Pearson VUE Life Insurance Practice Exam (Sample)

Study Guide

BY EXAMZIFY

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. **Which of the following group life plans requires at least 75 percent of the eligible members to participate?**
   - A. Contributory
   - B. Noncontributory
   - C. Participating
   - D. Nonparticipating

2. **Who is defined as a policyholder in life insurance?**
   - A. The person who receives the death benefit
   - B. The individual or entity that owns a life insurance policy
   - C. The agent who sold the insurance policy
   - D. The insurance company providing the policy

3. **What is the role of a claims adjuster in the context of life insurance?**
   - A. To sell additional policies to beneficiaries
   - B. To investigate and determine the validity of claims made by beneficiaries
   - C. To manage the finances of the insurance company
   - D. To create advertising campaigns for new policies

4. **What is meant by the concept of insurable interest?**
   - A. The policyholder must have a personal connection to the insured
   - B. The policyholder needs to have a financial stake in the insured's life
   - C. The policyholder should know the insured personally
   - D. The policyholder must be a family member of the insured

5. **What are living benefits in life insurance?**
   - A. Benefits that can only be accessed after death
   - B. Benefits that the insured can access while alive, typically through riders
   - C. Extra benefits for policyholders over the age of 65
   - D. Annual dividends paid out to policyholders

6. What is a common characteristic of whole life insurance compared to term life insurance?

- **A. It offers a fixed premium for a specified term**
- **B. It accumulates cash value over time**
- **C. It does not require a medical exam**
- **D. It has a lower initial premium**

7. What is a common feature of permanent life insurance policies?

- **A. The ability to become a term policy at any time**
- **B. Accumulation of cash value over time**
- **C. Lower premiums compared to term policies**
- **D. Flexible conversion options to annuities**

8. Who is referred to as the beneficiary in a life insurance policy?

- **A. The insurance agent who sold the policy**
- **B. The person or entity designated to receive the death benefit**
- **C. The insurance company that issues the policy**
- **D. The insured individual themselves**

9. What type of riders can be added to a life insurance policy?

- **A. Riders that reduce the premiums**
- **B. Riders that revoke the policy**
- **C. Riders that provide additional benefits or coverage options**
- **D. Riders that convert term to whole life automatically**

10. Which of the following statements about credit life insurance is correct?

- **A. It is only available through group policies**
- **B. It may be provided through a group or individual policy**
- **C. It is not regulated by state laws**
- **D. It is only applicable for loans above a certain amount**

Answers

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

Explanations

1. Which of the following group life plans requires at least 75 percent of the eligible members to participate?

A. Contributory

B. Noncontributory

C. Participating

D. Nonparticipating

In group life insurance, a contributory plan is one in which the insured members of the group are required to pay some portion of the premium, making their participation voluntary. In order for the group policy to be issued under this plan, a minimum participation requirement is usually necessary. Specifically, this often means that at least 75 percent of the eligible members must agree to participate by contributing to the premium payments. This requirement serves to ensure that the group plan remains viable and financially stable, as it helps to spread the risk across a larger pool of participants. If participation were too low, it could negatively impact the profitability and sustainability of the insurance product. In contrast, a noncontributory plan does not require any contribution from the members; premiums are paid entirely by the employer or organization. Thus, there is no participation percentage required since all eligible members are automatically included. Understanding the distinction between contributory and noncontributory plans is crucial for evaluating the implications of participation requirements in group life insurance policies.

2. Who is defined as a policyholder in life insurance?

A. The person who receives the death benefit

B. The individual or entity that owns a life insurance policy

C. The agent who sold the insurance policy

D. The insurance company providing the policy

In the context of life insurance, the policyholder is the individual or entity that owns the life insurance policy. This means the policyholder is the one who has entered into a contract with the insurance company, has the legal rights to make changes to the policy, and is responsible for paying the premiums. The significance of this definition lies in the fact that the policyholder can determine beneficiaries, make adjustments to coverage, and potentially surrender the policy if needed. While the person who receives the death benefit (the beneficiary) may be different from the policyholder, it is the policyholder who possesses the policy rights and responsibilities. This distinction is essential for understanding the roles individuals play in life insurance agreements. In contrast, the insurance agent is not the owner of the policy but may facilitate the purchase, and the insurance company itself is the entity that provides the policy but is not the owner. Understanding these roles clarifies the unique position of the policyholder in the life insurance framework.

3. What is the role of a claims adjuster in the context of life insurance?

A. To sell additional policies to beneficiaries

B. To investigate and determine the validity of claims made by beneficiaries

C. To manage the finances of the insurance company

D. To create advertising campaigns for new policies

The role of a claims adjuster in the context of life insurance is primarily focused on investigating and determining the validity of claims made by beneficiaries. When a claim is filed, the claims adjuster collects and evaluates all relevant information, such as medical records, policy details, and the circumstances surrounding the insured's death. This thorough investigation is crucial to ensure that the claim aligns with the terms of the policy and to verify that the claim is legitimate and meets any legal or contractual requirements. This process is essential, as it helps prevent fraudulent claims and ensures that legitimate policyholders receive the benefits they are entitled to under the terms of the insurance agreement. The claims adjuster's independent assessment and decision-making are foundational to the integrity of the insurance process, as they work to balance the interests of both the insurance company and the beneficiaries. Other roles, such as selling additional policies, managing finances, or creating advertising campaigns, do not accurately reflect the specific responsibilities involved in claims processing. Claims adjusters are not involved in sales or marketing, nor do they handle the company's overall financial management. Their expertise lies in policy interpretation, thorough investigation, and fair adjudication of claims.

4. What is meant by the concept of insurable interest?

A. The policyholder must have a personal connection to the insured

B. The policyholder needs to have a financial stake in the insured's life

C. The policyholder should know the insured personally

D. The policyholder must be a family member of the insured

Insurable interest is a fundamental principle in insurance that requires the policyholder to have a financial stake in the life or wellbeing of the insured. This means that the policyholder would suffer a financial loss if the insured were to pass away or suffer a loss, thus creating a legitimate interest in the insurance policy. This principle is designed to prevent moral hazard and ensure that insurance is used for its intended purpose—providing financial protection against loss rather than as a means for speculative gain. Having a financial stake establishes a valid reason for purchasing the insurance, which is crucial for ethical underwriting practices. If policyholders did not have a financial interest, they might be motivated to cause harm to the insured in order to benefit financially from the policy, which would undermine the integrity of the insurance system. While personal connections may enhance the relationship between the policyholder and the insured, or knowing the insured personally might create a sense of responsibility or care, these factors alone do not fulfill the requirement of insurable interest. Additionally, being a family member may indicate a connection or emotional bond, but without a financial stake, it does not fulfill the essential criteria that govern the validity of an insurance policy.

5. What are living benefits in life insurance?

A. Benefits that can only be accessed after death

B. Benefits that the insured can access while alive, typically through riders

C. Extra benefits for policyholders over the age of 65

D. Annual dividends paid out to policyholders

Living benefits in life insurance refer to benefits that the insured can access while still alive, typically through additional riders attached to the life insurance policy. These riders allow policyholders to receive a portion of their death benefit under specific circumstances, such as a terminal illness diagnosis or a critical illness. This feature provides financial support during serious health issues, helping cover medical expenses or other financial needs when they are most critical. Other choices do not accurately define living benefits. For example, benefits that can only be accessed after death directly contradict the concept of living benefits, which emphasizes access while alive. Options referring to age restrictions or annual dividends do not pertain to the nature of living benefits either, as they relate more to specific policyholder eligibility or profit-sharing features rather than the immediacy of access to benefits based on current health conditions.

6. What is a common characteristic of whole life insurance compared to term life insurance?

A. It offers a fixed premium for a specified term

B. It accumulates cash value over time

C. It does not require a medical exam

D. It has a lower initial premium

Whole life insurance is designed to provide lifelong coverage and includes a savings component known as cash value. Unlike term life insurance, which only provides coverage for a specified period with no cash accumulation, whole life insurance policies build cash value over time. This cash value grows at a guaranteed rate, allowing the policyholder to borrow against it or withdraw funds if needed. This feature of accumulating cash value is a significant and attractive characteristic of whole life insurance, distinguishing it from term policies that focus solely on providing a death benefit without any savings or investment component.

7. What is a common feature of permanent life insurance policies?

A. The ability to become a term policy at any time

B. Accumulation of cash value over time

C. Lower premiums compared to term policies

D. Flexible conversion options to annuities

Permanent life insurance policies are designed to provide lifelong coverage as long as premiums are paid, which includes the unique feature of accumulating cash value over time. This cash value builds as part of the policy, allowing policyholders to access it through loans or withdrawals. This accumulation can serve as a resource for policyholders, providing them with financial flexibility. In contrast, term life insurance policies do not accumulate cash value; they provide coverage for a specified period and offer no savings or investment component. The other options, while they may sound beneficial, are not inherent characteristics of permanent life insurance. Thus, the accumulation of cash value stands out as a definitive feature distinguishing permanent from term life insurance.

8. Who is referred to as the beneficiary in a life insurance policy?

A. The insurance agent who sold the policy

B. The person or entity designated to receive the death benefit

C. The insurance company that issues the policy

D. The insured individual themselves

In a life insurance policy, the beneficiary is specifically the individual or entity who is named to receive the death benefit upon the death of the insured person. This designation is crucial because it ensures that the proceeds from the policy go directly to the intended recipient as specified by the policyholder. The choice of beneficiary can be a person, such as a family member, or an entity, such as a trust or charitable organization, allowing policyholders flexibility in their financial planning. This concept plays a vital role in the purpose of life insurance, which is to provide financial support to those left behind after the insured passes away. The clarity of who the beneficiary is also helps avoid potential disputes and streamlines the claims process, ensuring that the intended recipients receive the funds in a timely manner.

9. What type of riders can be added to a life insurance policy?

A. Riders that reduce the premiums

B. Riders that revoke the policy

C. Riders that provide additional benefits or coverage options

D. Riders that convert term to whole life automatically

Riders that provide additional benefits or coverage options enhance the base life insurance policy by adding valuable features that can cater to specific needs of the policyholder. For example, common riders include child term riders that ensure coverage for children of the insured, accidental death benefit riders that increase the death benefit in the event of an accidental death, and long-term care riders that allow policyholders to access benefits while they are still living if they require long-term care services. These additional riders offer flexibility and allow policyholders to customize their coverage according to their unique circumstances, often resulting in more comprehensive protection. By including these riders, the policyholder ensures they have tailored solutions for various life events or risks, making the overall insurance policy more versatile and accommodating to their specific life situation.

10. Which of the following statements about credit life insurance is correct?

A. It is only available through group policies

B. It may be provided through a group or individual policy

C. It is not regulated by state laws

D. It is only applicable for loans above a certain amount

Credit life insurance is designed to pay off a borrower's debt in the event of their death, ensuring that their loved ones are not burdened with the financial obligations associated with that debt. The correct statement is that it may be provided through a group or individual policy. This means that lenders can offer credit life insurance either as part of a group plan for multiple borrowers or as an individual policy tailored to a specific loan or borrower. This flexibility in policy structuring allows consumers to choose how they want to secure their loans, making it accessible to a broader audience. Group policies may offer cost advantages and simplified enrollment, while individual policies can be customized according to the borrower's unique financial situation. In contrast, credit life insurance is indeed regulated by state laws to ensure consumer protection. Additionally, it is not limited to certain loan amounts, as it can cover various amounts depending on the outstanding loan balance, which is why the other options do not accurately reflect the nature of credit life insurance.

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!