Primerica Pre-licensing Course Practice Exam (Sample)

Study Guide

Everything you need from our exam experts!

Table of Contents

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. **The authority a principal intends to grant to an agent by means of the agent's contract is called what?**
   - A. The law of agency
   - B. Implied authority
   - C. Apparent authority
   - D. Express authority

2. **Which retirement account is funded with after-tax contributions and offers tax-free growth on earnings?**
   - A. IRA
   - B. 401k
   - C. Roth IRA
   - D. 403B

3. **Which term refers to an insurance agent not appointed by an insurer who represents the client?**
   - A. Agent
   - B. Insurer
   - C. Broker
   - D. Policyowner

4. **The policy type typically designed to guarantee mortgage payoff with a level premium and decreasing death benefit?**
   - A. Increasing term insurance
   - B. Level term insurance
   - C. Decreasing term insurance
   - D. Permanent life insurance

5. **Which concept refers to using life insurance to guard wealth against creditor claims without illegal concealment or fraudulent transfers?**
   - A. Liquidity
   - B. Asset protection
   - C. Viatical settlements
   - D. Terminally ill

6. **Which life insurance product features cash values not guaranteed and fluctuates with portfolio performance, typically requiring a securities license to sell?**
   - **A. Term life insurance**
   - **B. Whole life insurance**
   - **C. Juvenile life insurance**
   - **D. Variable life insurance**

7. **Which term describes the rights of the policy owner, including naming and changing the beneficiary, receiving the policy's living benefits, selecting a benefit payment option, and assigning the policy?**
   - **A. Beneficiary designation**
   - **B. Policyholder**
   - **C. Ownership**
   - **D. Assignment**

8. **Which type of insurance covers medical expenses and/or loss of income caused by sickness or accidental injury?**
   - **A. Life insurance**
   - **B. Property insurance**
   - **C. Casualty insurance**
   - **D. Health insurance**

9. **In a viatical settlement, who receives the proceeds from selling the policy?**
   - **A. Viatical settlement broker**
   - **B. Viatical settlement purchaser**
   - **C. Viator**
   - **D. Viatical settlement provider**

10. **Which term describes charging higher premiums due to hazardous occupations or hobbies?**
    - **A. Hazardous occupations or hobbies**
    - **B. Per stirpes designation**
    - **C. Revocable designation**
    - **D. Trusts**

Answers

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

Explanations

1. The authority a principal intends to grant to an agent by means of the agent's contract is called what?

A. The law of agency

B. Implied authority

C. Apparent authority

D. Express authority

Express authority is the authority a principal intentionally gives to an agent through the contract, stated clearly in writing or spoken terms. It comes directly from the principal’s instructions and defines exactly what the agent is authorized to do on the principal’s behalf. Because this authority is created by the contract itself, the agent can act within those explicit boundaries with confidence that the principal will be bound by their actions. If the agent stays within the defined scope, the principal is legally responsible for the agent’s actions to third parties. Other forms of authority aren’t granted directly by the contract: implied authority arises from the duties of the role and what’s necessary to carry out express tasks, while apparent authority comes from how others perceive the agent’s power based on the principal’s representations. The law of agency covers all these ways relationships and authority are formed.

2. Which retirement account is funded with after-tax contributions and offers tax-free growth on earnings?

A. IRA

B. 401k

C. Roth IRA

D. 403B

Understanding how tax treatment works for retirement accounts is key here. A Roth IRA is funded with after-tax dollars, so you don’t get a tax deduction when you contribute. The big advantage is that the money grows tax-free, and qualified withdrawals in retirement are tax-free as well. That combination—no upfront deduction, but tax-free growth and tax-free distributions on qualified withdrawals—defines a Roth account. In contrast, traditional IRAs and employer plans like 401(k)s and 403(b)s typically involve pretax or tax-deferred contributions, with taxes due on withdrawals in retirement. The earnings grow tax-deferred until you take distributions, at which point they’re taxed as ordinary income. So they don’t offer tax-free growth on earnings. Therefore, the retirement account described—funded with after-tax contributions and offering tax-free growth on earnings—is the Roth IRA.

3. Which term refers to an insurance agent not appointed by an insurer who represents the client?

A. Agent

B. Insurer

C. Broker

D. Policyowner

A broker represents the client, not a single insurer. They're not appointed by any one insurance company, so they work on the consumer's behalf to compare policies from multiple carriers, explain options, and place coverage that best fits the client's needs. This fiduciary focus on the customer distinguishes brokers from others who are tied to a specific insurer. In contrast, an agent is typically appointed by an insurer and represents that company; the insurer is the company issuing the policy, and the policyowner is the person who owns the policy.

4. The policy type typically designed to guarantee mortgage payoff with a level premium and decreasing death benefit?

A. Increasing term insurance

B. Level term insurance

C. Decreasing term insurance

D. Permanent life insurance

Decreasing term insurance is designed to align a life policy with a loan that is steadily paid down. You pay a level premium for the term, but the death benefit starts high and gradually decreases over time to mirror the loan balance as it falls. If the insured dies during the term, the payout equals the remaining mortgage balance, ensuring the loan can be paid off without over-insuring later years. Other forms don't fit this purpose: increasing term would push the benefit up over time, not matching a shrinking debt; level term keeps the death benefit constant, which can exceed the remaining loan later on; and permanent life covers lives for a lifetime with cash value, not specifically designed to mirror a decreasing mortgage balance.

5. Which concept refers to using life insurance to guard wealth against creditor claims without illegal concealment or fraudulent transfers?

A. Liquidity

B. Asset protection

C. Viatical settlements

D. Terminally ill

Asset protection is about keeping wealth safe from creditor claims through legitimate planning. In the context of life insurance, it can involve structuring ownership and beneficiary designations, or using tools like an irrevocable life insurance trust, so the policy and its proceeds aren't easily reachable by creditors. This approach aims to preserve assets for heirs while staying within the law, and it must be set up before any claim arises to avoid fraudulent transfers. It's not about maintaining liquidity, selling policies when someone is terminally ill, or focusing on the person's health status. Instead, it's about lawful strategies to shield wealth from creditors.

6. Which life insurance product features cash values not guaranteed and fluctuates with portfolio performance, typically requiring a securities license to sell?

A. Term life insurance

B. Whole life insurance

C. Juvenile life insurance

D. Variable life insurance

Cash values that aren't guaranteed and can swing with portfolio performance point to an investment-based life policy. In this type, the cash value is placed in separate accounts that behave like investment subaccounts (often similar to mutual funds). The policyholder bears the investment risk, so the cash value can rise or fall based on market results after fees. Because it involves investing in securities, selling this policy typically requires a securities license in addition to a life insurance license. Term life has no cash value to fluctuate. Whole life offers a guaranteed, fixed cash value with a fixed premium. Juvenile life isn't defined by this investment-based feature. Therefore, the described product is variable life insurance.

7. Which term describes the rights of the policy owner, including naming and changing the beneficiary, receiving the policy's living benefits, selecting a benefit payment option, and assigning the policy?

A. Beneficiary designation

B. Policyholder

C. Ownership

D. Assignment

Ownership is the bundle of rights the policy owner has over the contract. It includes control over naming and changing the beneficiary, receiving any living benefits the policy may offer, choosing how the death benefit is paid, and transferring those rights to another person through assignment. Beneficiary designation only concerns who gets the death benefit, not the broader control the owner has. The term policyholder describes who owns the contract but doesn't by itself spell out all these rights, while assignment is just the action of transferring ownership, not the full set of rights the owner holds.

8. Which type of insurance covers medical expenses and/or loss of income caused by sickness or accidental injury?

A. Life insurance

B. Property insurance

C. Casualty insurance

D. Health insurance

Health insurance is the coverage designed to pay for medical costs that come with sickness or injury. It helps cover doctor visits, hospital stays, surgeries, prescription medications, and other related expenses, reducing what you'd pay out of pocket. While there are policies specifically for income protection if illness or injury prevents you from working (disability insurance), the primary function of health coverage is medical expense relief. Life insurance pays a benefit on death, property insurance protects physical belongings, and casualty insurance deals with liability and related risks; none of these focus on paying medical bills. So for handling medical costs tied to illness or injury, health insurance is the best fit.

9. In a viatical settlement, who receives the proceeds from selling the policy?

A. Viatical settlement broker

B. Viatical settlement purchaser

C. Viator

D. Viatical settlement provider

In a viatical settlement, the person who sells the policy—the viator—receives the proceeds. The viator is typically the policy owner (often the insured) who wants to exchange the policy for immediate cash. The viatical settlement purchaser or provider pays the viator a lump sum and then becomes the new owner and beneficiary of the policy, responsible for ongoing premiums and eventually receiving the death benefit. The viatical settlement broker facilitates the transaction and earns a commission, but the immediate cash from the sale goes to the viator.

10. Which term describes charging higher premiums due to hazardous occupations or hobbies?

A. Hazardous occupations or hobbies

B. Per stirpes designation

C. Revocable designation

D. Trusts

Underwriting looks at risk from a person's job and hobbies, and when those are hazardous, insurers often apply a higher premium. This practice is known as hazardous occupations or hobbies rating. The higher charge reflects the greater likelihood of a claim within the policy term. For example, someone who works as a firefighter or regularly engages in dangerous sports would typically incur a premium higher than someone with a low-risk occupation or hobbies. The other terms relate to who benefits from the policy or how the policy can be managed, not to premium pricing tied to risk.

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://primericaprelicensing.examzify.com

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