

NORTH CAROLINA LIFE INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

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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. Under a 20-pay whole life policy, how long must premiums be paid for the policy to be effective?**
 - A. For 10 years.
 - B. For 20 years or until death, whichever occurs first.
 - C. For the insured's entire life.
 - D. Until policy loans are repaid.

- 2. After an initial application denial, how long does an applicant have to request a review?**
 - A. 15 days
 - B. 30 days
 - C. 45 days
 - D. 60 days

- 3. 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

- 4. What is the purpose of a waiver of premium rider?**
 - A. Allows policyholders to reduce coverage
 - B. Suspends premium payments if the policyholder becomes disabled
 - C. Automatically increases the death benefit after a certain period
 - D. Permits the policyholder to switch to another policy

- 5. According to the Entire Contract provision, what must a life insurance policy include?**
 - A. A list of beneficiaries
 - B. A copy of the original application for insurance
 - C. An explanation of policy exclusions
 - D. A testimony from the insurance agent

- 6. How do whole life insurance and universal life insurance differ?**
- A. Whole life has fixed premiums, universal life has flexible premiums
 - B. Their benefits are both determined by age at issuance
 - C. Both have the same benefits and costs
 - D. Whole life only covers accidental death
- 7. What is the significance of a "medical exam" during the life insurance application process?**
- A. It determines the insurance agent's commission level
 - B. It helps insurers evaluate the applicant's health status and potential risk
 - C. It serves to reassure the insured of their health status
 - D. It is required for all policy types regardless of the applicant's age
- 8. What type of insurance policy would best suit a client seeking both protection and savings until retirement at age 65?**
- A. Term life insurance
 - B. Universal life insurance
 - C. Limited pay whole life
 - D. Variable life insurance
- 9. Which of the following is true about life insurance policies?**
- A. They are all non-renewable in nature
 - B. They require beneficiaries to be individuals only
 - C. They can have multiple beneficiaries designated
 - D. They always pay out based on health conditions
- 10. When is the unearned premium refunded to the policyholder?**
- A. When a claim is filed
 - B. When the policy is canceled
 - C. When the policy matures
 - D. When premiums exceed a certain amount

Answers

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

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Explanations

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1. Under a 20-pay whole life policy, how long must premiums be paid for the policy to be effective?

- A. For 10 years.
- B. For 20 years or until death, whichever occurs first.**
- C. For the insured's entire life.
- D. Until policy loans are repaid.

In a 20-pay whole life policy, the premiums are structured to be paid for a period of 20 years. This type of policy is designed so that the policyholder will have completed all premium payments by the end of the 20-year term. After this period, the policy remains in force for the insured's entire life, providing death benefits regardless of when the insured passes away, as long as the premiums were paid during the 20 years. This option accurately reflects the intended design of the policy and clarifies that the obligation to pay premiums concludes after 20 years, at which point the policy becomes fully paid-up, but the death benefit continues in effect. Other options suggest various situations that do not align with the core mechanics of a 20-pay whole life policy. For instance, stating that premiums could be paid over a different duration, such as for the insured's entire life or until other conditions are met, would misrepresent the specific structure and purpose of this type of insurance policy.

2. After an initial application denial, how long does an applicant have to request a review?

- A. 15 days
- B. 30 days**
- C. 45 days
- D. 60 days

The timeframe for an applicant to request a review after an initial application denial is set at 30 days. This period allows the applicant sufficient time to gather any additional information, clarify any misunderstandings, or address the reasons for the denial. The regulation is designed to ensure that applicants have a fair opportunity to challenge the denial and allows the insurer to properly review the application for any possible reconsideration. In insurance practices, this 30-day window reflects a balance between promptness in handling applications and providing applicants with enough time for their responses. Following this window, insurers may have different internal procedures or guidelines on how they manage appeals or additional information that might come in from the applicant.

3. 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.

4. What is the purpose of a waiver of premium rider?

- A. Allows policyholders to reduce coverage
- B. Suspends premium payments if the policyholder becomes disabled**
- C. Automatically increases the death benefit after a certain period
- D. Permits the policyholder to switch to another policy

The waiver of premium rider is an important provision found in life insurance policies that provides financial protection to policyholders in the event of a disability. When this rider is included in a policy, it specifically allows for the suspension of premium payments if the policyholder becomes disabled and is unable to work. This means that as long as the policyholder meets the criteria for being considered disabled, they don't have to worry about making premium payments during that time, and their coverage remains intact. This rider helps ensure that the policyholder does not lose their insurance protection due to an inability to pay premiums resulting from their medical condition. It offers peace of mind, knowing that their life insurance policy will remain active even during a challenging time financially. Overall, the waiver of premium rider is designed to enhance the stability and security of a life insurance policy in the face of unexpected circumstances, providing both coverage and financial relief during periods of disability.

5. According to the Entire Contract provision, what must a life insurance policy include?

- A. A list of beneficiaries
- B. A copy of the original application for insurance**
- C. An explanation of policy exclusions
- D. A testimony from the insurance agent

The Entire Contract provision is a fundamental principle in life insurance policies that ensures the integrity and completeness of the agreement between the insurer and the policyholder. This provision specifies that the insurance policy, along with the original application for insurance, constitutes the entire agreement. Including a copy of the original application is crucial because it provides context for the insurer's underwriting decisions. The application contains essential information, such as the insured's health history and personal details, which directly influence the terms and conditions of the policy. By incorporating the application into the contract, it serves as a reference point to verify that the information provided by the applicant is accurate and complete, which is critical in cases of claims. The other elements, such as a list of beneficiaries, policy exclusions, or testimonies from the insurance agent, may be important aspects of a life insurance policy but are not mandated to be included within the Entire Contract provision. The focus here is on the application alongside the policy as the foundational documentation of the insurance agreement.

6. How do whole life insurance and universal life insurance differ?

A. Whole life has fixed premiums, universal life has flexible premiums

B. Their benefits are both determined by age at issuance

C. Both have the same benefits and costs

D. Whole life only covers accidental death

Whole life insurance and universal life insurance exhibit a key difference in their premium structures, which influences how policyholders manage their insurance costs. Whole life insurance typically requires fixed premiums that remain consistent throughout the policyholder's life. This predictability can be appealing for individuals looking for stability in their financial planning. In contrast, universal life insurance offers flexible premiums, allowing policyholders to adjust their payment amounts and timing within certain parameters. This flexibility can accommodate changing financial situations, such as increased income or unexpected expenses, giving policyholders more control over the cost of their premium payments. This fundamental difference in premium structure also reflects how each type of policy can be tailored to fit a policyholder's individual needs and financial goals. The fixed nature of whole life insurance premiums can appeal to those seeking long-term predictability, while the flexibility of universal life insurance can attract those who value adaptability in their policy management.

7. What is the significance of a "medical exam" during the life insurance application process?

A. It determines the insurance agent's commission level

B. It helps insurers evaluate the applicant's health status and potential risk

C. It serves to reassure the insured of their health status

D. It is required for all policy types regardless of the applicant's age

The significance of a medical exam during the life insurance application process primarily lies in its role in helping insurers evaluate the applicant's health status and potential risk. This assessment is crucial because life insurance underwriting involves determining the likelihood of the insured party's death during the policy term, which directly influences the insurer's decision to issue a policy and at what premium rate. By conducting a medical exam, insurers gather detailed information about the applicant's health history, current medical conditions, lifestyle choices, and family health history. This information allows insurers to categorize applicants into different risk classes. High-risk individuals may face higher premiums or may be denied coverage altogether, while those in better health typically enjoy lower premiums. This process also aids in ensuring that the insurer has accurate and comprehensive data, which helps mitigate financial risks associated with insuring individuals who may have undiagnosed health issues. Overall, the medical exam is a critical component in the underwriting process, allowing insurers to make informed decisions based on empirical health data.

8. What type of insurance policy would best suit a client seeking both protection and savings until retirement at age 65?

- A. Term life insurance
- B. Universal life insurance
- C. Limited pay whole life**
- D. Variable life insurance

Limited pay whole life insurance is the most suitable option for a client looking for both protection and savings until retirement at age 65. This type of policy provides lifelong coverage while also accumulating cash value over time. The limited pay structure means the policyholder will make premium payments for a specified number of years, after which no further payments are required, yet the coverage continues for life. This aligns well with the client's goal of having protection in place and also building a savings component that can be accessed or used as a resource upon reaching retirement age. While other options like term life insurance provide pure death benefit protection, they do not build savings or cash value, making them inadequate for this client's needs. Universal life insurance offers flexibility in premium payments and death benefits but may not guarantee the rapid accumulation of cash value compared to the limited pay whole life insurance. Variable life insurance allows for investment in various accounts, but this introduces market risk and complexity, which may not align with the client's goal of a stable savings vehicle as they approach retirement. Therefore, limited pay whole life strikes the right balance of guaranteed protection and a reliable savings mechanism.

9. Which of the following is true about life insurance policies?

- A. They are all non-renewable in nature
- B. They require beneficiaries to be individuals only
- C. They can have multiple beneficiaries designated**
- D. They always pay out based on health conditions

Life insurance policies indeed allow for the designation of multiple beneficiaries. This feature provides policyholders with flexibility in how the death benefit is allocated among their loved ones, which can be important for financial planning. Beneficiaries can be individuals, such as family members or friends, or entities like trusts or charities, depending on the policyholder's wishes. In contrast to this, some of the other statements are not universally applicable to life insurance policies. For instance, while certain policies may have non-renewable terms, many life insurance policies, especially term policies, can be renewed. The assertion that beneficiaries must be individuals only is misleading because policies can also list organizations or trusts as beneficiaries. Additionally, the implication that life insurance payouts are always contingent on health conditions overlooks the fact that life insurance benefits are typically related to the insured's death, which may occur for reasons unrelated to health issues, such as accidents. Thus, the ability to designate multiple beneficiaries stands out as a key feature of life insurance policies.

10. When is the unearned premium refunded to the policyholder?

- A. When a claim is filed
- B. When the policy is canceled**
- C. When the policy matures
- D. When premiums exceed a certain amount

The unearned premium is refunded to the policyholder when the policy is canceled. This occurs because the unearned premium represents the portion of the premium that has been paid for coverage that has not yet been provided. For instance, if a policyholder has paid for a full year of coverage but cancels the policy after six months, they are entitled to a refund for the remaining six months, as they did not utilize that portion of the premium for insurance coverage. Understanding this concept is crucial for policyholders, as it ensures they are not financially penalized for discontinuing a policy early. This notion of unearned premium reflects fair treatment in the insurance industry, maintaining transparency and integrity between the insurer and the insured. Therefore, when a cancellation occurs, the insurer must calculate the unearned premium and issue a refund accordingly, ensuring the policyholder is compensated for the coverage that was not used. This aligns with the principles of equity in insurance practices.

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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-lifeinsurance.examzify.com>

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

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