Rhode Island Life Insurance Practice Exam (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

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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!

Questions

1. A retirement plan that sets aside part of the company's net income for distributions to qualified employees is called a:

A. Pension plan

B. Profit-sharing plan

C. Defined benefit plan

D. Deferred compensation plan

2. Which kind of insurance coverage is specifically designed for accidents resulting in dismemberment?

A. Life Insurance

B. Disability Insurance

C. AD and D Insurance

D. Health Insurance

3. Which situation requires a policyowner to provide proof of insurability in an Adjustable Life policy?

A. Changing beneficiaries

B. Reducing the term length

C. Increase face amount

D. Changing the premium payment frequency

4. A $20,000 life insurance policy application is completed, however the producer does not collect the initial premium. At what point does the coverage go into effect?

A. When the policy is issued by the insurer

B. When the applicant receives the policy and pays the initial premium

C. Upon submission of the application

D. Immediately after the applicant signs the application

5. What is the promise to pay stated benefits in a life insurance contract referred to as?

A. Underwriting clause

B. Insuring clause

C. Benefit clause

D. Coverage clause

6. What type of policy provides coverage that can change based on investment performance?

A. Whole life policy

B. Variable life policy

C. Term life policy

D. Universal life policy

7. Which type of life policy contains a monthly mortality charge as well as self-directed investment choices?

A. Whole life insurance

B. Term life insurance

C. Variable universal life

D. Flexible premium adjustable life

8. What must a producer sign when an existing life insurance policy is being reissued with a reduction in cash value?

A. Disclosure Statement for Policyholders

B. Notice Regarding Replacement of Life Insurance or Annuity

C. Statement of Insurability

D. Policy Change Agreement

9. What option allows a whole life insurance policyowner to sell their policy for an amount greater than its cash value?

A. Policy loan

B. Life settlement contract

C. Cash surrender value

D. Beneficiary assignment

10. Who is eligible for a certificate of coverage under a trustee group life policy?

A. The employer

B. The insurer

C. The employee

D. The policyholder

Answers

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

Explanations

1. **A retirement plan that sets aside part of the company's net income for distributions to qualified employees is called a:**

    A. Pension plan

    B. Profit-sharing plan

    C. Defined benefit plan

    D. Deferred compensation plan

A profit-sharing plan is designed to allocate a portion of the company's profits to employees, thereby directly linking employee compensation to the company's performance. This type of retirement plan allows employers discretion in how much they contribute each year, which can vary depending on the company's profitability. The contributions are typically based on a predetermined formula, which may consider the employee's salary or years of service, among other factors. This plan is advantageous as it incentivizes employees to perform well, knowing that their efforts can lead to greater company profits and larger contributions to their retirement funds. In contrast, other options like a pension plan or defined benefit plan involve specified benefits that do not depend on company profitability; instead, they provide a fixed payout based on a formula involving salary and tenure. A deferred compensation plan allows employees to postpone receiving a portion of their income, but it does not involve the company's profits in the way a profit-sharing plan does. Your understanding of how profit-sharing works encapsulates the essence of why this answer is the most fitting choice.

2. **Which kind of insurance coverage is specifically designed for accidents resulting in dismemberment?**

    A. Life Insurance

    B. Disability Insurance

    C. AD and D Insurance

    D. Health Insurance

Accidental Death and Dismemberment (AD&D) insurance is specifically tailored to cover accidents that result in dismemberment. This type of insurance provides benefits in the event of an accidental death, as well as for the loss of limbs or other body parts due to an accident. The coverage is focused on the financial impact that such tragic events can bring, offering policyholders or their beneficiaries compensation that can help alleviate the burdens that come from such life-altering incidents. Life insurance, while providing a financial safety net upon the death of the insured, does not address dismemberment specifically. Disability insurance offers benefits for a loss of income due to inability to work from an injury or illness, but it does not directly cover the loss of limbs. Health insurance may cover medical expenses related to accidents and injuries, but again, it does not provide the unique benefits associated with the specific risks of dismemberment. The specialized nature of AD&D insurance makes it the most appropriate choice when addressing the question regarding coverage explicitly aimed at accidents resulting in dismemberment.

3. Which situation requires a policyowner to provide proof of insurability in an Adjustable Life policy?

A. Changing beneficiaries

B. Reducing the term length

C. Increase face amount

D. Changing the premium payment frequency

In an Adjustable Life policy, a policyowner is often allowed to make changes to various aspects of the policy, but certain modifications come with additional requirements. When it comes to increasing the face amount of the policy, proof of insurability is typically required. This is because the insurer needs to reassess the risk associated with the policyowner, as an increase in coverage can significantly impact the insurer's potential liability. The necessity for proof of insurability ensures that the insurer has adequate information regarding the policyowner's current health status and any other risk factors that could affect the underwriting decision. In contrast, changing beneficiaries or adjusting payment frequencies does not generally affect the risk assessment and therefore does not require proof of insurability. Similarly, reducing the term length is often considered a less risky adjustment that does not necessitate additional evidence of the insured's health.

4. A $20,000 life insurance policy application is completed, however the producer does not collect the initial premium. At what point does the coverage go into effect?

A. When the policy is issued by the insurer

B. When the applicant receives the policy and pays the initial premium

C. Upon submission of the application

D. Immediately after the applicant signs the application

The coverage for a life insurance policy generally goes into effect when the applicant receives the policy and pays the initial premium. This requirement is based on the principle that insurance provides protection in exchange for payment. When the initial premium is paid and the applicant receives the policy, it signifies that the insurer has accepted the risk associated with that particular coverage. Collecting the initial premium is crucial because it demonstrates the applicant's commitment to the policy and allows the insurer to begin the coverage. In many cases, until the first premium is received, the policy is not officially active, even if the application is completed or the policy is issued. This means that simply submitting the application or signing it does not create an active insurance contract without the corresponding premium payment.

5. What is the promise to pay stated benefits in a life insurance contract referred to as?

A. Underwriting clause

B. Insuring clause

C. Benefit clause

D. Coverage clause

The promise to pay stated benefits in a life insurance contract is referred to as the insuring clause. This clause is a critical component of the life insurance policy, as it explicitly outlines the insurer's commitment to provide a death benefit to the beneficiary upon the insured's death, provided all conditions of the policy are met. The insuring clause typically includes essential details such as the amount of coverage and the situations under which the benefit will be paid. This provides clarity and assurance to the policyholder and beneficiaries regarding the financial protection the insurance policy offers. Understanding the insuring clause is crucial, as it forms the basis of the insurance agreement and sets the expectations of both the insurer and the insured regarding the coverage provided.

6. What type of policy provides coverage that can change based on investment performance?

A. Whole life policy

B. Variable life policy

C. Term life policy

D. Universal life policy

A variable life policy provides coverage that can change based on investment performance. This type of policy combines life insurance protection with an investment component, allowing the policyholder to allocate a portion of the premium payments to various investment options, such as stocks, bonds, or mutual funds. The cash value and death benefit of a variable life policy can fluctuate depending on the performance of these investments, allowing for the potential of increased growth compared to traditional policies. This flexibility is a key feature of variable life insurance; policyholders can adjust their investment allocations and have control over how their premiums are invested. Unlike whole life policies, which have a fixed premium and guaranteed cash value growth, or term life policies that provide coverage for a specific timeframe without any cash value, variable life policies present an opportunity for growth that is influenced by market conditions. Universal life policies also allow for some flexibility in premium payments and death benefits, but their cash value growth is generally tied to a fixed interest rate rather than the performance of separate investment accounts.

7. **Which type of life policy contains a monthly mortality charge as well as self-directed investment choices?**

   A. **Whole life insurance**

   B. **Term life insurance**

   C. **Variable universal life**

   D. **Flexible premium adjustable life**

The option referring to variable universal life policies correctly identifies a product that includes both a monthly mortality charge and the flexibility of self-directed investment choices. Variable universal life insurance is a hybrid life insurance policy that combines features of both variable life insurance and universal life insurance. This means that policyholders have the ability to allocate their cash value among a variety of investment options, such as stocks, bonds, or mutual funds, allowing for potential growth based on market performance. Each month, the insurer deducts a mortality charge from the account, which covers the cost of insurance, ensuring that the policy remains in force. This ability to direct investments, together with the cost associated with the insurance, makes variable universal life products unique and suited for those looking for both coverage and investment opportunities. On the other hand, whole life insurance provides a guaranteed death benefit and a cash value component that grows at a fixed rate but does not offer self-directed investment choices. Term life insurance focuses solely on providing a death benefit for a specific period without an investment component, while flexible premium adjustable life insurance gives some adaptability regarding premiums and death benefits but lacks the investment choice aspect inherent in variable universal life policies.

8. **What must a producer sign when an existing life insurance policy is being reissued with a reduction in cash value?**

   A. **Disclosure Statement for Policyholders**

   B. **Notice Regarding Replacement of Life Insurance or Annuity**

   C. **Statement of Insurability**

   D. **Policy Change Agreement**

When an existing life insurance policy is being reissued with a reduction in cash value, the producer is required to sign a Notice Regarding Replacement of Life Insurance or Annuity. This document serves as an important safeguard for policyholders. The primary purpose of the notice is to ensure that the policyholder is fully informed about the implications of replacing their existing policy. This includes understanding the costs, benefits, and the potential loss of cash value. Since a reduction in cash value can significantly impact the policyholder's financial situation, the notice helps to clarify the details and encourage informed decision-making. By signing the notice, the producer acknowledges their responsibility to facilitate a transparent transaction and inform the policyholder of the consequences of their choices, ensuring compliance with regulatory requirements designed to protect consumers in the insurance market.

9. What option allows a whole life insurance policyowner to sell their policy for an amount greater than its cash value?

A. Policy loan

B. Life settlement contract

C. Cash surrender value

D. Beneficiary assignment

The option that allows a whole life insurance policyowner to sell their policy for an amount greater than its cash value is the life settlement contract. In a life settlement, the policyholder sells their existing life insurance policy to a third party for a lump sum payment that is typically higher than the policy's cash surrender value but lower than the death benefit. This can provide financial relief to the policyholder, especially if they no longer need the insurance, are unable to pay premiums, or simply want to convert the policy into cash. A policy loan allows the policyowner to borrow against the cash value of their whole life insurance but does not involve selling the policy. The cash surrender value is the amount the policyowner receives if they choose to cancel the policy, which is almost always less than the death benefit. Beneficiary assignment pertains to designating someone to receive the death benefit upon the policyowner's death and has no relevance to selling the policy. Thus, the life settlement contract uniquely allows for a transaction that capitalizes on the policy's value beyond just its cash surrender value.

10. Who is eligible for a certificate of coverage under a trustee group life policy?

A. The employer

B. The insurer

C. The employee

D. The policyholder

In a trustee group life policy, the certificate of coverage is typically issued to the employees covered under the policy rather than to the employer or the policyholder. Employees are the ones who benefit from the life insurance coverage provided by the policy. The certificate of coverage serves as proof that the employee is enrolled in the group life insurance plan and outlines the benefits they are entitled to under that policy. It is important for employees, as it confirms their coverage, details the amount of life insurance they have, and includes information on how to claim benefits in the event of death. The other parties mentioned, such as the employer, insurer, or policyholder, do not receive the certificate of coverage in the same capacity. While the employer may manage the policy and the insurer provides the coverage, it is the employee who is the actual insured party receiving the benefits. Therefore, employees are the eligible parties for a certificate of coverage under a trustee group life policy.

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://rhodeisland-lifeinsurance.examzify.com

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