

TENNESSEE LIFE PRODUCER 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. Which type of life insurance policy has a death benefit that adjusts periodically?**
 - A. Whole Life
 - B. Decreasing Term
 - C. Universal Life
 - D. Variable Life
- 2. What classification is given to a life insurance policy that exceeds certain IRS table values?**
 - A. Modified Endowment Contract (MEC)
 - B. Taxable Investment
 - C. Whole Life Policy
 - D. Universal Life Policy
- 3. Life and health insurance policies are classified as which type of contract?**
 - A. Bilateral contracts
 - B. Unilateral contracts
 - C. Conditional contracts
 - D. Adhesion contracts
- 4. What factors do underwriters consider when assessing a life insurance application?**
 - A. Income level and credit score
 - B. Age, health history, lifestyle choices, occupation, and family medical history
 - C. Geographic location and driving record
 - D. Investment portfolio and education level
- 5. What type of beneficiary has the ability to change their designation at any moment in an insurance policy?**
 - A. Irrevocable beneficiary
 - B. Contingent beneficiary
 - C. Revocable beneficiary
 - D. Primary beneficiary

- 6. If a customer wants to apply for an insurance policy, what is the correct action for an agent to take?**
- A. Send the customer to the insurance company directly
 - B. Complete the application and send it off immediately
 - C. Complete the application and review the info with the customer prior to obtaining the customer's signature, then send the application off to the insurance company
 - D. Submit the application online without customer involvement
- 7. Which provision allows the policyholder to receive an immediate cash benefit without losing their insurance coverage?**
- A. Extended Term Option
 - B. Cash Value Loan
 - C. Paid-Up Additions
 - D. Automatic Premium Loan
- 8. What are "living benefits" in life insurance?**
- A. Benefits that can only be claimed posthumously.
 - B. Benefits associated with accidental death only.
 - C. Benefits that can be accessed while the insured is still alive, often related to terminal illness or long-term care needs.
 - D. Benefits that provide additional policy coverage for accidents.
- 9. What type of annuity has its cash value tied to the performance of its underlying investment funds?**
- A. Fixed annuity
 - B. Deferred annuity
 - C. Variable annuity
 - D. Immediate annuity
- 10. What is an insurance application?**
- A. A form completed by the applicant providing information required for the insurer to assess risk
 - B. An agreement between the insurer and the insured detailing coverage terms
 - C. A document verifying previous insurance claims made by the applicant
 - D. A policy outlining the procedures for filing a claim

Answers

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

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Explanations

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1. Which type of life insurance policy has a death benefit that adjusts periodically?

- A. Whole Life
- B. Decreasing Term**
- C. Universal Life
- D. Variable Life

The type of life insurance policy that features a death benefit that adjusts periodically is Decreasing Term insurance. This type of policy is specifically designed to provide coverage that decreases over time, typically in alignment with a corresponding financial obligation, such as a mortgage. The decreasing death benefit reflects the diminishing risk exposure to the insurer as the insured's debt or financial responsibility decreases. In contrast, Whole Life insurance provides a fixed death benefit and builds cash value over time, while Universal Life offers flexibility in premiums and benefits but does not inherently include periodic adjustments to the death benefit. Variable Life insurance allows policyholders to invest the cash value in different investments, with the death benefit varying based on those investments' performance, but it does not have a built-in mechanism for periodic adjustments like Decreasing Term insurance.

2. What classification is given to a life insurance policy that exceeds certain IRS table values?

- A. Modified Endowment Contract (MEC)**
- B. Taxable Investment
- C. Whole Life Policy
- D. Universal Life Policy

A life insurance policy that exceeds certain IRS table values is classified as a Modified Endowment Contract (MEC). This classification occurs when a policy fails to meet the "7-pay test," which determines whether the cumulative premium payments exceed the sum of the premiums that would have been paid during the first seven years of the contract. If a policy is classified as a MEC, it loses certain tax benefits that are typically associated with life insurance. Withdrawals and loans taken from the cash value of a MEC are subject to income tax to the extent of any gain, and may also be subject to an additional 10% penalty if taken by a policyholder under the age of 59 ½. Understanding the implications of a MEC status is crucial for policyholders and producers, as it affects how the policy is taxed, ultimately influencing financial planning decisions related to life insurance. Other classifications, such as taxable investment, whole life policy, and universal life policy, do not specifically address the IRS table value requirements in the same way that a MEC does, making this distinction particularly important for tax purposes.

3. Life and health insurance policies are classified as which type of contract?

- A. Bilateral contracts
- B. Unilateral contracts**
- C. Conditional contracts
- D. Adhesion contracts

Life and health insurance policies are classified as unilateral contracts because they involve a promise made by one party, typically the insurer, to pay a benefit upon the occurrence of a specified event, such as the death of the insured or the diagnosis of a serious illness. In these contracts, the insurer is bound to fulfill their promise as long as the insured pays the premium, while the insured does not have any corresponding obligation beyond the payment of premiums, which distinguishes it from bilateral contracts where both parties make mutual promises. In unilateral contracts, the obligations of the insurer become active only when the insured complies with the terms of the policy, such as filing a claim or maintaining premium payments. This characteristic reinforces the idea that the insurer is the only party that has made an enforceable promise in the contract. Contextually, other classifications of contracts include bilateral contracts, which entail mutual obligations for both parties; conditional contracts, which require certain conditions to be met for obligation fulfillment, and adhesion contracts that are typically drafted by one party and signed by another, leaving little room for negotiation. While life and health insurance policies may contain elements of some of these classifications, the primary feature that defines them is the unilateral nature of the promises made by the insurer.

4. What factors do underwriters consider when assessing a life insurance application?

- A. Income level and credit score
- B. Age, health history, lifestyle choices, occupation, and family medical history**
- C. Geographic location and driving record
- D. Investment portfolio and education level

Underwriters play a crucial role in the life insurance application process by evaluating the risk associated with insuring an individual. The factors considered are primarily focused on the applicant's ability to live a long and healthy life, which directly impacts the insurance company's risk assessment and pricing. Age is a fundamental factor, as it directly correlates with mortality risk; younger individuals usually face lower premiums due to a longer life expectancy. Health history is equally important because pre-existing conditions or a history of serious illnesses may indicate potential future claims. Lifestyle choices, such as smoking or participation in high-risk activities, are also significant, as they can increase the likelihood of health issues. The applicant's occupation is evaluated since certain jobs may pose higher risks of injury or health hazards. Lastly, family medical history provides insight into hereditary conditions that may affect the applicant's longevity or health, influencing the underwriting decision. In contrast, while income level and credit score can reflect an individual's financial responsibility, they have less direct relevance to the risk involved in life insurance underwriting. Geographic location and driving record may have an impact on certain types of insurance, like auto insurance, but are less pertinent in evaluating life insurance risk. Similarly, an individual's investment portfolio and education level do not provide sufficient data on health or longevity.

5. What type of beneficiary has the ability to change their designation at any moment in an insurance policy?

- A. Irrevocable beneficiary
- B. Contingent beneficiary
- C. Revocable beneficiary**
- D. Primary beneficiary

A revocable beneficiary is one who can be changed or replaced by the policyholder at any time without needing the beneficiary's consent. This flexibility allows the insurance policy owner to adjust their beneficiaries based on life changes such as marriage, divorce, or the birth of a child. On the other hand, an irrevocable beneficiary cannot be changed without the agreement of that beneficiary. Contingent beneficiaries are secondary beneficiaries that only receive benefits if the primary beneficiary is unavailable at the time of the policyholder's death. Primary beneficiaries are the first in line to receive benefits but do not inherently have the ability to change their designation; that is determined by the policyholder's designation of them as either revocable or irrevocable. This understanding of beneficiary types is crucial for managing insurance policies effectively and ensuring that benefits are distributed according to the policyholder's wishes.

6. If a customer wants to apply for an insurance policy, what is the correct action for an agent to take?

- A. Send the customer to the insurance company directly
- B. Complete the application and send it off immediately
- C. Complete the application and review the info with the customer prior to obtaining the customer's signature, then send the application off to the insurance company**
- D. Submit the application online without customer involvement

The correct action for an agent to take involves completing the application and reviewing the information with the customer prior to obtaining their signature, then sending the application off to the insurance company. This approach is essential for several reasons. First, it ensures that the customer fully understands the details of the insurance policy they are applying for, including coverage amounts, terms, and any exclusions or limitations. By reviewing the information together, the agent can answer any questions or clarify any points of confusion, which not only facilitates a better informed decision from the customer but also helps to avoid errors that could arise from misunderstandings. Moreover, having the customer sign the application after reviewing it reinforces transparency and fosters trust between the customer and the agent. This step is also important from a compliance standpoint, as insurance regulations often require that customers have an opportunity to verify and confirm their application information before it is submitted. In contrast, options like sending the customer directly to the insurance company or submitting the application online without customer involvement do not provide the same level of service, clarity, or feedback. Completing the application without prior discussion may lead to submitted applications that are incomplete or inaccurate, potentially delaying the underwriting process or affecting the policy's approval.

7. Which provision allows the policyholder to receive an immediate cash benefit without losing their insurance coverage?

- A. Extended Term Option
- B. Cash Value Loan**
- C. Paid-Up Additions
- D. Automatic Premium Loan

The cash value loan provision allows policyholders to borrow against the cash value of their life insurance policy while maintaining their coverage. This option provides immediate access to funds without requiring the policyholder to surrender their policy, ensuring that they do not lose their insurance protection. When a policyholder takes a cash value loan, they are essentially borrowing money from the insurance company using their policy's accumulated cash value as collateral. This is beneficial in times of financial need, as it allows for quick access to cash while still keeping the life insurance in force. The loan must be repaid with interest, but if it is not, any outstanding loan balance will be deducted from the policy's death benefit. The other options do not provide the same immediate cash benefit along with retaining coverage. For instance, the extended term option converts the policy to term insurance, thus altering the original coverage. Paid-up additions increase the death benefit based on additional premiums, but it does not provide immediate cash. The automatic premium loan uses the cash value to cover unpaid premiums, which might affect the policy if the loan is not managed properly.

8. What are "living benefits" in life insurance?

- A. Benefits that can only be claimed posthumously.
- B. Benefits associated with accidental death only.
- C. Benefits that can be accessed while the insured is still alive, often related to terminal illness or long-term care needs.**
- D. Benefits that provide additional policy coverage for accidents.

Living benefits in life insurance refer to provisions that allow policyholders to access certain benefits while they are still alive, particularly in situations such as terminal illness, chronic illness, or long-term care needs. This means that if the insured faces serious health challenges, they can draw from the life insurance policy to help cover treatment costs or other expenses, providing financial relief during difficult times. This concept contrasts sharply with traditional life insurance benefits, which are typically paid out only upon the death of the insured. Living benefits effectively enhance the usability of the policy, ensuring that it not only serves as a financial safeguard for beneficiaries after the insured's death but also offers support during the insured's life when they may need it most. The other choices do not accurately capture the essence of living benefits: the first option describes benefits that are exclusively posthumous, which is at odds with the definition. The second option limits benefits to those related solely to accidental death, omitting crucial aspects of living benefits. The fourth option speaks to benefits that provide additional coverage but does not encompass the core premise of accessing funds while alive. Thus, the selected answer is the most accurate description of living benefits in the context of life insurance.

9. What type of annuity has its cash value tied to the performance of its underlying investment funds?

- A. Fixed annuity
- B. Deferred annuity
- C. Variable annuity**
- D. Immediate annuity

The correct choice is a variable annuity because its cash value is directly linked to the performance of the selected underlying investment options, which may include stocks, bonds, or mutual funds. This means that as these investments perform well, the cash value of the annuity can increase accordingly. Conversely, if the investments perform poorly, the cash value may decrease. Variable annuities provide the potential for growth but also come with investment risk, as the account holder may experience fluctuations in value depending on how the chosen investments perform. This characteristic distinguishes variable annuities from fixed annuities, which offer guaranteed returns and do not fluctuate based on market performance. Deferred and immediate annuities describe the timing of when the annuity payments start, rather than the relationship between cash value and investment performance.

10. What is an insurance application?

- A. A form completed by the applicant providing information required for the insurer to assess risk**
- B. An agreement between the insurer and the insured detailing coverage terms
- C. A document verifying previous insurance claims made by the applicant
- D. A policy outlining the procedures for filing a claim

An insurance application is fundamentally a form that the applicant completes, providing essential information that allows the insurer to assess the applicant's risk profile. This information typically includes personal details, health history, and any other factors relevant to the type of insurance being sought, such as life insurance. By presenting this data, the applicant enables the insurance company to make informed decisions regarding coverage, premiums, and terms of the policy. The completion of this form is a critical step in the underwriting process, as it lays the groundwork for determining the insurability of the individual and the conditions of coverage offered.

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://tennesseelifproducer.examzify.com>

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

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