

SOUTH DAKOTA LIFE AND HEALTH PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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. Who has the option to renew a Renewable Term policy?**
 - A. The insurer
 - B. The beneficiary
 - C. The insured
 - D. The underwriter
- 2. What is the fundamental difference between an HMO and a PPO in health insurance?**
 - A. Cost structure
 - B. Provider network flexibility
 - C. Coverage type
 - D. Eligibility criteria
- 3. What is the purpose of key person insurance?**
 - A. To provide benefits to beneficiaries after a policyholder's death.
 - B. To ensure business continuity in the event of a key employee's death or incapacity.
 - C. To cover losses in employee health insurance claims.
 - D. To fund employee retirement plans.
- 4. 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
- 5. Which type of contract does not require a written document to be enforceable?**
 - A. Verbal contracts
 - B. Implied contracts
 - C. Executed contracts
 - D. Contracts of adhesion

6. Which of the following could lead to a favorable rating classification?

- A. High-risk occupation
- B. Healthy lifestyle choices
- C. Smoker status
- D. Frequent hospital visits

7. What is "financial underwriting" in the context of insurance?

- A. The process of evaluating a business's financial health.
- B. The assessment of an individual's financial situation to determine insurability.
- C. The review of past insurance claims filed by the applicant.
- D. The determination of an individual's credit score.

8. What is the term for the provision that suspends premium payments while the insured is disabled?

- A. Premium Cancellation
- B. Waiver of Premium
- C. Disability Suspension
- D. Coverage Exemption

9. What is "surrender value" in insurance terms?

- A. The penalties for early policy termination
- B. The amount paid upon the death of the insured
- C. The amount received if a policy is terminated early
- D. The cash value available after maturity

10. What is an "accidental death benefit"?

- A. A payment made if death occurs from natural causes
- B. An additional amount paid for accidental death
- C. A discount on policy premiums
- D. A type of critical illness benefit

Answers

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

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Explanations

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1. Who has the option to renew a Renewable Term policy?

- A. The insurer
- B. The beneficiary
- C. The insured**
- D. The underwriter

In the context of a Renewable Term policy, the option to renew is typically held by the insured. This gives the individual who owns the policy the ability to extend their coverage after the term period ends, usually without needing to undergo additional medical underwriting or assessment. The insured can take advantage of this option, allowing for continued life insurance protection even as their health status may change over time. This provision is beneficial because it allows a policyholder to maintain coverage even if they might face difficulties obtaining a new policy due to changes in health or age. While the insurer has to honor the renewal option as stipulated in the policy, it is ultimately the insured who exercises that right to renew the coverage according to their needs and circumstances. The beneficiary does not have the option to renew a policy since their role is to receive the benefits upon the death of the insured. The underwriter's role is to assess the risk and determine the terms under which the policy will be issued, but they do not have the authority to renew the policy. Therefore, the insured's ability to renew is what makes it a unique feature of Renewable Term insurance.

2. What is the fundamental difference between an HMO and a PPO in health insurance?

- A. Cost structure
- B. Provider network flexibility**
- C. Coverage type
- D. Eligibility criteria

The fundamental difference between a Health Maintenance Organization (HMO) and a Preferred Provider Organization (PPO) lies in the provider network flexibility. HMOs typically require members to choose a primary care physician (PCP) and obtain referrals to see specialists. This model promotes coordinated care but limits the flexibility in choosing healthcare providers, as treatment generally must be obtained from within the HMO's network, except in emergencies. In contrast, PPOs offer greater flexibility by allowing members to see any healthcare provider without needing a referral. Members can choose to visit out-of-network providers, although doing so usually incurs higher out-of-pocket costs. This flexibility is a key distinguishing feature that appeals to individuals who prefer more options regarding their healthcare choices. While cost structure, coverage type, and eligibility criteria may differ between various health plans, the defining characteristic that clearly sets HMOs apart from PPOs is the level of flexibility in provider choice and the way care is accessed.

3. What is the purpose of key person insurance?

- A. To provide benefits to beneficiaries after a policyholder's death.
- B. To ensure business continuity in the event of a key employee's death or incapacity.**
- C. To cover losses in employee health insurance claims.
- D. To fund employee retirement plans.

Key person insurance is specifically designed to protect a business from the financial impact of losing a crucial employee, often referred to as a "key person." This type of policy provides the business with a death benefit that can be used to cover various costs, including operational expenses, recruiting and training a replacement, and stabilizing the business during a difficult transition. The main goal is to ensure business continuity in the face of a key employee's death or incapacity. This insurance gives businesses the necessary funds to mitigate any potential losses or disruptions while they adapt to the sudden change in personnel. It recognizes that certain individuals within a company hold unique skills, relationships, or knowledge critical to the organization's success, and their absence could lead to significant financial strain. The other options listed do not align with the primary function of key person insurance. Other types of insurance or benefits serve those purposes, such as providing survivor benefits, health insurance claims, or retirement funding, but they do not specifically address the unique role of a key person within a business context.

4. 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.

5. Which type of contract does not require a written document to be enforceable?

- A. Verbal contracts
- B. Implied contracts**
- C. Executed contracts
- D. Contracts of adhesion

Implied contracts are agreements that are not explicitly stated but are inferred from actions, conduct, or circumstances of the parties involved. These contracts are enforceable without a written document because they arise from the mutual intentions of the parties, even if no formal agreement was explicitly articulated. For instance, if you go to a restaurant and order food, there is an implied contract that you will pay for the meal after it is served. While verbal contracts can also be enforceable, they are often subject to disputes regarding terms since oral agreements can be difficult to prove. Executed contracts refer to agreements that have been fully performed by all parties involved and thus do not pertain specifically to the need for written documentation. Contracts of adhesion are typically standard form contracts that one party drafts, leaving little room for negotiation, and while they often do not require signatures, enforceability may still depend on the context in which they are used.

6. Which of the following could lead to a favorable rating classification?

- A. High-risk occupation
- B. Healthy lifestyle choices**
- C. Smoker status
- D. Frequent hospital visits

A favorable rating classification indicates that an individual is considered to present a lower risk to an insurer, which often translates into lower premiums for life and health policies. Healthy lifestyle choices, such as maintaining a balanced diet, exercising regularly, avoiding smoking and excessive alcohol consumption, and managing stress, directly contribute to an individual's overall health and longevity. Insurers often evaluate health based on various factors, including occupation, habits, and medical history. Healthy lifestyle choices reflect an individual's commitment to their well-being, suggesting a lower likelihood of serious health issues in the future. This commitment signals to insurers that the individual is a lower risk, justifying a more favorable rating classification. In contrast, high-risk occupations, smoker status, and frequent hospital visits typically indicate higher risk factors, which would likely lead to less favorable classifications. High-risk jobs may have a higher likelihood of accidents or injuries, while smoking can lead to numerous health issues. Frequent hospital visits generally reflect ongoing health problems, all contributing to a higher assessment of risk by insurers.

7. What is "financial underwriting" in the context of insurance?

- A. The process of evaluating a business's financial health.
- B. The assessment of an individual's financial situation to determine insurability.**
- C. The review of past insurance claims filed by the applicant.
- D. The determination of an individual's credit score.

Financial underwriting refers to the assessment of an individual's financial situation to determine their insurability and the risk associated with providing them insurance coverage. This process involves examining various factors such as income, existing debts, assets, and overall financial stability to evaluate whether the applicant can afford the premiums and if they pose a manageable risk to the insurer. This assessment is crucial because it helps insurers mitigate potential losses. A thorough financial review allows the insurance company to make informed decisions regarding the terms of coverage, including premium amounts and potential coverage limits. The other options focus on different aspects that, while related to the overall underwriting process, do not specifically encompass financial underwriting. Evaluating a business's financial health is important in business insurance but does not apply to individual insurance assessments. The review of insurance claims pertains to claims history rather than financial underwriting. Finally, determining an individual's credit score is a part of credit underwriting, not specifically financial underwriting. All these elements contribute to the overall underwriting process, but only the assessment of an individual's financial situation aligns precisely with the concept of financial underwriting.

8. What is the term for the provision that suspends premium payments while the insured is disabled?

- A. Premium Cancellation
- B. Waiver of Premium**
- C. Disability Suspension
- D. Coverage Exemption

The term that refers to the provision allowing suspended premium payments while the insured is disabled is known as a Waiver of Premium. This feature is particularly important in life insurance policies, as it ensures that the policy remains in force even if the policyholder is unable to make premium payments due to a disability. The Waiver of Premium typically becomes effective after a specified waiting period and covers the premiums for the duration of the disability, ultimately providing peace of mind to the insured that their coverage will continue without any financial burden during difficult times. This helps maintain the insurance contract's validity and protects beneficiaries in the event of the insured's passing while they are disabled. Other terms mentioned do not accurately describe this provision; for example, Premium Cancellation implies a different scenario where the policy might be terminated rather than just allowing for deferred payments during a disability. Disability Suspension and Coverage Exemption also do not establish the specific arrangement that allows for ongoing coverage without premium payments in the case of a disability.

9. What is "surrender value" in insurance terms?

- A. The penalties for early policy termination
- B. The amount paid upon the death of the insured
- C. The amount received if a policy is terminated early**
- D. The cash value available after maturity

Surrender value refers to the amount of cash that a policyholder can receive from an insurance policy if they decide to terminate or "surrender" the policy before it matures or before the insured event occurs, such as death in the case of life insurance. This value is typically associated with permanent life insurance policies, which accumulate cash value over time. The surrender value represents a portion of the accumulated cash value, minus any fees or outstanding loans that may be owed against the policy. When a policyholder decides to surrender the policy, they receive this cash amount, which can then be used for other financial needs or investments. It's important for policyholders to understand that surrendering a policy could also mean losing insurance coverage and potential future benefits. In contrast, the other options relate to different aspects of insurance. Penalties for early termination represent potential costs associated with surrendering the policy but do not define what surrender value specifically is. The amount paid upon the death of the insured pertains solely to the death benefit of a life insurance policy and is not reflective of any accumulated cash value or surrendering of the policy. Similarly, the cash value available after maturity would be applicable to policies that mature or reach their end date, rather than those that are surrendered early.

10. What is an "accidental death benefit"?

- A. A payment made if death occurs from natural causes
- B. An additional amount paid for accidental death**
- C. A discount on policy premiums
- D. A type of critical illness benefit

An accidental death benefit refers specifically to a provision in life insurance policies that provides an additional payout to the beneficiaries if the insured dies as a result of an accident. This benefit is above and beyond the standard life insurance payout and is designed to offer extra financial support in cases deemed accidental. This type of coverage is significant because it differentiates between deaths that result from natural causes or illnesses and those that occur due to unforeseeable accidents, underscoring the nature of risk that insurers are willing to cover. Accidental death is usually defined by the policy, and qualifying incidents may include events like car crashes, falls, or other unintended fatalities. Thus, the answer accurately reflects the purpose and characteristics of the accidental death benefit within the realm of insurance policies.

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!

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