

Insurance Commission (IC) Variable Life Licensing 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 can borrowers do with cash value from a Variable Life Insurance policy?**
 - A. Withdraw it without any consequences**
 - B. Borrow against it while the policy remains active**
 - C. Use it only for investment purposes**
 - D. Transfer it to another policy automatically**
- 2. What documents must policyholders receive when purchasing Variable Life Insurance?**
 - A. A receipt and a policy manual**
 - B. A policy summary and disclosure document**
 - C. A risk assessment report**
 - D. An investment strategy brochure**
- 3. Which statement about variable life insurance policies is FALSE?**
 - A. They offer values linked directly to investment performance**
 - B. They have a guaranteed fixed minimum sum assured**
 - C. They are linked to the investment performance of life insurance company**
 - D. They allow flexible premium payments**
- 4. What happens to the cash value if the policyholder stops paying premiums?**
 - A. The cash value can be used to cover premiums for a period**
 - B. The cash value is non-refundable**
 - C. The cash value remains intact indefinitely**
 - D. The cash value is automatically withdrawn**
- 5. Which of the following components typically influences the returns of variable life insurance?**
 - A. The guaranteed interest rate of bonds**
 - B. The performance of investment options selected by the policyholder**
 - C. The administrative fees charged by the insurer**
 - D. The age of the insured individual**

- 6. Which statements about rebating in insurance are true?**
- A. Rebating is highly encouraged**
 - B. It involves offering special inducements**
 - C. It is prohibited under the Insurance code**
 - D. Enhances sales performance without consequences**
- 7. What is a primary function of a trustee in a unit trust?**
- A. To manage a loan for investors**
 - B. To hold and manage pooled assets on behalf of investors**
 - C. To provide guaranteed profits to investors**
 - D. To sell insurance policies**
- 8. What is referred to as "face value" in a Variable Life Insurance policy?**
- A. The total amount invested by the policyholder**
 - B. The initial death benefit amount specified in the policy**
 - C. The maximum loan amount available from the policy**
 - D. The cumulative cash value of the policy**
- 9. Which statement is true about Variable Life Insurance policies?**
- A. They are only suitable for high-net-worth individuals**
 - B. They offer no cash value accumulation**
 - C. They provide both life insurance and investment growth potential**
 - D. They have set investment options that cannot be changed**
- 10. What is a mortality charge within a Variable Life Insurance policy?**
- A. A fee for processing claims**
 - B. A fee assessed based on the insured's risk of death**
 - C. An administrative fee for managing the policy**
 - D. A charge for early withdrawal**

Answers

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

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Explanations

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1. What can borrowers do with cash value from a Variable Life Insurance policy?

- A. Withdraw it without any consequences**
- B. Borrow against it while the policy remains active**
- C. Use it only for investment purposes**
- D. Transfer it to another policy automatically**

Borrowers can borrow against the cash value of a Variable Life Insurance policy while the policy remains active. This feature is a significant benefit of having a Variable Life Insurance policy, as it allows policyholders to access funds that have accumulated in the cash value component without needing to terminate or surrender the policy. When a policyholder borrows against the cash value, they are essentially taking a loan from the insurance company, using the cash value as collateral. This loan does not require credit checks and can often be obtained with favorable terms. As long as the policy remains in force and is adequately funded, the policyholder can access these funds to meet financial needs, such as cover unexpected expenses or make investments. The ability to borrow against the cash value emphasizes the financial flexibility that comes with a Variable Life Insurance policy, aligning with its dual purpose of providing both life insurance protection and a savings or investment component. It is essential to note that any outstanding loans against the policy, along with interest, will reduce the death benefit and the cash value if not repaid.

2. What documents must policyholders receive when purchasing Variable Life Insurance?

- A. A receipt and a policy manual**
- B. A policy summary and disclosure document**
- C. A risk assessment report**
- D. An investment strategy brochure**

When purchasing Variable Life Insurance, policyholders must receive a policy summary and disclosure document. The policy summary provides key information about the insurance policy, including coverage details, premium amounts, and the cash value component. This summary is crucial for understanding how the policy functions and what benefits it offers. The disclosure document, on the other hand, is essential because it contains important information about the risks associated with Variable Life Insurance. This includes the potential for loss due to investment performance and the impact of fees and charges on the cash value and death benefit. By requiring these documents, regulators ensure that policyholders have the necessary information to make informed decisions regarding their insurance purchase. Providing a policy summary and disclosure document aligns with the principle of transparency in the insurance industry, allowing consumers to understand what they are purchasing fully. This is particularly important in variable life insurance, where the cash value may fluctuate based on investment performance.

3. Which statement about variable life insurance policies is FALSE?

- A. They offer values linked directly to investment performance**
- B. They have a guaranteed fixed minimum sum assured**
- C. They are linked to the investment performance of life insurance company**
- D. They allow flexible premium payments**

Variable life insurance policies are designed with features that differentiate them from traditional whole life policies. One of the core characteristics of variable life insurance is that the cash value and death benefits can fluctuate based on the performance of investments chosen by the policyholder, which directly relates to why the first statement is true. The statement regarding a guaranteed fixed minimum sum assured is not accurate for variable life insurance. Unlike permanent life insurance policies that may guarantee a minimum death benefit, variable life insurance does not guarantee that the sum assured will remain fixed. Instead, the death benefit can change depending on the performance of the underlying investment accounts, meaning it can go up or down based on market performance. Variable life insurance is also characterized by linking to investment performance, allowing the policyholder to choose investment options, which can include stocks, bonds, and mutual funds. This feature is what allows for potentially higher returns, but it also comes with greater risk, as the values can decrease as well. The flexibility in premium payments is another hallmark of variable life policies, allowing policyholders to adjust their premium payments according to their financial situations, which enhances the product's attractiveness and adaptability to individual needs. Considering these features, the statement about the guaranteed fixed minimum sum assured is indeed false, as it misrepresents the nature of variable life insurance.

4. What happens to the cash value if the policyholder stops paying premiums?

- A. The cash value can be used to cover premiums for a period**
- B. The cash value is non-refundable**
- C. The cash value remains intact indefinitely**
- D. The cash value is automatically withdrawn**

When a policyholder stops paying premiums for a variable life insurance policy, the cash value can indeed be used to cover premiums for a certain period. This mechanism is built into many policy designs to prevent immediate lapse, providing the policyholder with some flexibility. If premiums are not paid, the insurance company may deduct the premium amount from the cash value to keep the policy in force, allowing the insured to retain some level of coverage. This is particularly beneficial as it provides policyholders with a buffer against potential lapses due to financial difficulties or missed payments. While the cash value accumulates and is not automatically withdrawn, it serves a purpose in maintaining the life insurance coverage when premium payments cannot be made timely. This aspect of variable life insurance makes it a unique choice for individuals who wish to have both an investment component and life insurance coverage.

5. Which of the following components typically influences the returns of variable life insurance?

- A. The guaranteed interest rate of bonds**
- B. The performance of investment options selected by the policyholder**
- C. The administrative fees charged by the insurer**
- D. The age of the insured individual**

The returns of variable life insurance are primarily influenced by the performance of the investment options selected by the policyholder. This type of insurance policy allows policyholders to allocate the cash value among several investment options, such as stocks, bonds, or mutual funds. The returns can vary significantly based on how well these underlying investments perform in the market. Since the policyholder chooses these investment options, they have direct control over potential growth. If the selected investments do well, the cash value, as well as the death benefit, can increase accordingly. Conversely, poor performance in the chosen investments could lead to lower returns, reflecting the inherent risk associated with variable life insurance policies. Other components, such as guaranteed interest rates, administrative fees, or the age of the insured, do not have a direct impact on the investment returns themselves. While these factors are relevant to the overall policy performance, they do not determine the variability of the returns in the same way that the selected investment options do. Thus, focusing on investment performance is crucial for understanding the dynamics of returns in variable life insurance.

6. Which statements about rebating in insurance are true?

- A. Rebating is highly encouraged**
- B. It involves offering special inducements**
- C. It is prohibited under the Insurance code**
- D. Enhances sales performance without consequences**

Rebating in insurance refers to the practice of offering clients some form of incentive or inducement, such as discounts or additional benefits, as part of the insurance policy purchase process. The correct response indicates that rebating is prohibited under the Insurance code. This prohibition exists to maintain fairness in the marketplace and ensure that all consumers have equal access to insurance products based on the merits of the coverage itself, rather than being swayed by financial incentives from agents or companies. Allowing rebating could create a competitive disadvantage for agents who comply with regulations, undermining the integrity of the insurance industry. The other statements suggest that rebating is encouraged or enhances sales performance without negative effects, which contradict the principles and regulations governing the insurance industry designed to protect both consumers and the market at large. Therefore, recognizing the prohibition of rebating under the law is crucial for understanding ethical practices within the insurance field.

7. What is a primary function of a trustee in a unit trust?

- A. To manage a loan for investors
- B. To hold and manage pooled assets on behalf of investors**
- C. To provide guaranteed profits to investors
- D. To sell insurance policies

A primary function of a trustee in a unit trust is to hold and manage pooled assets on behalf of investors. The trustee acts as a fiduciary, which means they have a legal obligation to act in the best interests of the unit holders. This role involves overseeing the investments made within the unit trust and ensuring that they align with the trust's investment objectives and guidelines. The trustee is responsible for maintaining the integrity of the trust by managing its assets efficiently, ensuring compliance with relevant regulations, and providing transparency to investors regarding the performance of the trust. They also handle administrative tasks, such as collecting income and distributions and ensuring that these are appropriately allocated among the investors. By focusing on the management of pooled assets, the trustee helps facilitate investor participation in a diversified portfolio, providing benefits that individual investors might not easily achieve on their own.

8. What is referred to as "face value" in a Variable Life Insurance policy?

- A. The total amount invested by the policyholder
- B. The initial death benefit amount specified in the policy**
- C. The maximum loan amount available from the policy
- D. The cumulative cash value of the policy

In a Variable Life Insurance policy, "face value" refers to the initial death benefit amount specified in the policy. This is the amount that the insurer agrees to pay to the policy's beneficiaries upon the death of the insured, provided the policy is still in force. The face value is an essential feature of life insurance, as it provides a safety net for the insured's beneficiaries. While the total amount invested by the policyholder and the cumulative cash value of the policy are important aspects of a Variable Life Insurance policy, they do not define the face value. Instead, these amounts pertain to the policyholder's contributions and the savings component of the policy, respectively. The maximum loan amount available from the policy is also linked to its cash value but does not reflect the initial death benefit, making it distinct from the concept of face value. Thus, the definition of "face value" in this context is specifically tied to the predetermined death benefit outlined in the policy documentation.

9. Which statement is true about Variable Life Insurance policies?

- A. They are only suitable for high-net-worth individuals**
- B. They offer no cash value accumulation**
- C. They provide both life insurance and investment growth potential**
- D. They have set investment options that cannot be changed**

Variable Life Insurance policies are designed to provide a combination of life insurance protection and the potential for cash value accumulation through investment options. The distinctive feature of these policies is that the insured has the ability to allocate their premiums among various investment choices, such as stocks, bonds, or mutual funds. This means that the cash value and possibly the death benefit can increase or decrease based on the performance of the chosen investments. This characteristic of providing both life insurance coverage and the opportunity for investment growth is what makes option C the correct answer. It highlights the dual nature of Variable Life Insurance, distinguishing it from other life insurance products that may either focus solely on insurance protection or offer limited investment opportunities. The other options do not accurately represent the features of Variable Life Insurance. The assertion that these policies are only suitable for high-net-worth individuals overlooks their potential to serve a broader audience, as they can be structured to accommodate various financial situations and investment objectives. Similarly, stating that they offer no cash value accumulation is incorrect, as the investment component is specifically designed to build cash value over time. Finally, indicating that they have set investment options that cannot be changed misrepresents the flexible nature of Variable Life policies, which typically allow policyholders to adjust their investment allocations as their needs and

10. What is a mortality charge within a Variable Life Insurance policy?

- A. A fee for processing claims**
- B. A fee assessed based on the insured's risk of death**
- C. An administrative fee for managing the policy**
- D. A charge for early withdrawal**

A mortality charge within a Variable Life Insurance policy refers to the fee that is assessed based on the insured's risk of death. This charge is calculated using the insured's age, health status, and the overall mortality risk associated with their demographic profile. It is a crucial component of the policy because it helps cover the cost of providing the death benefit to the beneficiaries in the event that the insured passes away. By evaluating the individual's risk, the insurance company can determine a fair and appropriate fee that reflects the likelihood of a payout. This charge is generally deducted from the policy's cash value and ensures that the insurance company can meet its obligations to policyholders. It is distinct from other fees that may be associated with the policy, such as administrative fees or charges for withdrawals, which serve different functions within the overall structure of a Variable Life Insurance policy.

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://icvariablelife.examzify.com>

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