

Tennessee Insurance 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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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. Under what condition is a life insurance policy considered a wagering contract?**
 - A. With insurable interest**
 - B. Without insurable interest**
 - C. With high premiums**
 - D. Without a beneficiary**
- 2. What will the insurer likely do if L dies and it is discovered she understated her age on the application?**
 - A. Cancel the policy**
 - B. Adjust the death benefit**
 - C. Offer a reimbursement**
 - D. Enforce a waiting period**
- 3. What is required for a producer to sell Variable Life products?**
 - A. A Property Insurance license**
 - B. A Life Insurance license and a Securities license**
 - C. No special licensing is needed**
 - D. A Health Insurance license**
- 4. The premiums paid by an employer for an employee's group life insurance are generally considered to be?**
 - A. Tax-exempt for the employee**
 - B. Tax-deductible to the employer**
 - C. Non-deductible expenses**
 - D. Taxable income for the employee**
- 5. Which term describes the ability of an insurance applicant to access their policy's cash surrender value?**
 - A. Liquidity**
 - B. Profitability**
 - C. Affordability**
 - D. Salvage value**

- 6. At what age does an individual become eligible for Medicare regardless of retirement status?**
- A. 60**
 - B. 62**
 - C. 65**
 - D. 67**
- 7. What does the MIB stand for?**
- A. Mass Insurance Board**
 - B. Medical Insurance Bureau**
 - C. Medical Information Bureau**
 - D. Monetary Insurance Bureau**
- 8. In a Renewable Term policy, how is the premium calculated?**
- A. Fixed at the outset of the policy**
 - B. Based on the insured's initial age**
 - C. Based on market conditions**
 - D. Based on the insured's attained age**
- 9. On Q's life insurance policy, Q pays \$900 in premiums for a \$500,000 benefit. What feature of the contract does this illustrate?**
- A. Unilateral contract**
 - B. Fortuitous event**
 - C. Aleatory**
 - D. Conditional contract**
- 10. A company that holds a life insurance policy on its key employee can perform all of the following actions EXCEPT?**
- A. Change the policy's interest rate**
 - B. Loan against the policy**
 - C. Change the beneficiary**
 - D. Transfer ownership of the policy**

Answers

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

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Explanations

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1. Under what condition is a life insurance policy considered a wagering contract?

- A. With insurable interest**
- B. Without insurable interest**
- C. With high premiums**
- D. Without a beneficiary**

A life insurance policy is regarded as a wagering contract when it is taken out without insurable interest. Insurable interest is a fundamental principle in insurance that dictates that the policyholder must have a legitimate interest in the life or health of the insured person, meaning they would suffer a financial loss or hardship upon that person's death. When a policy is purchased without insurable interest, it introduces a speculative element to the arrangement, resembling more of a bet rather than a protective financial measure. This situation raises ethical concerns and diminishing trust within the insurance framework, as it allows individuals to benefit financially from the death of another without any genuine connection or potential loss. In scenarios involving high premiums, the focus is on the cost of the policy rather than the relationship between the insured and the policyholder, and this aspect does not inherently define the nature of the contract itself. Similarly, the presence or absence of a beneficiary does not determine whether the contract is a wager, but rather addresses who will receive the policy's proceeds upon the insured's death. Hence, the essence of determining whether a life insurance policy is a wagering contract fundamentally hinges on the existence of insurable interest.

2. What will the insurer likely do if L dies and it is discovered she understated her age on the application?

- A. Cancel the policy**
- B. Adjust the death benefit**
- C. Offer a reimbursement**
- D. Enforce a waiting period**

If it is discovered that L understated her age on the insurance application after her death, the insurer will likely adjust the death benefit. Insurance premiums and benefits are often calculated based on the applicant's age at the time the policy is issued. If the age was understated, this could mean that the policy was issued at a lower premium rate than would have been charged had the correct age been disclosed. The insurer typically recalculates the death benefit based on the appropriate age and the corresponding premium rates. For instance, if L had disclosed her correct age, the policy would have provided a different (usually lower) benefit amount, reflecting normal underwriting practices. Therefore, upon discovering the age misinformation, the company would adjust the death benefit to align with the premiums that should have been paid had the correct age been disclosed, rather than taking more drastic measures like canceling the policy or enforcing a waiting period.

3. What is required for a producer to sell Variable Life products?

- A. A Property Insurance license**
- B. A Life Insurance license and a Securities license**
- C. No special licensing is needed**
- D. A Health Insurance license**

To sell Variable Life products, a producer must hold a Life Insurance license as well as a Securities license. Variable Life insurance is a unique product that combines life insurance protection with an investment component. The investment aspect means that the cash value of the policy can fluctuate based on the performance of the underlying assets that the policyholder chooses, which typically include stocks, bonds, or mutual funds. The requirement for a Securities license arises because the investment component of Variable Life insurance falls under regulation by the Securities and Exchange Commission (SEC) and requires compliance with federal and state laws governing securities. This ensures that the producer is qualified to provide investment advice and understands the risks associated with securities products. Holding a Life Insurance license is necessary because Variable Life insurance is essentially a life insurance product. Without this license, a producer would not be authorized to engage in the sale of life insurance policies, which is a central aspect of Variable Life products. In contrast, a Property Insurance license is not applicable, as it pertains solely to property coverage, and a Health Insurance license is focused on health-related products. Both do not provide the necessary authority or knowledge to sell Variable Life policies. Lastly, stating that no special licensing is needed would overlook the regulatory framework that governs the sale of such financial instruments.

4. The premiums paid by an employer for an employee's group life insurance are generally considered to be?

- A. Tax-exempt for the employee**
- B. Tax-deductible to the employer**
- C. Non-deductible expenses**
- D. Taxable income for the employee**

The premiums paid by an employer for an employee's group life insurance are generally considered tax-deductible to the employer. This means that when employers provide group life insurance coverage for their employees and pay the premiums for that coverage, they can deduct those expenses from their taxable income. This tax treatment serves as an incentive for employers to offer group life insurance as part of their employee benefits package, making it a financially viable option for businesses. When employers incur these expenses, they are recognized as ordinary and necessary business expenses, which are eligible for deduction under the Internal Revenue Code. This not only benefits the employer by reducing their taxable income but can also enhance employee morale and satisfaction by providing them with valuable insurance coverage without direct cost to them, further supporting overall workforce welfare. The other options do not accurately reflect how group life insurance premiums are treated from a tax perspective.

5. Which term describes the ability of an insurance applicant to access their policy's cash surrender value?

- A. Liquidity**
- B. Profitability**
- C. Affordability**
- D. Salvage value**

Liquidity refers to the ease and speed with which an asset can be converted into cash without significantly affecting its value. In the context of insurance, when an applicant can access their policy's cash surrender value, they are essentially able to convert part of the policy's value into cash, which exemplifies the concept of liquidity. This is particularly relevant for permanent life insurance policies, where the cash surrender value can be withdrawn or borrowed against. The other terms don't align with this concept: profitability relates to the earnings generated from an investment, affordability pertains to the ability to pay for insurance premiums, and salvage value is typically associated with the estimated resale value of an asset at the end of its useful life. Thus, liquidity is the precise term that captures the ability to access the cash value in an insurance policy.

6. At what age does an individual become eligible for Medicare regardless of retirement status?

- A. 60**
- B. 62**
- C. 65**
- D. 67**

Individuals become eligible for Medicare at the age of 65, which is the age set by the federal government for enrollment in this program designed to provide health insurance primarily for older adults. This eligibility is independent of whether the individual is still working or has retired; anyone who is 65 or older can apply for Medicare benefits. Medicare serves as a crucial safety net for medical expenses as people age, and understanding the eligibility age is key for planning health care coverage. This program includes various parts, such as Part A (Hospital Insurance) and Part B (Medical Insurance), and even though enrollment can begin three months before reaching this age, eligibility itself starts at 65. The other ages proposed do not align with the established eligibility criteria for Medicare, emphasizing the importance of the correct age in understanding health insurance for seniors.

7. What does the MIB stand for?

- A. Mass Insurance Board
- B. Medical Insurance Bureau
- C. Medical Information Bureau**
- D. Monetary Insurance Bureau

The MIB stands for Medical Information Bureau. This organization serves as a valuable resource within the insurance industry by compiling and maintaining data regarding individuals' medical histories and various personal health records. Insurance companies utilize the information collected by the MIB to assess risk and make informed underwriting decisions when individuals apply for life, health, and disability insurance. The MIB operates under strict confidentiality and complies with privacy regulations, ensuring that the information it holds is accurate and used properly in the insurance context. This not only aids insurers in determining the insurability of applicants but also helps in preventing fraud. Understanding the role and function of the MIB is crucial for insurance professionals, as it directly impacts the underwriting process and overall risk management within the industry.

8. In a Renewable Term policy, how is the premium calculated?

- A. Fixed at the outset of the policy
- B. Based on the insured's initial age
- C. Based on market conditions
- D. Based on the insured's attained age**

In a Renewable Term policy, the premium is calculated based on the insured's attained age. This means that as the policyholder ages, the premiums will increase at each renewal stage corresponding to their current age. This is fundamental in renewable term insurance because the risk to the insurer increases as the insured gets older, which justifies the higher premiums. The structure of renewable term policies allows policyholders to renew their coverage without undergoing another medical examination, but with the understanding that the premium rates will adjust to reflect their updated age. This method ensures that the cost of insurance aligns with the level of risk associated with insuring individuals who are older. In contrast, a premium that is fixed at the outset would not take into account the increasing risk as the insured ages, making it unsuitable for renewable term insurance. Similarly, calculating the premium based solely on the insured's initial age would be inaccurate because it would not account for the natural aging process or changing risk factors over time. Market conditions may influence premiums in some contexts, but they do not play a direct role in the calculation of premiums based on attained age in renewable term policies.

9. On Q's life insurance policy, Q pays \$900 in premiums for a \$500,000 benefit. What feature of the contract does this illustrate?

- A. Unilateral contract**
- B. Fortuitous event**
- C. Aleatory**
- D. Conditional contract**

The correct answer highlights the nature of the life insurance contract as an aleatory contract. This type of contract is characterized by the fact that the outcomes for the parties involved are based on uncertain events. In life insurance, the premium payments made by the policyholder do not equate to the benefit the insurer stands to pay out, which is based on the occurrence of the insured event - in this case, the death of the insured. In this scenario, Q pays \$900 in premiums for a potential benefit of \$500,000, which means that the insurer essentially commits to paying out a much larger amount than what the policyholder pays in premiums, contingent upon a specific event happening (the insured's death). The randomness and uncertainty inherent in life insurance contracts exemplify the aleatory nature, where one party may benefit much more than the other based on uncertain future events. Understanding that the insured event (death or other insured occurrence) may or may not happen during the term of the policy reinforces the concept of an aleatory contract, highlighting the imbalance of consideration between the two parties involved.

10. A company that holds a life insurance policy on its key employee can perform all of the following actions EXCEPT?

- A. Change the policy's interest rate**
- B. Loan against the policy**
- C. Change the beneficiary**
- D. Transfer ownership of the policy**

The rationale for selecting the option regarding changing the policy's interest rate as the exception lies in understanding the nature of life insurance policies. Life insurance policies typically have predetermined terms outlined in the contract, including the interest rate, which is not subject to change by the policyholder or the company. The key employee in this case refers to an individual whose contribution to the company is deemed to be critical to its success. The company, as the policyholder, has certain rights and privileges regarding the life insurance policy. For instance, the company can take out loans against the policy's cash value, change the beneficiary to ensure the right parties are financially protected, and even transfer ownership of the policy if necessary, potentially to a different individual or entity. However, the interest rate linked to the policy is often set based on actuarial calculations when the policy is issued and cannot be altered by the policyholder after the fact. This ensures stability and predictability in financial planning for both the insurance provider and the policyholder. Therefore, it is the action of changing the policy's interest rate that is not permissible.

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://tennessee-insurance.examzify.com>

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