TENNESSEE INSURANCE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://tennessee-insurance.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1
Table of Contents 2
Introduction 3
How to Use This Guide 4
Questions 5
Answers 8
Explanations 10
Next Steps 16

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. **In which type of life insurance policy does the insured's age affect the premium rates significantly?**

   A. Whole Life

   B. Term Life

   C. Universal Life

   D. Variable Life

2. **Who is typically regarded as the owner of a 403(b) tax-sheltered annuity?**

   A. The employer

   B. The insurance company

   C. The employee

   D. The federal government

3. **Which of the following is TRUE about a qualified retirement that is "top heavy?"**

   A. Less than 50% of plan assets are in key employee accounts

   B. More than 60% of plan assets are in key employee accounts

   C. Only key employees can contribute

   D. The plan is fully funded by employer contributions

4. **What does a nonforfeiture clause guarantee to the policyholder?**

   A. Guaranteed interest rates

   B. Guaranteed values even if the policy has lapsed

   C. Guaranteed renewal options

   D. Guaranteed payout within 1 year

5. **What is the excise tax rate the IRS imposes on individuals aged 70 1/2 or older who do not take the required minimum distributions from their qualified retirement plan?**

   A. 20%

   B. 30%

   C. 40%

   D. 50%

SAMPLE

6. In which type of life insurance can the policyholder access cash value during their lifetime?

A. Term Life

B. Whole Life

C. Decreasing Term

D. Disability Income

7. What is the consideration given by an insurer in the Consideration clause of a life policy?

A. Payment of premiums

B. Promise to pay a death benefit to a named beneficiary

C. Provision of a loan

D. Issuance of the policy document

8. What will the insurer likely do if L dies and it is discovered she understated her age on the application?

A. Cancel the policy

B. Adjust the death benefit

C. Offer a reimbursement

D. Enforce a waiting period

9. Which of the following statements regarding life insurance exclusions is true?

A. They guarantee payment regardless of situation

B. They limit payout under specific circumstances

C. They cancel the policy immediately

D. They affect only temporary policies

10. What is a benefit of a straight life annuity?

A. Payments stop after a specified term

B. It guarantees payments for the annuitant's lifetime

C. Payments can increase with inflation

D. It offers return of premium options

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. In which type of life insurance policy does the insured's age affect the premium rates significantly?

A. Whole Life

B. Term Life

C. Universal Life

D. Variable Life

Whole Life insurance policies often have premiums that are significantly affected by the insured's age due to the nature of how these policies are structured. In Whole Life insurance, the premiums are typically level and guaranteed, meaning that they are set for the life of the policy once established. However, because these policies provide coverage for the entire lifetime of the insured, the age of the insured at the time of application plays a critical role in determining the initial premium. The younger the insured is when purchasing a Whole Life policy, the lower the premium will generally be, reflecting the lower mortality risk associated with younger individuals. As individuals age, the risk of mortality increases, which in turn causes the premium rates to be higher. Thus, an insured's age at underwriting is a fundamental factor in Whole Life insurance premium calculations, and significant age differences at application can lead to substantial differences in cost. While Term Life, Universal Life, and Variable Life policies also consider age when determining rates, Whole Life policies stand out due to their lifelong commitment and the long-term guarantees they offer. This makes age a particularly influential factor in the overall pricing structure.

2. Who is typically regarded as the owner of a 403(b) tax-sheltered annuity?

A. The employer

B. The insurance company

C. The employee

D. The federal government

The employee is typically regarded as the owner of a 403(b) tax-sheltered annuity. In a 403(b) plan, employees of public schools and certain tax-exempt organizations can contribute to retirement savings on a pre-tax basis. Although the employer may facilitate and sometimes contribute to the plan, the employee retains the rights and ownership related to the account and any benefits accrued. This ownership means that the employee controls the investment choices within the 403(b), as well as the distribution of funds upon retirement or withdrawal. The employer serves primarily as a sponsor and may provide matching contributions, but they do not own the account. The insurance company serves as the provider of the annuity, administering the plan, but ownership rights remain with the employee. The federal government regulates these plans and provides the tax advantages associated with them, but it does not have ownership over individual accounts. Understanding this structure helps clarify the role and responsibilities of employees versus other parties involved in a 403(b) plan.

SAMPLE

3. Which of the following is TRUE about a qualified retirement that is "top heavy?"

A. Less than 50% of plan assets are in key employee accounts

B. More than 60% of plan assets are in key employee accounts

C. Only key employees can contribute

D. The plan is fully funded by employer contributions

A qualified retirement plan is considered "top heavy" when a significant portion of its assets is allocated to key employees, which are typically defined as certain highly compensated individuals. The defining characteristic of a top-heavy plan is that more than 60% of the total plan assets are held in the accounts of these key employees. This classification requires the plan to meet specific minimum contribution requirements to all employees, not just key employees, ensuring fairness in benefit distribution. Understanding the implications of a top-heavy plan is crucial for compliance with IRS regulations, as it mandates that employers typically must make minimum contributions to eligible non-key employees' accounts in the plan. The other options do not accurately describe the definition or implications of a top-heavy plan. For instance, stating that less than 50% of plan assets are in key employee accounts would indicate that the plan is not top-heavy. The suggestion that only key employees can contribute is also misleading, as contributions can generally be made by all eligible employees. Lastly, a fully employer-funded plan does not necessarily relate to the "top-heavy" status, as contributions can come from various sources and does not inherently define the distribution of assets among key and non-key employees.

4. What does a nonforfeiture clause guarantee to the policyholder?

A. Guaranteed interest rates

B. Guaranteed values even if the policy has lapsed

C. Guaranteed renewal options

D. Guaranteed payout within 1 year

A nonforfeiture clause is a provision in a life insurance policy that protects the policyholder by guaranteeing certain benefits even if the policy lapses due to nonpayment of premiums. Specifically, this clause ensures that the policyholder will receive some form of value, such as a cash surrender value or extended term insurance, despite the lapse. This is particularly important as it provides financial security and ensures that the policyholder does not lose all benefits accrued during the period when premiums were paid. As a result, the nonforfeiture clause embodies the principle that policyholders are entitled to some value from their investment in the insurance policy, even if they cannot continue making premium payments. Other options may sound appealing but do not align with what a nonforfeiture clause specifically offers. For example, guaranteed interest rates pertain more to specific types of interest-bearing accounts or products rather than to the guarantees provided in a lapse situation. Guaranteed renewal options generally relate to policy renewals at the end of a term but not to the nonforfeiture aspect. Lastly, a guaranteed payout within a year does not accurately reflect the core function of a nonforfeiture clause, which is about preserving value after a policy might otherwise become void.

SAMPLE

5. What is the excise tax rate the IRS imposes on individuals aged 70 1/2 or older who do not take the required minimum distributions from their qualified retirement plan?

A. 20%

B. 30%

C. 40%

D. 50%

The excise tax rate imposed by the IRS on individuals aged 70 1/2 or older who fail to take the required minimum distributions (RMDs) from their qualified retirement plans is indeed 50%. This penalty is designed to enforce compliance with the RMD rules, which are put in place to ensure that individuals begin withdrawing funds from their tax-deferred retirement accounts once they reach retirement age. The rationale behind this high penalty is to encourage individuals to start withdrawing from their retirement accounts and thus pay taxes on those distributions, which helps to generate tax revenue and ensures that retirement savings are not indefinitely sheltered from taxation. The intent is to prevent individuals from neglecting their RMD obligations, as failing to withdraw the required amount can significantly impact their future finances and overall tax situation. It is essential for individuals approaching retirement age to be aware of their obligations concerning RMDs to avoid this substantial excise tax. Understanding the implications of these rules is crucial for effective retirement planning.

6. In which type of life insurance can the policyholder access cash value during their lifetime?

A. Term Life

B. Whole Life

C. Decreasing Term

D. Disability Income

Whole life insurance allows the policyholder to access cash value during their lifetime because it is a form of permanent life insurance that combines a death benefit with a savings component. This savings component accumulates cash value on a tax-deferred basis over time, which the policyholder can borrow against or withdraw. The policy's cash value grows at a guaranteed rate, ensuring that the policyholder has a financial asset they can tap into if needed. This feature differentiates whole life insurance from term life insurance, which only provides coverage for a specific period without any cash accumulation. Other types of insurance, like decreasing term and disability income, also do not accumulate cash value. Thus, whole life insurance stands out as the option that grants access to cash value during the insured's lifetime.

SAMPLE

7. What is the consideration given by an insurer in the Consideration clause of a life policy?

A. Payment of premiums

B. Promise to pay a death benefit to a named beneficiary

C. Provision of a loan

D. Issuance of the policy document

In the Consideration clause of a life insurance policy, the insurer's consideration is the promise to pay a death benefit to a named beneficiary. This promise signifies the insurer's commitment to fulfill its obligations under the terms of the policy in exchange for the premiums paid by the policyholder. The consideration must be something of value exchanged between the insurer and the insured. While payment of premiums is the consideration provided by the policyholder, the insurer's specific consideration is the promise to pay out a specified amount upon the occurrence of the insured event, such as the death of the insured. This foundational aspect of the contract establishes the insurer's responsibility and reinforces the binding nature of the agreement, ensuring that beneficiaries are protected financially as intended. The other options, while relevant components of life insurance policies, do not represent the primary consideration given by the insurer. The provision of a loan and the issuance of the policy document are important aspects of the policy but do not encapsulate the insurer's promise, which is key to understanding the consideration clause in the life insurance context.

8. What will the insurer likely do if L dies and it is discovered she understated her age on the application?

A. Cancel the policy

B. Adjust the death benefit

C. Offer a reimbursement

D. Enforce a waiting period

If it is discovered that L understated her age on the insurance application after her death, the insurer will likely adjust the death benefit. Insurance premiums and benefits are often calculated based on the applicant's age at the time the policy is issued. If the age was understated, this could mean that the policy was issued at a lower premium rate than would have been charged had the correct age been disclosed. The insurer typically recalculates the death benefit based on the appropriate age and the corresponding premium rates. For instance, if L had disclosed her correct age, the policy would have provided a different (usually lower) benefit amount, reflecting normal underwriting practices. Therefore, upon discovering the age misinformation, the company would adjust the death benefit to align with the premiums that should have been paid had the correct age been disclosed, rather than taking more drastic measures like canceling the policy or enforcing a waiting period.

SAMPLE

9. Which of the following statements regarding life insurance exclusions is true?

A. They guarantee payment regardless of situation

B. They limit payout under specific circumstances

C. They cancel the policy immediately

D. They affect only temporary policies

The chosen answer, which states that life insurance exclusions limit payout under specific circumstances, is true because exclusions are provisions in a life insurance policy that specify conditions or events under which the insurer will not pay benefits. Common exclusions can include cases of suicide within a specified period, death due to illegal activities, or death caused by certain hazardous pursuits. By defining these conditions, the policy outlines risks that the insurer seeks to mitigate, thus protecting the insurer from undue financial liability. The other statements do not accurately reflect the nature of life insurance exclusions. The statement that exclusions guarantee payment regardless of situation is misleading, as exclusions actually define situations where payment would not be guaranteed. The claim that exclusions cancel the policy immediately is also incorrect; exclusions do not terminate the policy but merely restrict the payout under certain conditions. Finally, the notion that exclusions affect only temporary policies is false because exclusions can apply to both temporary (term) and permanent (whole life or universal) life insurance policies.

10. What is a benefit of a straight life annuity?

A. Payments stop after a specified term

B. It guarantees payments for the annuitant's lifetime

C. Payments can increase with inflation

D. It offers return of premium options

A straight life annuity is designed to provide income for the lifetime of the annuitant, ensuring that they receive consistent payments for as long as they live. This unique feature guarantees that the annuitant's financial needs are met throughout their life, offering security and peace of mind, especially for those concerned about outliving their savings. Unlike other annuity options that might have specific terms or include features like inflation adjustments or return of premiums, the straight life annuity focuses solely on providing lifelong income without the complexities or limitations brought by those additional features. This makes it an attractive choice for individuals who prioritize lifetime income stability over other considerations.

SAMPLE

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://tennessee-insurance.examzify.com

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

SAMPLE