

INSURANCE COMMISSION (IC) VARIABLE LIFE LICENSING PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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

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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 is a policy loan in the context of Variable Life Insurance?**
 - A. An investment into a new policy
 - B. A loan taken against the policy's cash value
 - C. A payment made to increase the death benefit
 - D. A repayment of previous claims
- 2. How does market volatility affect Variable Life Insurance policies?**
 - A. It guarantees a fixed growth rate for cash value
 - B. It can lead to fluctuations in cash value and death benefit
 - C. It has no effect on Variable Life Insurance policies
 - D. It only affects premium payments but not benefits
- 3. What can impact the cost of insurance as a policyholder ages?**
 - A. The performance of invested sub-accounts
 - B. The age of the policyholder only
 - C. The initial premium payment
 - D. The guaranteed cash value
- 4. Can policyholders withdraw cash from a Variable Life Insurance policy?**
 - A. No, cash withdrawals are prohibited
 - B. Yes, but they may reduce the death benefit
 - C. Yes, without any consequences
 - D. No, only loans are allowed
- 5. What is the significance of annual reports for Variable Life Insurance?**
 - A. To inform policyholders about legal changes
 - B. To provide updates on cash value performance, charges, and investment options
 - C. To summarize company profit and loss statements
 - D. To outline administrative changes in the insurance company
- 6. What is a "death benefit rider" in Variable Life Insurance?**
 - A. An additional premium charge
 - B. A mandatory policy feature
 - C. An optional additional benefit providing enhanced death benefits
 - D. A limit on total investment returns

- 7. What is the effect of market volatility on a Variable Life Insurance policy?**
- A. It has no effect on cash value
 - B. It can lead to fluctuations in cash value and policy performance
 - C. It guarantees a higher return
 - D. It only affects fixed premium policies
- 8. What role does market performance play in the cash value of a Variable Life Insurance policy?**
- A. Market performance has no effect on cash value
 - B. Cash value is solely based on premium payments
 - C. Cash value can increase or decrease based on market performance
 - D. Cash value is fixed and only changes at renewal
- 9. What is required for a policyholder to maintain their Variable Life Insurance policy?**
- A. Consistent investment in high-risk stocks
 - B. Timely premium payments and responsible investment management
 - C. Periodic increases in coverage amount
 - D. Annual re-evaluation of beneficiary designations
- 10. In Variable Life Insurance, which component can change with market performance?**
- A. The death benefit
 - B. The cash value accumulation
 - C. The premium payments
 - D. The surrender value

Answers

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

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Explanations

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1. What is a policy loan in the context of Variable Life Insurance?

- A. An investment into a new policy
- B. A loan taken against the policy's cash value**
- C. A payment made to increase the death benefit
- D. A repayment of previous claims

A policy loan in the context of Variable Life Insurance refers specifically to a loan that an insured individual can take against the cash value of their policy. Variable Life Insurance combines a death benefit with a cash value component, which can fluctuate based on the performance of investment options chosen by the policyholder. When a policyholder decides to take a loan against this cash value, they are essentially borrowing money from the insurer using the cash value as collateral. This arrangement allows the policyholder to access funds without needing to fully surrender the policy, which helps maintain their insurance coverage while providing liquidity for various financial needs. Interest is typically charged on the outstanding loan amount, and if it is not repaid, the unpaid loan balance plus interest will be deducted from the death benefit paid to beneficiaries. The other alternatives describe different financial actions that are not accurate in the context of a policy loan. For instance, investing into a new policy would not involve borrowing against an existing one, while increasing the death benefit pertains to policy adjustments rather than borrowing. Similarly, repaying previous claims does not relate to the concept of a policy loan, as claims are typically settled directly to beneficiaries and are separate from the policyholder's borrowing activities.

2. How does market volatility affect Variable Life Insurance policies?

- A. It guarantees a fixed growth rate for cash value
- B. It can lead to fluctuations in cash value and death benefit**
- C. It has no effect on Variable Life Insurance policies
- D. It only affects premium payments but not benefits

Market volatility significantly impacts Variable Life Insurance policies primarily through its influence on the investment component of these products. With Variable Life Insurance, the cash value and potentially the death benefit are linked to the performance of the chosen investment options, which can include stocks, mutual funds, or other securities. When the market experiences volatility, the value of these investment options can rise or fall sharply. This means that the cash value of the policy may increase or decrease based on market performance, creating fluctuations that can directly affect the overall value of the policy. If the investments perform well, the cash value and death benefit may grow, providing benefits to the policyholder. Conversely, if the market performs poorly, the cash value may decrease, leading to a potential reduction in the death benefit as well, especially if the policyholder has taken loans against the cash value. This connection to market performance distinguishes Variable Life Insurance from other insurance products, which may offer guaranteed growth or stability in value regardless of market conditions. Thus, the volatility in the market directly leads to the fluctuations seen in cash values and death benefits of Variable Life Insurance.

3. What can impact the cost of insurance as a policyholder ages?

A. The performance of invested sub-accounts

B. The age of the policyholder only

C. The initial premium payment

D. The guaranteed cash value

The cost of insurance in a variable life policy can indeed be impacted by the performance of invested sub-accounts. As policyholders age, their insurance costs may rise due to the increasing risk associated with older age. However, in a variable life policy, the underlying cash value is often linked to the performance of the sub-accounts, which consist of various investment options such as stocks and bonds. If the sub-accounts perform well, the cash value may increase, which can help offset some of the rising insurance costs associated with the policyholder's age. Conversely, if the sub-accounts perform poorly, the cash value may not provide sufficient support, potentially leading to higher costs or reduced benefits. This connection between investments and insurance costs illustrates how the performance of sub-accounts can directly influence the financial dynamics of the policy as it matures. In the context of the other choices, while the age of the policyholder is certainly a factor in determining insurance costs, it does not account for the variability introduced by investment performance. Initial premium payments contribute to the initial cash value but do not directly correlate with ongoing insurance costs over the life of the policy. Similarly, the guaranteed cash value is a fixed aspect of the policy, not influenced by market fluctuations, and does

4. Can policyholders withdraw cash from a Variable Life Insurance policy?

A. No, cash withdrawals are prohibited

B. Yes, but they may reduce the death benefit

C. Yes, without any consequences

D. No, only loans are allowed

Policyholders can indeed withdraw cash from a Variable Life Insurance policy, and these withdrawals can affect the death benefit. When a policyholder makes a cash withdrawal, it typically reduces the amount of insurance coverage provided by the policy. This is because the cash value that is part of the policy's total value is reduced when a portion is withdrawn. In the context of a Variable Life Insurance policy, the cash value is tied to the investment performance of the underlying assets, and thus the management of funds in the policy can impact both the cash withdrawal and the death benefit. Therefore, while withdrawals are allowed, policyholders should be aware that doing so will lower the death benefit payable to beneficiaries upon the policyholder's death. This makes the option of being able to withdraw cash from the policy while also affecting the total death benefit the correct choice.

5. What is the significance of annual reports for Variable Life Insurance?

- A. To inform policyholders about legal changes
- B. To provide updates on cash value performance, charges, and investment options**
- C. To summarize company profit and loss statements
- D. To outline administrative changes in the insurance company

Annual reports for Variable Life Insurance are significant because they provide policyholders with crucial updates regarding the performance of their cash value, associated charges, and available investment options. This information is vital for policyholders as Variable Life Insurance policies often have a cash value component that can fluctuate based on the performance of underlying investments. By presenting this information in a comprehensive manner, the annual report allows individuals to make informed decisions about their policies and understand how their investments are performing over time. This transparency helps policyholders assess whether they need to adjust their investment strategy, consider additional contributions, or even modify their coverage. It reflects the overall health and viability of the investment components of the policy, enabling policyholders to stay engaged with their investments and manage their financial planning effectively. While other options mention relevant aspects related to insurance, they do not encapsulate the primary focus of the annual reports in the context of Variable Life Insurance as accurately as the correct choice does.

6. What is a "death benefit rider" in Variable Life Insurance?

- A. An additional premium charge
- B. A mandatory policy feature
- C. An optional additional benefit providing enhanced death benefits**
- D. A limit on total investment returns

In Variable Life Insurance, a "death benefit rider" is an optional additional benefit that provides enhanced death benefits to the policyholder's beneficiaries. When a policyholder includes this rider in their variable life insurance policy, it allows for a greater payout upon the insured's death, which can be particularly beneficial in covering expenses such as debts, final expenses, or providing for dependents. This rider offers flexibility and can be tailored to meet specific financial needs of the policyholder, making it an attractive option for those who want to ensure that their loved ones are financially protected in case of an unforeseen event. Adding a death benefit rider enhances the base coverage, providing more security without mandating additional services or features. This concept centers around enhancing the financial safety net provided by the insurance policy, thus making it a crucial consideration for individuals structuring their life insurance needs.

7. What is the effect of market volatility on a Variable Life Insurance policy?

- A. It has no effect on cash value
- B. It can lead to fluctuations in cash value and policy performance**
- C. It guarantees a higher return
- D. It only affects fixed premium policies

Market volatility has a significant impact on Variable Life Insurance (VLI) policies, primarily because the cash value of these policies is directly tied to the performance of the investment options chosen by the policyholder. Variable Life Insurance allows policyholders to allocate their premiums among various investment sub-accounts, which can include stocks, bonds, and money market funds. When the market experiences volatility, the performance of these sub-accounts can fluctuate, leading to corresponding changes in the cash value of the policy. This means that the amount of cash value can increase or decrease based on market dynamics, which directly influences the overall performance of the policy. As a result, a policyholder may see their cash value and the death benefit fluctuate depending on market conditions, reflecting the inherent risks and potential rewards associated with the investment choices made. The other options do not adequately capture the relationship between market volatility and Variable Life Insurance. For instance, stating that market volatility has no effect overlooks the fundamental nature of these policies as investment-linked products. Furthermore, suggesting that it guarantees a higher return does not align with the reality that volatility can lead to both gains and losses. Finally, saying it only affects fixed premium policies fails to recognize that variable products are explicitly designed to respond to market changes, making

8. What role does market performance play in the cash value of a Variable Life Insurance policy?

- A. Market performance has no effect on cash value
- B. Cash value is solely based on premium payments
- C. Cash value can increase or decrease based on market performance**
- D. Cash value is fixed and only changes at renewal

Market performance is a critical component in determining the cash value of a Variable Life Insurance policy. This type of policy allows the policyholder to allocate the cash value among various investment options, such as stocks and bonds, which can fluctuate in value depending on market conditions. Therefore, the cash value is directly influenced by the performance of these chosen investments. When the underlying investments perform well, the cash value can increase, reflecting the gains from those investments. Conversely, if the investments perform poorly, the cash value may decrease, as losses in the investment account directly impact the policy's value. This dynamic feature is what distinguishes Variable Life Insurance from other types of life insurance policies where the cash value is typically stable and grows at a set rate. The other options do not accurately reflect the nature of Variable Life Insurance. For example, suggesting that market performance has no effect on cash value overlooks the fundamental principle of how this type of policy is structured. Similarly, implying that cash value is solely based on premium payments neglects the critical investment component that can lead to fluctuations in cash value. Lastly, stating that cash value is fixed and only changes at renewal is inaccurate; it is subject to ongoing market conditions and is not confined to a renewal period.

9. What is required for a policyholder to maintain their Variable Life Insurance policy?

- A. Consistent investment in high-risk stocks
- B. Timely premium payments and responsible investment management**
- C. Periodic increases in coverage amount
- D. Annual re-evaluation of beneficiary designations

For a policyholder to maintain their Variable Life Insurance policy, it is essential that they make timely premium payments and engage in responsible investment management. Variable Life Insurance combines life insurance protection with an investment component, consisting of various investment options that can grow over time. Timely premium payments are crucial because they ensure that the policy remains active and in force. Failing to pay premiums can lead to policy lapse, meaning the coverage is no longer valid. Additionally, responsible investment management is vital because the cash value of a variable life insurance policy is linked to the performance of the chosen investments. Policyholders need to actively monitor and manage their investments to maximize growth and meet their financial objectives. In short, maintaining a Variable Life Insurance policy relies heavily on the policyholder's commitment to meeting payment obligations and wisely managing the investment component.

10. In Variable Life Insurance, which component can change with market performance?

- A. The death benefit
- B. The cash value accumulation**
- C. The premium payments
- D. The surrender value

In Variable Life Insurance, the cash value accumulation can change with market performance because it is directly tied to the performance of the underlying investment options selected by the policyholder. Unlike a traditional whole life policy where the cash value grows at a guaranteed rate, variable life insurance offers a variety of investment choices, such as stocks, bonds, or mutual funds. The cash value will fluctuate based on how these investments perform in the market. If the investments do well, the cash value can increase significantly, while poor performance can lead it to decrease. This characteristic provides policyholders with the potential for growth but also introduces a level of risk associated with market volatility. The other components of the policy, such as the death benefit, premiums, and surrender value, are generally more stable and not directly influenced by market fluctuations in the same way as the cash value. The death benefit can vary in certain circumstances but is primarily fixed unless the policyholder chooses options that may alter it. Premium payments are typically predetermined and remain consistent throughout the life of the policy. Surrender value, while it can be affected by the policy's overall performance, is calculated differently and does not change with daily market performance like cash value does.

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!

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