# PENNSYLVANIA LIFE INSURANCE PRACTICE EXAM (SAMPLE)

## STUDY GUIDE

## SAMPLE STUDY GUIDE WITH LIMITED 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. 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 distinguishes variable life insurance from other forms?**

A. It has fixed premiums and guaranteed cash value.

B. It uses separate accounts with investment risk; the cash value and death benefit can vary and may be tied to subaccounts.

C. It pays a level death benefit that never changes.

D. It has no cash value and is term.

**2. Which of these is a method of determining the level of funds required for ongoing support in the event of the breadwinner's death?**

A. Need-based approach

B. Human life value

C. Replacement value

D. Net value method

**3. A spouse and child can be added to the primary insured's coverage as what kind of rider?**

A. Accidental death rider

B. Waiver of premium

C. Family term

D. Level term

**4. During the accumulation period, who can surrender an annuity?**

A. Insurer

B. Beneficiary

C. Policyowner

D. Annuitant

**5. Which of the following enables a life policy to be replaced with another life policy and results in the postponement of the tax consequence?**

A. Section 1035 exchange

B. Nonforfeiture option

C. Reinstatement clause

D. Grace period

**6. What is the primary reason for buying an annuity?**

A. Provide life-long income

B. Reduce investment risk

C. Provide future economic security

D. Hedge against inflation

**7. A licensee can have his/her license denied or revoked by the Commissioner if**

A. the licensee has committed insurance-related fraud or dishonesty

B. the licensee misses a payment

C. the licensee changes address

D. the licensee sells a policy below face value

**8. An endorsement found in an insurance plan which modifies the provisions of the policy is called a(n)**

A. Endorsement

B. Rider

C. Addendum

D. Amendment

**9. A beneficiary has just received a claim payment for a life insurance policy. Which statement is true regarding federal income tax liability owed?**

A. No federal income tax is owed on life insurance proceeds

B. The proceeds are fully taxable as income

C. Proceeds are taxed only if interest is added

D. Proceeds are subject to estate tax but not income tax

**10. What is the purpose of the free-look period in a life insurance policy?**

A. Allows applicant to review the policy and return for a full premium refund if not satisfied

B. Allows insurer to cancel policy at any time

C. Allows beneficiary to change beneficiary designation

D. Extends the grace period by 30 days

# Answers

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

# Explanations

## 1. What distinguishes variable life insurance from other forms?

A. It has fixed premiums and guaranteed cash value.

B. It uses separate accounts with investment risk; the cash value and death benefit can vary and may be tied to subaccounts.

C. It pays a level death benefit that never changes.

D. It has no cash value and is term.

*The main distinction is investment risk and how the policy's value is built. In variable life, the policy funds go into separate accounts that invest in markets, so the cash value isn't guaranteed and can go up or down with performance. The death benefit can also vary—often linked to how well the investments perform—so the policyholder bears the investment risk, not the insurer. This contrasts with forms that guarantee a fixed, level cash value and a fixed death benefit, or with term policies that have no cash value at all.*

## 2. Which of these is a method of determining the level of funds required for ongoing support in the event of the breadwinner's death?

A. Need-based approach

B. Human life value

C. Replacement value

D. Net value method

*The idea being tested is how to measure how much life insurance is needed to support dependents after the breadwinner dies by valuing the lost earnings the family would rely on. The human life value approach is the best fit because it directly translates the breadwinner's future income into a dollar amount that would need to be replaced. By estimating annual earnings and multiplying by the remaining working years (often with adjustments for taxes, inflation, and living expenses), you arrive at the insurance amount needed to maintain the family's standard of living after death. This focuses on the ongoing financial support the family would lose, which is exactly what the question asks. In contrast, a need-based approach focuses on specific future expenses (funeral costs, debts, education, etc.), which is about post-death costs rather than ongoing income. Replacement value and net value methods are less commonly used for this purpose and don't directly target the long-term income support the family would expect.*

## 3. A spouse and child can be added to the primary insured's coverage as what kind of rider?

A. Accidental death rider

B. Waiver of premium

C. Family term

D. Level term

*A family term rider is designed to extend coverage to a spouse and dependent children under the primary insured's policy. It provides term life protection for eligible family members within the framework of the existing policy, typically with defined age limits and a single premium structure. This makes it a cost-effective way to insure the whole family without purchasing separate policies. The other riders don't fit this purpose: an accidental death rider pays an extra benefit only if death results from an accident, not regular coverage for family members; a waiver of premium rider simply waives premiums if the insured becomes disabled and does not add new coverage for relatives; and level term refers to a standalone term policy with a level death benefit, not a rider that adds spouse and children coverage to the primary policy.*

## 4. During the accumulation period, who can surrender an annuity?

A. Insurer

B. Beneficiary

C. Policyowner

D. Annuitant

*The contract owner has the right to surrender during the accumulation period. Ownership gives control over the annuity, including the ability to withdraw funds or surrender the contract for its cash surrender value (subject to any surrender charges or tax consequences). The annuitant is the person whose life the payments are based on and does not own the contract, so they don't have surrender rights. The beneficiary receives benefits under the payout after death or other arrangements, not the right to surrender during accumulation. The insurer is the issuing company, not a party who can surrender the contract.*

## 5. Which of the following enables a life policy to be replaced with another life policy and results in the postponement of the tax consequence?

A. Section 1035 exchange

B. Nonforfeiture option

C. Reinstatement clause

D. Grace period

*A Section 1035 exchange lets you replace a life insurance policy with another life policy without triggering taxes on any gains at the time of the swap. The idea is to move the existing policy's cash surrender value into a new policy, carrying over the policy's basis so you don't realize a gain now. Since no money is paid out to you in the exchange, the tax consequence is postponed until a later event—such as surrendering the new policy for cash, taking withdrawals, or the death benefit being paid. For a 1035 exchange to qualify, the transfer must be a direct move from one insurer to another (or within the same insurer) and must involve like-kind contracts—specifically life insurance or annuity contracts. The policyowner should not receive any money as part of the exchange, or the tax deferral benefit may not apply. The other options address different policy features (nonforfeiture options deal with what happens if premiums stop; reinstatement lets you bring a lapsed policy back within a window; grace period extends the time to pay premiums) and do not provide tax deferral on replacing a policy.*

## 6. What is the primary reason for buying an annuity?

A. Provide life-long income

B. Reduce investment risk

C. Provide future economic security

D. Hedge against inflation

*Annuities are designed to turn a lump sum into a steady stream of payments scheduled for the future, providing a predictable income in retirement. The main idea is to create future economic security, so you don't outlive your savings and can cover living expenses even if market conditions are uncertain. While lifetime income can be a feature of many annuities, the overarching purpose is to ensure a stable financial footing for the future. Reducing investment risk and hedging against inflation can be benefits of certain products or riders, but they aren't the primary reason people buy annuities; standard contracts don't automatically guarantee inflation protection and aren't primarily about risk reduction.*

## 7. A licensee can have his/her license denied or revoked by the Commissioner if

A. the licensee has committed insurance-related fraud or dishonesty

B. the licensee misses a payment

C. the licensee changes address

D. the licensee sells a policy below face value

*The main idea is that actions compromising honest handling of insurance business can lead to losing a license. When a licensee commits insurance-related fraud or dishonesty, the Commissioner has the authority to deny or revoke the license to protect the public and preserve trust in the industry. Fraud or dishonesty covers things like misrepresentation, forgery, theft, or improper use of premiums, which directly undermine the integrity of insurance transactions. The other scenarios described are not automatically grounds for license denial or revocation: missing a payment is typically an administrative lapse that may result in penalties or a temporary hold rather than an automatic loss of licensure; changing an address is a routine update with no licensure consequence by itself; selling a policy below its face value isn't, on its own, a licensed discipline trigger unless it involves deceptive practices or fraud.*

## 8. An endorsement found in an insurance plan which modifies the provisions of the policy is called a(n)

A. Endorsement

B. Rider

C. Addendum

D. Amendment

*A rider is a provision attached to a life insurance policy that modifies or expands its coverage. It becomes part of the contract and allows changes to the policy terms without rewriting the whole policy. This is exactly what an endorsement that alters the policy provisions describes—the instrument used to tailor the policy to the insured's needs, such as adding coverage or changing benefits. Other terms exist in different contexts, but they don't capture the idea of a built-in modification to the policy as precisely as a rider does.*



## 9. A beneficiary has just received a claim payment for a life insurance policy. Which statement is true regarding federal income tax liability owed?

A. No federal income tax is owed on life insurance proceeds

B. The proceeds are fully taxable as income

C. Proceeds are taxed only if interest is added

D. Proceeds are subject to estate tax but not income tax

*Life insurance death benefits paid to a beneficiary are normally not taxed as federal income. The IRS excludes the death benefit from gross income, so the recipient typically owes no federal income tax on the payout. The only taxable portion that can arise is interest that accrues if there's a delay in payment—the interest is taxed as ordinary income to the recipient. Estate tax, not income tax, can come into play if the proceeds are paid to the deceased's estate rather than to a named beneficiary; that's a separate tax issue from federal income tax on the proceeds themselves. So, in the common situation where a named beneficiary receives the death benefit, no federal income tax is owed on the life insurance proceeds. The tax concern would be limited to any interest earned on delayed payment, and, in some cases, potential estate tax considerations if the estate is the beneficiary.*

## 10. What is the purpose of the free-look period in a life insurance policy?

A. Allows applicant to review the policy and return for a full premium refund if not satisfied

B. Allows insurer to cancel policy at any time

C. Allows beneficiary to change beneficiary designation

D. Extends the grace period by 30 days

*The free-look period is a consumer protection window after a life policy is delivered that gives the purchaser time to review the policy terms and decide whether it fits their needs. If they're not satisfied, they can return the policy and receive a full refund of the premiums paid. This protects the buyer from being locked into a contract they didn't fully understand or no longer want.  It's not about the insurer canceling the policy at will, changing beneficiary designations, or extending the grace period for late premiums. Those are separate concepts with different purposes. The free-look period specifically ensures the policyholder can thoroughly evaluate the coverage and terms in a short, defined window.*

# 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://pennsylvanialife.examzify.com

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