

# Chartered Life Underwriter Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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. What are non-forfeiture options in life insurance?**
  - A. Provisions that allow policyholders to retain some value of their policy**
  - B. Options for increasing premium payments over time**
  - C. Benefits that are paid upon accidental death only**
  - D. Provisions that allow for immediate cash payouts**
- 2. What does "conversion privilege" allow a policyholder to do?**
  - A. Change the type of policy without penalties**
  - B. Convert term life insurance into a permanent policy without evidence of insurability**
  - C. Access cash value before retirement age**
  - D. Receive a refund of premiums paid**
- 3. Which law must insurers comply with when obtaining personal information from a third party?**
  - A. Fair Credit Reporting Act**
  - B. Privacy Act**
  - C. Health Insurance Portability and Accountability Act**
  - D. Data Protection Act**
- 4. What might explain why a policy premium is higher than the standard premium?**
  - A. The insured does not meet established underwriting requirements**
  - B. The policy has additional riders**
  - C. The insured is of advanced age**
  - D. The policy is a permanent life insurance policy**
- 5. What does an applicant's health history primarily help the underwriter assess?**
  - A. Net worth of the applicant**
  - B. Life expectancy and risk level**
  - C. Employment history**
  - D. General lifestyle preferences**

**6. Preferred risk policies with reduced premiums are issued by insurance companies because the insured has:**

- A. Below average mortality or morbidity experience**
- B. Better than average mortality or morbidity experience**
- C. Higher coverage amounts**
- D. Longer policy terms**

**7. What is group term life insurance?**

- A. A policy that covers an individual under several policies**
- B. A type of life insurance that covers a group under a master policy**
- C. A plan allowing employees to select their individual coverage**
- D. A policy that only covers accidental deaths in groups**

**8. What type of insurance provides income continuation if the policyholder is unable to work due to a disability?**

- A. Life insurance**
- B. Health insurance**
- C. Disability income insurance**
- D. Accidental death insurance**

**9. In life insurance, what does "underwriting" entail?**

- A. The process of buying a life insurance policy**
- B. The process of evaluating the risk of insuring a person and determining the premium**
- C. The process of claiming benefits after the policyholder's death**
- D. The procedure for canceling a life insurance policy**

**10. How does term life insurance differ from whole life insurance?**

- A. It only covers specific types of risks.**
- B. Term life insurance provides lifelong coverage, while whole life offers limited coverage.**
- C. Term life insurance offers coverage for a specific period, while whole life includes a savings component.**
- D. Whole life insurance has lower premiums compared to term life insurance.**

## **Answers**

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

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## **Explanations**

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## 1. What are non-forfeiture options in life insurance?

**A. Provisions that allow policyholders to retain some value of their policy**

**B. Options for increasing premium payments over time**

**C. Benefits that are paid upon accidental death only**

**D. Provisions that allow for immediate cash payouts**

Non-forfeiture options in life insurance refer to provisions that allow policyholders to retain some value of their policy even if they stop paying premiums. These are designed to protect policyholders from losing all benefits upon lapsing a policy due to non-payment. By providing alternatives like cash surrender value, reduced paid-up insurance, or extended term insurance, non-forfeiture options ensure that the policyholder still has access to some benefits based on the accumulated value of the policy. The other options do not accurately describe non-forfeiture options. Increasing premium payments over time relates to different types of policies or riders but does not address value retention. Benefits payable upon accidental death are specific to certain policy types but are unrelated to the concept of non-forfeiture. Immediate cash payouts suggest a different mechanism, like a cash value withdrawal, rather than the preservation of policy benefits when premiums are no longer paid.

## 2. What does "conversion privilege" allow a policyholder to do?

**A. Change the type of policy without penalties**

**B. Convert term life insurance into a permanent policy without evidence of insurability**

**C. Access cash value before retirement age**

**D. Receive a refund of premiums paid**

The conversion privilege is a beneficial feature found in many term life insurance policies. It allows a policyholder to convert their term life insurance into a permanent life insurance policy without having to provide evidence of insurability. This means that the policyholder does not need to undergo a medical exam or provide any health information when making this transition. This feature is particularly valuable for individuals whose health may have changed since they initially purchased the term policy, as it protects them from losing coverage due to changes in their health status. Additionally, it enables policyholders to maintain life insurance protection even if they no longer qualify for or want to continue with a term policy. The other choices do not accurately represent what conversion privilege entails. For example, while changing the type of policy without penalties sounds appealing, it doesn't specifically highlight the crucial aspect of converting to a permanent policy without the need for new medical underwriting. Similarly, accessing cash value before retirement age is not related to conversion privileges, as it pertains more to permanent policies that build cash value. Finally, receiving a refund of premiums paid does not tie back to the conversion aspect; refunds are typically unrelated to the conversion process.

**3. Which law must insurers comply with when obtaining personal information from a third party?**

- A. Fair Credit Reporting Act**
- B. Privacy Act**
- C. Health Insurance Portability and Accountability Act**
- D. Data Protection Act**

The Fair Credit Reporting Act (FCRA) is the law that insurers must comply with when obtaining personal information from a third party. The FCRA was enacted to ensure accuracy, fairness, and privacy of consumer information contained in the files of consumer reporting agencies. It establishes requirements for how insurers and other entities can collect and use consumer information, particularly in the context of credit reports and background checks. When insurers request personal information from third parties—such as credit reporting agencies—they need to adhere to the guidelines set forth by the FCRA. This includes providing proper disclosures to consumers about the information being obtained and the purposes for which it will be used. Moreover, the FCRA gives consumers the right to know when their information is being obtained from a consumer reporting agency and to dispute inaccurate information. While the other laws mentioned also pertain to privacy and the handling of information, they serve different purposes. For example, the Privacy Act primarily governs the federal government's collection and use of personal information, whereas the Health Insurance Portability and Accountability Act (HIPAA) focuses on the protection of health information specifically. The Data Protection Act is related to data protection principles but is not specific to the insurance industry in the same way as the FCRA. Thus, the FCRA is

**4. What might explain why a policy premium is higher than the standard premium?**

- A. The insured does not meet established underwriting requirements**
- B. The policy has additional riders**
- C. The insured is of advanced age**
- D. The policy is a permanent life insurance policy**

A higher premium compared to standard rates can be attributed to various reasons, and the explanation provided is just one of many. However, when considering the underwriting process, it is essential to understand that the insurance company evaluates the risk associated with insuring an individual, which includes their health status, lifestyle choices, and any potential hazards they may be facing. If the insured does not meet the established underwriting requirements, it indicates that they may present a higher risk to the insurer due to health issues or other factors. As a result, the insurer may charge a higher premium to mitigate that increased risk. Other factors contributing to a higher premium include the presence of additional riders, which enhance the policy by adding benefits but also increase costs. Similarly, an advanced age of the insured typically results in higher premiums because age is a significant factor in determining mortality risk. Permanent life insurance policies often carry higher premiums than term policies due to their lifelong coverage and cash value accumulation. Each of these aspects reflects how different risk assessments and coverage features directly influence the overall premium, but the insurer's underwriting requirements fundamentally shape the cost structure based on the individual's risk profile.

**5. What does an applicant's health history primarily help the underwriter assess?**

- A. Net worth of the applicant**
- B. Life expectancy and risk level**
- C. Employment history**
- D. General lifestyle preferences**

An applicant's health history primarily helps the underwriter assess life expectancy and risk level. Understanding the health history gives the underwriter valuable insights into the applicant's current health status, past medical conditions, family health trends, and lifestyle choices that might impact future health. This information is crucial because it enables the underwriter to evaluate how likely it is that the applicant will need to claim on the insurance policy in the future. An individual with a significant history of health issues may be assessed as having a higher risk of mortality. Consequently, this can influence both the underwriting decision and the premium rates offered. Other aspects, such as net worth or employment history, may provide context but do not directly indicate how an applicant's health relates to their insurance risk. General lifestyle preferences may be considered in a broader sense but are secondary to the immediate implications of health status on the life insurance underwriting process. Thus, the primary objective of assessing health history is accurately predicting life expectancy and determining the associated risk level for insurance coverage.

**6. Preferred risk policies with reduced premiums are issued by insurance companies because the insured has:**

- A. Below average mortality or morbidity experience**
- B. Better than average mortality or morbidity experience**
- C. Higher coverage amounts**
- D. Longer policy terms**

Preferred risk policies are designed to reward individuals who present lower risk profiles to insurance companies, often resulting in reduced premiums. The essential factor for issuing these policies lies in the insured's better than average mortality or morbidity experience. This means that these individuals typically have a history of better health, lower chances of illness, or longer life expectancy compared to the general population. Insurance companies assess applicants based on various underwriting criteria, including medical history, lifestyle choices, and family health background. Those who meet the criteria indicating that they are less likely to file claims due to health-related issues are classified under the preferred risk category. This classification allows insurance companies to offer lower premiums reflecting the reduced risk associated with these applicants. On the other hand, the other options do not accurately capture the underlying principle of preferred risk classification. Factors such as higher coverage amounts or longer policy terms do not inherently affect the health risk profile of the insured, which is the critical component in determining whether a preferred risk policy is appropriate. While those factors might influence the overall pricing structure, they are not the primary reason for issuing reduced premiums in the context of preferred risks.

## 7. What is group term life insurance?

- A. A policy that covers an individual under several policies
- B. A type of life insurance that covers a group under a master policy**
- C. A plan allowing employees to select their individual coverage
- D. A policy that only covers accidental deaths in groups

Group term life insurance is a type of life insurance that provides coverage for a group of people under a single master policy. This coverage is typically offered by employers to their employees, but it can also be extended to members of organizations or associations. The main feature of group term life insurance is that it offers a death benefit to beneficiaries if an insured member passes away during the policy term, usually without requiring individual medical underwriting for each member. This type of insurance often comes at a lower cost compared to individual policies since the risk is spread out over a larger group of participants. Additionally, the insured members generally have the option to convert their group coverage to individual policies when they leave the group or reach a certain age, ensuring continued protection. In contrast, the other options focus on aspects that do not align with the specific definition and characteristics of group term life insurance. For instance, individual coverages, accidental death focus, or policies covering multiple individual policies do not accurately represent the essence of what group term life insurance entails.

## 8. What type of insurance provides income continuation if the policyholder is unable to work due to a disability?

- A. Life insurance
- B. Health insurance
- C. Disability income insurance**
- D. Accidental death insurance

Disability income insurance is specifically designed to provide financial support to policyholders who are unable to work due to a disability. This type of insurance typically pays a percentage of the individual's normal income, helping to cover living expenses while they are unable to earn a wage. It is particularly important because a disability can impact a person's ability to work for an extended period, leading to financial strain. Unlike life insurance, which pays out a lump sum to beneficiaries upon the policyholder's death, or health insurance, which covers medical expenses related to illnesses or injuries, disability income insurance focuses exclusively on replacing lost income due to an inability to work. Accidental death insurance, on the other hand, only pays out in the event of death resulting from an accident, offering no income replacement for individuals who are alive but disabled. Thus, the focus of disability income insurance on income continuation makes it the appropriate choice in this scenario.

## 9. In life insurance, what does "underwriting" entail?

- A. The process of buying a life insurance policy
- B. The process of evaluating the risk of insuring a person and determining the premium**
- C. The process of claiming benefits after the policyholder's death
- D. The procedure for canceling a life insurance policy

Underwriting in life insurance is a critical process that involves evaluating the risk associated with insuring an individual. It includes gathering and analyzing information about the applicant's health status, lifestyle, occupation, and medical history to assess the likelihood of a claim being made. The underwriter's goal is to determine how risky it is to insure that individual and to set an appropriate premium that reflects that risk level. By doing this, insurers can manage their financial exposure and ensure that they remain solvent while providing coverage to applicants. The correct answer highlights that underwriting is fundamentally about risk assessment and premium determination, which is vital for sustaining a functioning insurance system. This helps the insurer balance between attracting customers and maintaining profitability. Other options, while related to the insurance process, do not accurately describe the underwriting function. For instance, purchasing a policy, claiming benefits, or canceling a policy are all parts of the insurance lifecycle but do not engage with the critical risk evaluation aspect that underwriting embodies.

## 10. How does term life insurance differ from whole life insurance?

- A. It only covers specific types of risks.
- B. Term life insurance provides lifelong coverage, while whole life offers limited coverage.
- C. Term life insurance offers coverage for a specific period, while whole life includes a savings component.**
- D. Whole life insurance has lower premiums compared to term life insurance.

Term life insurance is designed to provide coverage for a specific period, or term, typically ranging from one to thirty years. It pays a death benefit only if the insured passes away during that term. This makes it ideal for individuals who need coverage to protect their dependents during certain financial responsibilities, such as raising children or paying off a mortgage. Whole life insurance, on the other hand, offers coverage for the insured's entire lifetime, as long as the premiums are paid. It also includes a savings component, known as cash value, which grows over time at a guaranteed rate. This dual aspect of whole life insurance - providing lifelong coverage and the ability to accumulate cash value - distinguishes it significantly from term life insurance. This differentiation highlights the specific nature of term life insurance as a temporary solution and whole life insurance as a more permanent financial product, suitable for different needs and financial strategies.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://charteredlifeunderwriter.examzify.com>**

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

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