

VERMONT 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. Under what circumstance can an insurer discontinue a small employer group medical plan?**
 - A. If the employer files too many claims
 - B. If the insurer discontinues offering the plan to all employers
 - C. If the employer's workforce reduces
 - D. If state regulations change
- 2. Long-term care policies sold in Vermont must not exclude coverage for:**
 - A. Alzheimer's disease
 - B. Senile dementia
 - C. Terminal illness
 - D. Substance abuse
- 3. What do universal life policies typically have that differentiates them from whole life policies?**
 - A. Flexible premiums
 - B. Fixed interest rates
 - C. Permanent coverage
 - D. Guaranteed cash value growth
- 4. What is the purpose of a waiver of premium provision in life insurance?**
 - A. To allow policyholders to reduce their coverage
 - B. To waive premiums for a certain time if the insured is disabled
 - C. To terminate the policy upon reaching a certain age
 - D. To return premiums to the policyholder upon death
- 5. What is a common reason for a business to purchase an annuity?**
 - A. Providing charitable donations
 - B. Funding employee pensions
 - C. Buying out a partner's share
 - D. Distributing dividends to shareholders

- 6. What is a feature of whole life insurance policies?**
- A. Variable premiums based on risk
 - B. Guaranteed death benefit
 - C. Investment in stock market
 - D. Short-term coverage options
- 7. Which scenario is an example of defamation in the context of insurance?**
- A. Making a false statement about an individual's criminal record
 - B. Sharing confidential client information with unauthorized parties
 - C. Making a statement that is false or maliciously critical of the financial condition of an insurer
 - D. Providing misleading information during an application process
- 8. What type of retirement plan may self-employed individuals use to save for retirement?**
- A. 401(k) Plan
 - B. IRA Plan
 - C. Keogh Plan
 - D. Pension Plan
- 9. Assets that back the non-guaranteed values of variable life insurance products are held in which type of account?**
- A. General account
 - B. Reserve account
 - C. Separate account set up by the insurer
 - D. Trust fund account
- 10. What is a common financial risk covered by disability income policies?**
- A. Loss of property
 - B. Inability to work
 - C. Auto accidents
 - D. Health emergencies

Answers

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

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Explanations

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1. Under what circumstance can an insurer discontinue a small employer group medical plan?

- A. If the employer files too many claims
- B. If the insurer discontinues offering the plan to all employers**
- C. If the employer's workforce reduces
- D. If state regulations change

An insurer can discontinue a small employer group medical plan if the insurer decides to stop offering that particular plan to all employers. This situation indicates a broader business decision by the insurer rather than one that reflects the actions or circumstances of just a single employer. When an insurer discontinues a plan for all groups, it must adhere to specific requirements, including providing notice to policyholders. The rationale behind this rule is that it maintains fairness and consistency across all employers within that specific group, avoiding the perception of discrimination or unfair treatment of individual employers based on their claims history or workforce size. In contrast to this correct answer, the other circumstances do not typically justify an insurer's discontinuation of a plan. For instance, filing a high number of claims does not provide grounds for discontinuation as such action could lead to potential discrimination against employers simply based on their health care needs. Similarly, a reduction in the employer's workforce might not be a valid reason for discontinuation, as coverage is generally designed to be responsive to varying employment situations. Changes in state regulations could influence how plans must be offered but would not directly give an insurer the right to terminate a specific employer's coverage without proper legal grounds.

2. Long-term care policies sold in Vermont must not exclude coverage for:

- A. Alzheimer's disease
- B. Senile dementia**
- C. Terminal illness
- D. Substance abuse

Long-term care policies in Vermont are required to provide coverage for specific conditions that are commonly associated with aging and the need for such care. Senile dementia, which generally refers to a decline in cognitive function often seen in elderly patients, is often included in the coverage requirements to ensure that individuals suffering from cognitive impairments have access to necessary long-term care services. In Vermont, the regulation mandates that long-term care policies must not exclude coverage for conditions that significantly impact individuals' ability to perform daily activities. Because senile dementia can severely affect an individual's independence and require ongoing support and care, it is essential for long-term care insurance policies to cover this condition. Other options, while important health issues, may not have the same regulation under Vermont law concerning mandatory coverage in long-term care insurance policies. For example, while Alzheimer's disease is often associated with senile dementia, the phrasing in the question suggests a specific focus on conditions that typically require long-term care coverage. Terminal illness and substance abuse may have different treatment protocols or care aspects that do not necessarily fall under the long-term care insurance requirements in the same way as senile dementia. Therefore, the requirement to cover senile dementia ensures that policies address critical areas of long-term care needs.

3. What do universal life policies typically have that differentiates them from whole life policies?

- A. Flexible premiums**
- B. Fixed interest rates
- C. Permanent coverage
- D. Guaranteed cash value growth

Universal life policies are distinguished from whole life policies primarily due to their flexible premium feature. This flexibility allows policyholders to make adjustments to their premium payments, enabling them to pay higher or lower amounts depending on their financial circumstances or needs. This design can be particularly beneficial for individuals whose financial situations may vary over time, as it provides the ability to adapt their insurance coverage without being locked into a fixed payment schedule. In contrast, whole life policies generally require fixed premium payments that remain unchanged throughout the policyholder's life. This difference in structure is a critical factor for individuals when choosing between these two types of life insurance policies, as it affects not only the cost but also the degree of control policyholders have over their investment. While both universal life and whole life policies provide permanent coverage, guaranteed cash value growth, and insurance coverage for the life of the insured, it is the flexibility of premium payment in universal life policies that sets them apart.

4. What is the purpose of a waiver of premium provision in life insurance?

- A. To allow policyholders to reduce their coverage
- B. To waive premiums for a certain time if the insured is disabled**
- C. To terminate the policy upon reaching a certain age
- D. To return premiums to the policyholder upon death

The waiver of premium provision in life insurance serves a vital function by allowing the insured individual to refrain from making premium payments for a specified period if they become disabled. This provision is particularly crucial for policyholders who may experience financial hardship due to their inability to work as a result of their disability. By waiving the premiums, the policy remains in force during the insured's period of disability, ensuring that their life insurance coverage continues and their beneficiaries remain protected. In contrast, the other options do not align with the purpose of this provision. The ability to reduce coverage, terminate a policy at a certain age, or return premiums upon death does not address the primary intent of maintaining life insurance coverage in the face of disability. The waiver of premium provision is specifically designed to offer financial relief and security, ensuring that policyholders do not lose their life insurance benefits when they need them most.

5. What is a common reason for a business to purchase an annuity?

- A. Providing charitable donations
- B. Funding employee pensions**
- C. Buying out a partner's share
- D. Distributing dividends to shareholders

A common reason for a business to purchase an annuity is to fund employee pensions. Annuities can provide a reliable income stream over a long period, making them well-suited for financing retirement benefits. By using an annuity, a business can ensure that it has a structured way to meet its obligations to employees upon retirement, helping guarantee that employees receive consistent payments throughout their retirement years. The other options, while related to corporate financial decisions, do not align as closely with the primary purpose of annuities. For instance, charitable donations, buying out a partner's share, and distributing dividends to shareholders are generally not synonymous with the long-term investment and income strategy that annuities provide for pension funding.

6. What is a feature of whole life insurance policies?

- A. Variable premiums based on risk
- B. Guaranteed death benefit**
- C. Investment in stock market
- D. Short-term coverage options

Whole life insurance policies are designed to provide lifelong coverage, and one of their key features is the guaranteed death benefit. This means that as long as the premiums are paid, the insurer guarantees that a certain amount will be paid to the policy's beneficiary upon the policyholder's death. This feature provides peace of mind, knowing that beneficiaries will receive a specified financial amount, regardless of when the death occurs. Other options have characteristics that do not align with whole life insurance. Variable premiums based on risk typically apply to term life insurance or certain types of health insurance where premiums can change based on underwriting factors. Investment in the stock market is associated with variable life or universal life insurance policies, which can have cash values tied to market performance rather than the guaranteed growth seen in whole life policies. Lastly, whole life insurance does not offer short-term coverage options, as they are designed for long-term financial security, while short-term policies are usually available in different insurance forms, such as term life insurance, which only provide coverage for a set period.

7. Which scenario is an example of defamation in the context of insurance?

- A. Making a false statement about an individual's criminal record
- B. Sharing confidential client information with unauthorized parties
- C. Making a statement that is false or maliciously critical of the financial condition of an insurer**
- D. Providing misleading information during an application process

The selected scenario exemplifies defamation within the context of insurance because it involves making a statement that is both false and has the potential to harm the reputation of an insurer. Defamation occurs when an untrue statement that adversely affects someone's reputation is communicated to others. In this case, a statement that is maliciously critical of an insurer's financial condition can mislead the public and affect the insurer's business, credibility, and ability to operate effectively. In the realm of insurance, maintaining trust and a strong reputation is crucial. When a false assertion undermines this trust, it can lead to financial repercussions not just for the insurer but also for policyholders who rely on the insurer's stability. Therefore, the situation aptly illustrates the concept of defamation by highlighting the harm caused by the dissemination of false and detrimental information. Other scenarios mentioned may involve issues such as confidentiality or misinformation, but they do not meet the specific criteria defining defamation. For instance, sharing confidential client information pertains more to privacy violations rather than defaming character or reputation. Similarly, providing misleading information during an application relates to dishonest practices rather than making harmful statements about someone's reputation.

8. What type of retirement plan may self-employed individuals use to save for retirement?

- A. 401(k) Plan
- B. IRA Plan
- C. Keogh Plan**
- D. Pension Plan

Self-employed individuals often use a Keogh plan, also known as HR10 plan, as a type of retirement plan specifically designed for them. These plans allow self-employed persons to contribute a significant amount towards their retirement savings and are flexible in terms of contribution amounts compared to other retirement options. A key feature of Keogh plans is that they can be structured as either a defined benefit plan or a defined contribution plan, providing self-employed individuals with versatile options based on their income levels and retirement goals. In contrast, while 401(k) plans are primarily associated with businesses that have employees, self-employed individuals may establish solo 401(k) plans. However, the specific term "Keogh plan" is more tailored for the self-employed context, making it more relevant to the question at hand. IRA plans, while applicable, have lower contribution limits compared to Keogh plans, which may not satisfy the retirement savings needs of a self-employed individual. Pension plans, on the other hand, are typically offered by employers for their employees and are less common in self-employment scenarios. Thus, Keogh plans remain the most suitable choice for self-employed retirement savings.

9. Assets that back the non-guaranteed values of variable life insurance products are held in which type of account?

- A. General account
- B. Reserve account
- C. Separate account set up by the insurer**
- D. Trust fund account

The correct answer is that assets backing the non-guaranteed values of variable life insurance products are held in a separate account set up by the insurer. In variable life insurance, the policyholder's cash values and death benefits may vary based on the performance of the investments chosen by the policyholder. These investments are managed within a separate account that is distinctly separate from the insurer's general account. This separation is crucial because it allows the variable life insurance product to offer investment flexibility and the potential for greater returns based on market performance, while also ensuring that the general assets of the insurer remain intact for obligations associated with guaranteed products. The separate account is regulated differently than the insurer's general account, which contains assets supporting guaranteed benefits and general liabilities. The funds in the separate account are primarily used to fund the variable components of the policy, and the performance of these investments directly influences the cash value and death benefit that the policyholder may receive. Each aspect of this system is designed to maintain regulatory compliance, protect policyholder interests, and ensure that investments are managed in accordance with the risks taken by policyholders in selecting their investment options. Thus, the use of a separate account is fundamental in giving policyholders the opportunity to invest in various options while understanding the associated

10. What is a common financial risk covered by disability income policies?

- A. Loss of property
- B. Inability to work**
- C. Auto accidents
- D. Health emergencies

Disability income policies are designed specifically to provide financial protection in the event that an individual is unable to work due to a disability. This inability to work can arise from various causes such as illness, injury, or other health-related issues that prevent a person from performing their job functions. When a policyholder becomes disabled, these policies replace a portion of their lost income, thereby addressing a critical financial risk — the loss of earning capacity. While loss of property, auto accidents, and health emergencies are important considerations in the broader insurance context, they do not directly address the specific financial impact of being unable to work due to disability. Loss of property pertains to risks associated with damages or loss to tangible assets, and while auto accidents and health emergencies can lead to injuries that may cause someone to be unable to work, the core purpose of disability income insurance is to mitigate the financial consequences of the inability to earn wages. Thus, the focus on the inability to work reflects the primary purpose of disability income policies.

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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://vermontlifeandhealth.examzify.com>

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

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