

# TRAD Simulated Exam

**1. Antiselection refers to a general tendency on the part of \***

- ☐ Agents to call only those prospects who state no obligation to life insurance
- ☒ Persons with impaired insurability to be more keen in obtaining insurance coverage than those persons who are in good health.
- ☐ Applicants for life insurance to opt for inexpensive plans of insurance
- ☐ Agency managers to discriminate between loyal agents and disloyal agents

**2. The life insurance industry is under government supervision because \***

- ☐ it is a charitable institution
- ☒ it affects public interest
- ☐ it pays such high taxes
- ☐ it is required to account for money spent in company operations

**3. For anyone to have the benefit of compensation on the value of the life of someone else, there must be an established \***

- ☐ probability
- ☐ pure risk
- ☒ insurable interest
- ☐ risk sharing

**4. All of the following are correct statements EXCEPT: \***

- ☐ whole life insurance and endowment insurance serve different purpose
- ☒ there is a higher risk element for the insurance company involved in connection with endowment policies than with whole life policies.
- ☐ premiums for whole life-insurance are less than for endowment policies
- ☐ the cash value of a 20-year endowment policy are greater than those of a whole life policy

**5. The basic coverage provided by life insurance policies may be supplemented by separate provisions that provide coverage for additional amounts or of a different nature. Collectively, these provisions are known a \***

- ☐ Dividends

- ☒ Riders
- ☐ Assignment
- ☐ Deposit privileges

**6. An applicant wants to get a participating policy which will have the maximum cash available for emergencies. Which of the following should he select? \***

- ☐ Loan value
- ☐ Extended term insurance
- ☒ Accumulated dividends
- ☐ Paid-up addition

**7. A Pure Endowment Policy \***

- ☒ Pays proceeds to the insured only if he lives to the end of a specified period
- ☐ Pays proceeds to the insured if he lives to the end of endowment period, or pays the face amount to the named beneficiary if the insured dies before the end of the endowment period
- ☐ It is actually a combination of endowment insurance and term insurance
- ☐ None of the above.

**8. In most life insurance application, the largest amount of information requested is data which \***

- ☐ describes the desired benefits and mode of payment
- ☐ identifies the applicant
- ☐ describes the type of insurance applied for
- ☒ relates to the insurability of the applicant

**9. If the interest on a policy loan is not paid at the policy anniversary, the insurance company may \***

- ☒ increase the present loan by the interest
- ☐ refuse to grant future additional loans
- ☐ terminate the contract
- ☐ demand full settlement of the loan

**10. The basic purposes of a conditional premium receipt are to acknowledge payment of initial premium for life insurance and to \***

- ☒ Provide insurance coverage earlier than the policy delivery date if certain requirements are met
- ☐ Eliminate the need for acceptance of the offer in forming the contract
- ☐ Backdate the policy to save age
- ☐ Guarantee that a policy will be issued as applied for

**11. For waiver of premium to be effective, \***

- ☐ A. Disability must be total
- ☐ B. Disability must be permanent
- ☒ Both A & B
- ☐ Either A or B

**12. Which of the following is a settlement option? \***

- ☐ Cash surrender value
- ☐ Policy loan
- ☒ Interest on insurance proceeds
- ☐ Extended term insurance option

**13. Limited payment life policies are called such because those policies \***

- ☐ Shorten the period when the benefits may be paid
- ☐ Limit the conditions under which the policies are payable
- ☐ Limit the number of beneficiaries thereby minimizing problems of paying too many people
- ☒ Limit the period during which the premiums are payable

**14. The grace period provision in life insurance policies is designed to \***

- ☒ give the insured more time to pay the premium while coverage remains in-force
- ☐ compel the insured to pay premiums more promptly
- ☐ terminate the contract of insurance automatically
- ☐ permit the company to extra charges

**15. Which of the following is false? \***

- ☐ The primary job of an agent is to get people happily involved with the ownership of his policy.

- ☐ When an agent meets a prospect for the first time, he has to sell confidence in himself.
- ☐ When an agent makes a sales presentation, he has to sell confidence in the product.
- ☒ The job of an agent is to squeeze as much money as possible out of making a new sale.

**16. Which of the following describes the convertible feature of a term insurance policy? \***

- ☒ It may be changed to another term insurance policy without evidence of insurability
- ☐ It may be changed for a guaranteed sum
- ☐ It may be changed to another whole life policy
- ☐ It may be changed to a permanent insurance without evidence of insurability

**17. An insurance company which is owned and controlled by the policyowners who also share in the earnings of the insurance company in the form of dividends is known as a \***

- ☐ domestic company
- ☒ mutual company
- ☐ stock company
- ☐ foreign company

**18. The requirement that the beneficiary should have an insurable interest in the insured is satisfied if the insured \***

- ☒ is financially indebted to the beneficiary
- ☐ belongs to the same club as the beneficiary
- ☐ and the beneficiary are engaged in a similar occupation
- ☐ and the beneficiary regularly travel to and from work in a car pool arrangement

**19. The widow of your policyholder tells that she does not want a lump sum payment, but she would like to receive monthly allowance for the rest of her natural life. Which option do you recommend? \***

- ☒ life annuity option
- ☐ fixed income option
- ☐ fixed period option
- ☐ periodic annuity option

**20. Mr. Sy walked out of his house one night and was never heard of again. His wife wanted to make a claim on his life insurance policy as she believes that he is dead. Which of the following statements is correct in this case? \***

- ☒ It would be seven years before the court could declare him legally dead.
- ☐ The company would pay immediately
- ☐ It would require 6 months before the court could declare him dead.
- ☐ It would be four years before the court could declare him legally dead.

**21. The following statements concerning insurable interest are correct, except: \***

- ☐ It is deemed to exist if economic loss would occur at the death of the insured
- ☐ It is deemed to exist by virtue of a relationship by blood or by marriage
- ☐ Everyone has an insurable interest in his own life
- ☒ It is important for purposes of underwriting the risk

**22. A person's human economic value is defined as the \***

- ☐ Total value of the individual's tax contribution to the national economy
- ☒ Total value of the assets and any future earnings derived therefrom
- ☐ Total value of his physical assets
- ☐ The amount of capital required to replace family income needs

**23. The Insurance Code specifies that a contract does not take effect unless \***

- ☐ The insured has named in the policy no fewer than two beneficiaries
- ☐ The policy is delivered to an insured, his assignee, agent or beneficiary
- ☐ No change has taken place in the insurability of the life to be insured between the time the application was completed and the time the policy was delivered
- ☒ Payment of the first premium is made to the insurer or its authorized agent

**24. Your client tells you that when his father died, he received P500, 000 free of Estate Tax and that he had not even known that this policy existed. Which of the following classifications did your client fall under? \***

- ☐ revocable primary beneficiary
- ☒ irrevocable primary beneficiary
- ☐ collateral assignee

- ☐ absolute assignee

**25. In practice, most claims for the death benefits of life insurance policies are \***

- ☒ Paid promptly as soon as properly completed claim forms are received by the company
- ☐ Paid on the first policy anniversary after the death of the insured
- ☐ Investigated thoroughly for evidence of misrepresentation or fraud before payment is made
- ☐ Settled by interpleader proceedings

**26. For life insurance coverage to be valid, insurable interest must exist \***

- ☐ only at the time of the loan
- ☒ only at the inception of the policy
- ☐ throughout the lifetime of the policy
- ☐ both at the time of the policy issue and at the time of the loan but not necessarily throughout the lifetime of the policy

**27. "Critical years" in the programming of life insurance means: \***

- ☐ Years immediately following the insured's death
- ☐ Years between the time the youngest child is 15 years old and the mother is 62 years old
- ☒ Period during which the children are small cannot provide for themselves
- ☐ Retirement years

**28. Which of the following is the least important reason for requiring that insurance agents be licensed? \***

- ☐ to establish and maintain high professional and ethical standards
- ☐ to protect the public
- ☐ to give the government adequate control over the conduct of agents
- ☒ to provide additional income to the government through license fees

**29. A company can restrict its liability if death occurs as a result of an aviation accident. The aviation exclusion clause usually applies to which of the following? \***

- ☐ anybody aboard an aircraft in flight who has duties aboard the aircraft
- ☒ only for pilots
- ☐ anybody in an aircraft flight
- ☐ anybody in the aviation industry who works on, around or in the aircraft

**30. The insurance Commissioner has the power to revoke or refuse to renew an agent's license in all of the following instances except: \***

- ☐ When the agent diverts any premium collection for his personal use
- ☐ When the agent makes any material misrepresentation to his policyholders of the amount of commissions that he has made or may make on a particular insurance contract.
- ☒ When the agent makes any material misstatement in his application for license.
- ☐ None of the above.

**31. A policy that is in force for less than the original sum assured with no indebtedness has availed of \***

- ☐ Grace period
- ☐ The Reinstatement Provision
- ☐ Cancellation
- ☒ Paid-up Insurance option

**32. A Retirement Annuity is \***

- ☐ a one-time payment for a pension to start at a predetermined date
- ☐ an arrangement where a person can pay a Life Insurance Company a sum of money in return for a pension for life
- ☒ a kind of regular annual savings arrangement to provide a pension for life with no life coverage
- ☐ a special kind of medical examination that has to be repeated every year

**33. Insurable interest is necessary when a person insures another \***

- ☐ Because interest on premiums must be earned
- ☐ To make sure that he will pay the premiums
- ☒ To establish that there is a genuine risk
- ☐ So that the person being insured may be properly appraised

**34. The conservation of a life insurance policy is dependent on all of the following except \***

- ☒ The level of first year commission
- ☐ Quality of agent's prospecting habits
- ☐ Agent's service-oriented attitude
- ☐ The use of effective needs selling

**35. One requirement a policyowner must meet in order to reinstate a life insurance policy is to \***

- ☐ Pay future premiums at the rate for his or her attained age at the time of reinstatement
- ☐ Agree to apply future policy dividends toward the payment of premium
- ☒ Furnish evidence of insurability which is satisfactory to the insurance company
- ☐ Assign the policy collaterally to the insurance company for the amount of the overdue premiums plus any outstanding policy loan

**36. A parent taking a life insurance policy on his minor child wishing to provide that the policy will continue in force in the event of his own death, would apply for \***

- ☐ Total and permanent disability clause
- ☐ Term insurance
- ☒ Payor insurance benefit
- ☐ Family income provision

**37. Life insurance companies make use of the laws of probability in order to \***

- ☐ develop statistics of past deaths among the general population
- ☒ estimate future death rates among members of a given group
- ☐ determine the experienced death rate among insured persons
- ☐ predict when an individual insured will die

**38. Mr. Kho's participating whole life insurance policy includes a waiver of premium for disability benefit. During the period when premium payments are being waived under this provision, the cash value of this policy will \***



- ☐ decrease but Mr. Kho will continue to receive policy dividends
- ☐ stop increasing for the term of the rider
- ☐ remain the same and Mr. Kho will continue to receive policy dividends
- ☒ increase and Mr. Kho will continue to receive policy dividends

**39. The only instance when a life insurance contract is treated primarily as an indemnity agreement is when a \***

- ☒ creditor insures the life of his debtor to protect himself
- ☐ person in a partnership insures the life of his partner to protect the firm against loss due to the death of that partner
- ☐ person insures the life of his or her spouse to protect against the loss of income earned by the spouse
- ☐ a person insures the life of a friend

**40. A prospect tells you that he has a loan with a financial institution and he would like an Insurance Company to pay it off if he dies but, he is hard up and he wants this coverage at the lowest possible cost. What would you offer him? \***

- ☐ A 20 pay life policy
- ☐ An endowment policy
- ☒ A term policy
- ☐ A whole life policy

**41. In the Philippines, an insurance company's right to rescind a life insurance contract is generally limited to the first years following policy issue date or date of approval of last reinstatement. The provision is embodied in \***

- ☐ Lifetime clause
- ☒ Incontestability clause
- ☐ Omnibus clause
- ☐ No-exclusion clause

**42. Life insurance is \***

- ☐ A speculative risk
- ☒ A cooperative risk-sharing plan

- ☐ Paid-up insurance (reduced insurance)
- ☐ Only available to a specific group

**43. Participating life insurance policies are policies which \***

- ☒ provide for the distribution of dividends to the policyowner
- ☐ develop profit which must be paid to stockholders
- ☐ permit beneficiaries to exercise certain ownership rights during the lifetime of the insured
- ☐ allow variation in the wording of certain provisions

**44. A man is about to retire. He has P100,000 which he wishes to use to provide income for himself as long as he lives and which would continue to his wife as long as she lives after his death. You would sell him a \***

- ☐ straight life annuity
- ☐ retirement income endowment
- ☒ joint and survivorship annuity
- ☐ cash refund policy

**45. Insurable interest must exist \***

- ☒ At the inception of the policy
- ☐ Throughout the premium paying period
- ☐ For as long as the insurance policy remains in force
- ☐ Until the maturity date of the policy

**46. The level premium system means the \***

- ☐ face amount of insurance premium remains the same each year
- ☒ premiums remains the same each year
- ☐ policy reserves increase by the same amount each year
- ☐ mortality rate remains the same each year

**47. If the person whose life is insured dies during the grace period and the premium was not paid, the amount that the insurance company will pay to the beneficiary is usually the \***

- ☐ Full face amount of the policy
- ☒ Face amount of the policy minus the unpaid premium
- ☐ Total premiums paid up to the date of birth plus interest
- ☐ Cash surrender value of the policy minus the unpaid premium

**48. An agent is prohibited from doing all of the following practices except to \***

- ☐ alter an application without the applicant's prior written approval
- ☒ make complete comparison of the policies he sells and those offered by competing insurance companies
- ☐ refund some of his commission to his client
- ☐ convince a prospect to cancel his policy in one insurance company to buy a policy from the insurance company represented by the agent

**49. All of the following policies can be used to afford retirement income except \***

- ☐ Limited payment life
- ☐ Whole life
- ☐ Endowment at age 60
- ☒ Term to age 65

**50. Applicants for life insurance with moderate physical impairments are called sub-standard risks and \***

- ☐ are required to pay premiums on an annual basis
- ☐ are issued policies without any non-forfeiture values
- ☐ therefore cannot obtain life insurance in any company
- ☒ may be insured at increased rates to compensate for the extra hazard