

Pearson VUE Life Insurance Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

- 1. What does 'third-party ownership' indicate in life insurance?**
 - A. The insured is also the owner of the policy**
 - B. A family member owns the policy on the insured**
 - C. Someone other than the insured owns the policy**
 - D. The policy is owned by a trust**
- 2. What is a key advantage of whole life insurance?**
 - A. Higher premium payments**
 - B. No cash value at any time**
 - C. Guaranteed death benefit and cash value growth**
 - D. Only suitable for high-income individuals**
- 3. What is the typical timeframe for a life insurance policy to pay out after the insured's death?**
 - A. Immediate payment upon death**
 - B. Payment within 30 days**
 - C. Payment within 60 days**
 - D. Payment after investigation**
- 4. What is an accelerated death benefit?**
 - A. A provision that pays the full death benefit at policy inception**
 - B. A feature that allows early access to some death benefit**
 - C. A clause that reduces benefits if not claimed within a year**
 - D. A special rider for accidental death benefits**
- 5. Which element is NOT required in a policy summary given to a purchaser of life insurance?**
 - A. Policy premium costs**
 - B. Name and addresses of each beneficiary**
 - C. Coverage details**
 - D. Exclusions and limitations**

- 6. How does the cash value of permanent life insurance typically behave over time?**
- A. It remains constant throughout the policy's life**
 - B. It usually increases as premiums are paid**
 - C. It decreases as the policy buyer ages**
 - D. It fluctuates with the stock market**
- 7. What does the cash value of a permanent life insurance policy represent?**
- A. The total amount of premiums paid**
 - B. The amount available for withdrawal or loan against the policy**
 - C. The guaranteed death benefit amount**
 - D. The amount needed to reinstate a lapsed policy**
- 8. What does the term 'premium' refer to in life insurance?**
- A. The total payout given upon the insured's death**
 - B. The amount paid periodically to keep the insurance policy active**
 - C. The value of the coverage after a certain period**
 - D. The additional costs added to a policy for specific coverage**
- 9. A policyowner names his wife as the primary beneficiary of his Universal Life policy on a revocable basis. He also names his three children as his secondary beneficiaries and his estate as his tertiary beneficiary. If the policyowner's wife predeceases him, and then he dies, who will receive the policy proceeds?**
- A. The children**
 - B. The policyowner's estate**
 - C. The primary beneficiary's estate**
 - D. The tertiary beneficiary**

10. Why is it important for life insurance policies to have clear exclusions?

- A. To increase the policy coverage amount**
- B. To clarify the situations in which benefits are not payable**
- C. To reduce the premium costs significantly**
- D. To enable easier claim filing**

Answers

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

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Explanations

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1. What does 'third-party ownership' indicate in life insurance?

- A. The insured is also the owner of the policy**
- B. A family member owns the policy on the insured**
- C. Someone other than the insured owns the policy**
- D. The policy is owned by a trust**

Third-party ownership in life insurance refers to a situation where someone other than the insured individual holds the ownership of the policy. This means that if a policy is taken out on the life of one person, the owner of that policy can be a different person or entity altogether. For example, a parent may purchase a life insurance policy on their child, or a business may obtain coverage on a key employee. This arrangement is beneficial for various reasons, including providing financial protection and ensuring that the benefits will be paid to the designated beneficiaries, which could be the policyowner or someone else entirely. In contrast, when the insured is also the owner of the policy, as indicated in the first option, there is no third-party involvement, thereby eliminating the concept of third-party ownership. If a family member owns the policy on the insured, it may suggest some degree of third-party involvement, but it does not explicitly convey that the policy is owned by someone unrelated to the insured, which is specified in the correct choice. Lastly, when a trust owns a life insurance policy, while it can be a form of third-party ownership, the term 'third-party ownership' broadly encompasses any ownership by an individual or entity that is neither the insured nor a direct family member, which

2. What is a key advantage of whole life insurance?

- A. Higher premium payments**
- B. No cash value at any time**
- C. Guaranteed death benefit and cash value growth**
- D. Only suitable for high-income individuals**

A key advantage of whole life insurance is that it offers a guaranteed death benefit along with the growth of cash value over time. This dual benefit makes whole life insurance a popular choice for individuals seeking both life coverage and a savings or investment component. The guaranteed death benefit ensures that the policyholder's beneficiaries receive a predetermined sum upon the policyholder's death, providing financial security. In addition, the cash value accumulates over the life of the policy, growing at a guaranteed rate, which policyholders can borrow against or withdraw under certain conditions. This feature adds an element of savings that can contribute to long-term financial planning, making whole life insurance a stable option for individuals looking for lifelong protection and a means to build wealth. In contrast, higher premium payments, lack of cash value, and suitability primarily for high-income individuals do not accurately capture the essential benefits and broad appeal of whole life insurance. Premium payments are indeed higher compared to term insurance, but they are reflective of the guaranteed benefits provided. Furthermore, unlike term insurance, whole life policies accumulate cash value, making the claim of "no cash value at any time" inaccurate. Lastly, while whole life insurance may appeal more to those in higher income brackets due to the higher premiums, it is not exclusively

3. What is the typical timeframe for a life insurance policy to pay out after the insured's death?

- A. Immediate payment upon death**
- B. Payment within 30 days**
- C. Payment within 60 days**

D. Payment after investigation

The correct answer relates to the fact that a life insurance policy typically requires some investigation before a payout can be made following the insured's death. This process involves verifying the claim, confirming the cause of death, and ensuring all policy provisions have been met. Insurers must confirm that the death is covered under the terms of the policy, which often requires reviewing medical records, the circumstances of the death, and whether premiums were paid up to that date. This thorough evaluation ensures that claims are valid and protects against potential fraud. In many cases, the investigation may take a significant amount of time, especially if there are complexities involved, such as potential exclusions or if the death occurred within the contestability period, which is usually the first two years of the policy. During this period, insurers have the right to cancel the policy or deny claims if the insured provided false information or if there are any discrepancies. While there are occasions where payments may be expedited or made relatively quickly (like in cases of clear and uncomplicated deaths), the need for due diligence means that a payout is generally not made immediately or strictly within set timeframes such as 30 or 60 days, as these might not account for the need for investigation and verification in most situations.

4. What is an accelerated death benefit?

- A. A provision that pays the full death benefit at policy inception**
- B. A feature that allows early access to some death benefit**
- C. A clause that reduces benefits if not claimed within a year**
- D. A special rider for accidental death benefits**

An accelerated death benefit is essentially a feature included in some life insurance policies. It allows the policyholder to access a portion of the death benefit while they are still alive, typically in the event of a terminal illness or severe medical condition. This benefit can assist in covering medical expenses, living costs, or other financial needs that may arise due to the policyholder's condition, thereby providing financial support during a challenging time. This feature is particularly valuable because it offers financial flexibility in critical situations, allowing individuals to use their insurance in a way that best supports their circumstances before passing away. The amount accessed usually reduces the overall death benefit available for beneficiaries upon the policyholder's death. The other options pertain to different aspects of life insurance that do not accurately represent the function of accelerated death benefits. For instance, paying the full death benefit at policy inception doesn't align with the purpose of this benefit, which is activated under specific conditions. Similarly, clauses regarding benefits reduction for claims that are not made within a year do not reflect the nature of an accelerated death benefit but rather touch upon claim filing timelines. Lastly, a rider for accidental death benefits is distinctly separate from the concept of accelerated death benefits and pertains specifically to coverage in the event of death by accident.

5. Which element is NOT required in a policy summary given to a purchaser of life insurance?

- A. Policy premium costs**
- B. Name and addresses of each beneficiary**
- C. Coverage details**
- D. Exclusions and limitations**

In a policy summary provided to a purchaser of life insurance, certain elements are mandated to ensure that the buyer has a clear understanding of the terms and conditions of the policy. The inclusion of policy premium costs, coverage details, and information about exclusions and limitations helps the insured make informed decisions regarding their life insurance options. The name and addresses of each beneficiary, while important for the policyholder to consider, are not typically required to be disclosed in the policy summary itself. The summary focuses on the key features and terms of the policy rather than the personal details of the beneficiaries. This is in line with privacy considerations and the fact that beneficiary designations can be updated after the policy is issued. Therefore, the information about beneficiaries is not critical to be part of the initial policy summary, distinguishing it from the other required elements that directly relate to the policy's comprehensive understanding.

6. How does the cash value of permanent life insurance typically behave over time?

- A. It remains constant throughout the policy's life**
- B. It usually increases as premiums are paid**
- C. It decreases as the policy buyer ages**
- D. It fluctuates with the stock market**

The cash value of permanent life insurance is designed to accumulate over time, which aligns with the concept behind policies such as whole life or universal life insurance. As the policyholder pays their premiums, a portion of that money is allocated to build the cash value of the policy. This cash value typically grows at a guaranteed rate or may earn interest based on the insurer's declared rate depending on the type of permanent insurance. In many permanent life insurance products, the accumulation of cash value starts slow at first but gains momentum as more premiums are paid in, often leading to a more significant cash value build-up in the later years of the policy. This increase is part of the financial structure and benefit of permanent life insurance, providing policyholders with a living benefit they can access during their lifetime, either through loans or withdrawals. In contrast, cash value does not remain constant, decrease with age, nor does it inherently fluctuate based on stock market performance like some investment products. This consistent growth mechanism is fundamental to the design of permanent life insurance, making it a key consideration for individuals looking for long-term savings and protection.

7. What does the cash value of a permanent life insurance policy represent?

- A. The total amount of premiums paid**
- B. The amount available for withdrawal or loan against the policy**
- C. The guaranteed death benefit amount**
- D. The amount needed to reinstate a lapsed policy**

The cash value of a permanent life insurance policy represents the amount available for withdrawal or loan against the policy. This cash value accumulates over time as the policyholder pays premiums, and a portion of those premiums goes toward building the cash value. This feature of permanent life insurance is significant because it provides the policyholder with an accessible financial resource that can be used for various purposes, such as emergencies, retirement funding, or other personal needs. Unlike the accumulation of premiums, which only reflects the money spent, the cash value can be accessed while the policyholder is alive, offering liquidity that can be beneficial. In contrast, the total amount of premiums paid merely indicates how much money has been put into the policy without addressing any of the potential benefits of accessing funds. The guaranteed death benefit amount refers to the payout designated for beneficiaries upon the death of the insured, which does not account for the cash value aspect of the policy. Lastly, the amount needed to reinstate a lapsed policy pertains to the specifics of reinstatement rather than representing the cash value within the policy itself.

8. What does the term 'premium' refer to in life insurance?

- A. The total payout given upon the insured's death**
- B. The amount paid periodically to keep the insurance policy active**
- C. The value of the coverage after a certain period**
- D. The additional costs added to a policy for specific coverage**

The term 'premium' in life insurance specifically refers to the amount paid periodically (such as monthly or annually) to maintain an active insurance policy. This payment is essential for the policy to remain in force and ensures that the insurer provides the coverage specified in the policy. If the premium is not paid, the insurance policy can lapse, and the insured would lose the benefits it provides. This payment reflects the risk that the insurer assumes by providing coverage, as it is used to fund both the policy benefits and the operational costs of the insurance company. Understanding the concept of a premium is crucial in the context of life insurance, as it directly affects the affordability and sustainability of the policy for the insured individual.

9. A policyowner names his wife as the primary beneficiary of his Universal Life policy on a revocable basis. He also names his three children as his secondary beneficiaries and his estate as his tertiary beneficiary. If the policyowner's wife predeceases him, and then he dies, who will receive the policy proceeds?

- A. The children**
- B. The policyowner's estate**
- C. The primary beneficiary's estate**
- D. The tertiary beneficiary**

In this scenario, when the policyowner names his wife as the primary beneficiary on a revocable basis, it means he retains the right to change this designation at any time. If the primary beneficiary (the wife) predeceases the policyowner, her designation as the primary beneficiary becomes void. Since the policyowner has named his three children as secondary beneficiaries, they will automatically move into the primary position when the original primary beneficiary is no longer living. As a result, upon the policyowner's death, the proceeds of the Universal Life policy will go to the children, who are now considered the primary beneficiaries in light of their mother's passing. This reflects the intended order of beneficiaries as established in the policy, effectively allowing the children to receive the proceeds instead of passing them to the policyowner's estate or any other beneficiaries.

10. Why is it important for life insurance policies to have clear exclusions?

- A. To increase the policy coverage amount**
- B. To clarify the situations in which benefits are not payable**
- C. To reduce the premium costs significantly**
- D. To enable easier claim filing**

The importance of having clear exclusions in life insurance policies primarily lies in clarifying the situations in which benefits are not payable. Exclusions serve to explicitly outline what is not covered by the policy, which can include specific circumstances, types of death, or other conditions that would negate the insurer's obligation to pay out the death benefit. This clarity helps policyholders understand their coverage better and ensures that they are fully aware of the limitations of their policy. By detailing these exclusions, the insurer provides transparency and helps manage the expectations of the policyholders and their beneficiaries. This can prevent misunderstandings or disputes at the time of a claim, as both parties have a clear understanding of what scenarios are covered and which are not. Ultimately, the presence of clear exclusions is crucial for maintaining trust and clarity between the insurer and the insured.

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://pearsonvue-lifeinsurance.examzify.com>

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