

VERMONT LIFE AND HEALTH PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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 term describes insurance written on the interest of the licensee, their employer, or their immediate family?**
 - A. Strategic insurance
 - B. Controlled business
 - C. Key person insurance
 - D. Family insurance
- 2. Which type of insurance provides coverage for specific risks and is typically renewably based on the insured's age?**
 - A. Term life insurance
 - B. Whole life insurance
 - C. Universal life insurance
 - D. Variable life insurance
- 3. How will a pre-existing conditions exclusion affect Karen's new insurance contract?**
 - A. Will provide full benefits
 - B. Will not apply to her situation
 - C. May deny coverage entirely
 - D. May reduce her benefits
- 4. Which financial product creates an instant estate, no matter when the date of death?**
 - A. Annuity
 - B. Life insurance
 - C. Retirement plan
 - D. Endowment policy
- 5. Inpatient Psychiatric Care is covered under Medicare Part A insurance for how many days per lifetime?**
 - A. 60 days
 - B. 90 days
 - C. 120 days
 - D. 190 days

- 6. When does an insurance policy become effective if the agent gives a conditional receipt after collecting the initial premium?**
- A. After the premium payment is made
 - B. When the conditions of the receipt are met
 - C. Immediately upon providing the receipt
 - D. At the end of the month in which the premium is paid
- 7. What is the tax treatment of benefit payments for a non-qualified annuity?**
- A. Tax-free to the beneficiary
 - B. Fully taxable
 - C. Partially taxable
 - D. Tax-deferred until withdrawal
- 8. What must a group health certificate for coverage issued in Vermont include?**
- A. List of all insured individuals
 - B. Summary of policy features and benefits
 - C. Cost of the policy
 - D. Claim process details
- 9. Under HIPAA, what is the maximum duration that medical plan late enrollees may be excluded for pre-existing conditions?**
- A. 12 months
 - B. 18 months
 - C. 24 months
 - D. 36 months
- 10. What kind of tax is generally imposed on the gain from a modified endowment contract?**
- A. Capital gains tax
 - B. Sales tax
 - C. Income tax
 - D. Property tax

Answers

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

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Explanations

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1. Which term describes insurance written on the interest of the licensee, their employer, or their immediate family?

- A. Strategic insurance
- B. Controlled business**
- C. Key person insurance
- D. Family insurance

The term "controlled business" refers to insurance policies that are issued on the interests of the licensee, their employer, or their immediate family. This concept is crucial in the insurance industry as it defines the scope of business that an agent can write in relation to their personal or familial connections. Controlled business is typically scrutinized to prevent potential ethical issues, such as agents profiting solely from personal relationships rather than serving a broader client base. This term is distinct from the others presented in the question. While "key person insurance" pertains to coverage for individuals crucial to a business's operations, typically to ensure financial stability in the event of their loss, it does not encompass family or immediate personal interests as broadly as controlled business does. "Strategic insurance" and "family insurance" do not specifically align with the definition involving the interests of a licensee or their immediate family, making "controlled business" the most accurate choice in this context.

2. Which type of insurance provides coverage for specific risks and is typically renewably based on the insured's age?

- A. Term life insurance**
- B. Whole life insurance
- C. Universal life insurance
- D. Variable life insurance

The correct answer is term life insurance, as it is designed to provide coverage for a specified period, typically chosen by the policyholder, and is reliant on the insured's age at the time of renewal. As a person ages, the risk associated with insuring them increases, which usually results in higher premiums upon renewal. Term life insurance offers a straightforward approach, providing a death benefit if the insured passes away within the policy term. If the term expires and the policyholder wishes to renew, the rates are recalculated based on their current age and health status, which reflects the increasing risk associated with older age. This is distinct from whole life, universal life, and variable life insurance policies, which provide permanent coverage and accumulate cash value, without the need for renewal based on age. These types of insurance generally have more complex structures for premium payments and benefits, and the premiums do not necessarily increase with age, making them different from term life insurance.

3. How will a pre-existing conditions exclusion affect Karen's new insurance contract?

- A. Will provide full benefits
- B. Will not apply to her situation
- C. May deny coverage entirely
- D. May reduce her benefits**

A pre-existing conditions exclusion in an insurance contract means that the insurance company may limit or exclude coverage for health issues that existed before the start date of the new policy. In Karen's case, if she has a pre-existing condition, the exclusion could lead to a reduction in benefits for treatment related to that condition. This is because the insurer may choose to only partially cover costs associated with that condition, or include waiting periods before coverage for those specific conditions kicks in. In many cases, insurers implement such exclusions to mitigate the risk of insuring individuals with existing health issues, as these can result in higher costs. Therefore, it's plausible to conclude that Karen's new insurance would either outright deny coverage for her pre-existing condition, which is one possibility, but more commonly it would result in a reduced level of benefit provided for that condition. This interpretation aligns with the option indicating a reduction in her benefits, as opposed to having either full benefits, the exclusion being inapplicable, or complete denial of coverage, which might not accurately reflect how such exclusions typically function.

4. Which financial product creates an instant estate, no matter when the date of death?

- A. Annuity
- B. Life insurance**
- C. Retirement plan
- D. Endowment policy

Life insurance is the financial product that creates an instant estate, providing a death benefit to the beneficiaries upon the insured's death, regardless of when it occurs. This means that when the policyholder passes away, the designated beneficiaries receive a predetermined amount of money, which can serve to cover expenses such as funeral costs, debts, or even provide ongoing financial support. The instant nature of the benefit is a key characteristic of life insurance, as it ensures that beneficiaries can access funds quickly after the insured person's death. This feature makes life insurance a unique financial instrument for estate planning since it guarantees liquidity and financial stability for dependents at a potentially difficult time. In contrast, annuities typically provide income over time rather than a lump sum at death unless they have specific death benefit provisions. Retirement plans have stipulations regarding when funds can be accessed, possibly resulting in taxes or penalties if withdrawn early. Endowment policies do accumulate cash value and pay out either upon death or at the end of a certain term, but they do not offer the immediate and guaranteed death benefit of a life insurance policy. Therefore, life insurance stands out as the best option for creating an instant estate.

5. Inpatient Psychiatric Care is covered under Medicare Part A insurance for how many days per lifetime?

- A. 60 days
- B. 90 days
- C. 120 days
- D. 190 days**

Medicare Part A provides coverage for inpatient psychiatric care, specifically allowing beneficiaries to access this level of care when medically necessary. The correct duration of coverage for inpatient psychiatric care under Medicare Part A is 190 days over a beneficiary's lifetime. This benefit is distinct from the coverage of other hospital stays, which have different criteria and limits. Inpatient psychiatric care encompasses treatment provided in a psychiatric hospital or an inpatient program within a general hospital. The lifetime limit of 190 days is specifically designed to ensure that beneficiaries have a significant length of time available to receive care if needed, while still encouraging outpatient alternatives when appropriate. This limit is especially crucial for individuals who may experience recurring mental health issues requiring hospitalization. Other choices do not reflect the correct lifetime limit; for instance, 60, 90, and 120 days are general limits found in a variety of other Medicare coverage contexts but do not apply to inpatient psychiatric care. Understanding these specific parameters helps ensure that beneficiaries can effectively navigate their Medicare coverage as it applies to mental health services.

6. When does an insurance policy become effective if the agent gives a conditional receipt after collecting the initial premium?

- A. After the premium payment is made
- B. When the conditions of the receipt are met**
- C. Immediately upon providing the receipt
- D. At the end of the month in which the premium is paid

A conditional receipt is a document provided to a policyholder by an agent when an initial premium is collected, indicating that the insurance coverage will begin under certain conditions. The key aspect of a conditional receipt is that it stipulates that coverage will become effective only when the conditions outlined in the receipt are fulfilled. This typically means that the insurer must assess and approve the application for insurance based on the applicant's risk and other underwriting criteria. If the applicant meets the specified conditions (such as passing the medical exam or providing required documentation), the policy coverage will become effective as of the date of the receipt. Thus, the insurance policy becomes effective when the conditions of the receipt are met, ensuring that the insurer has the opportunity to evaluate the risk before fully committing to provide coverage. This process protects both the insurer and the insured, ensuring that the policy is in force only when the applicant qualifies under the terms set by the insurer.

7. What is the tax treatment of benefit payments for a non-qualified annuity?

- A. Tax-free to the beneficiary
- B. Fully taxable**
- C. Partially taxable
- D. Tax-deferred until withdrawal

The benefit payments from a non-qualified annuity are fully taxable as ordinary income when withdrawals are made. This taxation arises because non-qualified annuities are purchased with after-tax dollars, meaning that while the contributions made to the annuity are not tax-deductible, the growth that occurs within the annuity is tax-deferred. When a policyholder eventually withdraws funds or receives payments from a non-qualified annuity, the entire amount received is considered income for tax purposes, given that it exceeds the amount of basis—the initial investment that was made with after-tax dollars. This means that the tax on withdrawals comes into play when distributions are made. Other options like tax-free payments or tax-deferred treatment do not apply in this scenario since, unlike qualified plans, non-qualified annuities do not allow for tax-free withdrawals or tax-deferral upon payment. Instead, the entire benefit payment is taxed, reflecting the nature of how non-qualified annuities are treated by the Internal Revenue Service when distributions are made to the annuitant or beneficiary.

8. What must a group health certificate for coverage issued in Vermont include?

- A. List of all insured individuals
- B. Summary of policy features and benefits**
- C. Cost of the policy
- D. Claim process details

A group health certificate for coverage in Vermont must include a summary of policy features and benefits. This summary is essential because it informs the insured individuals about the key aspects of their coverage, including the services covered, limitations, exclusions, and any cost-sharing elements like deductibles and co-pays. By providing this information, the certificate ensures that insured parties understand what to expect from their health insurance policy, which is crucial when they need to access healthcare services. While the other components, such as listing all insured individuals, outlining the cost of the policy, and providing claim process details, may be relevant, they are not mandatory inclusions in the group health certificate itself under Vermont regulations. The focus on features and benefits serves to clarify the provisions of the insurance plan, which is a primary goal of any insurance documentation.

9. Under HIPAA, what is the maximum duration that medical plan late enrollees may be excluded for pre-existing conditions?

- A. 12 months
- B. 18 months**
- C. 24 months
- D. 36 months

Under HIPAA, the maximum duration that medical plan late enrollees may be excluded from coverage for pre-existing conditions is 12 months. This means that if an individual enrolls in a health plan after the initial enrollment period, the insurer can impose a waiting period of up to one year for any pre-existing conditions they may have. It's important to note that this 12-month exclusion period begins from the date of enrollment in the plan. Additionally, if an individual has had prior creditable coverage without a significant gap, the length of the exclusion may be reduced. Any exclusions for pre-existing conditions must be clearly defined in the policy to ensure that enrollees understand when full coverage will begin. The other options exceed the maximum allowable exclusion period set by HIPAA. The law is designed to balance the interests of insurers in managing risk while ensuring that individuals have access to coverage for necessary health care needs.

10. What kind of tax is generally imposed on the gain from a modified endowment contract?

- A. Capital gains tax
- B. Sales tax
- C. Income tax**
- D. Property tax

A modified endowment contract (MEC) is a type of life insurance policy that has been funded with premiums that exceed federally defined limits. When gains are withdrawn from a MEC, they are treated differently for tax purposes compared to traditional life insurance contracts. The tax implications are significant because the gains are considered taxable as income. When a policyholder cashes in the gains from a MEC, the Internal Revenue Service (IRS) requires that these gains are subject to income tax. This means that any money withdrawn above the amount invested into the contract (the basis) will be taxed as ordinary income, rather than benefiting from capital gains rates, which can be lower. This treatment underscores the essential point that the tax on the earnings accrued in a MEC is treated as regular income rather than just a capital gain. Other forms of tax like sales tax or property tax do not apply in this context, as they are unrelated to the income derived from insurance products. Understanding the tax implications of MECs is crucial for effective financial planning and tax strategy.

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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