

# Variable Life Licensing Practice Exam (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 does the term "surrender charge" mean?**
  - A. A fee for delayed payments**
  - B. A penalty for withdrawing or surrendering cash value early**
  - C. A charge associated with policy renewal**
  - D. A cost for switching investment options**
- 2. What happens if a policyholder does not repay a policy loan?**
  - A. The death benefit is permanently lost**
  - B. The death benefit may be reduced**
  - C. The insurer will cancel the policy**
  - D. The policy will convert to a whole life policy**
- 3. Which information is NOT required for disclosure to variable life policyholders?**
  - A. The net withdrawal value as of the statement date.**
  - B. The premiums received and charges levied during the period.**
  - C. The basis and frequency for valuing the assets.**
  - D. The number of units held during the period.**
- 4. What happens to the death benefit if the cash value of a Variable Life Insurance policy decreases?**
  - A. The death benefit decreases correspondingly**
  - B. The death benefit remains fixed regardless**
  - C. The death benefit automatically increases**
  - D. The cash value has no impact on the death benefit**
- 5. Why might an agent need additional qualifications when selling Variable Life Insurance?**
  - A. To handle customer complaints**
  - B. To manage policy claims**
  - C. To sell investment-related securities**
  - D. To issue new policies**

- 6. What can policyholders do with the cash value in a Variable Life Insurance policy?**
- A. Withdraw it at any time without restrictions**
  - B. Use it exclusively for premium payments**
  - C. Borrow against it or withdraw funds**
  - D. Convert it into an annuity**
- 7. Why is it crucial for customers to fully understand the sales proposal?**
- A. The insurer guarantees all returns**
  - B. The customer bears the impact of investment conditions**
  - C. Agents always provide perfect recommendations**
  - D. Customers typically want lower returns**
- 8. What feature allows policyholders to access cash from their Variable Life Insurance?**
- A. A guaranteed loan option**
  - B. Tax-advantaged cash value accumulation**
  - C. Immediate payouts upon request**
  - D. Sales of invested assets at a premium**
- 9. What does a risk-return graph show regarding various funds like cash, bond, balanced, managed, and equity funds?**
- A. Higher return comes with lower risk.**
  - B. Higher return comes with higher risk.**
  - C. Equity funds sit at the bottom end of the graph.**
  - D. Cash funds have the highest potential return.**
- 10. What influences the death benefit amount in Variable Life Insurance?**
- A. Only the initial premium paid by the policyholder**
  - B. Annual increases based on market performance**
  - C. Cash value and the terms agreed upon in the policy**
  - D. External factors unrelated to the policy terms**

## **Answers**

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

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## **Explanations**

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**1. What does the term "surrender charge" mean?**

- A. A fee for delayed payments
- B. A penalty for withdrawing or surrendering cash value early**
- C. A charge associated with policy renewal
- D. A cost for switching investment options

The term "surrender charge" refers specifically to a penalty imposed on policyholders who choose to withdraw or surrender their cash value from a life insurance policy before a predetermined period has elapsed. This charge is designed to offset the insurer's costs associated with underwriting the policy and the benefits they provide. Surrender charges are common in various types of cash value life insurance policies, such as variable life insurance, and typically decrease over time. This mechanism discourages policyholders from making early withdrawals, ensuring that the insurance policy remains profitable for the insurer while providing the policyholder with an initial savings period during which their investments can potentially grow without frequent interruptions. In contrast, other options are related to different aspects of insurance policies or financial products but do not pertain to surrender charges. These aspects include fees for delayed payments, charges tied to policy renewals, or costs for changing investment options, each representing distinct situations that have no relation to the early withdrawal penalties that surrender charges represent.

**2. What happens if a policyholder does not repay a policy loan?**

- A. The death benefit is permanently lost
- B. The death benefit may be reduced**
- C. The insurer will cancel the policy
- D. The policy will convert to a whole life policy

When a policyholder takes out a loan against their variable life insurance policy but fails to repay it, the most significant consequence relates to the death benefit. The death benefit may be reduced because the loan amount, along with any accumulated interest that has not been paid back, will be deducted from the total death benefit payable to beneficiaries upon the policyholder's death. This is an important aspect of variable life insurance policies, where policyholders have the flexibility to borrow against the cash value without affecting the policy's status. However, the outstanding loan balance remains a liability in the context of the death benefit calculation. Therefore, if the policyholder does not repay the loan, it does not lead to a total loss of the death benefit but rather a decrease, in accordance with the balance owed. This understanding highlights the balance between the flexibility of accessing cash value and the implications of not managing loans properly in a life insurance context.

**3. Which information is NOT required for disclosure to variable life policyholders?**

- A. The net withdrawal value as of the statement date.**
- B. The premiums received and charges levied during the period.**
- C. The basis and frequency for valuing the assets.**
- D. The number of units held during the period.**

In the context of variable life insurance policies, disclosure is an essential aspect that helps policyholders understand their investments. The correct response indicates that the net withdrawal value as of the statement date is not required to be disclosed. Variable life policies are designed to provide both a death benefit and an investment component, where the cash value can fluctuate based on the performance of the investment options chosen by the policyholder. While transparency is crucial, certain specifics about the policy's performance and value are prioritized in regulatory requirements. The premiums received and charges levied during the period are important for policyholders to track their contributions and the costs involved, ensuring they can evaluate the sustainability and growth of their investment. Understanding these financial transactions helps policyholders assess the overall performance of their policy. The basis and frequency for valuing the assets is also necessary to provide clarity on how the investment values are determined and how often they are updated, which is critical for making informed decisions regarding future contributions or adjustments to the investment strategy. Furthermore, knowing the number of units held during the period is relevant for policyholders, as it directly relates to the investment performance and the total value of their account balance based on market fluctuations. In summary, while all of the aspects highlighted in the other choices contribute valuable information

**4. What happens to the death benefit if the cash value of a Variable Life Insurance policy decreases?**

- A. The death benefit decreases correspondingly**
- B. The death benefit remains fixed regardless**
- C. The death benefit automatically increases**
- D. The cash value has no impact on the death benefit**

In a Variable Life Insurance policy, the death benefit is typically connected to the cash value of the policy. When the cash value decreases, the death benefit may also decrease, especially if the policyholder has selected a death benefit option that adjusts based on the cash value. This means that as the investment performance of the underlying assets affects the cash value, fluctuations will directly impact the overall amount that beneficiaries would receive upon the insured's death. It's important to understand that many Variable Life policies provide different options for determining the death benefit. For example, some policies offer a fixed death benefit, which would not decrease with cash value fluctuations. However, in the case being presented, the focus is on the correlation where a decrease in cash value leads to a corresponding decrease in the death benefit under specific conditions. This highlights the inherent risk of investing in the market component of the policy, as negative performance can diminish both the cash value and the protection offered to beneficiaries.

**5. Why might an agent need additional qualifications when selling Variable Life Insurance?**

- A. To handle customer complaints**
- B. To manage policy claims**
- C. To sell investment-related securities**
- D. To issue new policies**

When selling Variable Life Insurance, an agent requires additional qualifications specifically to sell investment-related securities because this type of insurance combines life insurance coverage with an investment component. Variable Life Insurance policies allow policyholders to allocate a portion of their premiums to various investment options, such as stocks, bonds, or mutual funds. Due to the investment element, agents must be knowledgeable about the associated risks and market performance, and they must adhere to specific regulations and standards that govern the sale of securities. This typically involves obtaining a license, such as the Series 6 or Series 7, which signifies that the agent has the necessary expertise to advise clients on investment choices and handle related transactions appropriately. This requirement ensures that agents can effectively educate their clients about the potential benefits and risks of the investment options available within the policy. In contrast, while handling customer complaints, managing policy claims, or issuing new policies are important aspects of an insurance agent's role, these tasks do not require the specialized investment licensing that is necessary for selling Variable Life Insurance.

**6. What can policyholders do with the cash value in a Variable Life Insurance policy?**

- A. Withdraw it at any time without restrictions**
- B. Use it exclusively for premium payments**
- C. Borrow against it or withdraw funds**
- D. Convert it into an annuity**

In a Variable Life Insurance policy, policyholders have the option to borrow against the cash value or withdraw funds from it. This feature provides flexibility in managing the policyholder's finances. When a policyholder borrows against the cash value, they can access funds for various purposes, such as emergencies, investments, or personal expenses, while still maintaining the life insurance coverage. Withdrawals also provide immediate access to cash, although they may reduce the death benefit and cash value of the policy. This aspect of Variable Life Insurance distinguishes it from other types of life insurance, which may not offer such accessibility to cash value. Hence, the correct answer highlights the practical financial tools available to policyholders, allowing them to take advantage of the accumulated cash value in their policy. The ability to use the cash value flexibility supports policyholders in managing their financial planning effectively.

**7. Why is it crucial for customers to fully understand the sales proposal?**

- A. The insurer guarantees all returns**
- B. The customer bears the impact of investment conditions**
- C. Agents always provide perfect recommendations**
- D. Customers typically want lower returns**

Understanding the sales proposal is essential for customers because it directly affects their financial future, especially in the context of variable life insurance products. These products often involve investment components that can fluctuate in value based on market conditions. When the customer acknowledges that they bear the impact of investment conditions, they recognize that their returns can vary, and there is a risk of losing money. This understanding allows customers to assess their risk tolerance, investment objectives, and financial goals more accurately, enabling them to make informed decisions that align with their needs. Customers who grasp the nuances of the sales proposal are better equipped to evaluate how different investment strategies might perform over time, which is particularly important in variable life insurance where the cash value and death benefits can be significantly affected by market trends. By acknowledging and understanding the impact of these investment dynamics, customers can engage more meaningfully with their insurance products, leading to better outcomes over the long term.

**8. What feature allows policyholders to access cash from their Variable Life Insurance?**

- A. A guaranteed loan option**
- B. Tax-advantaged cash value accumulation**
- C. Immediate payouts upon request**
- D. Sales of invested assets at a premium**

The feature that allows policyholders to access cash from their Variable Life Insurance is the tax-advantaged cash value accumulation. In a Variable Life Insurance policy, part of the premiums goes into a cash value component, which is primarily invested in various securities, such as stocks and mutual funds. As the cash value grows, it accumulates on a tax-deferred basis, meaning policyholders do not pay taxes on the growth until they withdraw the funds. This feature provides a significant advantage, as it allows policyholders to access their cash value without immediate tax consequences. The policyholders can borrow against or withdraw from this cash value, providing them with financial flexibility to meet their needs or goals. This accumulation aspect is crucial, as it not only provides a source of funds but also has the potential for growth based on the performance of the underlying investments, making it a unique characteristic of Variable Life Insurance.

9. What does a risk-return graph show regarding various funds like cash, bond, balanced, managed, and equity funds?
- A. Higher return comes with lower risk.
  - B. Higher return comes with higher risk.**
  - C. Equity funds sit at the bottom end of the graph.
  - D. Cash funds have the highest potential return.

A risk-return graph illustrates the fundamental relationship between the potential return of an investment and the level of risk associated with it. In essence, it conveys that as the expected return on an investment increases, the level of risk also tends to increase. This principle is a cornerstone of investment theory, indicating that more aggressive investments, such as equity funds, are generally associated with higher volatility and greater potential for returns compared to more conservative investments, like cash or bonds. The positioning of various types of funds on this graph helps investors understand this relationship. For instance, cash funds typically have a very low return and, consequently, low risk, while equity funds potentially offer higher returns but come with a higher likelihood of loss. This dynamic helps investors determine where they want to place their investments based on their risk tolerance and return expectations. Thus, the assertion that higher return comes with higher risk is a critical concept for all investors and is correctly represented in the risk-return graph.

10. What influences the death benefit amount in Variable Life Insurance?
- A. Only the initial premium paid by the policyholder
  - B. Annual increases based on market performance
  - C. Cash value and the terms agreed upon in the policy**
  - D. External factors unrelated to the policy terms

In Variable Life Insurance, the amount of the death benefit is influenced by both the cash value of the policy and the specific terms agreed upon when the policy was initiated. This type of insurance includes an investment component, allowing the policyholder to allocate cash value among various investment options, which can lead to a fluctuating cash value over time. As the cash value increases or decreases based on market performance and the policy's investment choices, it directly affects the total death benefit. The terms of the policy will also specify how the death benefit is calculated, including any guaranteed minimums or rider options that might be offered. This means that the death benefit can adjust accordingly, reflecting the performance of the investments as well as any agreed-upon stipulations in the policy itself. The interplay between the cash values and the policy terms underscores the flexibility and variability inherent in Variable Life Insurance, making it essential for policyholders to understand how their choices impact their coverage.

## 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://variablelife.examzify.com>**

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