

PROACTIVE LICENSING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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. 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. What term is used to describe the process of bringing a lapsed insurance policy back into effect?**
 - A. Renewal
 - B. Reinstatement
 - C. Extension
 - D. Activation
- 2. What does the term 'perjury' imply in the context of insurance claims?**
 - A. Deliberate false testimonies
 - B. Misleading advertising
 - C. Incomplete applications
 - D. Accidental omissions of facts
- 3. Which of the following is NOT a typical use of business in the context of annuities?**
 - A. Estate creation
 - B. Paid to an annuitant
 - C. Managed risk
 - D. Providing life insurance
- 4. Which type of life insurance offers a level or increasing death benefit option?**
 - A. Whole life insurance
 - B. Universal life insurance
 - C. Term life insurance
 - D. Endowment policies
- 5. What does the term "deferred" commonly refer to in financial products?**
 - A. Immediate payouts
 - B. Postponement of payments or taxation
 - C. Guaranteed investment returns
 - D. High risk investment options

6. Which term describes a principal without any additional charges or fees?

- A. Nominal principal
- B. Simple principal
- C. Net principal
- D. Liquid principal

7. Which premium structure allows for a gradual increase over time?

- A. Grades premium
- B. Fixed amount
- C. No-lapse guarantee
- D. Life income

8. What does a straight life insurance policy offer?

- A. Flexible premiums
- B. Lower premium for permanent coverage
- C. Investment in stocks
- D. Short-term coverage

9. What does 'exceeding proceeds' refer to in a life insurance context?

- A. Payments going beyond the benefits of the policy
- B. Guaranteed coverage
- C. Insufficient cash values
- D. Coverage limitations

10. In an insurance context, what does the term 'loss' generally imply?

- A. A decrease in asset value due to theft
- B. A reduction in liability coverage
- C. A financial detriment experienced
- D. A withdrawal of investment

Answers

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

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Explanations

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1. What term is used to describe the process of bringing a lapsed insurance policy back into effect?

- A. Renewal
- B. Reinstatement**
- C. Extension
- D. Activation

The term that describes the process of bringing a lapsed insurance policy back into effect is reinstatement. This process involves the policyholder taking specific steps to restore their insurance coverage after it has expired, typically due to non-payment of premiums or other reasons that caused the policy to lapse. Reinstatement usually requires the policyholder to submit a reinstatement application and sometimes pay any overdue premiums along with an additional fee. There may also need to be proof of insurability, depending on the insurer's policies. The goal of reinstatement is to reestablish the original terms of the policy, allowing the insured to resume coverage without needing to purchase a new policy, which could result in a higher premium based on current underwriting standards.

2. What does the term 'perjury' imply in the context of insurance claims?

- A. Deliberate false testimonies**
- B. Misleading advertising
- C. Incomplete applications
- D. Accidental omissions of facts

The term 'perjury' specifically refers to the act of deliberately providing false testimony, particularly under oath. In the context of insurance claims, this means that when an individual makes a statement or represents facts about their situation during the claims process, they are expected to tell the truth. If they intentionally lie or mislead with the intent to deceive, whether during verbal testimony or in written documents, it constitutes perjury. This is a serious offense as it undermines the integrity of the insurance process and can lead to severe legal consequences, including potential criminal charges. Other options refer to different types of misrepresentation or errors that may occur in the insurance context but do not carry the same legal implications as perjury. Misleading advertising, for example, pertains to promotional practices intended to deceive consumers, whereas incomplete applications and accidental omissions relate to unintentional errors rather than the intentional act of lying under oath. Hence, while these may all represent issues in insurance claims, only deliberate false testimonies align with the definition of perjury.

3. Which of the following is NOT a typical use of business in the context of annuities?

- A. Estate creation
- B. Paid to an annuitant
- C. Managed risk
- D. Providing life insurance**

In the context of annuities, providing life insurance is not a typical use. Annuities are primarily designed to provide a stream of income, often in retirement, as a way to create a financial safety net. They serve several purposes, such as estate creation, where individuals use annuities to build wealth that can later be passed on to beneficiaries. Managed risk is also a key characteristic, as annuities help mitigate the risk of outliving one's savings by offering a guaranteed income for a specified period or for the lifetime of the annuitant. While life insurance is a vital financial tool, it fundamentally serves a different purpose. Life insurance provides a death benefit to beneficiaries upon the death of the insured, whereas annuities focus on income during the annuitant's lifetime. Thus, while both products are part of a comprehensive financial plan, providing life insurance does not align with the typical uses associated with annuities.

4. Which type of life insurance offers a level or increasing death benefit option?

- A. Whole life insurance
- B. Universal life insurance**
- C. Term life insurance
- D. Endowment policies

Universal life insurance is the type of life insurance that offers both a level and an increasing death benefit option. This flexibility is a key feature of universal life policies. With this type of insurance, policyholders can choose between a death benefit that remains level throughout the life of the policy or one that increases over time, which is typically tied to the cash value accumulation within the policy. The option for an increasing death benefit allows policyholders to adjust their coverage as their needs change, making it a versatile choice for those who might expect their financial responsibilities to grow over time. In addition to death benefits, universal life insurance accumulates cash value that can be borrowed against or withdrawn, adding another layer of planning for future financial needs. Other life insurance types, such as whole life, typically provide a level death benefit and have a defined cash value growth schedule. Term life insurance generally does not have cash value and is focused on providing coverage for a specific period, while endowment policies are designed to pay a benefit after a specified term or upon death, often providing a set amount rather than flexible death benefit options.

5. What does the term "deferred" commonly refer to in financial products?

- A. Immediate payouts
- B. Postponement of payments or taxation**
- C. Guaranteed investment returns
- D. High risk investment options

The term "deferred" in the context of financial products typically refers to the postponement of payments or taxation. This concept is often applied in various financial instruments, such as deferred annuities or certain retirement accounts, where the individual does not receive payouts or face tax consequences until a later date. For example, with a deferred annuity, the investor contributes funds to the account, but the payouts are delayed until a designated time in the future, often leading to tax advantages as well. This can be appealing for those looking to manage their tax liabilities strategically. The other options do not capture the essence of what "deferred" means in this context. Immediate payouts suggest a different financial arrangement that does not involve delay, guaranteed investment returns imply a level of certainty that isn't necessarily tied to the concept of deferral, and high-risk investment options typically denote investments that do not involve any postponement of returns but instead carry the potential for immediate gains or losses.

6. Which term describes a principal without any additional charges or fees?

- A. Nominal principal
- B. Simple principal**
- C. Net principal
- D. Liquid principal

The term that accurately describes a principal without any additional charges or fees is "simple principal." This refers to the original sum of money that is lent or invested, excluding any interest, fees, or other charges that might be applied. Identifying it as "simple" emphasizes that it is the base amount without complications or additional costs associated. In contrast, other terms might suggest various conditions or adjustments related to the principal amount, such as "nominal principal," which often refers to the stated amount before considering factors like inflation or additional costs. "Net principal" typically denotes the principal amount after certain deductions have been made, while "liquid principal" might imply the principal that can be quickly converted into cash, which also involves considerations beyond just the original sum. Thus, "simple principal" is the most appropriate term to describe the principal amount without any extras.

7. Which premium structure allows for a gradual increase over time?

- A. Grades premium**
- B. Fixed amount
- C. No-lapse guarantee
- D. Life income

The grades premium structure is designed to allow for a gradual increase in premiums over time. This approach can be beneficial for individuals who might expect their financial capacity to improve as their careers advance or as they achieve various life milestones. By starting with lower premiums that grow incrementally, policyholders can manage their cash flow more effectively, making it more feasible to maintain coverage in the long run. In contrast, a fixed amount structure typically requires a set premium that does not change over time, potentially making it less flexible for those whose circumstances may evolve. The no-lapse guarantee provides coverage as long as premiums are paid but does not inherently allow for gradual increases; rather, it ensures that the policy remains in force even in cases where the cash value might otherwise lapse. The life income option focuses on providing a steady stream of income rather than on the structure of premiums paid. Therefore, the grades premium structure stands out as the option that explicitly allows policyholders to experience a gradual increase in their premiums over time.

8. What does a straight life insurance policy offer?

- A. Flexible premiums
- B. Lower premium for permanent coverage**
- C. Investment in stocks
- D. Short-term coverage

A straight life insurance policy, also known as whole life insurance, provides a death benefit to the policyholder's beneficiaries upon the insured's death and includes permanent coverage for the lifetime of the insured. One of the key features of a straight life insurance policy is that it offers a lower premium rate compared to other forms of permanent coverage when considering the lifelong benefit it provides. Since the policy is designed to remain in force throughout the policyholder's life, it allows for financial planning that factors in lifelong protection. This type of insurance usually builds cash value over time, which can be a significant advantage as it provides a savings component alongside the death benefit. The fixed premium is designed to remain constant for the duration of the policy, making it an appealing option for individuals seeking stability in their insurance costs. In contrast, flexible premiums refer to adjustable life insurance policies, whereas investment in stocks pertains to variable life insurance, which has a different structure and purpose. Short-term coverage would not apply to a straight life policy, which is fundamentally designed to provide lifelong protection. Therefore, the essence of option B accurately captures the nature of a straight life insurance policy in the context of permanent coverage.

9. What does 'exceeding proceeds' refer to in a life insurance context?

- A. Payments going beyond the benefits of the policy**
- B. Guaranteed coverage
- C. Insufficient cash values
- D. Coverage limitations

In the context of life insurance, 'exceeding proceeds' refers specifically to payments that go beyond the benefits outlined in the policy. This means that if the amount received from a life insurance policy, such as in the case of a death benefit payout, surpasses what was originally guaranteed or stated in the policy, it is described as exceeding proceeds. This situation could arise in cases like a policy built up with additional cash value or certain riders that might enhance the payout. Understanding this concept is crucial for evaluating how life insurance policies can sometimes provide more value than what is initially expected, especially with features like investment components or additional benefits that can be added to policies. Knowing this helps in financial planning and setting appropriate expectations for policyholders regarding the benefits they can receive.

10. In an insurance context, what does the term 'loss' generally imply?

- A. A decrease in asset value due to theft
- B. A reduction in liability coverage
- C. A financial detriment experienced**
- D. A withdrawal of investment

In the context of insurance, the term 'loss' generally refers to a financial detriment experienced by the policyholder due to an insured event. This could involve damages from accidents, theft, natural disasters, or liability claims. The concept of loss is central to understanding how insurance works, as the purpose of insurance is to provide compensation for these financial impacts, thus restoring the insured to a position similar to where they were before the event occurred. Other options tend to highlight specific instances or aspects related to loss. A decrease in asset value due to theft highlights one type of event that could cause a loss, but 'loss' in insurance encompasses broader scenarios beyond just theft and includes various types of financial damages. A reduction in liability coverage does not define a loss but rather describes a change in policy terms without inherently implying a financial impact from an event. Similarly, a withdrawal of investment refers to a financial action rather than a loss; it does not directly pertain to the context of insurable events and resultant financial detriment.

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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:

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

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