

# Proactive Licensing Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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**SAMPLE**

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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. When does a terminally ill individual typically receive benefits from life insurance?**
  - A. At the age of 65**
  - B. Prior to death**
  - C. Upon diagnosis**
  - D. After death**
  
- 2. Which of the following could lead to a life insurance policy being declared void?**
  - A. Failure to pay premiums**
  - B. Providing accurate information**
  - C. Honest mistakes on applications**
  - D. All disclosures being made**
  
- 3. In terms of insurance payout, what does 'perjury' typically refer to?**
  - A. False claims**
  - B. Misrepresentation in court**
  - C. Beneficiary fraud**
  - D. Accidental misinformation**
  
- 4. What does a Tax Sheltered Annuity (TSA) typically focus on for its participants?**
  - A. Retirement savings**
  - B. Short-term investments**
  - C. Real estate investments**
  - D. Life insurance coverage**
  
- 5. What does "underwriting" involve?**
  - A. Creating insurance policies**
  - B. Determining the level of risk**
  - C. Setting premium rates**
  - D. Evaluating claims**

- 6. In the context of insurance, what is typically referred to as the risk of loss due to death?**
- A. Mortality**
  - B. Morbidity**
  - C. Solvency**
  - D. Viability**
- 7. What term describes the estimated financial benefit a person brings to their family or dependents?**
- A. Projected earnings**
  - B. Human life value**
  - C. Economic value**
  - D. Asset valuation**
- 8. What does the term 'alien' commonly refer to in the insurance sector?**
- A. Non-local Insurer**
  - B. International Cover**
  - C. Illegal Activity**
  - D. Unknown Risk**
- 9. What does a larger pool size typically do in terms of risk assessment according to the law of large numbers?**
- A. Increase variability**
  - B. Reduce predictability**
  - C. Enhance accuracy**
  - D. Worsen outcomes**
- 10. What is a key element of consideration in an insurance contract?**
- A. Payment of premiums**
  - B. Signing of the policy**
  - C. Transfer of ownership**
  - D. Acceptance of terms without review**



## **Answers**

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

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## **Explanations**

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**1. When does a terminally ill individual typically receive benefits from life insurance?**

- A. At the age of 65**
- B. Prior to death**
- C. Upon diagnosis**
- D. After death**

A terminally ill individual typically receives benefits from life insurance prior to death through a provision known as accelerated death benefits or living benefits. This allows policyholders to access a portion of their death benefit while still alive, providing them with financial support for medical expenses, hospice care, or other needs associated with their illness. The provision to access these benefits is especially important for terminally ill patients, as it can alleviate financial burdens and help them focus on their care and quality of life during their remaining time. This aspect of life insurance provides significant value in making financial decisions during challenging times. Receiving benefits upon diagnosis is generally not the standard procedure, as the individual may still be working through treatment options. The policy benefits often kick in once a qualified health professional has confirmed a terminal illness. After death refers to the standard life insurance payout, which would come into effect when the insured passes away, but for terminally ill individuals, accessing benefits prior to death is preferable to address immediate financial needs.

**2. Which of the following could lead to a life insurance policy being declared void?**

- A. Failure to pay premiums**
- B. Providing accurate information**
- C. Honest mistakes on applications**
- D. All disclosures being made**

A life insurance policy can be declared void primarily due to the failure to pay premiums. Premium payments are essential for maintaining the policy in force. When a policyholder does not remit the necessary payments by the due date, the insurance company may classify the policy as lapsed or void, which means that the coverage has effectively ended. Providing accurate information, though critical during the application process, does not lead to the voiding of a policy. In fact, accuracy is expected and helps establish the terms of the coverage. Similarly, honest mistakes on applications typically do not result in a policy being declared void, provided that the insurer can establish that the inaccuracies were not intentional misrepresentations. Lastly, making all required disclosures is part of the ethical obligation of the applicant or policyholder and generally supports the validity of the policy rather than undermines it.

**3. In terms of insurance payout, what does 'perjury' typically refer to?**

- A. False claims**
- B. Misrepresentation in court**
- C. Beneficiary fraud**
- D. Accidental misinformation**

The term 'perjury' specifically refers to the act of lying or making false statements under oath, particularly during legal proceedings. In the context of insurance payouts, if an individual provides false testimony or information while swearing to tell the truth, this can have severe legal implications and potentially invalidate their claim. Therefore, the concept of perjury directly relates to misrepresentation in court, which can significantly influence the outcome of an insurance case. When someone commits perjury, they are undermining the integrity of the judicial process, and this action can lead to criminal charges as well as the denial of any claims associated with the false testimony.

**4. What does a Tax Sheltered Annuity (TSA) typically focus on for its participants?**

- A. Retirement savings**
- B. Short-term investments**
- C. Real estate investments**
- D. Life insurance coverage**

A Tax Sheltered Annuity (TSA) is specifically designed to assist individuals in saving for retirement. It allows participants to make contributions that are tax-deferred, meaning that taxes on both the contributions and the investment earnings are postponed until funds are withdrawn, typically during retirement when an individual may be in a lower tax bracket. This feature makes TSAs an effective vehicle for long-term retirement savings, as they encourage individuals to set aside funds for their future without the immediate tax burden. By focusing on retirement savings, TSAs help individuals accumulate wealth over time, enhancing financial security in their retirement years. The tax advantages and the structured growth over time are critical components that distinguish TSAs from other investment or insurance options. The other choices, such as short-term investments, real estate investments, and life insurance coverage, do not align with the primary purpose of a TSA, which is specifically geared towards building a retirement nest egg.

**5. What does "underwriting" involve?**

- A. Creating insurance policies**
- B. Determining the level of risk**
- C. Setting premium rates**
- D. Evaluating claims**

Underwriting involves determining the level of risk associated with insuring a person, entity, or property. This process is crucial because it allows insurance companies to assess whether they will accept the risk of providing coverage and under what terms. Underwriters analyze various factors such as the applicant's history, health, property conditions, and other relevant data to make informed decisions. This risk assessment informs the overall management of the insurance portfolio and helps in establishing appropriate coverage options. While creating insurance policies, setting premium rates, and evaluating claims are all part of the broader insurance process, they generally follow the underwriting phase. Underwriting acts as the foundation that guides many of these subsequent activities.

**6. In the context of insurance, what is typically referred to as the risk of loss due to death?**

- A. Mortality**
- B. Morbidity**
- C. Solvency**
- D. Viability**

In the context of insurance, the term that refers to the risk of loss due to death is mortality. Mortality specifically deals with the incidence of death within a specified population and is a critical factor in life insurance underwriting. Insurers assess mortality rates to predict the likelihood of claims related to death and to set premiums accordingly. Understanding mortality helps insurance companies manage their risk and ensure they maintain a profitable balance in their portfolios. Morbidity relates to the risk of loss due to illness or disability rather than death. Solvency refers to an insurance company's ability to meet its long-term financial obligations and is a measure of financial health rather than a direct reference to risk from death. Viability pertains to the overall capability of a business to survive and thrive in the market, which also does not specifically relate to the risk of loss due to death.

**7. What term describes the estimated financial benefit a person brings to their family or dependents?**

- A. Projected earnings**
- B. Human life value**
- C. Economic value**
- D. Asset valuation**

The correct term for the estimated financial benefit a person brings to their family or dependents is referred to as Human Life Value. This concept encompasses the monetary worth of an individual's potential earnings and contributions to their household and family over the course of their lifetime. Human Life Value takes into account various factors such as salary, potential raises, the value of non-monetary contributions like caregiving, and any additional benefits that might be lost to dependents if the individual were to pass away. It focuses on the overall impact a person has on their family's financial stability and security. In contrast, projected earnings typically refer to an individual's expected income without necessarily considering the broader implications for dependents. Economic value is a broader term that can refer to the worth of goods and services in an economic context, while asset valuation pertains to the assessment of the worth of tangible and intangible assets. These terms do not specifically measure the financial benefit directly related to an individual's contribution to their family or dependents like Human Life Value does.

**8. What does the term 'alien' commonly refer to in the insurance sector?**

- A. Non-local Insurer**
- B. International Cover**
- C. Illegal Activity**
- D. Unknown Risk**

In the insurance sector, the term 'alien' typically refers to a non-local insurer, meaning a company that is incorporated or headquartered outside of the jurisdiction where the insurance is being offered. This designation helps in identifying the regulatory and legal context in which the alien insurer operates, as they follow the laws and regulations of their home country while providing coverage in another. This term is important as it establishes the nature of the insurance provider, particularly in terms of their compliance with local insurance laws, the validity of their insurance policies, and the rights of policyholders. Understanding the status of insurers as alien entities is crucial for assessing the legitimacy and the regulatory framework under which they operate, especially in cross-border insurance scenarios.

**9. What does a larger pool size typically do in terms of risk assessment according to the law of large numbers?**

- A. Increase variability**
- B. Reduce predictability**
- C. Enhance accuracy**
- D. Worsen outcomes**

Selecting a larger pool size in risk assessment aligns with the principle of the law of large numbers, which states that as the size of a sample increases, the sample mean will get closer to the expected value, or true average, of the population. This principle is particularly relevant in insurance and financial contexts, where a greater number of observations allows for more reliable predictions regarding events and outcomes. When dealing with a larger pool, fewer fluctuations or anomalies occur, thus leading to enhanced accuracy in estimating risks. This improved accuracy results from having a wider array of data points, which smooths out irregularities and helps establish a clearer understanding of underlying patterns. Consequently, this increases the reliability of forecasts and decision-making processes in risk management. Additionally, larger sample sizes can help mitigate the effects of outliers or rare events, further reinforcing the accuracy of risk assessments. Overall, the larger the group involved, the more predictable the results become, which is why increasing the pool size is beneficial in risk assessment scenarios.

**10. What is a key element of consideration in an insurance contract?**

- A. Payment of premiums**
- B. Signing of the policy**
- C. Transfer of ownership**
- D. Acceptance of terms without review**

The payment of premiums is a fundamental element of consideration in an insurance contract because it represents the financial commitment made by the policyholder in exchange for the insurer's promised coverage. In legal terms, consideration refers to something of value that is exchanged between parties, and in the context of insurance, the premiums are what the insured pays in return for the insurer's obligation to pay claims and provide coverage as outlined in the policy. This mutual exchange is essential to form a binding contract, and without the payment of premiums, the insurer would not be obliged to provide services or benefits to the insured. The other options, while related to the insurance process, do not embody the concept of consideration in the same way. Signing of the policy signifies acceptance but does not establish the financial exchange. Transfer of ownership pertains to the rights related to the policy and is not about the initial agreement. Acceptance of terms without review implies engagement but lacks the necessary reciprocal exchange of consideration, which is fundamental for all contracts, including insurance agreements.



## 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://proactivelicensing.examzify.com>**

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