MINNESOTA LIFE INSURANCE LICENSE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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.

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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!

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Questions

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1. **Which of the following statements is true regarding insurable interest in life insurance contracts?**

   A. Only financial interests qualify for insurable interest

   B. Friends can have insurable interest over each other

   C. Insurable interest is not necessary when purchasing life insurance

   D. Close relatives have insurable interest based on love and affection

2. **A proposed insured whose likelihood of loss is significantly less than the average is classified as?**

   A. Standard risk

   B. Substandard risk

   C. Preferred risk

   D. High risk

3. **What is "policy reinstatement"?**

   A. The process of restoring a lapsed policy after a certain period

   B. The legal process of changing policy beneficiaries

   C. Transferring a policy to another insurance company

   D. Issuing a new policy after a claim

4. **Which type of life insurance can be converted to a permanent policy within a specific timeframe?**

   A. Term life insurance

   B. Whole life insurance

   C. Universal life insurance

   D. Variable life insurance

5. **What is the purpose of a contingent beneficiary in a life insurance policy?**

   A. To receive dividends from the policy

   B. To take effect only if the primary beneficiary is deceased

   C. To reinvest premiums paid

   D. To manage the funds in case of bankruptcy

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6. In life insurance terms, what does the term "incontestability" refer to?

A. The ability to contest a claim within 1 year

B. The restriction of claims after a specified period

C. The insurer's right to refuse coverage for any reason

D. The period during which a policy cannot be contested by the insurer

7. What does it mean when a policy is considered "lapsed"?

A. The policyholder has died

B. The premiums have been paid in advance

C. The policy has ended due to non-payment of premiums

D. The policy has been transferred to another beneficiary

8. Annuity products linked to a market-related index are known as what?

A. Equity indexed annuity

B. Fixed indexed annuity

C. Variable annuity

D. Immediate annuity

9. Which rider allows for additional insurance at a specified date or event without evidence of insurability?

A. Waiver of premium rider

B. Guaranteed insurability rider

C. Accidental death benefit rider

D. Term conversion rider

10. What is a "living benefit" rider?

A. A provision that allows access to death benefits while the insured is still alive

B. A tax advantage for policyholders over age 65

C. A type of beneficiary designation

D. An option to convert term insurance to whole life

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Answers

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

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Explanations

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1. Which of the following statements is true regarding insurable interest in life insurance contracts?

A. Only financial interests qualify for insurable interest

B. Friends can have insurable interest over each other

C. Insurable interest is not necessary when purchasing life insurance

D. Close relatives have insurable interest based on love and affection

The statement that close relatives have insurable interest based on love and affection is true regarding insurable interest in life insurance contracts. Insurable interest is a fundamental requirement in insurance law, ensuring that the policyholder has a legitimate interest in the continued life and well-being of the insured individual. Close relatives—such as parents, siblings, and children—naturally have a strong emotional connection that translates into an insurable interest, as the loss of a loved one can have profound financial and emotional implications. Consequently, insurance policies can be purchased on the lives of these individuals since their financial, emotional, or familial ties signify that the policyholder stands to suffer a loss should the insured pass away. While certain interests may also be financial and qualify for insurable interest, the love and affection principle specifically underscores the personal stakes involved in relationships among family members. Therefore, this understanding helps recognize why close familial relationships satisfy the criteria for insurable interest in life insurance contracts.

2. A proposed insured whose likelihood of loss is significantly less than the average is classified as?

A. Standard risk

B. Substandard risk

C. Preferred risk

D. High risk

When an insured is classified as a preferred risk, it means that their likelihood of experiencing a loss is significantly lower than that of the average individual. This classification typically applies to individuals who demonstrate excellent health, a strong lifestyle with no significant risk factors, and favorable medical histories, all of which lead insurers to assess them as a lower risk for claims. This status often results in lower premium rates as these individuals are seen as less likely to require payouts, benefiting both the insured, through more affordable premiums, and the insurance company, as they maintain a healthier pool of insured individuals. Understanding this classification is crucial for both insurers and insured individuals as it impacts policy availability, pricing, and coverage options. In contrast, classifications like standard risk apply to those who are considered average in terms of risk, substandard risk applies to those who present higher risk factors that could lead to more claims, and high risk is a term often informally used to suggest a significant likelihood of loss, but it doesn't reflect the structured classifications insurers typically use.

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3. What is "policy reinstatement"?

A. The process of restoring a lapsed policy after a certain period

B. The legal process of changing policy beneficiaries

C. Transferring a policy to another insurance company

D. Issuing a new policy after a claim

Policy reinstatement refers to the process of restoring a previously lapsed life insurance policy after it has not been maintained for a specified period, typically due to non-payment of premiums. When a policy lapses, the coverage is no longer in effect, and the insured loses their benefits. However, many insurance companies offer a reinstatement option, which allows the policyholder to regain coverage by paying any back premiums and possibly providing evidence of insurability. This is an important feature in life insurance, as it provides policyholders with an opportunity to restore coverage without having to go through the process of applying for a new policy, which may involve re-evaluating their health status. Different companies may have distinct rules regarding reinstatement, including a time limit for the opportunity to reinstate, which is generally defined in the policy's terms. The other options do not accurately describe policy reinstatement, as they cover different aspects of life insurance management. Changing beneficiaries pertains to the legal modification of who will receive benefits upon the insured's death, while transferring a policy to another company involves completely taking the policy elsewhere instead of restoring it. Issuing a new policy after a claim is about initiating a new contract, rather than reinstating an existing one that has lapsed.

4. Which type of life insurance can be converted to a permanent policy within a specific timeframe?

A. Term life insurance

B. Whole life insurance

C. Universal life insurance

D. Variable life insurance

Term life insurance is specifically designed to provide coverage for a predetermined period, such as 10, 20, or 30 years. One of the key features of some term policies is the conversion option, which allows the policyholder to convert their term insurance into a permanent life insurance policy within a certain timeframe, typically without needing to undergo additional medical underwriting. This conversion feature is particularly valuable as it offers policyholders the ability to secure lifelong coverage as their needs change over time, potentially without the increased premiums or health conditions that may arise later in life. On the other hand, whole life insurance, universal life insurance, and variable life insurance are all forms of permanent life insurance, which provide coverage for the insured's entire life as long as the premiums are paid. These types of policies do not include a conversion option because they are already permanent by nature. Instead, they have their own unique features, such as cash value accumulation and flexible premiums, but do not facilitate a conversion from a temporary term coverage. Therefore, the distinguishing feature of term life insurance being convertible into a permanent policy reflects its flexibility and adaptability to future needs, making it the correct answer.

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5. What is the purpose of a contingent beneficiary in a life insurance policy?

A. To receive dividends from the policy

B. To take effect only if the primary beneficiary is deceased

C. To reinvest premiums paid

D. To manage the funds in case of bankruptcy

The purpose of a contingent beneficiary in a life insurance policy is to ensure that there is a backup recipient who will receive the policy benefit in the event that the primary beneficiary passes away before the insured. This arrangement provides a safeguard for the policyholder's intentions and ensures that the death benefit is distributed according to their wishes, even if the primary choice is no longer available to collect the funds. When a life insurance policy is set up, the policyholder can name one or more primary beneficiaries who are entitled to receive the payout upon the insured's death. However, if something were to happen and those primary beneficiaries cannot claim the funds—such as the situation where they predecease the insured—the contingent beneficiary then assumes this responsibility. This prevents the funds from going into probate or becoming part of an estate that may delay distribution. The other choices do not accurately represent the role of a contingent beneficiary. Dividends from the policy or reinvesting premiums do not relate to the distribution of death benefits, while managing funds in case of bankruptcy is unrelated to the beneficiary designation fundamental to life insurance policies.

6. In life insurance terms, what does the term "incontestability" refer to?

A. The ability to contest a claim within 1 year

B. The restriction of claims after a specified period

C. The insurer's right to refuse coverage for any reason

D. The period during which a policy cannot be contested by the insurer

The term "incontestability" in life insurance refers specifically to the period during which a policy cannot be contested by the insurer. This period typically begins after a stipulated amount of time, often two years, from the date the policy is issued. During this time, the insurer cannot deny a claim or refuse to pay benefits based on misstatements made by the policyholder in the application, unless there has been fraud. This provision is crucial as it provides policyholders with security and assurance that their beneficiaries will receive the policy benefits after the incontestable period, regardless of any potential discrepancies in the application. This concept is essential for instilling confidence in policyholders about the stability and reliability of their coverage. It also encourages transparency and honesty when filling out application forms, knowing that after the incontestability period, the information provided cannot be used against them to deny claims.

7. What does it mean when a policy is considered "lapsed"?

A. The policyholder has died

B. The premiums have been paid in advance

C. The policy has ended due to non-payment of premiums

D. The policy has been transferred to another beneficiary

A policy is considered "lapsed" when it has ended due to non-payment of premiums. This situation occurs when the policyholder fails to pay the required premiums within the grace period set by the insurance company. If the premiums are not paid, the policy cannot provide coverage, and it ceases to be in force. Essentially, it reflects the policyholder's inability or decision not to maintain the policy, resulting in the loss of the insurance coverage that was originally intended. The importance of this concept is significant in life insurance, as a lapsed policy means that the beneficiaries would not receive any benefits in the event of the policyholder's death. This outcome emphasizes the necessity for policyholders to remain attentive to their premium payments to keep their coverage active.

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8. Annuity products linked to a market-related index are known as what?

A. Equity indexed annuity

B. Fixed indexed annuity

C. Variable annuity

D. Immediate annuity

Annuity products linked to a market-related index are referred to as equity indexed annuities. These financial products are designed to provide investors with a way to earn returns that are tied to the performance of a specific stock market index, such as the S&P 500. The unique feature of equity indexed annuities is that they combine elements of both fixed and variable annuities. While they offer a level of guaranteed returns similar to fixed annuities, they also provide the potential for higher returns based on the performance of a market index, which aligns with the "equity" part of their name. This structure generally includes a formula that determines how the returns will be credited based on the index performance, often with limits on gains and losses. Other types of annuities listed have distinct characteristics: fixed indexed annuities share similarities with equity indexed annuities but are often viewed as a more broad category and may emphasize fixed interest rates more. Variable annuities allow for direct investment in different securities, leading to fluctuations in cash value and account value with market performance. Immediate annuities focus on providing periodic payments shortly after a lump sum is paid, rather than being linked to equity indices. Thus, the correct term for

9. Which rider allows for additional insurance at a specified date or event without evidence of insurability?

A. Waiver of premium rider

B. Guaranteed insurability rider

C. Accidental death benefit rider

D. Term conversion rider

The guaranteed insurability rider is designed to provide the policyholder the option to purchase additional life insurance coverage at specified intervals or events, such as marriage, the birth of a child, or reaching a certain age, without needing to provide evidence of insurability. This means that regardless of changes in health or other circumstances that could affect insurability, the individual can increase their coverage within the limits set by the rider. This feature is particularly beneficial because it addresses the uncertainty of future health issues. For instance, if a person develops a health condition that would typically make it difficult or even impossible to obtain new life insurance coverage, the guaranteed insurability rider allows them to expand their policy as originally planned. The other options do not provide this same benefit. The waiver of premium rider, for example, waives the premiums if the policyholder becomes disabled, but it does not pertain to acquiring additional coverage. The accidental death benefit rider offers added coverage in the case of death due to an accident but also does not allow for increasing insurance without evidence of insurability. Lastly, the term conversion rider permits the holder of a term life insurance policy to convert their policy to a permanent one but does not focus on supplementing coverage without underwriting.

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10. What is a "living benefit" rider?

A. A provision that allows access to death benefits while the insured is still alive

B. A tax advantage for policyholders over age 65

C. A type of beneficiary designation

D. An option to convert term insurance to whole life

A "living benefit" rider is indeed a provision that allows the insured to access death benefits while still alive. This feature is designed to provide financial assistance in the event of a terminal illness or critical health condition. If the insured faces a life-threatening illness, they can utilize a portion of the policy's death benefit to cover medical expenses, pay off debts, or handle other financial needs. This rider is particularly valuable as it offers additional flexibility and support to policyholders during challenging times, allowing them to allocate funds for their immediate needs rather than waiting for the death benefit to be disbursed after their passing. The other responses pertain to different aspects of life insurance. A tax advantage for policyholders over age 65 does not specifically relate to the benefits available from the living benefit rider. Similarly, a type of beneficiary designation is about specifying who will receive the death benefit upon the insured's death rather than accessing benefits while the insured is alive. The option to convert term insurance to whole life relates to changing the structure of the policy rather than accessing benefits, which is the primary function of a living benefit rider.

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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:

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

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