

Primerica Life Insurance Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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- 1. What is an insurance "policy loan"?**
 - A. A payment plan for premiums based on the policyholder's income**
 - B. A loan taken against the cash value of a life insurance policy**
 - C. A fee paid for processing the insurance application**
 - D. A type of policy that pays out only after the policyholder's death**
- 2. In a business context, why might partners consider life insurance?**
 - A. To avoid business debts**
 - B. To fund retirement plans**
 - C. To protect against the loss of a key partner**
 - D. To reduce taxable income**
- 3. If an insured's cash value significantly decreases in one month, what type of policy do they likely have?**
 - A. Variable**
 - B. Term**
 - C. Securities**
 - D. Stock**
- 4. Which of the following is NOT typically covered by supplemental insurance?**
 - A. Health care deductible expenses**
 - B. Long-term care needs**
 - C. Basic life insurance premiums**
 - D. Accidental death benefits**
- 5. Who holds the legal title of the property in a trust?**
 - A. Guardian**
 - B. Trustee**
 - C. Grantor**
 - D. Beneficiary**

6. Which of the following best describes an aleatory contract?

- A. A contract with equal exchange of value**
- B. A contract where parties cannot predict outcomes**
- C. A legally binding contract with fixed terms**
- D. A contract that requires mutual consent**

7. In which type of insurance is cash value generally accumulated?

- A. Term life insurance**
- B. Universal life insurance**
- C. Permanent life insurance**
- D. Accidental death insurance**

8. Which of the following may NOT be included in an insurance company's advertisement?

- A. Their policies' limitation or exclusions**
- B. The name of the specific agent**
- C. An identification of a limited policy as a limited policy**
- D. That its policies are covered by a state Guaranty Association**

9. Which of the following are the two main types of life insurance policies?

- A. Universal and Whole life insurance**
- B. Term life insurance and permanent life insurance**
- C. Variable and Indexed life insurance**
- D. Fixed and Adjustable life insurance**

10. Which of the following entities conducts the underwriting process for life insurance policies?

- A. Insurance adjusters**
- B. Insurance underwriters**
- C. Actuarial departments**
- D. Financial analysts**

Answers

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

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Explanations

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1. What is an insurance "policy loan"?

- A. A payment plan for premiums based on the policyholder's income
- B. A loan taken against the cash value of a life insurance policy**
- C. A fee paid for processing the insurance application
- D. A type of policy that pays out only after the policyholder's death

A policy loan refers to the ability of a policyholder to borrow money against the cash value accumulated in their life insurance policy. When a policy has a cash value, the insurer allows the policyholder to take out a loan using that cash value as collateral. This is often a beneficial option because it does not require approval and generally has lower interest rates compared to traditional loans. However, it's important for policyholders to understand that any unpaid loan amount, including interest, will be deducted from the death benefit if not repaid before the policyholder's death. The other choices do not accurately represent what a policy loan is. A payment plan for premiums is related to how the policyholder pays for the insurance coverage and does not involve borrowing against the policy. A fee for processing the insurance application pertains to administrative costs rather than a loan mechanism. Lastly, a type of policy that pays out only after the policyholder's death describes a whole life or term policy but is not related to loans or cash values. Thus, the definition matched by the correct option highlights an essential feature of certain life insurance policies that allows for financial flexibility through loans against cash value.

2. In a business context, why might partners consider life insurance?

- A. To avoid business debts
- B. To fund retirement plans
- C. To protect against the loss of a key partner**
- D. To reduce taxable income

In a business context, partners often consider life insurance primarily to protect against the loss of a key partner. This type of insurance, commonly referred to as key person insurance, provides financial support to the business in the event that a crucial member, whose skills, experience, or influence significantly contribute to the company's success, passes away. The funds from the life insurance can help the business cover immediate costs, such as hiring a replacement or managing any disruptions that may arise from the loss of the partner. Moreover, having this insurance ensures that the business can maintain its operations and continuity, as it provides a financial safety net that allows other partners or stakeholders to stabilize the business during a challenging time. This strategy enables partners to focus on running the business rather than worrying about financial burdens that could jeopardize its future due to the loss of a key individual.

3. If an insured's cash value significantly decreases in one month, what type of policy do they likely have?

A. Variable

B. Term

C. Securities

D. Stock

The correct answer is indicative of a variable policy because this type of insurance combines life coverage with an investment component that can fluctuate based on market performance. In a variable life insurance policy, the cash value is not fixed; instead, it is invested in a variety of separate accounts that may include stocks, bonds, or money market funds. If the investments do poorly in a given month, the cash value can significantly decrease. This volatility is a characteristic feature of variable policies, as they allow the policyholder to participate in investment opportunities, which can lead to variable returns depending on market conditions. In contrast, term insurance provides pure death benefit protection without any cash value component, so a decrease in cash value is not applicable. Securities and stock refer to investment vehicles and do not pertain to life insurance products at all, further solidifying that they do not fit the context of a cash value decrease in the typical life insurance policies discussed.

4. Which of the following is NOT typically covered by supplemental insurance?

A. Health care deductible expenses

B. Long-term care needs

C. Basic life insurance premiums

D. Accidental death benefits

Supplemental insurance is designed to provide additional financial support for costs not covered by primary insurance. It often covers expenses such as out-of-pocket medical costs, long-term care, and accidental death benefits, which help individuals manage unexpected medical or life events. Basic life insurance premiums are not typically covered by supplemental insurance because supplemental policies focus primarily on health-related issues and additional support beyond standard life insurance. They are intended to complement existing coverage, rather than replace or cover life insurance premiums. Therefore, it is accurate to identify basic life insurance premiums as the option that is not included in the typical offerings of supplemental insurance, as these premiums fall outside the realm of health-related expenses that supplemental policies are designed to address.

5. Who holds the legal title of the property in a trust?

- A. Guardian
- B. Trustee**
- C. Grantor
- D. Beneficiary

In a trust arrangement, the trustee holds the legal title to the property. This means that the trustee has the authority to manage the assets within the trust according to the terms established by the grantor, who is the individual that creates the trust. The trustee is responsible for administering the trust's assets and fulfilling their fiduciary duty to the beneficiaries, who are those that benefit from the trust. By holding legal title, the trustee has the responsibility to make decisions regarding the property, such as how it is invested or distributed, while ensuring that the benefits flow to the beneficiaries as intended by the grantor. This structure is designed to separate control of the trust property from the benefits of that property, thereby providing an added layer of security and management for the assets involved.

6. Which of the following best describes an aleatory contract?

- A. A contract with equal exchange of value
- B. A contract where parties cannot predict outcomes**
- C. A legally binding contract with fixed terms
- D. A contract that requires mutual consent

An aleatory contract is characterized by the fact that it involves an exchange of value that is contingent on uncertain events. In this type of contract, one party's performance or benefits depend on the occurrence of a specific event that cannot be predicted with certainty. In simpler terms, one party's possible fulfillment of obligations offers significantly greater value or risk than the other's, usually related to insurance or gambling, where the actual payout is contingent upon a specific event happening. For example, in a life insurance policy, the insurer can collect premiums over the years, but benefits are only paid out upon the insured's death, which, by nature, is unpredictable. Thus, the essence of an aleatory contract lies in its uncertainty regarding whether the contracted benefits will be received and when, aligning perfectly with the idea that the outcomes cannot be accurately predicted by both parties involved. While contracts that have equal exchanges of value or involve fixed terms also exist, they do not define aleatory contracts. Additionally, while mutual consent is important for any contract, it does not specifically highlight what makes an aleatory contract distinctive. These features are more aligned with traditional contracts rather than emphasizing the uncertainty that is fundamental to aleatory contracts.

7. In which type of insurance is cash value generally accumulated?

- A. Term life insurance**
- B. Universal life insurance**
- C. Permanent life insurance**
- D. Accidental death insurance**

Cash value is typically associated with permanent life insurance policies. These products have a savings component in addition to providing a death benefit. As premiums are paid, a portion of the money goes into a cash value account, which can grow over time, generally on a tax-deferred basis. Policyholders can borrow against this cash value or use it to pay premiums, enhancing the policy's flexibility and utility over its life span. In contrast, term life insurance does not accumulate cash value; it solely provides coverage for a specified term. Universal life insurance is actually a form of permanent insurance that incorporates flexible premiums and an adjustable death benefit but still falls under the broader category of permanent life insurance. Accidental death insurance specifically pays benefits only in cases of death due to accident, with no cash value accumulation. Hence, the correct categorization of insurance that accumulates cash value is permanent life insurance.

8. Which of the following may NOT be included in an insurance company's advertisement?

- A. Their policies' limitation or exclusions**
- B. The name of the specific agent**
- C. An identification of a limited policy as a limited policy**
- D. That its policies are covered by a state Guaranty Association**

The point regarding the inclusion of statements that policies are covered by a state Guaranty Association is primarily tied to the regulations that govern the marketing and advertising practices of insurance companies. Claims about state Guaranty Associations can be misleading, as these associations do not guarantee the insurance policies themselves but rather provide a safety net in the event of an insurer's insolvency. Policies' limitations or exclusions are important to highlight as they ensure that consumers are fully informed about what is and isn't covered. Including the name of a specific agent is common practice, as it personalizes the advertisement and provides a point of contact for potential clients. Similarly, identifying a limited policy as a limited policy is crucial for transparency, ensuring consumers understand the scope and limitations of the coverage being offered. In contrast, stating that policies are covered by a state Guaranty Association may lead customers to assume more security about the policy than is accurate. Thus, while it is essential information for consumers, it is often not included in advertisements to avoid any misconceptions about the protections offered.

9. Which of the following are the two main types of life insurance policies?

- A. Universal and Whole life insurance**
- B. Term life insurance and permanent life insurance**
- C. Variable and Indexed life insurance**
- D. Fixed and Adjustable life insurance**

The two main types of life insurance policies are categorized as term life insurance and permanent life insurance. Term life insurance provides coverage for a specific period, typically ranging from one year to several decades, and pays a death benefit only if the insured individual passes away during that term. This type is often chosen for its affordability and straightforward nature. Permanent life insurance, on the other hand, remains in force for the insured's entire lifetime, as long as premiums are paid, and includes various forms such as whole life, universal life, and variable life insurance. This type typically has a cash value component that can grow over time, providing both a death benefit and the opportunity for savings or investment. Understanding these primary categories helps individuals select the right type of policy based on their financial needs, their family's requirements, and their long-term financial goals. The other options mention specific forms or features of life insurance but do not represent the fundamental distinction between term and permanent insurance.

10. Which of the following entities conducts the underwriting process for life insurance policies?

- A. Insurance adjusters**
- B. Insurance underwriters**
- C. Actuarial departments**
- D. Financial analysts**

The underwriting process for life insurance policies is primarily conducted by insurance underwriters. Underwriters are professionals who assess and evaluate the risk associated with insuring potential clients. Their role is critical in determining whether an applicant qualifies for coverage and at what premium rate. They analyze various factors, such as the applicant's health history, lifestyle, and sometimes even financial background, to make a comprehensive risk assessment. This assessment helps the insurance company decide how to structure the policy, including the terms and the premium amount. While actuarial departments do play a role in setting the guidelines and rates that underwriters use, they do not conduct the actual underwriting process. Similarly, insurance adjusters work primarily with claims after a policy is in force, and financial analysts focus on the financial aspects of the company rather than the individual risk assessment for underwriting. Therefore, the role of insurance underwriters is distinctly tied to the underwriting process in life insurance.

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://primericalifeinsurance.examzify.com>

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

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