

PSI LIFE EXAM PRACTICE TEST (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

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- 1. What is the role of a medical exam in life insurance underwriting?**
 - A. It helps determine the beneficiary of the policy
 - B. It assesses the health status of the applicant to determine risk and premium rates
 - C. It speeds up the application process for issuing policies
 - D. It eliminates the need for a waiting period before coverage starts
- 2. Which type of annuities does not require disclosure requirements for their sale?**
 - A. Deferred annuities
 - B. Life annuities
 - C. Immediate annuities
 - D. Indexed annuities
- 3. Which of the following can a policy exclude or restrict coverage for in the event of death?**
 - A. Natural disasters
 - B. A fare-paying passenger traveling via commercial transport
 - C. Self-inflicted injuries
 - D. Drug overdoses
- 4. What distinguishes a limited payment whole life policy from a traditional whole life policy?**
 - A. Shorter duration of payments
 - B. Higher death benefits
 - C. Flexible premium payments
 - D. No cash value accumulation
- 5. Wisconsin insurance law requires intermediaries to keep policyholder records for at least how many years after termination or lapse of the policy?**
 - A. 1 year
 - B. 2 years
 - C. 3 years
 - D. 5 years

- 6. Which of the following accurately describes the benefit of having a cash value in a life insurance policy?**
- A. It reduces the premium payments required
 - B. It can be borrowed against or withdrawn
 - C. It is given back as a refund upon cancellation
 - D. It determines the death benefit amount
- 7. What is backdating on a life insurance policy?**
- A. Making the policy effective on a future date
 - B. Making the policy effective on an earlier date than the present
 - C. Changing the terms of coverage after issuance
 - D. Modifying premium payments to a later date
- 8. What authority does the insurance commissioner possess regarding compliance issues?**
- A. Can ignore compliance violations
 - B. Can issue compliance orders
 - C. Can only suggest compliance practices
 - D. Has no power related to compliance
- 9. The accumulated cash value of a whole life insurance policy becomes the:**
- A. death benefit payable to the beneficiary
 - B. amount used to purchase paid up additions to the insured's policy
 - C. total premiums paid so far
 - D. policy dividend
- 10. Which statement is NOT true regarding group life insurance plans?**
- A. Members benefit from individual underwriting
 - B. Coverage is often less expensive
 - C. It typically has a simplified enrollment process
 - D. Premiums are generally lower than individual policies

Answers

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

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Explanations

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1. What is the role of a medical exam in life insurance underwriting?

- A. It helps determine the beneficiary of the policy
- B. It assesses the health status of the applicant to determine risk and premium rates**
- C. It speeds up the application process for issuing policies
- D. It eliminates the need for a waiting period before coverage starts

The role of a medical exam in life insurance underwriting is to assess the health status of the applicant, which is crucial for determining the risk associated with issuing a policy and establishing appropriate premium rates. Insurers use the results of the medical exam to evaluate potential health issues that could affect life expectancy and overall risk for the insurer. This information allows the insurer to set premiums that are reflective of the applicant's health profile, ensuring that the policy is priced appropriately based on the level of risk involved. Without this assessment, insurers would not have a reliable basis for underwriting decisions, which could lead to imbalances in the pooling of risks. Understanding the applicant's health condition through a medical exam helps ensure that the life insurance coverage is both fair for the insurer and appropriate for the insured.

2. Which type of annuities does not require disclosure requirements for their sale?

- A. Deferred annuities
- B. Life annuities
- C. Immediate annuities**
- D. Indexed annuities

Immediate annuities are structured in such a way that they provide immediate income to the annuitant after a lump sum payment is made. Because of their straightforward nature and quick payout timeline, they tend to have fewer complicated features compared to other annuity types. This simplicity often leads to less stringent disclosure requirements regarding their sale. In contrast, deferred annuities, life annuities, and indexed annuities typically involve more complex terms and conditions. They usually come with various investment options, fees, and potential risks that necessitate more comprehensive disclosures to ensure that the buyer fully understands the product they are purchasing. This is particularly important for products that may affect individuals' long-term financial planning and retirement income strategies.

3. Which of the following can a policy exclude or restrict coverage for in the event of death?

- A. Natural disasters
- B. A fare-paying passenger traveling via commercial transport**
- C. Self-inflicted injuries
- D. Drug overdoses

A life insurance policy typically includes certain exclusions that delineate what is not covered, particularly in the event of death. The correct answer points to circumstances where coverage may be restricted, particularly regarding behaviors or actions taken by the insured. Self-inflicted injuries are generally excluded from coverage because they represent a situation where the individual intentionally harms themselves, leading to their death. Insurers often consider this a higher risk due to the voluntary nature of the action. Similarly, drug overdoses can be excluded on the grounds of being a result of irresponsible behavior or substance abuse, which insurance companies view as a manageable risk that they choose not to cover. Natural disasters would generally not be excluded unless specifically stated in the policy, as they are beyond the control of the insured. The reference to a fare-paying passenger traveling via commercial transport typically pertains to standard insurance practices where coverage is generally provided. In this context, the understanding of these exclusions demonstrates how the life insurance policy is designed to limit coverage in scenarios that involve higher risk or intentional actions on the part of the insured.

4. What distinguishes a limited payment whole life policy from a traditional whole life policy?

- A. Shorter duration of payments**
- B. Higher death benefits
- C. Flexible premium payments
- D. No cash value accumulation

A limited payment whole life policy is characterized by a shorter duration of premium payments compared to a traditional whole life policy. In a traditional whole life policy, the policyholder typically pays premiums for their entire lifetime, which can span several decades. Conversely, in a limited payment whole life policy, the policyholder pays premiums for a predetermined, shorter period, such as 10, 20, or 30 years, after which the policy becomes fully paid up. This distinction is significant as it allows the insured to accumulate cash value and secure a death benefit without having to make premium payments indefinitely. By completing payments in a shorter timeframe, policyholders can enjoy the benefits of a whole life policy—such as cash value accumulation and guaranteed death benefits—while minimizing the duration of their financial commitment. Other options may relate to features of different policy types, but they do not specifically define the distinction of limited payment arrangements within the realm of whole life insurance.

5. Wisconsin insurance law requires intermediaries to keep policyholder records for at least how many years after termination or lapse of the policy?

- A. 1 year
- B. 2 years
- C. 3 years**
- D. 5 years

Wisconsin insurance law mandates that intermediaries retain policyholder records for at least three years following the termination or lapse of the policy. This requirement is in place to ensure that both the insurance providers and policyholders have access to vital information that may be needed for audit, verification, or dispute resolution purposes after a policy ends. Keeping records for this duration helps maintain transparency and accountability within the insurance industry, as it allows relevant parties to access the details of the policy when needed. The other options, while they provide a range of possible time frames, do not meet the statutory requirement set forth in Wisconsin law, which clearly specifies three years as the minimum retention period.

6. Which of the following accurately describes the benefit of having a cash value in a life insurance policy?

- A. It reduces the premium payments required
- B. It can be borrowed against or withdrawn**
- C. It is given back as a refund upon cancellation
- D. It determines the death benefit amount

The benefit of having a cash value in a life insurance policy is that it can be borrowed against or withdrawn. Cash value accumulation is a unique feature of permanent life insurance policies, such as whole life and universal life. Over time, as premiums are paid, a portion of those payments contributes to the cash value, allowing policyholders to access funds for various needs, such as emergencies, education, or unexpected expenses. This feature provides flexibility for the policyholder, granting them the opportunity to take loans against the cash value or make withdrawals. It is important to note that borrowing against the cash value can impact the death benefit and may incur interest, which is a key consideration for policyholders when deciding to utilize this option. The ability to access cash value adds an additional layer of financial security and utility to permanent life insurance policies.

7. What is backdating on a life insurance policy?

- A. Making the policy effective on a future date
- B. Making the policy effective on an earlier date than the present**
- C. Changing the terms of coverage after issuance
- D. Modifying premium payments to a later date

Backdating on a life insurance policy refers to making the policy effective on an earlier date than the present. This practice allows applicants to potentially qualify for lower premiums based on their age at the time the policy is considered effective. For instance, if an individual applies for a policy at age 45 but backdates the policy to the date they turned 44, their premiums may be calculated as if they were still 44 years old, resulting in lower costs. The option of making the policy effective on a future date usually pertains to specifying a start date that may be set later than the application date, which is distinct from backdating. Similarly, changing the terms of coverage after issuance relates to policy amendments rather than the timing of the policy's effective date. Modifying premium payments to a later date pertains to payment schedules and does not affect the effective date of the policy itself. Thus, backdating specifically focuses on the retroactive establishment of the policy's effective date.

8. What authority does the insurance commissioner possess regarding compliance issues?

- A. Can ignore compliance violations
- B. Can issue compliance orders**
- C. Can only suggest compliance practices
- D. Has no power related to compliance

The insurance commissioner holds the authority to issue compliance orders, which is a crucial mechanism for ensuring that insurance companies adhere to established laws and regulations. This power is integral to the commissioner's role in maintaining the integrity of the insurance market and protecting consumers. By issuing compliance orders, the commissioner can mandate that a company take specific actions to rectify violations or to align its operations with legal requirements. This authority allows the commissioner to enforce regulations effectively, ensuring accountability among insurers. Such orders help maintain a fair playing field and protect policyholders by ensuring that companies operate in accordance with the law. The other options reflect misunderstandings of the commissioner's role. Ignoring compliance violations would undermine regulatory authority. Simply suggesting compliance practices does not carry the weight necessary to enforce accountability. Finally, having no power related to compliance would contradict the fundamental purpose of the commissioner's office, which is to oversee and regulate the insurance industry to ensure compliance with laws designed to protect consumers.

9. The accumulated cash value of a whole life insurance policy becomes the:

- A. death benefit payable to the beneficiary
- B. amount used to purchase paid up additions to the insured's policy**
- C. total premiums paid so far
- D. policy dividend

The accumulated cash value of a whole life insurance policy serves a specific function within the policy's framework. When a policyholder accumulates cash value, it can be utilized to purchase paid-up additions to the policy. Paid-up additions are essentially small, additional whole life insurance policies that increase the overall death benefit and cash value without requiring additional premium payments. This feature allows the policyholder to enhance their coverage and investment within the policy, resulting in a more robust financial instrument for their beneficiaries. While other aspects, such as the death benefit, total premiums paid, and dividends, are important to understand, they do not directly define the role of the accumulated cash value as it pertains to purchasing paid-up additions.

10. Which statement is NOT true regarding group life insurance plans?

- A. Members benefit from individual underwriting**
- B. Coverage is often less expensive**
- C. It typically has a simplified enrollment process**
- D. Premiums are generally lower than individual policies**

In group life insurance plans, members generally do not benefit from individual underwriting. Instead, the underwriting process is applied to the group as a whole, which allows individuals within the group to obtain coverage without undergoing individual health assessments. This collective underwriting is one of the key features of group life insurance. It simplifies the process for all members and makes it more accessible, particularly for those who might face challenges obtaining individual coverage due to health issues. The other statements highlight the advantages of group life insurance. Coverage is often less expensive because the risk is spread across a larger pool, which can lower rates. The enrollment process is usually simplified, allowing members to sign up with minimal paperwork or requirements. Additionally, premiums are typically lower than those for individual policies for similar coverage because of the group's collective bargaining power and the absence of individual risk assessment.

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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://psi-lifeexam.examzify.com>

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

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