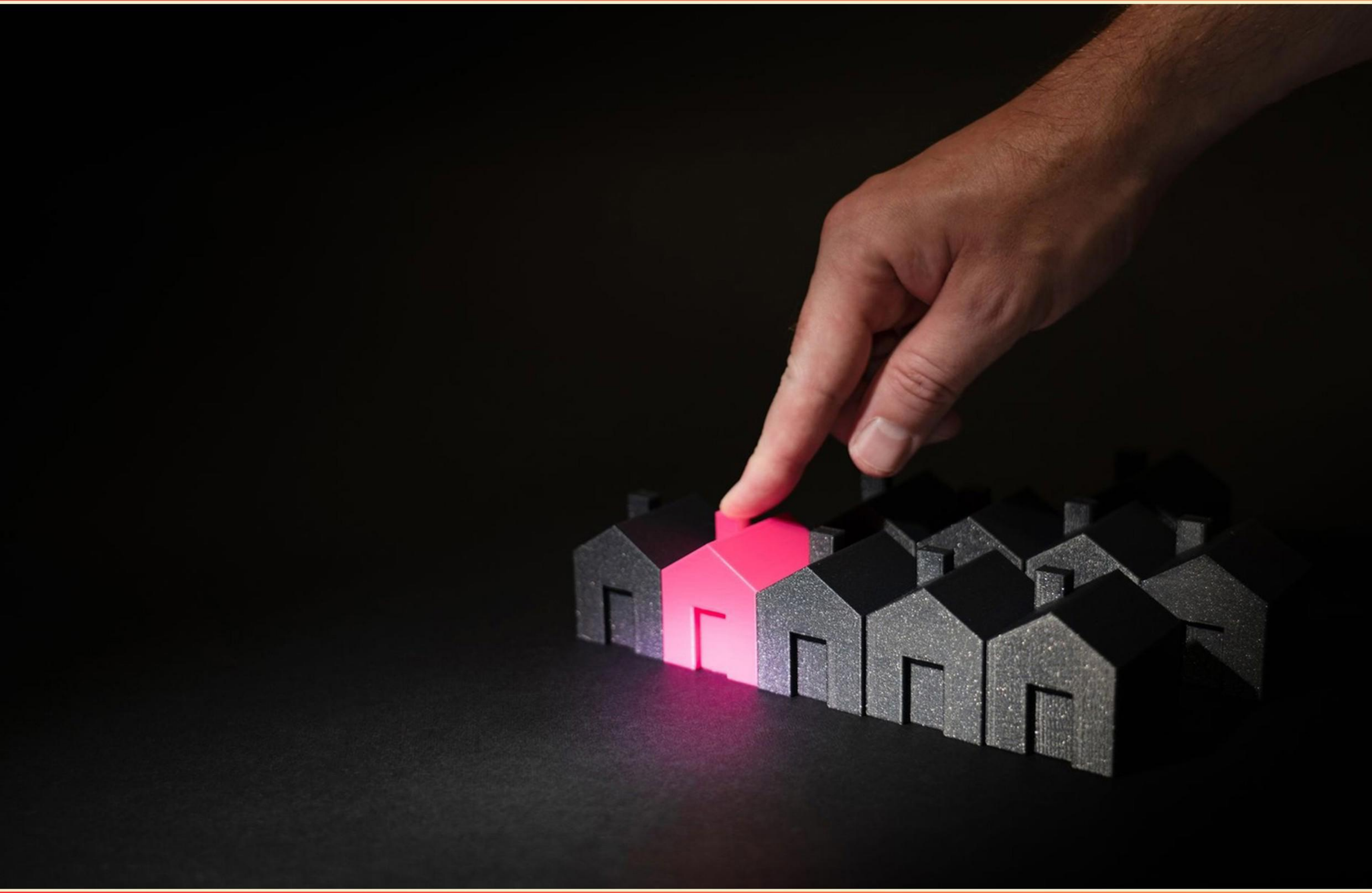
TENNESSEE INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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https://tennessee-insurance.examzify.com

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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

1. 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

2. K purchases a policy with a fixed premium for the first 5 years, followed by an increase in year 6, while the death benefit remains constant. What type of policy is this?

A. Whole Life

B. Modified Whole Life

C. Universal Life

D. Variable Life

3. What is the underlying concept regarding level premiums?

A. The total premium is paid upfront

B. The early years are charged more than what is needed

C. The premium decreases as the policy matures

D. Premiums are adjusted annually

4. Which statement does NOT accurately describe the tax treatment of individual Accident and Health insurance premiums and benefits?

A. Premiums are generally tax-deductible

B. Disability income policy premiums are tax-deductible

C. Benefits received are tax-free

D. Premiums for health insurance are often tax-deductible

5. What type of policy should F choose if they need life insurance with a changing death benefit?

A. Whole Life Policy

B. Decreasing Term Policy

C. Convertible Term Policy

D. Universal Life Policy

6. If an employee contributes to the premium of a group health plan provided by their employer, under what type of plan are they covered?

A. Non-Contributory

B. Fully Funded

C. Contributory

D. Self-Funded

7. What kind of receipt is issued if coverage begins immediately upon application approval with the initial premium submitted?

A. Conditional receipt

B. Binding receipt

C. Temporary receipt

D. Final receipt

8. In an individual retirement account (IRA), rollover contributions are?

A. Limited to $5,000

B. Not limited by dollar amount

C. Only allowed once a year

D. Subject to a tax penalty

9. What is the main benefit of a Decreasing Term Rider in an insurance policy?

A. Increases cash value over time

B. Provides level premiums for life

C. Reduces coverage amount as debts decrease

D. Guarantees renewable option for life

10. What must occur before an applicant's life insurance policy goes into effect if the initial premium is unpaid?

A. The application has been approved

B. The free-look period has expired

C. The applicant's health is verified

D. The underwriting is completed

Answers

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

Explanations

1. 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.

2. K purchases a policy with a fixed premium for the first 5 years, followed by an increase in year 6, while the death benefit remains constant. What type of policy is this?

A. Whole Life

B. Modified Whole Life

C. Universal Life

D. Variable Life

The policy described is categorized as a Modified Whole Life policy. This type of life insurance offers a fixed premium for an initial period, often the first 5 years, after which the premium increases to a higher level. However, the death benefit remains constant throughout the life of the policy. Modified Whole Life combines features of both whole life and term insurance. The initial lower premium makes it more affordable in the early years, while the increase in premiums after the initial period reflects the insurer's adjustment to the policyholder's increased mortality risk as they age. This distinguishes it from other policy types, as whole life tends to maintain level premiums throughout the policy's duration, and universal life policies often have flexible premiums and adjustable death benefits. Variable life insurance introduces investment components that can change the death benefit and cash value based on the performance of selected investments, which does not align with the scenario presented. Therefore, the description aligns specifically with the characteristics of a Modified Whole Life policy.

3. What is the underlying concept regarding level premiums?

A. The total premium is paid upfront

B. The early years are charged more than what is needed

C. The premium decreases as the policy matures

D. Premiums are adjusted annually

Level premiums are designed to provide stability and predictability in the cost of insurance over the life of a policy. With this approach, the insured pays a consistent premium amount that remains the same throughout the duration of the policy. In the early years of a level premium policy, the amount paid is often higher than the actual cost of insurance for that period. This surplus collected in the form of higher premiums serves as a reserve that balances out lower premiums in later years when the cost of coverage increases due to growing age and risk factors. Thus, the higher initial charge helps to ensure that the overall cost of insurance remains stable and manageable for the policyholder over time. This concept of overpaying in the initial years serves as a foundation for level premium policies, ensuring that both the insurer and insured can manage long-term financial planning and risk.

4. Which statement does NOT accurately describe the tax treatment of individual Accident and Health insurance premiums and benefits?

A. Premiums are generally tax-deductible

B. Disability income policy premiums are tax-deductible

C. Benefits received are tax-free

D. Premiums for health insurance are often tax-deductible

The statement regarding the tax treatment of health insurance premiums is essential to understand the specifics of how different types of insurance policies are taxed. Disability income policy premiums are not typically tax-deductible for the individual policyholder. This is because, in most cases, if an individual pays for their own disability insurance premiums with after-tax dollars, the benefits they receive from that policy will be tax-free. Thus, the tax strategy around disability insurance often does not allow the premiums to be deducted, preserving the tax-free status of benefits when received. On the other hand, premiums for health insurance can often be tax-deductible under certain circumstances, such as when an individual itemizes deductions on their tax return, or when they are self-employed. The benefits received from accident and health insurance policies are typically tax-free, and this applies to most kinds of health insurance, which adheres to the non-taxable status of benefits generally provided by those policies. Understanding the tax treatment of these insurance benefits and premiums is crucial for individuals to make informed decisions regarding their insurance needs and financial planning.

5. What type of policy should F choose if they need life insurance with a changing death benefit?

A. Whole Life Policy

B. Decreasing Term Policy

C. Convertible Term Policy

D. Universal Life Policy

The best choice for someone needing life insurance with a changing death benefit is a universal life policy. Universal life insurance offers flexibility in premium payments and death benefits. This type of policy allows the policyholder to adjust the death benefit amount, meaning they can choose to increase or decrease it based on their current needs, which aligns perfectly with the requirement for a changing death benefit. In addition to the death benefit features, universal life policies also accumulate cash value over time, which can be accessed by the policyholder. This combination of flexible death benefits and potential cash value growth makes universal life an ideal option for individuals who anticipate changes in their insurance needs. While whole life policies provide a fixed death benefit and guaranteed cash value growth, they do not offer the same flexibility for changing the death benefit. Decreasing term policies only provide a death benefit that decreases over time, typically used to cover debts that diminish over time, and convertible term policies allow term insurance to be converted into permanent coverage but do not inherently adjust the death benefit. Therefore, universal life insurance is the most suitable option for someone seeking a policy with adjustable death benefit features.

6. If an employee contributes to the premium of a group health plan provided by their employer, under what type of plan are they covered?

A. Non-Contributory

B. Fully Funded

C. Contributory

D. Self-Funded

When an employee contributes to the premium of a group health plan provided by their employer, they are participating in a contributory plan. In a contributory plan, both the employer and the employees share the cost of the premiums, which distinguishes it from a non-contributory plan where the employer bears the entire cost. This shared financial responsibility aligns with the definition of a contributory health plan, where employee contributions are essential for coverage. As a result, employees are typically required to enroll in the plan in order to benefit from the coverage, reinforcing the collaborative nature of premium payments. Fully funded and self-funded plans refer more to how the plan is financed rather than the participation of employees in premium payments. In a fully funded plan, the employer pays the entire premium, and in a self-funded plan, the employer assumes the risk and pays claims directly instead of purchasing insurance. Therefore, these distinctions underscore why the coverage under the definition provided pertains specifically to contributory plans.

7. What kind of receipt is issued if coverage begins immediately upon application approval with the initial premium submitted?

A. Conditional receipt

B. Binding receipt

C. Temporary receipt

D. Final receipt

A binding receipt is issued when coverage begins immediately upon application approval and when the initial premium is submitted. This type of receipt confirms that the insurer is obligated to provide coverage as long as the information provided on the application is accurate and meets the company's underwriting requirements. With a binding receipt, the insured has immediate coverage regardless of the completion of formal underwriting processes, as long as the insurer accepts the application. This allows individuals to have peace of mind knowing they are covered right away. In contrast, a conditional receipt may offer temporary coverage under specific conditions, which means coverage is not established until certain requirements are met. A temporary receipt typically signifies that coverage will begin only after conditions are met, while a final receipt indicates that all premium payments and policy issues have been resolved.

8. In an individual retirement account (IRA), rollover contributions are?

A. Limited to $5,000

B. Not limited by dollar amount

C. Only allowed once a year

D. Subject to a tax penalty

Rollover contributions to an individual retirement account (IRA) are not limited by dollar amount, allowing individuals to transfer funds from one retirement account to another without facing a cap on the amount rolled over. This ability enhances flexibility in managing retirement savings, as it allows for the

9. What is the main benefit of a Decreasing Term Rider in an insurance policy?

A. Increases cash value over time

B. Provides level premiums for life

C. Reduces coverage amount as debts decrease

D. Guarantees renewable option for life

The main benefit of a Decreasing Term Rider in an insurance policy is that it reduces the coverage amount as debts decrease. This type of rider is often used in conjunction with loans or mortgages, where the outstanding balance decreases over time as payments are made. The decreasing term rider is designed to match the reduction in the insured debt, ensuring that the death benefit aligns with the liability that remains. This means that as the need for coverage decreases, so too does the amount of insurance, which can result in lower premiums compared to a level term policy. In situations where a borrower might want to ensure that their debts are covered in case of their untimely death, a decreasing term rider can provide peace of mind by ensuring that the death benefit will cover any outstanding amounts owed, such as a mortgage, thereby protecting the beneficiaries from having to assume that debt.

10. What must occur before an applicant's life insurance policy goes into effect if the initial premium is unpaid?

A. The application has been approved

B. The free-look period has expired

C. The applicant's health is verified

D. The underwriting is completed

The correct answer highlights the necessity of having the initial premium paid for the life insurance policy to take effect. In the context of life insurance, the free-look period allows the policyholder a specified time to review the policy after it is issued. If the premium was not paid by the applicant, the coverage would not commence, and therefore, the policy would not be active. The other options do not ensure that the policy goes into effect without the payment of the initial premium. The application's approval means that underwriting and health assessments could have been completed, but without the premium payment, the coverage is not enforceable. The verification of the applicant's health is part of the application process but does not directly impact policy activation if the initial premium remains unpaid. Completion of underwriting is critical, but like the other options, it is insubstantial in the absence of the initial premium payment for the policy to be effective.

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!