

South Dakota Life and Health 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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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

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

- 1. Which of the following describes the main purpose of health insurance?**
 - A. To ensure wealth accumulation through investments**
 - B. To cover medical expenses and protect against high healthcare costs**
 - C. To provide a tax shelter for income**
 - D. To serve as a secondary form of employment benefits**
- 2. What principle does market conduct primarily affect?**
 - A. Financial regulations**
 - B. Customer satisfaction and trust**
 - C. Insurance premiums**
 - D. Investment strategies**
- 3. What happens if a misstatement of age is discovered in an insurance policy?**
 - A. The policy is voided**
 - B. Coverage will be adjusted to reflect the insured's true age**
 - C. The premium is refunded**
 - D. No action is taken**
- 4. What is the primary benefit of a Deferred Annuity?**
 - A. A tax-deferred growth of the investment**
 - B. An immediate stream of income upon purchase**
 - C. Higher interest rates than savings accounts**
 - D. Guaranteed income for life**
- 5. What aspect does "allowable charge" primarily influence in health insurance?**
 - A. The negotiating power between providers and insurers.**
 - B. The policyholder's out-of-pocket expenses.**
 - C. The total number of claim submissions allowed.**
 - D. The length of the benefit period for claims.**

- 6. Which of the following is true about unilateral contracts?**
- A. They require the agreement of both parties for enforcement**
 - B. They are formed when one party makes a promise in exchange for a performance**
 - C. They must be in writing to be enforceable**
 - D. They involve mutual obligations**
- 7. What type of policy is best for a business owner concerned about financial stability in case of disability?**
- A. Key Person Insurance**
 - B. Workers' Compensation Insurance**
 - C. Business Overhead Expense**
 - D. General Liability Insurance**
- 8. What is typically needed for a contract to be enforceable?**
- A. Mutual consent and consideration**
 - B. A notarized document**
 - C. Payment in cash**
 - D. Witness signatures**
- 9. What is a beneficiary in a life insurance policy?**
- A. A person or entity responsible for paying the premiums**
 - B. A person or entity designated to receive the death benefit**
 - C. A financial advisor involved in the insurance process**
 - D. The insurance company issuing the policy**
- 10. Which of the following scenarios most likely constitutes a breach of contract?**
- A. One party refuses to perform their obligations as outlined**
 - B. Both parties agree to modify the terms of the contract**
 - C. One party is late in fulfilling their obligations**
 - D. All parties stop communicating regarding the contract**

Answers

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

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Explanations

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1. Which of the following describes the main purpose of health insurance?

A. To ensure wealth accumulation through investments

B. To cover medical expenses and protect against high healthcare costs

C. To provide a tax shelter for income

D. To serve as a secondary form of employment benefits

The main purpose of health insurance is to cover medical expenses and protect individuals against high healthcare costs. Health insurance functions as a financial safety net, allowing insured individuals to access necessary medical services without incurring exorbitant out-of-pocket expenses. In essence, it helps mitigate the risk associated with unexpected medical events, ensuring that individuals can afford necessary care without facing financial hardship. Health insurance plans typically cover a range of healthcare services, including preventive care, hospitalizations, surgeries, and prescription medications. By pooling risk among many policyholders, health insurance makes it possible for individuals to share the costs of healthcare, thus enabling better access to medical services. This fundamental protective role is essential in maintaining public health and individual well-being.

2. What principle does market conduct primarily affect?

A. Financial regulations

B. Customer satisfaction and trust

C. Insurance premiums

D. Investment strategies

Market conduct primarily affects customer satisfaction and trust, as it encompasses the behavior of insurance companies in their dealings with policyholders, regulators, and the general public. Good market conduct involves treating customers fairly, providing transparent information, and honoring policy terms, all of which are fundamental in establishing a positive relationship between insurers and their clients. When insurers are perceived as acting ethically and responsibly, it fosters trust among consumers, leading to a better customer experience. This trust is crucial, as it influences customers' decisions to purchase insurance, remain with their insurer, and recommend their services to others. In essence, market conduct directly impacts how satisfied customers feel with their insurers and their confidence in the insurance industry as a whole. In contrast, while financial regulations, insurance premiums, and investment strategies are important aspects of the insurance landscape, they do not directly encapsulate the ethical and relational dynamics that market conduct primarily addresses.

3. What happens if a misstatement of age is discovered in an insurance policy?

- A. The policy is voided**
- B. Coverage will be adjusted to reflect the insured's true age**
- C. The premium is refunded**
- D. No action is taken**

If a misstatement of age is discovered in an insurance policy, the coverage will be adjusted to reflect the insured's true age. This means that the insurance company will recalculate the benefits or premiums based on the correct age of the insured. Insurers rely heavily on age when determining premiums and coverage limits because age is a critical factor in assessing risk and the potential lifespan of the insured. If a person misrepresents their age on the application, the insurer has the right to correct the terms of the policy to align with the actual age. For example, if someone aged 50 claims to be 45 and a claim is made, the insurer would evaluate what the coverage or premium would have been based on the true age of 50. Consequently, this adjustment can lead to an increase or decrease in the benefits provided or in the premiums charged, ensuring that the insurer's risk is accurately reflected according to the true age of the insured. This approach encourages honesty in applications without entirely voiding or penalizing the coverage unless the misstatement is significant enough to warrant severe action.

4. What is the primary benefit of a Deferred Annuity?

- A. A tax-deferred growth of the investment**
- B. An immediate stream of income upon purchase**
- C. Higher interest rates than savings accounts**
- D. Guaranteed income for life**

The primary benefit of a Deferred Annuity is the tax-deferred growth of the investment. This means that the earnings on the investment are not subject to income tax until they are withdrawn. This feature allows the investment to grow more effectively over time, as the interest or investment gains can compound without the immediate tax burden that would typically apply to other types of savings accounts or investment vehicles. By deferring taxes on growth, individuals can accumulate a larger amount over time, which can be especially beneficial for retirement planning. Once withdrawals are made, typically during retirement when an individual may be in a lower tax bracket, taxes will be owed on the amounts taken, but the initial growth phase allows for potentially higher overall returns due to the advantage of compounding. The other options, while they may be features of different financial products or types of annuities, do not capture the fundamental advantage of a Deferred Annuity in the same way as the tax-deferred growth does. Immediate income streams, higher interest rates, and guaranteed income for life often pertain to different annuity structures or savings products, but the essence of a Deferred Annuity is centered around its tax benefits during the accumulation phase.

5. What aspect does "allowable charge" primarily influence in health insurance?

- A. The negotiating power between providers and insurers.**
- B. The policyholder's out-of-pocket expenses.**
- C. The total number of claim submissions allowed.**
- D. The length of the benefit period for claims.**

The concept of "allowable charge" is pivotal in determining the policyholder's out-of-pocket expenses. An allowable charge is the maximum amount that a health insurance plan agrees to pay for a specific medical service or procedure. This figure is essential because it directly influences how much the insurer will reimburse the healthcare provider and how much the insured individual will ultimately need to pay out of pocket. When the provider bills for a service, they might charge a higher amount than the allowable charge set by the insurer. The insurance company will cover the allowable charge as stipulated in the policy, and any amount above that becomes the responsibility of the policyholder. Thus, understanding allowable charges helps policyholders anticipate their financial responsibilities when receiving care, including deductibles, copayments, and coinsurance. In contrast, other options relate to different facets of health insurance. For instance, while negotiating power between providers and insurers can affect pricing agreements, it is not the direct function of the allowable charge. Similarly, the total number of claim submissions and the benefit periods pertain more to policy limits and plan structures rather than the specific financial interactions tied to allowable charges.

6. Which of the following is true about unilateral contracts?

- A. They require the agreement of both parties for enforcement**
- B. They are formed when one party makes a promise in exchange for a performance**
- C. They must be in writing to be enforceable**
- D. They involve mutual obligations**

Unilateral contracts are defined by the fact that only one party makes a promise that is contingent upon the performance of an act by the other party. In this type of contract, one party offers something of value (usually a promise) in exchange for a specific action (performance) from another party. The classic example of a unilateral contract is a reward offer, such as when someone promises to pay a reward for the return of a lost pet. The promise is only valid if the action of returning the pet is carried out. The essence of a unilateral contract lies in its structure—one party's obligation is fulfilled only when the other party performs the action. This distinguishes it from bilateral contracts, which involve mutual promises between both parties. Understanding this concept helps clarify how unilateral contracts operate, emphasizing that enforcement does not require reciprocal promises, which is a key characteristic defining such agreements.

7. What type of policy is best for a business owner concerned about financial stability in case of disability?

- A. Key Person Insurance**
- B. Workers' Compensation Insurance**
- C. Business Overhead Expense**
- D. General Liability Insurance**

A Business Overhead Expense policy is specifically designed for business owners who want to ensure their operational costs are covered in the event that they become disabled and unable to work. This insurance helps pay for necessary business expenses, such as rent, utilities, and employee salaries, during a disability period. By doing so, it allows the business to maintain its financial stability, ensuring continuity despite the owner's incapacitation. Key Person Insurance, while important for protecting against the loss of a key employee, primarily provides a financial benefit to the business upon the death of that key individual rather than addressing the ongoing expenses required to keep the business running in a disability scenario. Workers' Compensation Insurance pertains to covering employees who become injured or ill due to their work but does not directly address the owner's financial needs during their own disability. General Liability Insurance protects businesses from third-party claims of bodily injury and property damage but does not cover lost income or operational expenses related to an owner's disability. Thus, a Business Overhead Expense policy is the most appropriate choice for a business owner seeking to protect their enterprise against the financial challenges posed by a disability.

8. What is typically needed for a contract to be enforceable?

- A. Mutual consent and consideration**
- B. A notarized document**
- C. Payment in cash**
- D. Witness signatures**

For a contract to be enforceable, mutual consent and consideration are fundamental elements. Mutual consent refers to the agreement of both parties involved in the contract, indicating that they have a meeting of the minds regarding the terms and conditions. This ensures that both parties understand and agree to what is being proposed, which is essential for the validity of the contract. Consideration refers to something of value exchanged between the parties. This can be in the form of money, goods, services, or a promise to perform a certain act. Without consideration, a contract may be deemed as a gift rather than a legally enforceable agreement, as there would be no incentive or obligation for one party to fulfill the terms. In contrast, while notarization and witness signatures can add a layer of authenticity or evidence to a contract, they are not strictly required for a contract to be legally binding; they can serve additional purposes but do not deal with the core components of a contract. Payment in cash might be one way to fulfill the consideration, but it is not the only method, as other forms of consideration are acceptable.

9. What is a beneficiary in a life insurance policy?

- A. A person or entity responsible for paying the premiums**
- B. A person or entity designated to receive the death benefit**
- C. A financial advisor involved in the insurance process**
- D. The insurance company issuing the policy**

In a life insurance policy, the beneficiary is a person or entity that is specifically designated to receive the death benefit upon the policyholder's death. This designation ensures that the proceeds from the life insurance policy go to the intended recipient, helping to provide financial support or cover expenses as specified by the policyholder. Choosing a beneficiary is an essential part of setting up a life insurance policy. The policyholder can name one or multiple beneficiaries and can also make changes to these designations throughout the life of the policy. This flexibility allows individuals to adapt their estate planning and financial arrangements to fit their changing circumstances. The other options do not accurately represent the role of a beneficiary. The responsibility for paying premiums lies with the policyholder, while a financial advisor may assist in managing the insurance but is not designated to receive the benefits. Lastly, the insurance company is the entity that underwrites the policy and pays out the death benefit, but it does not serve the role of a beneficiary.

10. Which of the following scenarios most likely constitutes a breach of contract?

- A. One party refuses to perform their obligations as outlined**
- B. Both parties agree to modify the terms of the contract**
- C. One party is late in fulfilling their obligations**
- D. All parties stop communicating regarding the contract**

A breach of contract typically occurs when one party fails to fulfill its obligations as specified in the agreement. In this scenario, when one party refuses to perform their obligations, it clearly indicates an inability or unwillingness to adhere to the terms of the contract. This action directly undermines the agreed-upon terms and negatively affects the other party, thereby constituting a breach. In contrast, mutual agreement to modify the contract terms indicates collaboration rather than a breach. A delay in fulfilling obligations can be a concern but may not necessarily be a breach, especially if it doesn't significantly affect the overall performance or is due to extenuating circumstances. Lastly, while a lack of communication can lead to misunderstandings or potential disputes, it does not automatically result in a breach unless it leads to a refusal to perform obligations outlined in the contract. Thus, the first scenario most clearly exemplifies a breach of contract.

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://sdlifehealth.examzify.com>

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