

Delaware Life Insurance 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

- 1. What is industrial life insurance typically characterized by?**
 - A. Large face amounts over \$10,000**
 - B. Small face amounts usually less than \$10,000**
 - C. Term life policies with no cash value**
 - D. Universal life insurance features**
- 2. What happens when a policyowner holds a participating whole life policy?**
 - A. The policy cannot be canceled.**
 - B. The policy earns dividends.**
 - C. The premiums are variable.**
 - D. The policy has no cash value.**
- 3. Which type of insurance protects producers against lawsuits due to mistakes?**
 - A. Liability Insurance**
 - B. Errors and Omissions Insurance**
 - C. Workers Compensation Insurance**
 - D. Health Insurance**
- 4. What happens to coverage rights when a binding receipt is issued?**
 - A. Coverage is contingent on future underwriting**
 - B. Coverage is fully guaranteed during the underwriting process**
 - C. Coverage starts from the day the policy is delivered**
 - D. Coverage does not apply if the applicant is uninsurable**
- 5. What is the outcome if the proposed insured is found uninsurable after a conditional receipt is issued?**
 - A. The coverage remains active until the policy is delivered**
 - B. The insurance company will immediately refund the premiums**
 - C. The insurance company can reject the application**
 - D. The coverage continues for a year**

- 6. How are dividends treated for tax purposes?**
- A. Fully taxable in the year received**
 - B. Exempt from all taxes**
 - C. Not guaranteed and generally not taxable, except for interest earned**
 - D. Taxable only if withdrawn in cash**
- 7. What is one of the main objectives of the Life and Health Insurance Guaranty Association?**
- A. Promoting new insurance products**
 - B. Ensuring policyholders receive coverage despite insurer insolvency**
 - C. Decreasing insurance premiums for consumers**
 - D. Providing training programs for agents**
- 8. When can a policyholder access living benefits?**
- A. Only after the death of the policyholder**
 - B. At any time during the policy term**
 - C. When diagnosed with a terminal illness**
 - D. Only upon reaching retirement age**
- 9. Which of the following can be a consequence of an unpaid premium after the grace period?**
- A. The policy may be transferred to a family member**
 - B. The insurance coverage may simply continue indefinitely**
 - C. The policyholder might receive a refund**
 - D. The coverage may lapse or policy remains in force with loans**
- 10. An applicant with a higher than normal probability of loss may be classified as what type of risk?**
- A. Preferred Risk**
 - B. Standard Risk**
 - C. Substandard Risk**
 - D. Low Risk**

Answers

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

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Explanations

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1. What is industrial life insurance typically characterized by?

- A. Large face amounts over \$10,000**
- B. Small face amounts usually less than \$10,000**
- C. Term life policies with no cash value**
- D. Universal life insurance features**

Industrial life insurance is typically characterized by small face amounts, which are generally less than \$10,000. This type of insurance was originally designed to cater to low-income families or individuals who might find it difficult to afford traditional life insurance policies with larger face values. The smaller coverage amounts make it accessible for those who might have limited financial means. Industrial life insurance often provides a simplified application process and typically involves premiums that can be collected on a weekly basis by an agent, further promoting affordability and convenience for policyholders. While options like term life policies and universal life insurance features describe other types of insurance, they do not accurately capture the essential nature of industrial life insurance, which is focused on offering smaller face amounts to meet the specific needs of a particular market segment.

2. What happens when a policyowner holds a participating whole life policy?

- A. The policy cannot be canceled.**
- B. The policy earns dividends.**
- C. The premiums are variable.**
- D. The policy has no cash value.**

A participating whole life policy is designed to allow policyholders to share in the financial success of the mutual insurance company that issues the policy. This is achieved through the distribution of dividends, which are typically based on the company's earnings, mortality experience, and expenses. When a policyowner holds a participating whole life policy, they may receive dividends, which can be used in several ways, including taking them as cash, using them to reduce premiums, or purchasing additional insurance coverage. This feature makes such policies attractive to individuals looking for both life insurance protection and the potential for cash value growth over time. The ability to earn dividends is a key characteristic that distinguishes participating policies from non-participating policies, which do not provide any dividends to policyholders regardless of the company's performance. The dividend aspect is fundamental to participating whole life insurance, reflecting the policyowner's investment in the mutual insurance company and aligning their interests with the company's financial health.

3. Which type of insurance protects producers against lawsuits due to mistakes?

- A. Liability Insurance**
- B. Errors and Omissions Insurance**
- C. Workers Compensation Insurance**
- D. Health Insurance**

Errors and Omissions Insurance is specifically designed to protect professionals, including insurance producers, against lawsuits and claims arising from mistakes or negligence in the performance of their professional duties. This type of coverage addresses issues such as providing incorrect advice, failing to disclose important information, or making errors in policy recommendations. In the context of the insurance industry, producers face the risk of clients suing them if they feel they were provided with inadequate service or if a financial loss resulted from the producer's actions. Errors and Omissions Insurance provides financial protection against such legal claims, covering legal fees, settlements, and judgment amounts. Liability Insurance generally protects against broader liabilities related to bodily injury or property damage that the insured might cause in their professional work but does not specifically address the professional mistakes that Errors and Omissions Insurance covers. Workers Compensation Insurance is focused on protecting employees who are injured on the job and does not pertain to professional errors. Health Insurance covers medical expenses for medical care and does not provide protection against legal actions taken due to professional mistakes. Thus, Errors and Omissions Insurance is the most suitable type of policy for the situation described.

4. What happens to coverage rights when a binding receipt is issued?

- A. Coverage is contingent on future underwriting**
- B. Coverage is fully guaranteed during the underwriting process**
- C. Coverage starts from the day the policy is delivered**
- D. Coverage does not apply if the applicant is uninsurable**

When a binding receipt is issued, it signifies that the insurer has accepted the application and that coverage is effective immediately, even while the underwriting process is still ongoing. This means that as long as the premium payment has been made, the insurance company provides coverage to the applicant right away, thereby offering a layer of protection until the final underwriting decision is made. In the context of life insurance, this is significant because it assures the applicant that they have immediate coverage, removing the uncertainty that typically accompanies the wait for approval following an application. It creates a contractual obligation for the insurer to provide coverage under the terms specified in the receipt until a formal decision about the policy is made. Thus, option B accurately reflects this immediate and guaranteed coverage during the underwriting period.

5. What is the outcome if the proposed insured is found uninsurable after a conditional receipt is issued?
- A. The coverage remains active until the policy is delivered
 - B. The insurance company will immediately refund the premiums
 - C. The insurance company can reject the application**
 - D. The coverage continues for a year

When a conditional receipt is issued, the coverage is typically effective from the date of the receipt, provided the applicant meets certain underwriting criteria. If the proposed insured is subsequently found to be uninsurable during the underwriting process, the insurance company has the right to reject the application based on the individual's specific risk factors or medical history. This means that the insurer can deny the issuance of the policy altogether since the applicant does not meet the conditions required for coverage. In this scenario, the correct answer emphasizes the insurance company's ability to assess the risk of an applicant and determine whether to accept or decline the coverage based on the underwriting outcomes. The rights of the insurance company in this situation are crucial for maintaining the integrity of their risk assessment processes.

6. How are dividends treated for tax purposes?
- A. Fully taxable in the year received
 - B. Exempt from all taxes
 - C. Not guaranteed and generally not taxable, except for interest earned**
 - D. Taxable only if withdrawn in cash

Dividends in the context of life insurance are typically not guaranteed and are often viewed as a return of premium. For tax purposes, when policyholders receive dividends, they usually do not have to report them as taxable income unless they exceed the total premiums paid into the policy. This means that the initial amount paid in premiums is considered a cost basis, and any dividends received up to that amount are tax-free. However, the dividends can generate interest, and any interest earned on those dividends is taxable. This aligns with the common principle that the tax liability is separate for genuine income (like interest) compared to the initial capital or return of premium (the dividend itself). Therefore, it is crucial for policyholders to understand that while the dividends are not guaranteed, they are generally not taxable unless they produce interest income, making the chosen answer accurate.

7. What is one of the main objectives of the Life and Health Insurance Guaranty Association?

- A. Promoting new insurance products**
- B. Ensuring policyholders receive coverage despite insurer insolvency**
- C. Decreasing insurance premiums for consumers**
- D. Providing training programs for agents**

One of the main objectives of the Life and Health Insurance Guaranty Association is to ensure that policyholders receive coverage despite the insolvency of their insurance companies. This is a crucial function because it protects consumers in the unfortunate event that an insurance provider cannot meet its financial obligations. The association steps in to provide a safety net, which ensures that policyholders can still access the benefits promised in their policies, thereby preserving the trust in the insurance system. This protection is particularly important in maintaining stability and confidence in the insurance market, which ultimately benefits both policyholders and the industry as a whole.

8. When can a policyholder access living benefits?

- A. Only after the death of the policyholder**
- B. At any time during the policy term**
- C. When diagnosed with a terminal illness**
- D. Only upon reaching retirement age**

The opportunity for a policyholder to access living benefits is primarily linked to specific circumstances like being diagnosed with a terminal illness. Living benefits are provisions that allow insured individuals to receive a portion of their life insurance policy's death benefit while they are still alive, typically to help cover medical expenses, long-term care, or other financial burdens arising from their condition. In the context of terminal illnesses, these benefits can provide crucial support when the policyholder's prognosis indicates a limited life expectancy. This access is designed to assist individuals during a challenging time, ensuring they can utilize their benefits in a way that serves their current needs, rather than solely relying on the death benefit that is payable upon their passing. The other options do not accurately reflect the nature of living benefits. Accessing these benefits is not tied to retirement age or contingent upon the policyholder's death, thus clarifying why those choices do not align with the characteristics of living benefits as designed in life insurance policies.

9. Which of the following can be a consequence of an unpaid premium after the grace period?

- A. The policy may be transferred to a family member**
- B. The insurance coverage may simply continue indefinitely**
- C. The policyholder might receive a refund**
- D. The coverage may lapse or policy remains in force with loans**

When an insurance policyholder fails to pay their premium within the grace period, the most likely consequence is that the coverage may lapse or the policy may remain in force with loans. The grace period is a set timeframe during which the policyholder can make a payment without losing coverage, but once this period elapses without payment, the insurance company is no longer obliged to honor the coverage. If the policy has an accumulated cash value and loans have been taken against it, the policy may remain in force as long as there is sufficient cash value to cover the cost of the insurance and any outstanding loans. However, if there are insufficient funds to cover these costs, the policy will lapse. In contrast, other options such as transferring the policy to a family member, extending coverage indefinitely, or receiving a refund do not typically occur as a result of unpaid premiums after the grace period. Policies generally do not allow for transfers unless specified under certain conditions, insurance coverage does not continue indefinitely without payment, and refunds for unpaid premiums are uncommon in standard practice.

10. An applicant with a higher than normal probability of loss may be classified as what type of risk?

- A. Preferred Risk**
- B. Standard Risk**
- C. Substandard Risk**
- D. Low Risk**

When an applicant has a higher than normal probability of loss, they are classified as a substandard risk. This categorization is primarily based on the likelihood that the individual will make a claim against the insurance policy due to factors such as health, lifestyle choices, or hazardous occupations. Insurance companies evaluate applicants based on these risk factors and assign them to appropriate risk categories to determine appropriate premium rates. Substandard risks typically face higher premiums than standard risks because their individual circumstances present a greater likelihood of claims being filed. This classification helps insurers manage their exposure to risk, ensuring they maintain financial stability while providing coverage for individuals who may require it. In contrast, preferred risks are those considered lower risk and thus receive lower premium rates. Standard risks fall into the average category, while low risk does not specifically align with the established classifications in the industry. Therefore, recognizing substandard risk as a classification for applicants with higher probabilities of loss is essential for understanding how insurers assess and price their policies.

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://delifeinsurance.examzify.com>

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