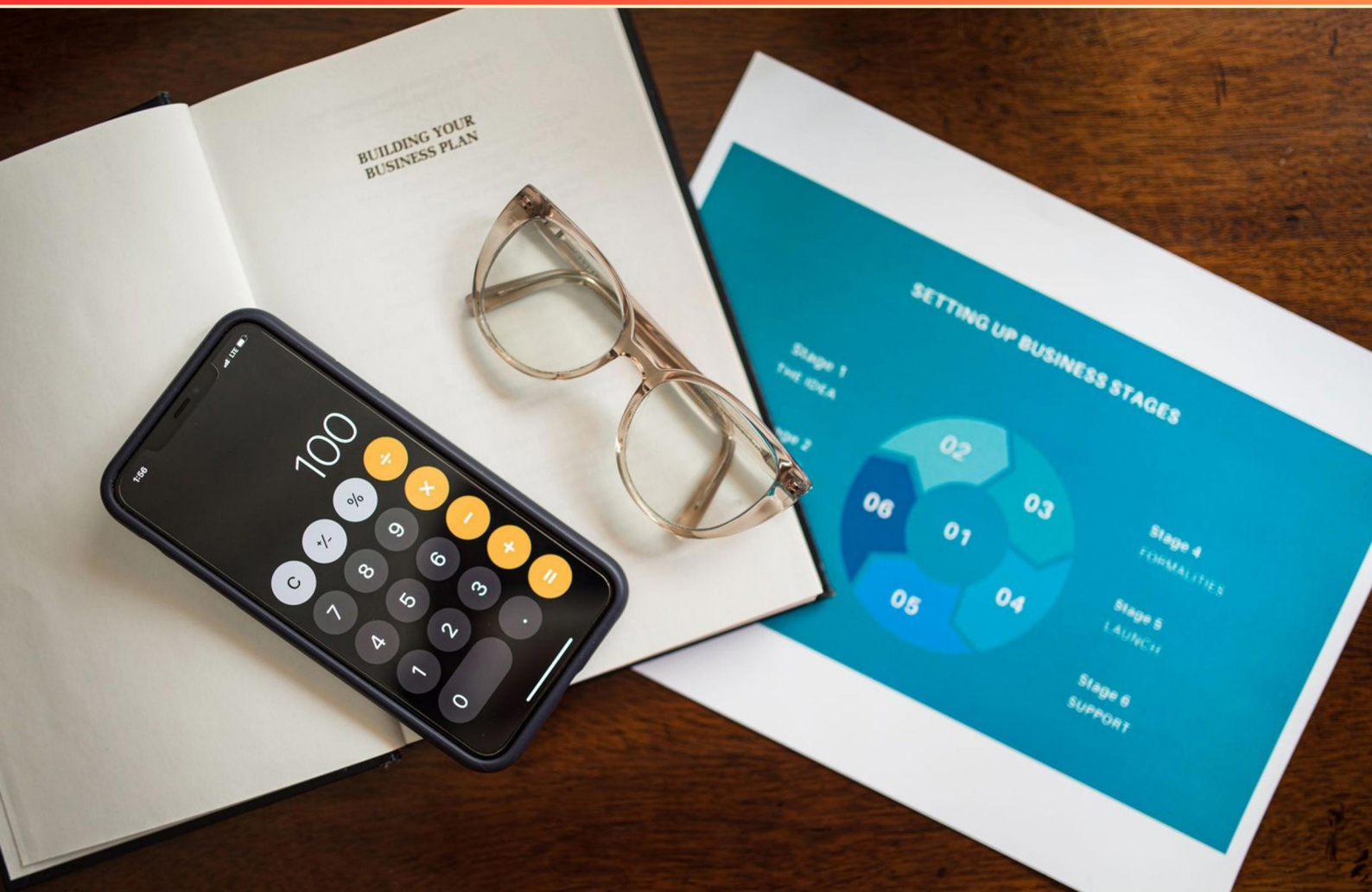


VARIABLE LIFE LICENSING PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://variablelife.examzify.com>



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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 "premium" in a Variable Life Insurance policy?**
 - A. The investment return the policyholder can expect
 - B. The amount paid by the policyholder for coverage and cash value
 - C. The amount that beneficiaries receive upon death
 - D. The limit on cash value growth
- 2. What role does underwriting play in obtaining a Variable Life Insurance policy?**
 - A. It sets the terms for investment options
 - B. It evaluates risks to determine premiums and coverage
 - C. It approves beneficiaries for the policy
 - D. It manages the policy's cash value growth
- 3. Which statements highlight the differences between variable life products and participating products?**
 - A. Only variable life products allow for varying premium payments
 - B. Both can offer whole life and endowment policies
 - C. Participating products allow for future single premiums
 - D. Statement I and II are correct
- 4. Which statement regarding twisting is FALSE?**
 - A. Twisting is a special form of misrepresentation
 - B. It involves persuading a policyholder to discontinue their policy without fully disclosing disadvantages
 - C. It includes accurate and complete comparison of policies
 - D. It refers to offering a prospect a special inducement to purchase a policy
- 5. In terms of liquidity, how does a secondary market for Variable Life Insurance benefit policyholders?**
 - A. It allows for investment in other financial instruments
 - B. It facilitates the conversion of policy value into cash
 - C. It enhances the tax advantages of the policy
 - D. It guarantees higher payouts upon death

- 6. Which statement about the charges in variable life policies is true?**
- A. All charges are fixed regardless of the fund's performance.
 - B. Charges may change based on the insurance company's policies.
 - C. There are no charges for administration.
 - D. All charges apply only at surrender.
- 7. The switching facility under variable life insurance policies is primarily useful for which purpose?**
- A. For the purpose of profit planning by the life policies
 - B. For the purpose of assets planning by the trustee
 - C. For the purpose of sales planning by the fund managers
 - D. For the purpose of financial planning by the policy owners
- 8. Which factors contribute to the specific risk of an investment?**
- A. Rate of corporate taxes and fraud by senior management
 - B. Financial leverage of the company
 - C. Market volatility
 - D. Interest rate changes
- 9. Variable life policies typically allow policyholders to:**
- A. Change their premium payments easily
 - B. Have fixed premium costs for life
 - C. Access their funds only upon death
 - D. Invest only in government bonds
- 10. What is the role of surrender charges in a Variable Life Insurance policy?**
- A. To reward policyholders for keeping their policies active
 - B. To penalize policyholders for late premium payments
 - C. To reduce the cash value amount if the policy is surrendered early
 - D. To increase the death benefit of the policy

Answers

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

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Explanations

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1. What is the "premium" in a Variable Life Insurance policy?

- A. The investment return the policyholder can expect
- B. The amount paid by the policyholder for coverage and cash value**
- C. The amount that beneficiaries receive upon death
- D. The limit on cash value growth

In a Variable Life Insurance policy, the "premium" refers to the amount paid by the policyholder for coverage and cash value. This payment is essential because it serves two primary purposes: it provides the life insurance coverage to the policyholder, ensuring a death benefit for beneficiaries, and it contributes to the cash value component of the policy, which can accumulate and potentially grow based on the investment performance of the underlying assets chosen by the policyholder. Unlike permanent life insurance policies with fixed premiums, variable life insurance allows for flexible premium payments. However, regardless of the amount paid, the concept of the premium remains tied to the coverage and cash accumulation in the policy. This dual role of premiums in providing both insurance protection and investment potential distinguishes variable life insurance from other types of insurance products. The other options do not encapsulate the definition of "premium" in the context of a Variable Life Insurance policy. The investment return is a result of the underlying investments and not the premium itself. The amount beneficiaries receive upon death is related to the death benefit, not the premium. Finally, the limit on cash value growth pertains to policy performance, but it does not define what the premium is.

2. What role does underwriting play in obtaining a Variable Life Insurance policy?

- A. It sets the terms for investment options
- B. It evaluates risks to determine premiums and coverage**
- C. It approves beneficiaries for the policy
- D. It manages the policy's cash value growth

Underwriting plays a crucial role in the process of obtaining a Variable Life Insurance policy by evaluating the risks associated with the applicant. This assessment helps insurers determine the appropriate premiums and coverage levels for the policy. During underwriting, the insurer examines various factors, such as the applicant's health history, age, occupation, and lifestyle choices. By analyzing these factors, underwriters can make informed decisions regarding the risk posed by the applicant, enabling them to set premiums that reflect that risk and determine the terms of coverage. This process ensures that the insurance company can adequately protect itself against potential losses while also offering fair pricing to policyholders. In the context of Variable Life Insurance, where the policyholder has investment options within the policy, underwriting not only impacts the cost of insurance but also influences how much coverage can realistically be extended based on the assessed risks.

3. Which statements highlight the differences between variable life products and participating products?

- A. Only variable life products allow for varying premium payments
- B. Both can offer whole life and endowment policies
- C. Participating products allow for future single premiums

D. Statement I and II are correct

The correct answer identifies that both statements highlight valid distinctions between variable life products and participating products. Variable life products are unique because they allow policyholders flexibility in premium payments. This means that individuals can adjust their premiums over time, which can provide more control in response to changing financial circumstances. This flexibility is a distinct characteristic compared to many participating products, where premium payments tend to be more fixed. The second statement mentions that both variable life products and participating products can be offered as whole life and endowment policies, underlining that while both types of products have their own unique features, they share similarities in structure. These both types of insurance policies can accumulate cash value and offer death benefits, catering to consumers who may want long-term coverage. The inclusion of both statements as correct reflects the complex landscape of life insurance products where distinctions and similarities coexist. Each type serves different needs and financial strategies, which is essential knowledge for anyone working with life insurance.

4. Which statement regarding twisting is FALSE?

- A. Twisting is a special form of misrepresentation
- B. It involves persuading a policyholder to discontinue their policy without fully disclosing disadvantages

C. It includes accurate and complete comparison of policies

- D. It refers to offering a prospect a special inducement to purchase a policy

Twisting refers to a deceptive practice in the insurance industry where an agent misleads a policyholder into surrendering an existing policy to purchase a new one, often without providing full disclosure of the potential downsides. This might involve hiding vital information regarding the disadvantages of the new policy or exaggerating the benefits of switching. The statement about accurate and complete comparison of policies is false because twisting inherently involves misrepresentation and often omits critical information that could affect the policyholder's decision. In twisting cases, the comparison is not only incomplete but also skewed to make the new policy appear more favorable, thereby misleading the client. The other statements accurately reflect the nature of twisting: it is indeed a form of misrepresentation as it distorts the truth to persuade the policyholder, and it can involve offering inducements which are meant to entice the individual into making a decision that may not be in their best interest. Thus, the choice that asserts twisting entails an accurate and complete comparison stands out as false.

5. In terms of liquidity, how does a secondary market for Variable Life Insurance benefit policyholders?

- A. It allows for investment in other financial instruments
- B. It facilitates the conversion of policy value into cash**
- C. It enhances the tax advantages of the policy
- D. It guarantees higher payouts upon death

The correct choice emphasizes the role of a secondary market in enabling policyholders to convert their variable life insurance policy's value into cash. This liquidity feature is crucial because it provides financial flexibility to policyholders who may need access to funds for various reasons, such as paying for unexpected expenses, funding education, or making investments. In a secondary market, policyholders can sell their existing policies to third parties, allowing them to receive a cash payout based on the policy's value rather than waiting for the death benefit or surrendering the policy. This option can be particularly beneficial for those who find themselves in a situation where the policy is no longer needed or where immediate cash flow is required. This liquidity is distinct from other options, such as investing in other financial instruments or enhancing tax advantages, which do not directly address the immediate cash accessibility provided by the secondary market. Similarly, while higher death benefits may be advantageous, they do not contribute to the liquidity of a policy that a secondary market directly offers, making the conversion of policy value into cash the most relevant benefit in this context.

6. Which statement about the charges in variable life policies is true?

- A. All charges are fixed regardless of the fund's performance.
- B. Charges may change based on the insurance company's policies.**
- C. There are no charges for administration.
- D. All charges apply only at surrender.

In variable life insurance policies, charges associated with the policy, such as administrative fees and cost of insurance, can vary based on the insurance company's policies. This means that they are not fixed and can be adjusted by the insurer based on a variety of factors, including operational costs and other business considerations. The flexibility in the structure of these charges allows insurers to manage their financial risk and account for changes in the marketplace or their operational needs. Understanding this variability is crucial for policyholders as it can impact the policy's cash value and death benefit over time. The charges may be outlined in the policy documentation but can change at the discretion of the insurance company, reflecting their business strategies or financial circumstances. The other options present misunderstandings about variable life policies. For instance, not all charges are fixed or applied solely at surrender; fees and costs can accumulate throughout the life of the policy as the insured continues to pay premiums. Additionally, it is not accurate to say that there are no charges for administration; in fact, administrative charges are commonly part of such policies and can significantly influence the overall performance of the investment side of the policy.

7. The switching facility under variable life insurance policies is primarily useful for which purpose?

- A. For the purpose of profit planning by the life policies
- B. For the purpose of assets planning by the trustee
- C. For the purpose of sales planning by the fund managers
- D. For the purpose of financial planning by the policy owners**

The switching facility in variable life insurance policies allows policyholders to move their investments among different sub-accounts within the policy's portfolio. This feature serves as a critical tool for financial planning because it enables policy owners to adjust their investment strategies according to their evolving needs, market conditions, or risk tolerance. By switching between various investment options, policyholders can optimize their potential returns or protect their assets in response to changes in their personal financial goals or external economic factors. This flexibility is essential for long-term financial planning, as it empowers policyholders to actively manage their investments rather than being locked into a fixed allocation, thus aligning their coverage and investments with their financial objectives. The ability to switch options means that policyholders can tailor their policies to better fit their circumstances, which is why the switching facility is primarily viewed as a tool for financial planning.

8. Which factors contribute to the specific risk of an investment?

- A. Rate of corporate taxes and fraud by senior management**
- B. Financial leverage of the company
- C. Market volatility
- D. Interest rate changes

The correct answer highlights how both the rate of corporate taxes and fraud by senior management specifically affect the risk associated with an individual investment. Specific risk, also known as unsystematic risk, pertains to risks that are unique to a particular company or industry. The rate of corporate taxes can significantly influence a company's profitability and cash flow, thereby impacting its overall financial health and investment appeal. An increase in corporate taxes can erode profits, making the company less attractive to investors and potentially lowering its stock price. Fraud by senior management represents a severe risk that can lead to significant financial misstatements, loss of investor confidence, and even legal consequences for the company. Such actions can dramatically affect the company's stock price, as investors assess the likelihood of future earnings and the integrity of the management team. In contrast, financial leverage, market volatility, and interest rate changes fall under systematic risk, which affects all investments across the market rather than affecting a specific company or industry. While financial leverage can influence the potential return on investment, it does not constitute specific risk since it is a general characteristic seen in many companies. Similarly, market volatility and interest rate changes are more relevant to the broader economic environment and impact overall market trends rather than individual investment risk.

9. Variable life policies typically allow policyholders to:

- A. Change their premium payments easily**
- B. Have fixed premium costs for life
- C. Access their funds only upon death
- D. Invest only in government bonds

Variable life policies are designed to provide policyholders with flexibility in managing their premium payments. One of the key features of these policies is that they allow policyholders to adjust the amount and frequency of their premium contributions. This means that individuals can increase or decrease their payments based on their financial situation or investment goals, enabling them to have a customizable approach to their life insurance. Additionally, the premiums for variable life policies are often invested in a variety of investments chosen by the policyholder, such as stocks, bonds, and mutual funds, which can lead to cash value accumulation over time. This flexibility is a significant advantage of variable life insurance, distinguishing it from whole life policies, which typically have fixed premium costs throughout the life of the policy. Given these characteristics, the ability to change premium payments easily is a fundamental aspect of variable life policies, making it the correct choice.

10. What is the role of surrender charges in a Variable Life Insurance policy?

- A. To reward policyholders for keeping their policies active
- B. To penalize policyholders for late premium payments
- C. To reduce the cash value amount if the policy is surrendered early**
- D. To increase the death benefit of the policy

In a Variable Life Insurance policy, surrender charges serve a specific purpose: to reduce the cash value amount if the policy is surrendered early. These charges are designed to recoup some of the costs incurred by the insurance company when the policy is initiated. Since variable life insurance involves not only a death benefit but also an investment component, the insurer may have initial expenses such as underwriting, commissions, and administration that they aim to recover if the policyholder decides to terminate the policy before a certain period. Surrender charges typically decrease over time, providing a disincentive for early withdrawal while also allowing the policyholder to retain more value as they continue to maintain the policy. By applying surrender charges, the insurance company balances the financial risks associated with early policy cessation and helps to ensure that the policy remains beneficial in the longer term for both the insurer and the policyholder.

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://variablelife.examzify.com>

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

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