

CALIFORNIA PSI SITE – LIFE, ACCIDENT AND HEALTH AGENT (LIFE AGENT) 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. How does the concept of "whole life" differ from "term" insurance?**
- A. Whole life offers temporary coverage, while term provides lifetime benefits.
 - B. Whole life combines insurance and savings, whereas term is purely insurance.
 - C. Whole life is less expensive than term insurance over time.
 - D. Whole life automatically adjusts premiums based on age, while term does not.
- 2. What does "conversion privilege" in term insurance allow?**
- A. The option to increase coverage after a claim
 - B. The ability to convert a term policy to a permanent policy without medical checks
 - C. The right to receive dividends from the policy
 - D. The facility to reduce premiums anytime
- 3. What is the minimum number of participating members required for a non-contributory group health plan?**
- A. 25%
 - B. 50%
 - C. 75%
 - D. 100%
- 4. Life insurance settlement options include all of the following, except:**
- A. Interest option
 - B. Extended term option
 - C. Fixed amount option
 - D. Fixed period option
- 5. Which account type in life insurance does not guarantee minimum returns and fluctuates based on market conditions?**
- A. General Account
 - B. Whole Account
 - C. Separate Account
 - D. Universal Account

- 6. What is a key characteristic of disability income insurance?**
- A. Pays for medical expenses related to disability
 - B. Replaces a portion of lost salary due to inability to work
 - C. Is guaranteed to be approved for every applicant
 - D. Only offered as short-term coverage
- 7. What key aspect does the "Affordable Care Act" focus on with regard to health insurance?**
- A. Maintaining the status quo of existing insurance laws.
 - B. Marketing healthcare products worldwide.
 - C. Increasing access to health insurance and reducing overall healthcare costs.
 - D. Only providing coverage to certain age groups.
- 8. Employees covered by group life or health policies must be issued a/an:**
- A. Estimate of employer's premiums
 - B. Certificate of insurance
 - C. Master policy
 - D. Monthly premium notification
- 9. The price of insurance for each exposure unit is called the:**
- A. Premium
 - B. Rate
 - C. Adjustment factor
 - D. Package price
- 10. What is a common waiting period for benefits to begin under a Disability Income Rider?**
- A. 1 month
 - B. 3 months
 - C. 6 months
 - D. 12 months

Answers

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

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Explanations

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1. How does the concept of "whole life" differ from "term" insurance?

- A. Whole life offers temporary coverage, while term provides lifetime benefits.
- B. Whole life combines insurance and savings, whereas term is purely insurance.**
- C. Whole life is less expensive than term insurance over time.
- D. Whole life automatically adjusts premiums based on age, while term does not.

The distinction between "whole life" and "term" insurance is primarily based on the structure and purpose of the policies. Whole life insurance is designed to last for the policyholder's entire life, providing coverage that does not expire as long as premiums are paid. An essential feature of whole life insurance is that it combines both a death benefit and a savings component, also known as cash value. This cash value accumulates over time and can be accessed by the policyholder during their lifetime, which adds an investment element to the insurance coverage. On the other hand, term insurance is strictly a pure insurance product. It provides coverage for a specified term or period, such as 10, 20, or 30 years, and does not accumulate cash value. If the policyholder passes away during the term, the beneficiaries receive the death benefit. However, if the term ends and the policyholder is still alive, the coverage ceases, and there is no payout or savings component involved. Understanding this difference is crucial for making informed decisions about life insurance options based on individual financial needs and goals. The other options do not accurately reflect the nature of these two types of insurance.

2. What does "conversion privilege" in term insurance allow?

- A. The option to increase coverage after a claim
- B. The ability to convert a term policy to a permanent policy without medical checks**
- C. The right to receive dividends from the policy
- D. The facility to reduce premiums anytime

The concept of "conversion privilege" in term insurance refers to the insured's ability to convert their term life insurance policy into a permanent life insurance policy without having to undergo additional medical underwriting or health evaluations. This is particularly significant because if a policyholder develops health issues during the term of their policy, they might not qualify for a new permanent policy if they had to apply for it based on their current health status. This feature provides policyholders with flexibility and security, ensuring that they can maintain coverage even if their health declines. By allowing the conversion to a permanent policy without medical checks, the conversion privilege helps protect individuals and their beneficiaries from potentially losing life insurance coverage due to unforeseen health changes. The other options do not accurately capture the essence of what conversion privilege entails, focusing instead on aspects not associated with this specific term in life insurance.

3. What is the minimum number of participating members required for a non-contributory group health plan?

- A. 25%
- B. 50%
- C. 75%**
- D. 100%

For a non-contributory group health plan, the requirement is that everyone eligible for coverage must be enrolled in the plan, which translates to 100% participation. This type of plan is fully funded by the employer, meaning no part of the premium is paid by the employees. In this context, achieving 100% participation is crucial because the overall risk pool must be large and stable enough to manage healthcare costs effectively. When all eligible members participate, it helps distribute the risks and costs across the entire group, leading to more predictable and manageable expenses for the insurer. This requirement ensures that the plan is effective and sustainable, as a lower level of participation, such as 25%, 50%, or 75%, could lead to higher costs per member and potential issues with coverage stability, making it inefficient for both the insurer and the plan members. Thus, the correct understanding of a non-contributory group health plan's requirements underlines the significance of full participation.

4. Life insurance settlement options include all of the following, except:

- A. Interest option
- B. Extended term option**
- C. Fixed amount option
- D. Fixed period option

The extended term option is not classified as a life insurance settlement option. Instead, it is typically a non-forfeiture option that allows policyholders to use the cash value of a permanent life insurance policy to purchase a term policy for a specific period. In the context of a settlement, which involves how the benefits of a life insurance policy are disbursed to beneficiaries after the insured's death, the other options (interest option, fixed amount option, and fixed period option) are all ways in which the death benefit can be structured for payment. The interest option is where the insurer pays the beneficiary interest on the death benefit while the principal remains with the insurance company. The fixed amount option involves the insurer paying a set amount to the beneficiary until the total benefit is exhausted. The fixed period option provides payments for a specified period, ensuring a steady income stream to the beneficiary over the designated term. Understanding these distinctions is crucial for recognizing how different settlement options operate and how they impact the beneficiaries' experience after a policyholder's passing.

5. Which account type in life insurance does not guarantee minimum returns and fluctuates based on market conditions?

- A. General Account
- B. Whole Account
- C. Separate Account**
- D. Universal Account

In life insurance, the account type that does not guarantee minimum returns and fluctuates based on market conditions is the separate account. Separate accounts are typically used for variable life insurance policies, where the cash value and the death benefit can vary depending on the performance of the underlying investments chosen by the policyholder. This means the returns are tied to market performance, which can lead to both potential growth and risk of loss, making it distinct from other account types that may provide more stable, guaranteed returns. In contrast, general accounts usually involve fixed products where returns are guaranteed and are part of the insurance company's general funds. Whole accounts, often associated with whole life insurance, provide guaranteed returns based on the policy's cash value. Universal accounts offer flexible premiums and death benefits but generally have a guaranteed interest rate component. The key characteristic of separate accounts is their direct connection to the variable investment performance, differentiating them from those accounts that ensure stability and predictability in returns.

6. What is a key characteristic of disability income insurance?

- A. Pays for medical expenses related to disability
- B. Replaces a portion of lost salary due to inability to work**
- C. Is guaranteed to be approved for every applicant
- D. Only offered as short-term coverage

Disability income insurance is specifically designed to provide financial support to individuals who are unable to work due to a disability. The primary function of this type of insurance is to replace a portion of the insured person's lost income resulting from an injury or illness that prevents them from performing their job. This is crucial for maintaining a person's standard of living during a difficult period when they are not earning a salary. The focus of disability income insurance is not on covering medical expenses related to the disability, which is typically the purpose of health insurance. While some policies might provide care that could help a person return to work sooner, the essence of disability income insurance is to supplement lost wages, making option B the key characteristic of this type of policy. Unlike some types of insurance that guarantee coverage, disability income policies often entail underwriting processes based on health evaluations, meaning not all applicants are guaranteed approval. There are also variations in coverage, including both short-term and long-term disability income options, which makes it inaccurate to suggest that such insurance is only offered as short-term coverage.

7. What key aspect does the "Affordable Care Act" focus on with regard to health insurance?

- A. Maintaining the status quo of existing insurance laws.
- B. Marketing healthcare products worldwide.
- C. Increasing access to health insurance and reducing overall healthcare costs.**
- D. Only providing coverage to certain age groups.

The Affordable Care Act (ACA) primarily focuses on increasing access to health insurance and reducing overall healthcare costs. One of its main goals is to provide more Americans with affordable health coverage by expanding Medicaid eligibility, creating health insurance marketplaces, and implementing regulations aimed at making insurance more accessible and affordable. The ACA introduced measures such as prohibiting denial of coverage based on pre-existing conditions and allowing young adults to remain on their parents' insurance plans until age 26. By focusing on increasing access, the ACA aims to address the high number of uninsured individuals in the United States. Additionally, efforts to reduce healthcare costs are integral to the ACA, as it attempts to implement reforms that can lead to better quality care at lower prices. These objectives are central to the Act's intent to enhance the overall healthcare system and ensure that more individuals can obtain necessary medical services without facing exorbitant expenses or lack of coverage.

8. Employees covered by group life or health policies must be issued a/an:

- A. Estimate of employer's premiums
- B. Certificate of insurance**
- C. Master policy
- D. Monthly premium notification

In the context of group life or health insurance policies, employees covered under such plans receive a certificate of insurance. This document serves as proof of coverage and outlines the benefits and terms of the insurance provided to them. It is an essential element because it assures employees that they are indeed covered under the group's policy and provides vital information about their specific rights and the extent of the coverage they enjoy. The certificate of insurance acts as a summary document that reflects the essential details of the policy, including the identity of the policyholder (typically the employer), the amount of coverage, and information on how to file a claim. It is crucial for employees to have this certificate, as it helps them understand their insurance benefits and provides evidence of their coverage when needed. Other options do not serve the same purpose: an estimate of employer's premiums is for employer use, the master policy is the actual insurance contract held by the employer, and a monthly premium notification pertains to payment information rather than evidence of coverage for employees.

9. The price of insurance for each exposure unit is called the:

- A. Premium
- B. Rate**
- C. Adjustment factor
- D. Package price

The price of insurance for each exposure unit is referred to as the rate. The rate is a foundational concept in insurance, as it represents the cost per unit of insurance coverage. It is calculated based on various factors, including risk assessment, underwriting criteria, and overall market conditions. Essentially, the rate helps insurers determine how much they should charge policyholders for a specific amount of coverage based on the risk associated with that coverage. Understanding the term "rate" is crucial because it provides insight into how insurance companies assess risk and set the pricing structure for their policies. The rate is then multiplied by the number of exposure units (such as the amount of coverage or the number of insured items) to arrive at the total premium that the insured will pay. This concept is distinct from other terms related to insurance pricing. The premium is the total amount a policyholder pays for their insurance coverage, while an adjustment factor may be used to modify the rate based on unique circumstances or risks. A package price refers to a bundled price for multiple types of coverage but does not specifically denote the cost per exposure unit. Understanding these distinctions helps clarify the insurance pricing structure and its application in real-world scenarios.

10. What is a common waiting period for benefits to begin under a Disability Income Rider?

- A. 1 month
- B. 3 months
- C. 6 months**
- D. 12 months

A common waiting period for benefits to begin under a Disability Income Rider is typically six months. This waiting period, often referred to as the "elimination period," is the duration that must pass before benefits start after a disability has occurred. Many insurance policies use this timeframe because it balances the need for protection against short-term disabilities while also helping to keep premiums at a manageable level. Choosing a period of six months allows the insured to receive support for longer-term disabilities while ensuring that the insurance provider isn't overwhelmed with claims for shorter-term, more temporary conditions. It's also a period long enough for the insured to possibly recover and return to work without having to rely on benefits, which can be costly for insurance companies if many claims are made for shorter durations. While waiting periods of one month, three months, or even twelve months can exist, six months strikes a common and practical balance in the insurance industry for a Disability Income Rider.

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://capsisitelifeagent.examzify.com>

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

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