

# Xcel Life Policies 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. Which of the following policies combines life insurance with an investment component?**
  - A. Term life insurance**
  - B. Whole life insurance**
  - C. Universal life insurance**
  - D. Endowment insurance**
  
- 2. How can someone contest a life insurance claim?**
  - A. By initiating a social media campaign.**
  - B. By providing evidence that conditions of exclusion apply.**
  - C. By appealing to the life insurance agent directly.**
  - D. By waiting for the company's policy to expire.**
  
- 3. What is a "non-forfeiture option" in life insurance?**
  - A. Options provided to policyholders to receive some value if they choose to discontinue paying premiums**
  - B. A penalty for late premium payments**
  - C. A benefit that cannot be transferred to another policyholder**
  - D. An option that eliminates the policy if not used**
  
- 4. Which type of life insurance do businesses typically use to cover employees?**
  - A. Endowment policy**
  - B. Whole Life Policy**
  - C. Adjustable life policy**
  - D. Group Policy**
  
- 5. What is a "free look" provision in life insurance?**
  - A. A period during which the policyholder can review the policy and cancel for a full refund**
  - B. A clause allowing automatic renewal without consent**
  - C. A penalty for early termination of the policy**
  - D. A requirement for a medical exam before policy issuance**

- 6. What does "cash surrender value" refer to in life insurance?**
- A. The value of the policy upon the insured's death**
  - B. The amount available upon termination of a policy**
  - C. The cost of premiums within the first year**
  - D. The value paid out to beneficiaries regularly**
- 7. What typically happens if a policyholder chooses to cash in their permanent life insurance?**
- A. The policyholder receives face value immediately**
  - B. The policy is terminated and cash surrender value is paid**
  - C. The policyholder is given a grace period for repayment**
  - D. The policy continues with reduced death benefits**
- 8. Shirley has a \$500,000 10-year non-renewable level term life policy. If she dies 15 years after the policy's inception date, how much will her beneficiary receive?**
- A. \$500,000**
  - B. \$100,000**
  - C. Nothing**
  - D. \$250,000**
- 9. What is the primary goal of adjusting for excess mortality in life insurance?**
- A. To simplify the application process**
  - B. To ensure profitability and sustainability of policies**
  - C. To encourage more applications**
  - D. To standardize all insurance policies**
- 10. What is one way a life insurance policy can provide tax benefits to the insured?**
- A. By providing higher premiums based on age**
  - B. By offering tax credits on the premium payments**
  - C. By allowing cash value withdrawals without penalties**
  - D. By ensuring death benefits are generally tax-free to beneficiaries**

## Answers

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

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## **Explanations**

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**1. Which of the following policies combines life insurance with an investment component?**

- A. Term life insurance**
- B. Whole life insurance**
- C. Universal life insurance**
- D. Endowment insurance**

Universal life insurance is the correct choice because it explicitly combines a life insurance component with an investment element. This policy offers the flexibility to adjust both the premium payments and the death benefit, allowing policyholders to invest the cash value portion in various financial instruments. The investment component has the potential to grow based on current interest rates or market performance, providing policyholders with the opportunity to accumulate cash value over time while ensuring life coverage. The versatility of universal life insurance makes it stand out from other options. For example, term life insurance is strictly intended for providing a death benefit for a specified period and does not accumulate any cash value. Whole life insurance, while it does include an investment component, is generally more rigid, offering fixed premiums and guaranteed death benefits with conservative growth in cash value. Endowment insurance primarily focuses on providing a benefit after a specific term or upon death, with less emphasis on the investment flexibility seen in universal life policies. Thus, universal life insurance uniquely fulfills the requirement of blending life coverage with investment opportunities.

**2. How can someone contest a life insurance claim?**

- A. By initiating a social media campaign.**
- B. By providing evidence that conditions of exclusion apply.**
- C. By appealing to the life insurance agent directly.**
- D. By waiting for the company's policy to expire.**

To contest a life insurance claim effectively, one can provide evidence that conditions of exclusion apply. This means demonstrating that the circumstances around the claim fall within the exclusions outlined in the terms of the policy. Life insurance policies often have specific conditions that, if met, can nullify the claim. For instance, if the insured person died as a result of participating in an extreme sport that is excluded in the policy, presenting this as evidence substantiates the contestation of the claim. This approach directly addresses the legal and contractual aspects of the insurance policy. The other options do not align with the formal process of contesting a claim. Starting a social media campaign lacks a structured legal basis and is not recognized by insurance companies as a valid method of contestation. Appealing to the life insurance agent may lead to discussions, but it does not change the contractual obligations of the insurance policy itself. Lastly, waiting for the company's policy to expire does not provide any basis for contesting a claim and can also result in missed opportunities to address the issue within the policy's valid claim period.

### 3. What is a "non-forfeiture option" in life insurance?

- A. Options provided to policyholders to receive some value if they choose to discontinue paying premiums**
- B. A penalty for late premium payments**
- C. A benefit that cannot be transferred to another policyholder**
- D. An option that eliminates the policy if not used**

A "non-forfeiture option" in life insurance refers to the various choices available to policyholders who decide to discontinue paying premiums on their policy. These options ensure that the insured does not completely lose the benefits of their policy, even if they can no longer afford to pay premiums. Essentially, non-forfeiture options allow the cash value accumulated in the policy to be utilized in a way that provides some financial benefit to the policyholder. For instance, if a policyholder has a whole life insurance policy and decides to stop paying premiums, they may have the option to receive the cash surrender value, convert the policy into reduced paid-up insurance, or use the cash value to provide extended term insurance. Each of these choices offers a way to retain some value from the policy, reflecting the principle that policyholders should not forfeit all their investment in the policy simply due to a lapsed premium payment. Understanding non-forfeiture options is vital as it provides policyholders with flexibility and a safety net, ensuring that their previous investment in insurance remains safeguarded to some extent, even if they can no longer maintain payments.

### 4. Which type of life insurance do businesses typically use to cover employees?

- A. Endowment policy**
- B. Whole Life Policy**
- C. Adjustable life policy**
- D. Group Policy**

Businesses typically use a group policy to cover employees because this type of insurance offers benefits to a large number of people under a single contract. Group policies are often more cost-effective compared to individual life insurance, allowing employers to provide coverage for multiple employees at a lower premium. This is particularly advantageous for businesses since it improves employee benefits packages without imposing a significant financial burden on the company. Group policies also facilitate coverage for employees without the need for individual underwriting, meaning employees can be enrolled without extensive health evaluations, making access to life insurance more inclusive. Additionally, these policies usually feature favorable terms, such as guaranteed issue, where employees do not need to prove insurability. This allows businesses to support their workforce effectively and foster employee retention and well-being.

## 5. What is a "free look" provision in life insurance?

- A. A period during which the policyholder can review the policy and cancel for a full refund**
- B. A clause allowing automatic renewal without consent**
- C. A penalty for early termination of the policy**
- D. A requirement for a medical exam before policy issuance**

A "free look" provision is a feature in life insurance policies that allows the policyholder a specific period to review the purchased policy and decide whether to keep it. During this time, the policyholder can cancel the policy for a full refund of any premiums paid. This provision is designed to provide consumers with a safety net, ensuring they have a chance to thoroughly understand their policy, evaluate its terms, and assess whether it meets their needs without the risk of financial loss. The "free look" period typically lasts anywhere from 10 to 30 days, depending on state regulations and the insurance company policies. This period is crucial for policyholders to read the complete terms and conditions, including any riders or exclusions, that may not have been entirely clear at the time of purchase. It encourages informed decision-making and consumer satisfaction. The other choices refer to different aspects of insurance that do not align with the function of a "free look" provision. For instance, automatic renewals, penalties for early termination, and medical examination requirements deal with contractual obligations and underwriting processes rather than providing the insured a chance to reevaluate their decision after the purchase process.

## 6. What does "cash surrender value" refer to in life insurance?

- A. The value of the policy upon the insured's death**
- B. The amount available upon termination of a policy**
- C. The cost of premiums within the first year**
- D. The value paid out to beneficiaries regularly**

Cash surrender value in life insurance refers to the amount available to the policyholder upon termination of a policy. This value represents the portion of the cash value that the policyholder can receive if they decide to cancel the policy instead of letting it continue until the insured's death. Policies with a cash value component, such as whole life or universal life insurance, build up this cash surrender value over time as part of their structure. When a policyholder chooses to surrender the policy, they can access this accumulated cash value, which may be subject to certain conditions and potential penalties. In contrast, the value upon the insured's death and regular payouts to beneficiaries are focused on the death benefit aspect of the policy, rather than the policyholder's access to cash value. The cost of premiums is unrelated to the value a policyholder can realize upon termination. Thus, the correct understanding of cash surrender value is that it specifically pertains to the monetary amount available to the policyholder if they choose to terminate their life insurance policy.

**7. What typically happens if a policyholder chooses to cash in their permanent life insurance?**

- A. The policyholder receives face value immediately**
- B. The policy is terminated and cash surrender value is paid**
- C. The policyholder is given a grace period for repayment**
- D. The policy continues with reduced death benefits**

When a policyholder decides to cash in their permanent life insurance policy, they are essentially opting for the cash surrender value of the policy. This action results in the termination of the policy, meaning that the policyholder will no longer have coverage under that policy. The cash surrender value is the amount of money that the insurer will pay the policyholder, which is usually less than the total face value of the policy. This option provides the policyholder with immediate access to a portion of the funds accumulated in the policy over time, which can be beneficial if they need cash for other financial obligations. In situations where a policyholder chooses to cash in their policy, they do not receive the face value immediately, nor is there a grace period for repayment. The grace period applies to premium payments that are overdue, not to cash surrender. Additionally, once the policy is cashed, there is no continuation of the policy with reduced death benefits; instead, the policy is completely terminated upon withdrawal of the cash surrender value. This key aspect underscores the nature of permanent life insurance, which maintains a cash component alongside providing long-term coverage.

**8. Shirley has a \$500,000 10-year non-renewable level term life policy. If she dies 15 years after the policy's inception date, how much will her beneficiary receive?**

- A. \$500,000**
- B. \$100,000**
- C. Nothing**
- D. \$250,000**

In a non-renewable level term life insurance policy, the coverage is in effect for a specified period, which in this case is 10 years. Once that term expires, the policy does not provide coverage or benefits unless it is renewed or converted to a whole life policy. Since Shirley's policy lasts for 10 years and she dies 15 years after the inception date, the policy has lapsed, and no benefits will be payable to her beneficiary. Thus, the beneficiary will receive nothing, aligning with the understanding that term life insurance provides a death benefit only if the insured passes away within the active term of the policy. Since Shirley's death occurred outside of this period, the correct answer reflects that there are no benefits to be disbursed.

**9. What is the primary goal of adjusting for excess mortality in life insurance?**

- A. To simplify the application process**
- B. To ensure profitability and sustainability of policies**
- C. To encourage more applications**
- D. To standardize all insurance policies**

The primary goal of adjusting for excess mortality in life insurance is to ensure profitability and sustainability of policies. Insurance companies assess and manage risks associated with mortality rates to maintain a balance between the premiums collected and the claims paid out. When excess mortality occurs—meaning deaths are happening at a rate higher than expected—insurance companies need to adjust their policies and pricing to account for the increased risk. This adjustment helps prevent losses that could threaten the company's financial stability, ensuring it can meet future claims while remaining profitable. Consequently, proper mortality adjustments are crucial for the company's long-term viability and its ability to serve policyholders effectively.

**10. What is one way a life insurance policy can provide tax benefits to the insured?**

- A. By providing higher premiums based on age**
- B. By offering tax credits on the premium payments**
- C. By allowing cash value withdrawals without penalties**
- D. By ensuring death benefits are generally tax-free to beneficiaries**

A life insurance policy can provide tax benefits primarily because the death benefits paid to beneficiaries are generally tax-free. This is a significant advantage for policyholders, as it ensures that the full amount of the life insurance proceeds can be received by the designated beneficiaries without the burden of income tax. This feature is particularly valuable for estate planning, as it can help provide financial security to loved ones in the event of the policyholder's death without reducing the amount they inherit due to tax obligations. The beneficial tax treatment of death benefits reinforces the purpose of life insurance, which is to provide financial protection and peace of mind. It allows individuals to ensure that their family or dependents will have the necessary resources to cover expenses like a mortgage, education costs, or everyday living expenses, without the fear of those funds being diminished by taxation. In contrast, the other options reflect concepts that do not align with how life insurance typically interacts with tax rules. For instance, higher premiums based on age do not provide a tax benefit, and tax credits on premium payments are not commonly offered in life insurance policies. While cash value withdrawals can sometimes be made without penalties (depending on the policy and circumstances), they may still incur tax implications if they exceed the total premiums paid into the policy.

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

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

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