

VUL Simulated Exam

This is a 50-item VUL simulated exam. You MUST PASS this exam to be able to receive your training certificate Please choose your answer for each question.

After passing the VUL simulated exam, you will also be able to download and save the VUL Certificate of Authority (CA) Application Forms.

51. The bid price can be computed as follows: *

- ☐ Bid Price = Spread (1 - Offer Price)
- ☐ Bid Price = Offer Price / (1 - Spread)
- ☐ Bid Price = (1 - Spread)/Offer Price
- ☒ Bid Price = Offer Price (1 - Spread)

52. The offer price can be computed as follows: *

- ☐ Offer Price = Spread (1 - Bid Price)
- ☐ Offer Price = (1 - Spread)/Bid Price
- ☐ Offer Price = Bid Price (1 - Spread)
- ☒ Offer Price = Bid Price / (1 - Spread)

53. Which of the following statements is TRUE? *

- ☐ Policy owners whose goal is capital preservation should invest their money on equity funds.
- ☐ Younger clients are more risk-averse than older clients.
- ☒ Conservative investors are usually those with less financial resources.
- ☐ High risk and high yield investments Investors are used to meet short term goals

54. Diversification enables policy owners to _____ *

- ☐ reduce the risk by investing in a single instrument.
- ☐ reduce the risk by putting all their eggs in one basket.
- ☒ reduce the risk by putting the fund into several categories of investment.
- ☐ completely eliminate risks by allocating his/her money into different funds.

55. What is the right sequence of the steps in Financial Planning?

I. Analyze Resources

II. Evaluate Investment Options

III. Set Goals

IV. Evaluate the Plan

V. Implement the Plan *

- ☐ I, II, III, IV, V
- ☐ V, IV, III, II, I
- ☐ II, V, IV, III, I
- ☒ III, I, II, V, IV

56. This is a collection of pooled investment maintained by a bank and closely monitored by the Bangko Sentral ng Pilipinas: *

- ☒ Common Trust Fund
- ☐ Security Bonds
- ☐ Treasury Bills
- ☐ Mutual Funds

57. These are debt loans that pay a specific interest over a fixed period of time: *

- ☐ Mutual Funds
- ☐ Money Market Equities
- ☒ Bonds
- ☐ Loan Stocks

58. These are close-knit groups of people having common relationships which can serve as a source of qualified prospects *

- ☒ Nest prospects
- ☐ Orphaned policyholders
- ☐ Referred lead from centers of influence

- ☐ Existing policyholders

59. Which of the following statements is FALSE? *

- ☒ Objections always mean that the client is not interested in the product.
- ☐ An advisor may choose what type of approach best works for him/her in the sales process.
- ☐ An advisor should enumerate the benefits of the product to the prospect and how it will be of help to him/her in answering his/her needs.
- ☐ Prospecting creates a huge impact on the sales revenue.

60. Which part of the sales process does the advisor ask the most questions? *

- ☒ Needs Analysis
- ☐ Closing
- ☐ Presenting the Solution
- ☐ Approach

61. Which of the following is NOT one of the four common objections? *

- ☐ No Money
- ☐ No Hurry
- ☐ No Confidence
- ☒ No Interest

62. Which part of the sales process can be done through the telephone? *

- ☐ Presenting the Solution
- ☐ Closing
- ☐ Needs Analysis
- ☒ Approach

63. Which of the following information is not conveyed to the VUL prospects? *

- ☐ Flexibility of the VUL product
- ☒ Guaranteed Interest Rate
- ☐ Risk involved

- ☐ Historical Rate of Return

64. In selling VUL, we can use this philosophy *

- ☒ Maslow's Hierarchy of Needs
- ☐ Newton's Law of Motion
- ☐ Einstein's Theory of Relativity
- ☐ Darwin's Theory of Evolution

65. This age bracket has the following needs: Maximum Protection, Maximum Investment for Education and Maximum Savings *

- ☐ Couple preparing for Retirement
- ☐ Young Professional
- ☐ Retirees
- ☒ Young Couple with Children

66. Which one of the following statements about diversification in portfolio management is FALSE? *

- ☐ A diversified portfolio provides greater security to an investor without having to sacrifice the return for the portfolio.
- ☒ Diversification can completely eliminate the risk of investing in stock portfolio.
- ☐ Diversification involves purchasing different types of stocks and investing in stocks of different countries.
- ☐ Diversification helps to spread the portfolio risk by investing in the different categories of investment in a portfolio.

67. The risk profile of a person depends on:

I. age
II. investment objectives
III. financial conditions
IV. Personality *

- ☐ I & II only
- ☐ II, III & IV only
- ☐ I, II & III only
- ☒ All of the above

68. Which of the following information must not be conveyed to client in sales of Variable Universal Life insurance policies? *

- ☒ Guaranteed interest rate
- ☐ The risk involved
- ☐ Rate of return
- ☐ Time horizon of the product
- ☐ Benefits illustrations using 10% as the gross

69. Which of the following is NOT a characteristic of a Variable Universal Life policy? *

- ☐ The commissions and office expenses are met by explicit charges.
- ☐ "Its cash value is usually the value of units allocated to the policy calculated at the prevailing bid price"
- ☒ It is used solely for investment purposes
- ☐ It's generally, though not necessarily, more exposure to equity investments.

70. Which one of the following statements is not true about the benefits of investing in a Variable Universal Life insurance policy? *

- ☐ The fund provides a highly diversified portfolio, thus, lowering the risk of investment
- ☒ The fund relieves the investor from the hassle of administering his/her investment.
- ☐ The fund ensures definite high yields for an investor since it is managed by professionals who are well-versed in the management of risk of investment Portfolios.
- ☐ The fund enables small investors to participate in a pool of diversified portfolio in which he/she is unlikely to have access to with low investment capital.

71. Which one of the following statements about diversification in portfolio management is FALSE? *

- ☒ diversification can completely eliminate the risk of investing in stocks in a portfolio
- ☐ diversification helps to spread the portfolio risk by investing in different categories of investment in a portfolio
- ☐ diversification can involve purchasing different types of stocks and investing in stocks of different countries
- ☐ a diversified portfolio provides greater security to an investor

72. Term insurance _____ *

- ☐ provides for surrender or cash values on early termination of the insurance
- ☐ is the most complex and expensive of all the life insurance
- ☐ provides for payment of the sum insured when the life insured survives a specific period
- ☒ provides protection for a specific period, the policy ceases and no return of premiums is given

73. Which of the following statements is FALSE? *

- ☐ Company will carry out a valuation of its funds yearly and any surplus may be allocated to traditional participating life policyholder as dividends
- ☒ Variable life insurance policies offer investors policies with values indirectly linked to the investment performance of the company
- ☐ The investment element of variable life policies varies according to underlying assets of the portfolio
- ☐ Both whole life and endowment policies can be used as an investment media with benefits that become payable at a future date

74. Why is it important that the customer understand the agent's recommendation in full? *

- ☒ because the impact on change in investment conditions of variable life insurance policy falls wholly on the customers
- ☐ because the policyholder expects higher returns
- ☐ because the insurer does not guarantee any return
- ☐ because the insurer may give the wrong recommendations

75. Which one of the following information is NOT required to be disclosed to the policy owner in the sales process? *

- ☐ Disclosure guidelines
- ☐ Flexibility options
- ☐ Risk and products
- ☒ Agent's commission

76. An insurer must provide each investment-linked policy holder with *

- ☒ a policy statement and the fund performance report
- ☐ the company annual financial reports

- ☐ the fund manager entertainment expenses
- ☐ an advice of daily investment of funds

77. Which one of the following statements about investment-linked policies are TRUE?

- I. the cash value is not guaranteed
- II. the volatility of the returns depends on the investment strategy of the fund
- III. the variable life insurance policyowners have direct control over the investment decisions of the fund. *

- ☒ I & II
- ☐ I & III
- ☐ II & III
- ☐ I, II, & III

78. Which one of the following statements is FALSE? *

- ☐ the cash value and protection benefits are determined by the investment performance of the underlying assets
- ☐ investment-linked policies can be used for investment, regular savings, and protection
- ☐ Variable Universal Life insurance policies can be classified as a single premium insurance plans or regular premium insurance plans
- ☒ the principles of Variable Universal Life insurance policies vary but all operate on the same features

79. Which is/are the benefits of Variable Universal Life funds? *

- ☐ Pooling or diversification
- ☐ Flexibility
- ☐ Expertise of fund managers
- ☒ All of the above

80. Which one of the following statements about investment objectives is FALSE? *

- ☐ People invest money to provide funds for higher education for their children
- ☐ People invest money to enhance a comfortable standard of living

- ☒ People invest money in equities to produce high and guaranteed income

81. Which of the following statements is TRUE? *

- ☒ When the policy is partially surrendered the investor is taxed at his current tax rate.
- ☐ The proceeds from a Variable Universal Life insurance policy is tax free in the hands of the policy owner
- ☐ The death benefit is taxed at the current tax rate.

82. An insurer must provide each Variable Universal Life insurance policy owner with *

- ☐ The company's annual financial reports
- ☐ The fund manager's entertainment expenses
- ☐ An advice of daily investment funds
- ☒ A policy statement and the fund performance report

83. What is/are the disadvantage(s) of investing in cash and deposits?

- I. The safest type of investment
- II. They provide the lowest return
- III. There is reinvestment risk *

- ☐ I, II & III
- ☒ II & III only
- ☐ II only
- ☐ I only

84. Which one of the following investment options entitles the holder ownership and has a share of profits in the form of dividends appreciation? *

- ☐ Bonds
- ☐ Futures
- ☐ Cash
- ☒ Ordinary shares

85. Which of the following statement(s) is/are the advantages of money market instruments?

- I. High liquidity
- II. Long-term of investments
- III. Low returns
- IV. Low risks
- V. No re-investment risk *

- ☐ I & II only
- ☐ II & III only
- ☒ I & IV only
- ☐ All of the above

86. Factors to consider in buying Properties:

- I. Quality of land
- II. The location of Land
- III. The value of the buildings on land
- IV. The Investment Objective
- V. Place of work *

- ☒ I, II & III only
- ☐ II, III & IV only
- ☐ I, III & V only
- ☐ All of the above

87. Which of the following is NOT a type of fixed income securities? *

- ☐ money market instruments
- ☐ government bonds
- ☐ corporate bonds
- ☒ none of the above

88. What are the disadvantages in investing in common shares?

- I. dividends are paid not more than the fixed rate
- II. investors are exposed to market and specific risks
- III. shares can become worthless if company becomes insolvent *

- ☐ I, II
- ☒ II, III
- ☐ I, II & III

- ☐ I, III

89. Which of the following investment options has all the advantages of capital appreciation, liquidity and inflation hedge? *

- ☐ cash
- ☒ common shares
- ☐ money market
- ☐ bond

90. Which of the following statements is true? *

- ☒ amount invested in cash depends on the size of cash flow requirement
- ☐ investment in cash increases when there is a strong performance in the stock market
- ☐ investment in cash decreases when interest rates rise
- ☐ cash has high yield potential

91. Variable Universal Life funds can be invested in any financial instruments including cash funds, bond funds, property funds, specialized funds, and diversified funds. Equity funds _____ *

- ☒ invest in stocks and shares and investor who buy such assets usually aim for capital appreciation
- ☐ invest in stocks and shares and the magnitude of the change in unit prices will depend on the quantity only of the equities held
- ☐ invest in stocks and shares and are inherently of lower risk in nature and the prices of the stocks and shares are stable
- ☐ invest in stocks and shares and during market recession, such assets are usually the last to depreciate

92. What is the most suitable investment vehicle for an investor who is interested in protecting his principal and receiving a steady stream of income? *

- ☐ Cash and deposits
- ☐ Equities
- ☒ Fixed income securities
- ☐ Variable life insurance policies

93. Which of the following characteristics pertaining to common shares is/are TRUE?

- I. Guaranteed small returns
- II. The holder of an ordinary share is a part owner of the company
- III. There is no certainty that the company will make profits and thus no certainty that there will be dividends
- IV. There is no risk involved in the investment of ordinary shares *

- ☒ II, III and IV only
- ☐ I and IV only
- ☐ II and III only
- ☐ II only

94. Which of the following statement(s) is/are FALSE?

- I. The bid-offer spread is used to provide death benefit for the Variable Universal Life insurance policy.
- II. The bid-price is always higher than offer price.
- III. The bid-offer spread is usually about 5%.
- IV. There are two types of death benefit under the variable life insurance product. They may offer either or both types depending on its product design and discretion of the policyholder. *

- ☒ I & II only
- ☐ II & III only
- ☐ II & IV only
- ☐ None of the above

95. Identify charges that are applicable to a single premium policy: *

- ☐ Policy fee
- ☐ Administrative and Mortality Charge
- ☐ Investment Management Fee
- ☒ All of the above

96. This is called as the difference between the offer price and bid price: *

- ☐ Bid price spread
- ☐ Offer price spread

- ☒ Bid offer spread
- ☐ None of the above

**97. If the current offer price = P1.50
And the Bid-offer Spread = 5%
Calculate for the Bid Price: ***

- ☐ P1.234
- ☒ P1.425
- ☐ P1.408
- ☐ P1.367

98. Mr. Custodia wishes to invest P20,000 in a single premium Variable Universal Life policy with the following parameters.

Offer Price = P1.20

Bid-offer-spread = 5%

Policy Fee = P120.00

Administrative and Mortality Charge = 2.5% of single premium

Assumptions:

The charges and fees are deducted by canceling units from the policy at inception.

How many units can Mr. Custodia purchase? *

- ☐ 16150.76
- ☐ 16666.67
- ☒ 16122.81
- ☐ none of the above

99. Which of the following statements about single premium Variable Universal Life policies are TRUE?

I. there is no fixed term in a single premium Variable Universal Life policy and therefore, it is technically whole life insurance

II. top-ups or single premium injections are allowed in the plans

III. policyholders have the flexibility of varying the life coverage *

- ☐ I & III
- ☐ II & III
- ☐ I, II & III
- ☒ I & II

100. Which of the following statements about the features of Regular Premium Variable Universal Life policy are TRUE?

- I. Top-ups are usually allowed
- II. The level of coverage can be varied
- III. Premium holidays are usually allowed. *

- ☐ II & III only
- ☐ I & III only
- ☐ I & II only
- ☒ I, II & III

- Which of the following statements regarding VUL policies is/are FALSE? VUL is an INSURANCE, SAVINGS and INVESTMENT package all rolled into one. Similar to dividends in participating traditional policies, VUL allows the policy owners to withdraw from the fund as the need arises. Similar to traditional policies, non-payment of premiums in VUL policies beyond the grace period automatically translates to a lapsed policy and is invested in a separately identifiable fund, which is made up of units of investment.

ANSWER: III

- Which of the following statements regarding excess premiums is/are TRUE? Excess premiums are premiums paid in addition to the Single Premium or the Annual Regular Premium. Excess premiums are single premium injections used to buy additional investments into the VUL policy. Excess premium is considered as such only after the Annual Regular Premium has been fully paid. Excess premium is the premium paid if the insured is rated as above average risk.

ANSWER: I, II, and III

- Which of the following statements is/are FALSE? Offer price is the price which the insurer will give for the units if the policyholder wishes to cash in or claim under the policy while the bid price is the price which the insurer uses to allocate units to a policy when premiums are paid. The difference between the offer price and the bid price is termed as the bid-offer spread. The offer price is always lower than the bid price.

ANSWER: I and III

- Which of the following statements is/are FALSE? With VUL, you can switch funds, i.e. change how premiums paid are allocated into the funds. With VUL, you can make changes in the fund allocation, e.g. transfer earnings from bond fund to equity fund. With VUL, you can make full withdrawal.

ANSWER: I and II

- Which of the following statement/s is/are FALSE? Higher capital gain is normally associated with lower risk. One way to lower risks in investment is to diversify. One method of measuring risk is to determine the average return and its standard deviation from future data. Diversification can be achieved by investing in different countries and/or types of assets. An investor can always choose an investment that is risk free.

ANSWER: I, III and V

- Three elements affect the accessibility of the funds. They include: the age and attitude of the investment towards risk the initial cost in setting up or buying into the investment the time horizon of needs of the fund the cost or penalty or realizing the investment before its maturity period.

ANSWER: II, III, and IV

- The flexibility benefit of investing in Variable Universal Life funds include: Policyholders can easily change the level of sum insured and switch their investments between funds. Policyholders can easily take premium holidays and add single premium top-ups. Variable life insurance products have a simple product design with a clear structure which caters separately for investment and insurance protection. Policyholders can easily change the level of their premium payment.

ANSWER: I, II, III, and IV

- Which of the following statement/s is/are true? The level of risk tolerance refers to the tolerance for magnitude and variability of historical returns or loss. The level of risk tolerance is influenced by a person's age, personality, investment objectives, and financial condition. Investor needs to choose between assets that yield regular income, or provide capital gain.

ANSWER: II and III

- What is/are the disadvantage/s of investing in cash and deposits? The safest type of investment. They provide the lowest return. There is reinvestment risk.

ANSWER: II and III

- Which of the following characteristics pertaining to common shares is/are TRUE? Guaranteed small returns.

The holder of an ordinary share is a part owner of the company There is no certainty that the company will make profits and thus no certainty that there will be dividends There is no risk involved in the investment of ordinary shares

ANSWER: II and III

- Which of the following statement(s) is/are FALSE? The bid-offer spread is used to provide death benefit for the Variable Universal Life insurance policy. The bid-price is always higher than offer price. The bid-offer spread is usually about 5%. There are two types of death benefit under the variable life insurance product. They may offer either or both types depending on its product design and discretion of the policyholder.

ANSWER: I and II

- The offer price under a Variable Universal Life insurance policy is also known as the bid price.

ANSWER: the price at which units under the policy are offered for sale by the company.

- The two purposes of regular premium variable life insurance plan include investment and

ANSWER: Protection