

# Utah Life Insurance Practice Test (Sample)

## Study Guide



**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. What policy feature allows a policyholder to take a loan against their life insurance policy?**
  - A. The cash value of the policy**
  - B. The death benefit of the policy**
  - C. The premium payments made**
  - D. The policy's term length**
- 2. What defines a Modified Endowment Contract (MEC) in life insurance?**
  - A. An insurance policy with a high death benefit**
  - B. A life insurance policy that passes the seven-pay test**
  - C. A policy failing the seven-pay test, resulting in unfavorable tax treatment**
  - D. A contract with limited options for policy loans**
- 3. Regarding the McCarran Ferguson Act, what key principle does it involve?**
  - A. Federal entities fully control insurance practices**
  - B. State governments can regulate insurance without federal interference**
  - C. Only consumer protection governs insurance practices**
  - D. Insurance is solely governed by private enterprises**
- 4. Which of the following explaining statements is required in Privacy Notices?**
  - A. How long the company has been in business**
  - B. What information the company gathers about the customer**
  - C. What services the company offers**
  - D. The company's history and background**
- 5. What does the term "surrender value" refer to?**
  - A. The amount payable if a policyholder cancels their policy**
  - B. The amount of premiums paid over the policy's life**
  - C. The total death benefit available to the insured**
  - D. The cash value of the policy only after maturity**

- 6. What is one of the types of Annuity Premiums?**
- A. Single Premium**
  - B. Joint Premium**
  - C. Reduced Premium**
  - D. Fixed Premium**
- 7. Which type of annuity involves a lump sum or payments available at maturity?**
- A. Single Premium**
  - B. Deferred Annuity**
  - C. 2 Tiered Annuity**
  - D. Variable Annuity**
- 8. How often should beneficiaries of a life insurance policy be reviewed?**
- A. Every year, regardless of life changes**
  - B. Only when taking out a new policy**
  - C. Whenever there are significant life changes, such as marriage or divorce**
  - D. Every five years**
- 9. What is a key characteristic of "field underwriting" in life insurance?**
- A. It assesses long-term investment opportunities**
  - B. It evaluates applicant risks prior to approval**
  - C. It determines profit margins for insurers**
  - D. It sets premium rates without any evaluations**
- 10. Which of the following is NOT a reason for denying a life insurance claim?**
- A. Misrepresenting health details at application**
  - B. Suicide after the policy has been in force for two years**
  - C. Non-payment of premiums**
  - D. Signing the application under duress**



## **Answers**

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

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## **Explanations**

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**1. What policy feature allows a policyholder to take a loan against their life insurance policy?**

- A. The cash value of the policy**
- B. The death benefit of the policy**
- C. The premium payments made**
- D. The policy's term length**

The feature that allows a policyholder to take a loan against their life insurance policy is the cash value of the policy. This applies specifically to permanent life insurance policies, such as whole life or universal life insurance, which build cash value over time. As the policyholder pays premiums, a portion of those premiums contributes to the cash value component, which accumulates interest. When the need arises, the policyholder can borrow against this accumulated cash value. The loan amount is not subject to credit checks or approval processes, making it a flexible source of funds. However, it's important to note that any outstanding loans will reduce the death benefit payable to beneficiaries if not repaid during the policyholder's lifetime. In contrast, the other options do not provide the ability to borrow against the policy. The death benefit is the amount paid to beneficiaries upon the policyholder's passing and cannot be borrowed against directly. Premium payments are the amounts paid to keep the policy active and do not accumulate in a way that allows for borrowing. The policy's term length pertains to temporary policies, like term life insurance, which do not build cash value and hence do not allow for loans.

**2. What defines a Modified Endowment Contract (MEC) in life insurance?**

- A. An insurance policy with a high death benefit**
- B. A life insurance policy that passes the seven-pay test**
- C. A policy failing the seven-pay test, resulting in unfavorable tax treatment**
- D. A contract with limited options for policy loans**

A Modified Endowment Contract (MEC) is defined specifically by its failure to meet the seven-pay test, which is a requirement established by the IRS to determine whether a life insurance policy has been overly funded with premiums. When a policy is classified as a MEC, it triggers unfavorable tax treatment regarding distributions made from the policy, such as withdrawals and loans. In a typical scenario, life insurance policies allow for tax-free withdrawals up to the amount of premiums paid, but once a policy is deemed a MEC, any distribution is subject to taxation on the gains first, and possibly an additional penalty if the policyholder is under age 59½. This specific taxation structure is what differentiates a MEC from other types of life insurance policies, emphasizing the importance of the seven-pay test in maintaining favorable tax treatment. In contrast, a policy with a high death benefit or limited options for policy loans does not inherently define it as a MEC without considering the funding limits and structure established by the IRS guidelines. Similarly, a life insurance policy that successfully meets the seven-pay test is specifically excluded from being classified as a MEC. Thus, the defining characteristic of a MEC is its failure of that test, which results in the specified negative tax implications.

**3. Regarding the McCarran Ferguson Act, what key principle does it involve?**

- A. Federal entities fully control insurance practices**
- B. State governments can regulate insurance without federal interference**
- C. Only consumer protection governs insurance practices**
- D. Insurance is solely governed by private enterprises**

The McCarran-Ferguson Act, enacted in 1945, established a foundational principle stating that states have the authority to regulate the business of insurance without interference from the federal government. This was significant because it recognized the long-standing tradition of state regulation over the insurance industry, allowing states to develop their own laws and requirements tailored to their markets and consumer needs. The reasoning behind this approach was that states, being closer to the specific needs of their residents, would be better positioned to manage insurance practices effectively. This principle is crucial because it ensures that the insurance industry operates under frameworks that can adapt to local conditions, differences in insurance needs, and consumer preferences. It also reinforced the idea that state regulation would provide adequate consumer protections, thereby limiting the need for federal oversight in most cases. As a result, the McCarran-Ferguson Act has allowed states to take charge of issues related to insurance pricing, policy forms, solvency requirements, and consumer protection measures effectively.

**4. Which of the following explaining statements is required in Privacy Notices?**

- A. How long the company has been in business**
- B. What information the company gathers about the customer**
- C. What services the company offers**
- D. The company's history and background**

The correct answer is focused on the necessity for privacy notices to disclose the types of information that the company collects about customers. This requirement is crucial because privacy notices are designed to inform individuals about their personal data rights, how their personal information will be used, and what kind of personal information is collected. This transparency is central to maintaining trust and compliance with various privacy regulations, such as the Gramm-Leach-Bliley Act and other state-specific guidelines regarding consumer privacy. By clearly stating what information is gathered, companies ensure that customers are aware of the data being handled, which is an essential component of consumer protection. Specifically, transparency about data collection helps customers make informed decisions about whether to share their personal information with the company, understanding how it might be used or shared. In contrast, details regarding how long a company has been in business, the services it offers, or its history and background do not pertain directly to the privacy and protection of personal data. These aspects, while potentially important for customers when considering a business, do not fulfill the requirements set forth in privacy notices.

**5. What does the term "surrender value" refer to?**

- A. The amount payable if a policyholder cancels their policy**
- B. The amount of premiums paid over the policy's life**
- C. The total death benefit available to the insured**
- D. The cash value of the policy only after maturity**

The term "surrender value" refers specifically to the amount payable to a policyholder when they decide to cancel their policy before its maturity. This value represents a portion of the cash value that has accumulated in a permanent life insurance policy, such as whole life or universal life insurance. When a policyholder surrenders their policy, they receive this surrender value instead of continuing to pay premiums or retaining coverage. Understanding this concept is crucial for policyholders who may need to access funds or are considering canceling their insurance coverage. It highlights the financial aspect of owning a life insurance policy, as the surrender value is typically less than the total premiums paid and does not imply the total death benefit available, which is a separate consideration. The surrender value may also fluctuate based on the policy's performance, outstanding loans against the policy, and other factors affecting cash value accumulation. This distinction is important for making informed decisions about the policy and its long-term value.

**6. What is one of the types of Annuity Premiums?**

- A. Single Premium**
- B. Joint Premium**
- C. Reduced Premium**
- D. Fixed Premium**

One of the types of annuity premiums is the single premium, which refers to a lump-sum payment made at the inception of the annuity contract. This single payment allows the annuitant to pay for the annuity in one transaction rather than through multiple payments over time. As a result, the annuity can begin to generate benefits immediately or at a specified future date, depending on the terms of the contract. Single premiums are particularly beneficial for individuals who have a significant amount of money available and prefer to invest it all at once rather than dealing with the complexities of ongoing payments. This simplicity can make it easier for the annuitant to manage their finances and ensure that their investment is working for them as soon as possible. The other premium types, such as joint, reduced, and fixed premiums, relate to different payment structures or conditions that are not considered standard types of annuity premiums, which may lead to confusion regarding their applicability to annuities.

**7. Which type of annuity involves a lump sum or payments available at maturity?**

- A. Single Premium**
- B. Deferred Annuity**
- C. 2 Tiered Annuity**
- D. Variable Annuity**

The correct answer involves understanding the characteristics of the various types of annuities, particularly those that relate to disbursement at maturity. A two-tiered annuity is designed to allow for both a lump sum payment or periodic payments distributed based on the performance of underlying investments at maturity or another specified time. In contrast, a single premium annuity is funded by a one-time payment but does not specifically denote a lump sum at maturity. A deferred annuity, while it does allow payments to be made at a later date, typically accumulates funds over time and disburses them later, which may not be strictly defined as available "at maturity." A variable annuity provides payments that fluctuate based on the performance of investment options chosen by the annuitant; while it could involve lump-sum payments, the nature of the payments can vary significantly. Therefore, the defining trait of the two-tiered annuity — the option to receive a lump sum or structured payments at a specific maturity date — clarifies why it is the appropriate choice in this context.

**8. How often should beneficiaries of a life insurance policy be reviewed?**

- A. Every year, regardless of life changes**
- B. Only when taking out a new policy**
- C. Whenever there are significant life changes, such as marriage or divorce**
- D. Every five years**

The correct answer is that beneficiaries of a life insurance policy should be reviewed whenever there are significant life changes, such as marriage or divorce. This is important because life events can dramatically alter an individual's circumstances, priorities, and relationships. Updating beneficiaries ensures that the life insurance payout aligns with one's current wishes and that the financial support goes to the intended individuals. For instance, if an individual gets married, they may wish to include their spouse as a beneficiary. Conversely, in the case of a divorce, the individual might want to remove an ex-spouse from the policy to prevent unintended financial benefits. Other significant life changes, such as the birth of a child, a death in the family, or changes in financial circumstances, can also warrant a review and potential adjustment of beneficiaries. Regular reviews align the policy with the policyholder's current intentions and family dynamics, providing peace of mind that their loved ones will be cared for as per their wishes in the event of their passing.

**9. What is a key characteristic of "field underwriting" in life insurance?**

- A. It assesses long-term investment opportunities**
- B. It evaluates applicant risks prior to approval**
- C. It determines profit margins for insurers**
- D. It sets premium rates without any evaluations**

Field underwriting is a crucial process in life insurance that involves evaluating the risks associated with a potential applicant before the policy is approved. This assessment is typically performed by the insurance agent or a field underwriter who gathers important information about the applicant's health, lifestyle, and medical history. By conducting this evaluation, underwriters can identify potential risks that may affect the insurability or premium rates of the applicant. This process is vital because it helps insurance companies mitigate risk and ensure that they are offering policies to individuals who meet their underwriting criteria. Through field underwriting, insurers gain valuable insights that inform their decision-making and underwriting processes, ultimately leading to a more informed and accurate assessment of the applicant's risk level.

**10. Which of the following is NOT a reason for denying a life insurance claim?**

- A. Misrepresenting health details at application**
- B. Suicide after the policy has been in force for two years**
- C. Non-payment of premiums**
- D. Signing the application under duress**

The correct choice indicates that denying a life insurance claim would not typically occur due to suicide after the policy has been in force for two years. In many jurisdictions and under standard insurance policies, a suicide clause is included that stipulates that if an insured individual commits suicide within a specified period—often the first two years of the policy—the insurer is not liable to pay the death benefit. However, after this period, the policy typically covers suicide, meaning the claim should be honored as long as all premiums have been paid and the policy is active. The other choices represent common reasons for claim denial. Misrepresenting health details during the application process can lead to claims being denied because insurers base their underwriting decisions on the accuracy of the information provided. Non-payment of premiums directly affects the policy's validity, leading to a lapse in coverage and denial of any claims. Signing an application under duress raises questions about the validity of the contract, as it implies that the applicant was not able to provide informed consent, which can lead to denial of the claim.



## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://utah-lifeinsurance.examzify.com>**

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