

# Variable Universal Life/Universal Life Plan (VUL/ULP) 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**

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**1. How do Variable Life policies typically respond to market fluctuations?**

- A. They are unaffected by market trends.**
- B. They directly reflect investment performance.**
- C. They provide guaranteed returns regardless of market conditions.**
- D. They have fixed dividends that do not vary.**

**2. How can VUL policies become a part of an estate planning strategy?**

- A. They provide tax-free distributions that decrease estate taxes**
- B. They can provide liquidity to cover estate taxes and help beneficiaries**
- C. They simplify the probate process by removing the need for wills**
- D. They ensure that all debts of the deceased are paid off automatically**

**3. How is the selling price of units under a Variable Life insurance policy defined?**

- A. The fixed price at which the policy units are sold.**
- B. The buyback price for units by the life company.**
- C. The price at which units are offered for sale by the company.**
- D. The price based on the policyholder's premiums.**

**4. What role does an insurance agent have concerning VUL policies?**

- A. They only sell policies without providing advice**
- B. To advise clients on policy options and investment choices**
- C. To manage the investments on behalf of the policyholders**
- D. To limit the amount of cash value growth**

**5. What can significantly alter the risk profile of a Variable Life policy?**

- A. Changes in the policyholder's age.**
- B. Investment choices made within the policy.**
- C. The total premium payments made.**
- D. The insurer's credit rating.**

**6. Which component is not typically associated with VUL policies?**

- A. Fixed interest accounts**
- B. Equities**
- C. Specialized investment portfolios**
- D. Bonds**

**7. Which statement about investment risk in Variable Life is TRUE?**

- A. Policyowners who are risk averse should not purchase a life insurance policy with high protection.**
- B. Investments in Variable Life funds fully in equity are suitable for all policyowners.**
- C. Investing in high equity Variable Life funds increases risk but potential returns.**
- D. Risk-averse policyowners should buy Variable Life policies with high equity investment.**

**8. Which of the following best describes the administration benefits under Variable Life?**

- A. Policyowners track their investments through regular statements.**
- B. Policyowners construct their diversified portfolio independently.**
- C. Policyowners engage professional managers personally.**
- D. Policyowners must take a hands-on approach to their investments.**

**9. For a 35-year-old male with a moderate risk tolerance, which product is best recommended?**

- A. Participating Whole Life**
- B. Endowment**
- C. Term**
- D. Variable Life**

## **10. What is a UNIT TRUST?**

- A. Established by a trust deed managed by trustees**
- B. A closed-end fund that requires disposing assets**
- C. Where investors buy shares directly from a company**
- D. An organization registered under the SEC**

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## **Answers**

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

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## **Explanations**

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## 1. How do Variable Life policies typically respond to market fluctuations?

- A. They are unaffected by market trends.
- B. They directly reflect investment performance.**
- C. They provide guaranteed returns regardless of market conditions.
- D. They have fixed dividends that do not vary.

Variable Life policies are designed to allow policyholders to allocate their cash value among various investment options, such as stocks, bonds, or mutual funds. This structure means that the value of the policy can increase or decrease based on the performance of the chosen investment options. As a result, the cash value and potentially the death benefit of a Variable Life policy are influenced directly by market fluctuations. When the underlying investments perform well, the policy's value may increase; conversely, poor performance can lead to a decrease in value. This characteristic differentiates Variable Life policies from other types of life insurance that provide fixed or guaranteed returns, which do not vary with market conditions. Thus, the response of Variable Life policies to market trends is inherently tied to their investment performance, making the correct choice one that highlights this relationship.

## 2. How can VUL policies become a part of an estate planning strategy?

- A. They provide tax-free distributions that decrease estate taxes
- B. They can provide liquidity to cover estate taxes and help beneficiaries**
- C. They simplify the probate process by removing the need for wills
- D. They ensure that all debts of the deceased are paid off automatically

VUL policies can play a significant role in an estate planning strategy by providing liquidity to cover estate taxes and support beneficiaries. When an individual passes away, their estate may be subject to various taxes and debts. In such cases, having a Variable Universal Life insurance policy in place can ensure that the death benefit is available to cover these expenses, which prevents the need for beneficiaries to liquidate assets or face financial hardship during a difficult time. The death benefit from a VUL policy is typically paid out quickly and can be used to settle estate taxes, debts, or other financial obligations, ensuring that beneficiaries receive the inheritance intended for them without delays or complications. Additionally, since the death benefit is often received tax-free, it allows for a more straightforward distribution of assets, preserving the overall estate value for heirs. This function of providing necessary funds in a timely manner and in a tax-efficient way illustrates how VUL policies are not just life insurance products but also strategic financial tools within comprehensive estate planning.

### 3. How is the selling price of units under a Variable Life insurance policy defined?

- A. The fixed price at which the policy units are sold.
- B. The buyback price for units by the life company.
- C. The price at which units are offered for sale by the company.**
- D. The price based on the policyholder's premiums.

Units under a Variable Life insurance policy are defined by the price at which the company offers these units for sale. This pricing is directly tied to the performance of the underlying investment options selected by the policyholder, such as mutual funds or other investment portfolios. As these investments fluctuate in value, the selling price of the units also changes accordingly. This means that policyholders can see their investment value rise or fall based on market conditions, directly impacting the cash value and death benefit of the policy. By contrast, the fixed price or buyback price, concepts mentioned in the other choices, do not accurately represent how the units are valued and traded in the context of a Variable Life insurance policy. The essence of Variable Life is in its flexibility and market linkage, which reflects in the price established at the point of sale.

### 4. What role does an insurance agent have concerning VUL policies?

- A. They only sell policies without providing advice
- B. To advise clients on policy options and investment choices**
- C. To manage the investments on behalf of the policyholders
- D. To limit the amount of cash value growth

An insurance agent plays a crucial role in providing guidance and support to clients regarding Variable Universal Life (VUL) policies. Their responsibilities extend beyond merely selling policies; they are trained to advise clients on the various policy options and the different investment choices available within those policies. This advisory role is essential because VUL policies allow policyholders some flexibility in how their cash value is invested, linking it to multiple investment accounts, similar to how mutual funds operate. By understanding their clients' individual financial situations, risk tolerances, and long-term goals, agents can help clients make informed decisions about their policy selections and investment strategies. This tailored approach ensures that clients can harness the full potential of their VUL policies, which combine life insurance protection with investment opportunities, thereby enhancing the chances of achieving desired financial outcomes. As such, insurance agents are key to helping clients navigate the complexities of VUL policies effectively.

## 5. What can significantly alter the risk profile of a Variable Life policy?

- A. Changes in the policyholder's age.
- B. Investment choices made within the policy.**
- C. The total premium payments made.
- D. The insurer's credit rating.

The risk profile of a Variable Life policy is significantly influenced by the investment choices made within the policy. Variable Life policies are designed to provide policyholders with flexibility in how their cash value accumulates, as the cash value is typically tied to the performance of the investment options selected, such as stocks, bonds, or mutual funds. As policyholders select different investment options, the associated risks and potential returns can vary widely. For example, choosing high-risk investments may lead to higher potential growth in cash value, but also increases the risk of loss. Conversely, selecting more conservative investments can result in lower growth but offers a steadier, less risky cash value accumulation. This dynamic creates a direct relationship between the investment choices and the overall risk profile of the policy, affecting the policy's performance and the amount of coverage available. Other factors, like changes in the policyholder's age, premium payments made, or the insurer's credit rating, can have their impacts, but they do not inherently change the risk profile in the same fundamental way that investment choices do. Age may affect mortality risk, premium payments influence ongoing coverage, and credit ratings pertain to the insurer's financial stability, but it's the selection and performance of investments that most directly alter the risk exposure of

## 6. Which component is not typically associated with VUL policies?

- A. Fixed interest accounts**
- B. Equities
- C. Specialized investment portfolios
- D. Bonds

Variable Universal Life (VUL) policies are designed to provide both a death benefit and an investment component that allows policyholders to allocate a portion of their premiums to various investment options. The primary investment choices within VUL policies typically include variable accounts that can be invested in equities, bonds, and specialized investment portfolios, which offer a range of risk and return potential. Fixed interest accounts, on the other hand, are more characteristic of Universal Life Insurance products rather than Variable Universal Life. VUL policies focus on variable investments where the cash value can fluctuate based on market performance. This differentiation highlights that VUL policies aim to provide policyholders with growth potential linked directly to market performance, rather than the guaranteed returns typically associated with fixed interest accounts. Hence, the selection of fixed interest accounts as an option that is not typically associated with VUL policies is accurate because it contrasts with the underlying principle of allowing policyholders to engage directly with variable investment choices.

**7. Which statement about investment risk in Variable Life is TRUE?**

- A. Policyowners who are risk averse should not purchase a life insurance policy with high protection.**
- B. Investments in Variable Life funds fully in equity are suitable for all policyowners.**
- C. Investing in high equity Variable Life funds increases risk but potential returns.**
- D. Risk-averse policyowners should buy Variable Life policies with high equity investment.**

The accurate statement regarding investment risk in Variable Life is that investing in high equity Variable Life funds increases risk but potential returns. This reflects the nature of equity investments, which tend to be more volatile than other asset classes, such as bonds or cash equivalents. As a result, while there is a higher risk when investing in equities, the potential for greater returns is also present, especially over long investment horizons. Variable Life insurance products allow policyholders to choose from various investment options, including stock funds, which can fluctuate in value. Policyowners who select high-equity funds must be prepared for the ups and downs of the market, which is indicative of the investment risk associated with these types of policies. The correlation between increased risk and the possibility of higher returns is a fundamental concept in investing and is particularly true in Variable Life policies that are heavily weighted toward equities.

**8. Which of the following best describes the administration benefits under Variable Life?**

- A. Policyowners track their investments through regular statements.**
- B. Policyowners construct their diversified portfolio independently.**
- C. Policyowners engage professional managers personally.**
- D. Policyowners must take a hands-on approach to their investments.**

The administration benefits under Variable Life are best described by the option stating that policyowners track their investments through regular statements. This reflects a key feature of Variable Life policies, which provide policyholders with the ability to monitor the performance of their investments through regular updates and statements. These statements inform policyowners about how their chosen investment options are performing, allowing them to make informed decisions regarding their portfolios. This feature is especially valuable because it emphasizes transparency and accessibility, enabling policyowners to understand their investment growth or decline over time. This regular reporting is an important administrative benefit that supports better financial planning and investment strategy adjustments, as needed. The importance of tracking investment performance through statements cannot be overstated, as it empowers policyowners to stay informed about their policy's status and take action when necessary.

**9. For a 35-year-old male with a moderate risk tolerance, which product is best recommended?**

- A. Participating Whole Life**
- B. Endowment**
- C. Term**
- D. Variable Life**

For a 35-year-old male with a moderate risk tolerance, Variable Life Insurance is the most appropriate recommendation due to its balance of investment opportunities and insurance coverage. Variable life insurance products offer a flexible premium structure and the potential for cash value growth through various investment options. This aligns well with a moderate risk tolerance, as the policyholder can choose to allocate their cash value into different investment accounts, ranging from conservative to more aggressive options, depending on their comfort level. Additionally, the investment component of Variable Life Insurance can potentially yield higher returns compared to traditional whole life policies, which are more conservative and have a guaranteed cash value growth. At age 35, an individual has a longer time horizon, which allows for greater potential growth through market investments, making Variable Life a fitting choice for someone looking to grow their savings while also providing a death benefit. Participating Whole Life insurance offers more stable cash value growth but with less investment control and flexibility, while Endowment policies focus on providing a benefit after a certain period rather than on an ongoing investment strategy. Term insurance, while cost-effective, only provides pure death benefit protection without any cash value accumulation, which is not suitable for someone interested in both life insurance and savings/investment. Therefore, Variable Life insurance stands

**10. What is a UNIT TRUST?**

- A. Established by a trust deed managed by trustees**
- B. A closed-end fund that requires disposing assets**
- C. Where investors buy shares directly from a company**
- D. An organization registered under the SEC**

A unit trust is indeed established by a trust deed and is managed by trustees. This structure allows for the pooling of funds from multiple investors who share collective investment objectives. The trustees manage the assets of the unit trust on behalf of the investors, ensuring that the investment is conducted in accordance with the trust deed. This type of investment allows individuals, often with smaller amounts of capital, to gain access to a diversified portfolio of securities, which they might not manage independently. The specific setup of a unit trust facilitates transparency and accountability, as the trustees have a fiduciary duty to act in the best interest of the investors. Furthermore, the trust deed outlines the rules governing the trust, including investment objectives, restrictions, and how profits are distributed. This governance structure is essential for maintaining investor confidence and ensuring that the trust operations align with its stated goals.

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

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

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