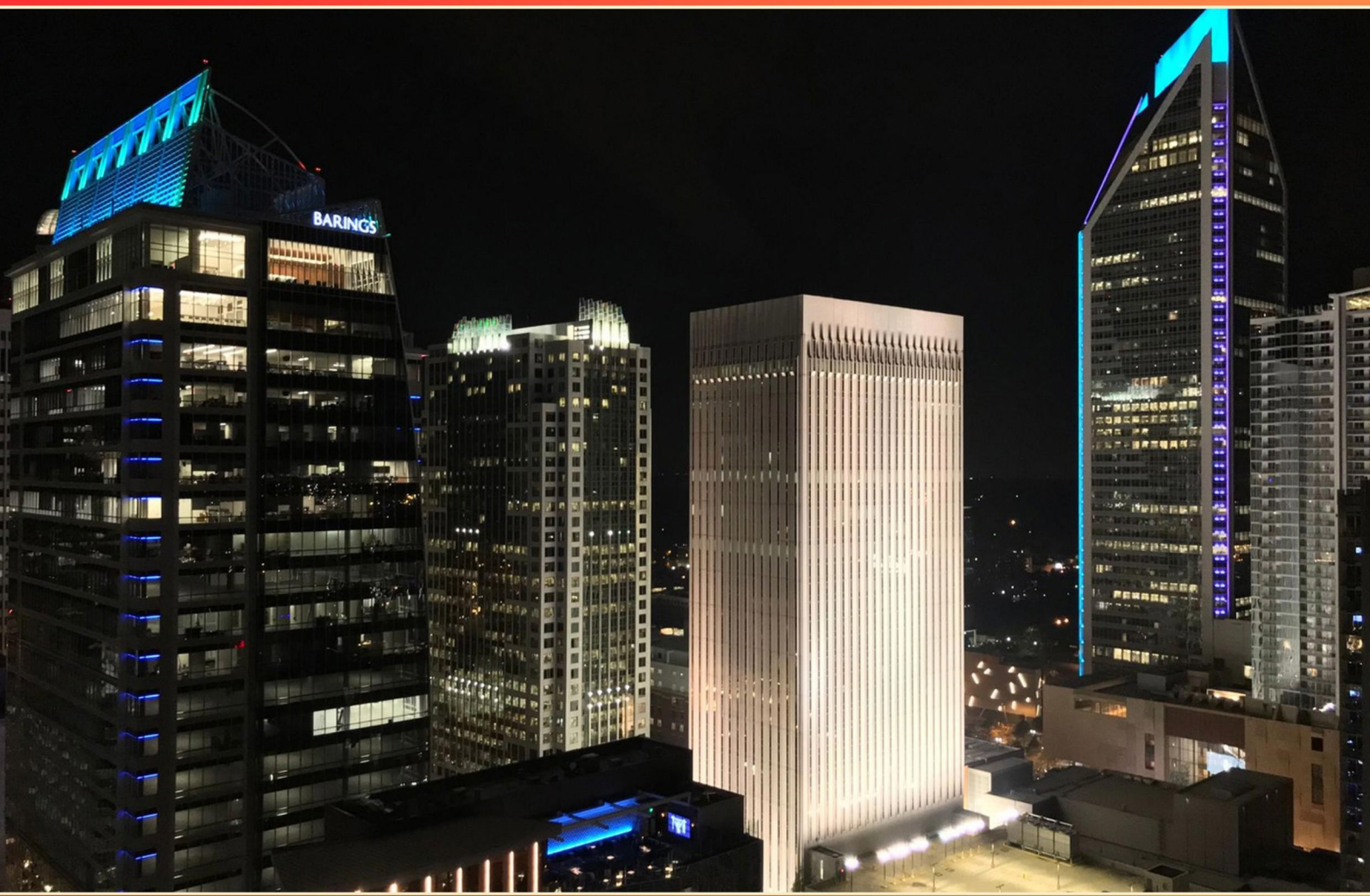
NORTH CAROLINA LIFE AGENT PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR 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.

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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 type of life policy covers two lives and pays the face amount after the first one dies?

A. Whole Life Policy

B. Term Life Policy

C. Joint Life Policy

D. Universal Life Policy

2. What is meant by "convertibility" in a term life insurance policy?

A. The option to convert term insurance to another provider

B. The ability to convert a term policy into a permanent policy without additional health underwriting

C. The ability to add riders to the policy at any time

D. The option to reduce the death benefit amount

3. What are the various ways the death benefit of a life insurance policy can be paid?

A. Only as a lump-sum payment

B. Lump-sum, installment payments, or as an annuity

C. Only as an annuity

D. Via tax deductions only

4. What kind of life insurance starts out as temporary coverage but can later be changed to permanent coverage without evidence of insurability?

A. Whole Life

B. Universal Life

C. Convertible Term

D. Variable Life

5. In a Life insurance contract, what is the term for the insurance company's promise to pay stated benefits?

A. Policy limit

B. Indemnity clause

C. Insuring clause

D. Coverage agreement

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6. Which document typically accompanies the sale of a new insurance policy?

A. Policy Declaration

B. Insurance License

C. Policy Application

D. Notice Regarding Replacement of Life Insurance or Annuity

7. Who is typically considered the owner of a 403(b) tax-sheltered annuity?

A. The employer

B. The employee

C. The government

D. The insurance company

8. What benefit does a Straight Life Annuity provide to its owner?

A. Income that can be outlived

B. Income that cannot be outlived by the owner

C. One-time lump sum payment

D. Variable income based on market performance

9. What is the main function of the Medical Information Bureau (MIB) in the insurance industry?

A. To collect premiums from policyholders

B. To provide medical histories of applicants to insurers

C. To evaluate the financial stability of insurers

D. To determine the legal compliance of insurance policies

10. What does it indicate if an insurance policy is described as "paid-up"?

A. The policyholder has completed all premium payments and the policy remains in force

B. The policy has been cancelled

C. The policy is no longer active

D. The policyholder has reduced their coverage

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Answers

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

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Explanations

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1. Which type of life policy covers two lives and pays the face amount after the first one dies?

A. Whole Life Policy

B. Term Life Policy

C. Joint Life Policy

D. Universal Life Policy

A Joint Life Policy is specifically designed to cover two individuals under a single policy and pays out the death benefit upon the death of the first insured person. This type of policy is often utilized by couples (such as spouses) or business partners who want to ensure that there is financial protection in the event that one of them passes away. The key characteristic that distinguishes a Joint Life Policy from other types of life insurance is that it addresses the coverage of two lives within a single contract and focuses on the payout occurring upon the demise of the first insured. This can be particularly beneficial in planning for estate expenses, debts, or providing for surviving family members. In contrast, Whole Life and Universal Life Policies cover a single individual throughout their lifetime, focusing on permanent coverage and cash value accumulation. Term Life Policies provide coverage for a specified duration, paying out if the insured dies within that term, but they do not specifically cover two lives in the manner that a Joint Life Policy does.

2. What is meant by "convertibility" in a term life insurance policy?

A. The option to convert term insurance to another provider

B. The ability to convert a term policy into a permanent policy without additional health underwriting

C. The ability to add riders to the policy at any time

D. The option to reduce the death benefit amount

Convertibility in a term life insurance policy refers to the policyholder's ability to convert their term insurance into a permanent life insurance policy without needing to undergo additional health underwriting. This feature provides significant value to policyholders as it ensures that they can secure a permanent policy at a later date, even if their health has deteriorated since the original policy was issued. This option is particularly beneficial since the insurability of the individual may change over time due to health issues or changes in lifestyle, making it potentially difficult or impossible to obtain a new policy without facing higher premiums or exclusions. The convertibility feature allows individuals to shift to a more permanent solution, typically with guaranteed approval during a specified period, ensuring they have continuous life insurance coverage as their needs evolve. Understanding this concept is essential for those studying life insurance, as it highlights the flexibility offered by term policies and the importance of planning for long-term insurance needs.

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3. What are the various ways the death benefit of a life insurance policy can be paid?

A. Only as a lump-sum payment

B. Lump-sum, installment payments, or as an annuity

C. Only as an annuity

D. Via tax deductions only

The death benefit of a life insurance policy can be made available in several payment methods to ensure flexibility based on the policyholder's wishes and the needs of the beneficiaries. The correct choice encompasses three primary methods of payment: lump-sum, installment payments, and annuity options. A lump-sum payment provides the full death benefit amount immediately upon the death of the insured, allowing beneficiaries to have immediate access to funds for expenses or needs. Installment payments allow the death benefit to be paid over time, providing a regular income stream to beneficiaries which can help with budgeting and long-term financial planning. This option can be particularly useful for beneficiaries who may not be accustomed to managing a large sum of money. The annuity option converts the death benefit into a guaranteed income stream, which can be beneficial for ensuring that beneficiaries receive a steady payment over a longer period, often for the rest of their lives. Incorporating these various options into life insurance policies enhances their utility, providing choices that can align with the financial goals of the insured and the needs of their beneficiaries, which makes the answer comprehensive and accurate.

4. What kind of life insurance starts out as temporary coverage but can later be changed to permanent coverage without evidence of insurability?

A. Whole Life

B. Universal Life

C. Convertible Term

D. Variable Life

Convertible term insurance is a specific type of life insurance that begins as temporary coverage, typically covering the insured for a set number of years. The defining feature of convertible term insurance is its option to convert to permanent coverage without the need for evidence of insurability. This means that policyholders can transition from a term policy, which usually has lower initial premiums and provides coverage for a limited time, to a permanent policy that offers lifelong protection and builds cash value over time, regardless of any changes in their health status that may have occurred since the term policy was taken out. This feature gives policyholders flexibility and security, allowing them to adapt their life insurance needs as their circumstances evolve, such as changes in health or financial goals. The other types of life insurance listed do not typically include this specific provision allowing for conversion from temporary to permanent coverage without additional underwriting.

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5. In a Life insurance contract, what is the term for the insurance company's promise to pay stated benefits?

A. Policy limit

B. Indemnity clause

C. Insuring clause

D. Coverage agreement

In a life insurance contract, the term that refers to the insurance company's promise to pay stated benefits is known as the insuring clause. This clause outlines the basic agreement between the insurer and the insured, specifically detailing the benefits that the insurance company guarantees to pay upon the occurrence of specific events, such as the death of the insured. The insuring clause is typically one of the first sections of any insurance policy, establishing the key promises associated with the policy. It clarifies essential details like the amount of coverage and the conditions under which the benefits will be paid, ensuring transparency for the policyholder regarding what they can expect from their insurance policy. Other terms, such as policy limit, indemnity clause, and coverage agreement, may relate to different aspects of insurance policies but do not specifically denote the promise made by the insurer to pay benefits as directly as the insuring clause does. For example, a policy limit refers to the maximum amount the insurer will pay under the policy, while an indemnity clause typically pertains to loss or damage and reimbursement rather than a promise of coverage.

6. Which document typically accompanies the sale of a new insurance policy?

A. Policy Declaration

B. Insurance License

C. Policy Application

D. Notice Regarding Replacement of Life Insurance or Annuity

The document that typically accompanies the sale of a new insurance policy is the Notice Regarding Replacement of Life Insurance or Annuity. This notice serves an important purpose in the insurance transaction process by ensuring that the policyholder fully understands the implications of replacing an existing policy with a new one. The notice is designed to inform consumers about the potential consequences of replacing their current insurance, such as loss of benefits, changes in premium rates, and any waiting periods for new coverage. Providing this notice helps to protect the interests of the policyholder by making them aware of key factors that could affect their financial security. While other documents, such as the policy declaration and policy application, are essential to the overall insurance process, they do not specifically address the important considerations related to replacing existing insurance policies. The insurance license is necessary for agents to sell policies but is not a document that accompanies the sale itself. Hence, the Notice Regarding Replacement is vital for ensuring informed decision-making during the policy sale.

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7. Who is typically considered the owner of a 403(b) tax-sheltered annuity?

A. The employer

B. The employee

C. The government

D. The insurance company

In a 403(b) tax-sheltered annuity, the employee is typically considered the owner of the account. This type of retirement plan is designed for employees of public schools and certain tax-exempt organizations. When contributions are made to a 403(b) plan, they are pulled from the employee's salary, which the employee controls. The employee has rights to make decisions about investment options and is the one who benefits from the tax advantages provided by the plan. The employer's role is primarily to facilitate the plan, often by allowing payroll deductions for contributions, but they do not own the account themselves. The government regulates these plans to ensure compliance with tax laws, but they do not own or control the funds either. Similarly, while the insurance company may manage the annuity products that fund the 403(b), they do not hold ownership over the account. Ownership rests with the employee, who acts as the account holder and has access to the funds, subject to certain tax implications, usually upon retirement or separation from service.

8. What benefit does a Straight Life Annuity provide to its owner?

A. Income that can be outlived

B. Income that cannot be outlived by the owner

C. One-time lump sum payment

D. Variable income based on market performance

A Straight Life Annuity is designed to provide the owner with guaranteed income for their entire life. This type of annuity pays out a fixed amount regularly for as long as the annuitant lives, which means that the income stream continues regardless of how long the individual may live. The primary benefit here is the security that the owner will not outlive their income. Unlike other investment options that might risk depleting funds over time, a Straight Life Annuity assures that payments will continue as long as the contract holder is alive, thereby eliminating the concern of running out of funds in later years. This characteristic makes it an appealing choice for individuals seeking a stable source of income in retirement. Other options do not align with the primary feature of a Straight Life Annuity. For instance, a one-time lump sum payment is more characteristic of a single premium immediate annuity or a different financial product, whereas variable income based on market performance pertains to variable annuities, which can fluctuate and do not guarantee a fixed income. Income that can be outlived is contrary to the defining feature of a Straight Life Annuity since this option explicitly ensures ongoing payments for the owner's lifetime.

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9. What is the main function of the Medical Information Bureau (MIB) in the insurance industry?

A. To collect premiums from policyholders

B. To provide medical histories of applicants to insurers

C. To evaluate the financial stability of insurers

D. To determine the legal compliance of insurance policies

The Medical Information Bureau (MIB) plays a crucial role in the insurance industry by providing medical histories of applicants to insurers. This function allows insurance companies to assess the risk associated with insuring an individual. When individuals apply for life or health insurance, their medical information can significantly impact underwriting decisions. The MIB collects and maintains data regarding the medical conditions, treatments, and risk factors of applicants from multiple insurance companies. This centralized source of medical information helps insurers make informed decisions about coverage and premium pricing, thereby streamlining the underwriting process. By accessing the MIB database, insurance companies can verify information provided by applicants and ensure that they have a complete view of an applicant's health background, which is essential for determining eligibility and pricing. The other options relate to different functions within the insurance sector but do not accurately describe the primary role of the MIB. Collecting premiums pertains to the financial transactions that insurers engage in with policyholders, while evaluating the financial stability of insurers involves assessing their ability to meet future claims, which is separate from the MIB's purpose. Legal compliance concerns the adherence of insurance policies to regulations, which is again outside the MIB's main function. Therefore, providing medical histories of applicants is the central aspect of the MIB's

10. What does it indicate if an insurance policy is described as "paid-up"?

A. The policyholder has completed all premium payments and the policy remains in force

B. The policy has been cancelled

C. The policy is no longer active

D. The policyholder has reduced their coverage

When an insurance policy is described as "paid-up," it signifies that the policyholder has completed all required premium payments, and as a result, the policy remains in force without the need for further payments. This means that the insurance coverage is fully funded, and the policy will continue to provide benefits according to its terms, typically until the insured event occurs, such as the policyholder's death in the case of a life insurance policy. This "paid-up" status often occurs in whole life insurance policies where, after a specified number of years of premium payments, the policyholder can cease further premium payments while the policy continues to be active. It's important for policyholders to understand this aspect, as it guarantees their coverage without ongoing financial obligations. Regarding the other options, cancelling a policy or rendering it inactive would imply that the coverage is void, which contradicts the definition of "paid-up." Additionally, reducing coverage refers to altering the benefits of the policy, which also does not align with the idea of a "paid-up" policy that maintains its original benefits.

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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://northcarolina-lifeagent.examzify.com

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

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