden. Credit life insurance is typically purchased by borrowers and is often required by lenders as a condition for extending credit. The other options do not align with the primary function of credit life insurance. Unlike traditional life insurance policies, credit life insurance does not focus on providing a cash value component or funding a retirement account, as those purposes are associated with other types of life insurance or financial products. Additionally, credit life insurance does not cover medical expenses, which is typically the role of health insurance or specific medical insurance policies.

**8. What is required to obtain a duplicate insurance license if the original is lost?**

- A. A notarized affidavit of loss**
- B. A written request to the Commissioner and payment of fees**
- C. Legal representation to file for reinstatement**
- D. A police report documenting the loss**

To obtain a duplicate insurance license after the original has been lost, a written request to the Commissioner along with the payment of any required fees is the proper procedure. This process ensures that the relevant authorities are notified about the loss of the license and provides a formal request for its replacement. The requirement for a written request underscores the importance of maintaining proper documentation and record-keeping in the insurance industry. While other options may seem relevant, they do not align with the standard procedure adopted by most state insurance departments. For instance, a notarized affidavit of loss might be useful in other contexts but is not a recognized requirement for replacing a lost insurance license. Similarly, legal representation is unnecessary for a straightforward process like requesting a duplicate license, and a police report is typically not needed for this type of administrative matter. This makes the method involving direct communication with the Commissioner the most appropriate and efficient way to resolve the issue of a lost insurance license.

9. What is the purpose of a buy-sell agreement in business insurance?
- A. To maintain employee morale after an owner's death
  - B. To ensure the smooth transfer of ownership in case of an owner's death**
  - C. To protect against natural disasters affecting the business
  - D. To provide insurance for all employees

A buy-sell agreement serves as a crucial legal document in the realm of business insurance, primarily designed to facilitate the seamless transfer of ownership in the event of an owner's death. This agreement outlines the terms under which a deceased owner's shares or interest in the business can be sold or transferred to remaining owners or designated individuals. The significance of this arrangement lies in its ability to minimize potential conflicts or disruptions that could arise during a challenging time, ensuring that the business continues to operate smoothly and that the interests of all parties involved are respected. By clearly defining the procedures and financial arrangements for ownership transfer, the buy-sell agreement helps secure the business's stability and protects the financial interests of the surviving owners as well as the deceased owner's family. This contrasts with the other choices which address different aspects of business needs but do not encapsulate the primary function of a buy-sell agreement. For example, maintaining employee morale or providing insurance for all employees relates to the wellbeing of staff rather than ownership transfer, while safeguarding against natural disasters pertains to risk management rather than management succession.

10. What is the primary purpose of a fixed-period settlement option?
- A. To provide a lump sum payment.
  - B. To provide a guaranteed income for a certain amount of time.**
  - C. To reduce premium payments.
  - D. To allow for policy loans.

The primary purpose of a fixed-period settlement option is to provide a guaranteed income for a certain amount of time. This settlement option allows the beneficiary to receive regular payments over a specified period of years, rather than receiving a lump sum payment all at once. This can be particularly beneficial for individuals who prefer a structured approach to managing finances or for those who may require ongoing financial support. By opting for this arrangement, the beneficiary is assured of receiving a steady income stream for the agreed-upon time frame, which can aid in budgeting and financial planning. This feature is especially useful in situations where the beneficiary may not be equipped to handle a large lump sum or where the periodic payments can help meet ongoing financial needs.



## 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-lifeinsurance.examzify.com>**

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