



## Insurance Commission Traditional Life Reviewer

Choose the best answer.

1. A life insurance agent is permitted to
  - a. Approve an application for insurance
  - b. Waive any of the requirement of the company
  - c. Guarantee dividends on participating policies
  - d. Prepare routine proposals for life insurance coverage
2. Claire is considering purchasing either an endowment or term life policy. What do these policies have in common?
  - a. Insurance protection will be limited to a specified period
  - b. Renewal and conversion privileges are available
  - c. No cash value is available to the policy owner during the term of the policy
  - d. A benefit will be paid at the end of the period of coverage if the person is then alive
3. A client tells you that his bank wants him to use his insurance policy so that his bank loan will be paid off if he dies. Which of the following will you recommend?
  - a. He appoints an irrevocable beneficiary
  - b. He makes an absolute assignment
  - c. He makes a collateral assignment
  - d. None of the above
4. If premiums are being waived under a waiver of premiums benefit and the insured dies, what would the proceeds be?
  - a. Reduced paid-up face amount
  - b. Face amount less unpaid premiums
  - c. Cash surrender values
  - d. Face amount
5. Which of the following is a living benefit in an insurance policy?
  - a. Guaranteed insurability benefit
  - b. Right to change beneficiaries
  - c. Waiver of premium for disability
  - d. Cash surrender value
6. Insurable interest is necessary when a person insures another \_\_\_\_\_.
  - a. So that the person being insured may be properly appraised

- b. To establish that there is a genuine risk
  - c. Because interest on premiums must be entered
  - d. To make sure that he will pay the premiums
- 7. Your client George wants to apply for a life insurance policy. As his advisor, you would advise him to do all of the following, EXCEPT which one?
  - a. Furnish initial information as to insurability
  - b. Give details pertaining to non-forfeiture options
  - c. To convey to the company the desire of the applicant to obtain insurance
  - d. To furnish information on which the contract of life insurance may be written
- 8. Which of the following does a limited pay life policy provides?
  - a. Protection for the life of the policyholder with premiums payable for a limited term of years
  - b. Low-cost protection only for a limited term of years with no savings
  - c. The highest level of savings for the insured within a specified term of years
  - d. Protection with premiums payable for life and a low level of savings as an alternative to continued protection in old age
- 9. When you bought an insurance policy on your wife's life, you were 27 and she was 26, but you stated that you were 26 and she was 27. Five years later, your wife died. Which of the following will the insurer pay?
  - a. The face amount adjusted for misstatement of age
  - b. Slightly less than the face amount
  - c. The sum of the premium paid
  - d. The face amount
- 10. Group life insurance covers \_\_\_\_\_.
  - a. Death provided it is during working hours and in the place of employment
  - b. Death of the employee regardless of cause except suicide during the first year (sometimes two years)
  - c. Accidental death only
  - d. Only death by heart attack, pneumonia or cancer
- 11. 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 his policy existed. Which of the following classifications did your client fall under?
  - a. Collateral assignee
  - b. Absolute assignee
  - c. Revocable primary beneficiary
  - d. Irrevocable primary beneficiary

12. Mr. Sy walked out of his house one night, and was never heard from since. His wife wanted to make a claim on his insurance policy, as she believes that he is dead. In this case, which of the following statements is correct?
- a. It will take four years before the court could declare him legally dead.
  - b. It will take seven years before the court could declare him legally dead.
  - c. The company will pay immediately.
  - d. It will require 6 months before the court could declare him dead.
13. In life insurance, which of the following does the term “substandard rates” generally refer to?
- a. Premiums charged for policies with low amounts
  - b. Premiums charged to persons who are considered to be higher-than-average risk categories
  - c. Mortality rates that are lower than the rates suggested by the regulatory authorities
  - d. Mortality rates that are lower than those expected by the company according to its mortality table
14. Life insurance policy loans are limited to an amount which with interest will not exceed the \_\_\_\_.
- a. Cash value of the policy
  - b. Total premiums paid
  - c. Net amount of risk
  - d. Present value of future premiums
15. What happens to a policy when an irrevocable beneficiary has been designated and the policy owner needs to loan against his policy for a specific reason?
- a. Alter the dividend option now in effect
  - b. Any transactions or changes in the policy would need the endorsement of the irrevocable beneficiary
  - c. Avail of a non-forfeiture option
  - d. Borrow minimal cash loan
16. The fundamental advantage of the use of life insurance as a means of meeting economic losses is that through life insurance, these losses are
- a. Reduced for the group as a whole through the multiplier effect
  - b. Deferred for a specified period of time
  - c. Met as they rise through savings accumulated on an assessment basis
  - d. Spread over a large number of people
17. Which of the following statements is FALSE?
- a. When an agent makes a sales presentation, he has to sell confidence in the product.
  - b. When an agent meets a prospect for the first, he has to sell confidence in himself.
  - c. The primary job of an agent is to get people happily involved with the ownership of his policy.
  - d. The job of an agent is to squeeze as much money as possible out of making a new sale.

18. What will happen if the insured fails to pay the interest on a policy loan during its policy anniversary?
- a. Terminate the contract
  - b. Refuse to grant future additional loan
  - c. Increase the present loan by the interest
  - d. Demand full settlement of the loan
19. If a policyholder changes his occupation without notifying the company, would it affect the benefits under his policy?
- a. No, benefits and premiums may only be changed at the renewal date of the policy.
  - b. Yes, unless the policy specified otherwise. If he engaged in a more hazardous occupation, his benefits may be pro-rated.
  - c. No, benefits agreed upon at the inception of the policy may not be changed.
  - d. None of the above.
20. What are the basic settlement options?
- a. Cash surrender value, automatic premium loan
  - b. Fixed amount, fixed period, interest, fixed period and for life
  - c. Double indemnity, total disability, waiver of premium
  - d. Policy loan, guaranteed insurability
21. A businessman has arranged for a development loan that will be available 1 year from now. Because he is unable to wait until then he has arranged an interim loan with his bank. The only problem is that the bank wants the loan secured against the risk of his death. What is the best economic arrangement that you recommend?
- a. Decreasing term
  - b. Interim term
  - c. Extended term
  - d. Yearly renewable term
22. In which circumstance does an insurance company have the right to rescind a policy?
- a. Insured person is killed in military action during the contestable period of the policy
  - b. Insured person intentionally kills himself during the suicide exclusion period specified in the policy
  - c. Company discovers during the contestable period that the application contains a material statement
  - d. Company discovers at any time that the policy owner was actually a minor at the time of application
23. A prospect tells you that he wants to be insured at age 65, but he does not want to pay more than the minimum possible level of premiums. Would you offer him?
- a. Endowment policy
  - b. Term policy
  - c. Whole life policy

- d. A life at age 65 policy
24. An applicant wants to get a participating policy that will have the maximum cash available for emergencies. Which of the following should he select?
- a. Accumulated dividends
  - b. Extended term insurance
  - c. Loan value
  - d. Paid-up addition
25. The following statements are true with respect to reinstatement process EXCEPT \_\_\_\_.
- a. Assumption or repayment of any indebtedness
  - b. Written assurance of intent to keep the policy in force
  - c. Payment of back premiums with interest
  - d. An application for reinstatement
26. If the insured dies during the grace period of an unpaid life insurance policy, the amount payable to the beneficiary is usually the
- a. Total premiums paid plus interest
  - b. Cash surrender value of the policy minus the unpaid premiums
  - c. Face amount of the policy minus the unpaid premiums
  - d. Full face amount
27. Which of the following best describes a person's human economic value?
- a. Total value of the individual's tax contribution to the national economy
  - b. Total value of his physical assets
  - c. The amount of capital required to replace family income needs
  - d. Total value of the assets and any future earnings derived therefrom
28. The basic purposes of a conditional premium receipt are to acknowledge payment of initial premium for life insurance and to \_\_\_\_.
- a. Eliminate the need for acceptance of the offer in forming the contract
  - b. Provide insurance coverage earlier than the policy delivery date if certain requirements are met
  - c. Guarantee that a policy will be issued as applied for
  - d. Backdate the policy to save age
29. Which of the following statements best describes a Pure Endowment policy?
- a. It pays proceeds to the insured only if he lives to the end of a specified period.
  - b. It pays proceeds to the insured if he lives to the end of endowment period, or pays the face amount to named beneficiary if the insured dies before the end of the endowment period.
  - c. It is actually a combination of endowment insurance and term insurance.
  - d. None of the above.

30. Which of the following considerations is required by the life insurance company to make the insurance coverage effective?
- a. Beneficiary's continuing insurable interest in the life of the insured
  - b. Payment of the initial premium
  - c. Applicant's promise to act in good faith
  - d. Payment of each renewal premium before the end of applicable period
31. Gwen is thinking of electing the paid-up insurance option, what will happen to her policy if she does?
- a. The premiums cease and protection continues with a reduced amount of coverage.
  - b. The premiums stop and the policy continues for the full face amount until age 65.
  - c. The insurance continues at a reduced amount and with a reduced premium.
  - d. The policy will automatically terminate.
32. The company usually allows a policy change from a higher premium to a lower premium if the insured \_\_\_\_.
- a. Momentarily assigns the policy to the company
  - b. Buys a new plan altogether
  - c. Presents satisfactory evidence of insurability
  - d. Obtains written consent from his or her spouse
33. An applicant wants a participating policy where the death benefit will be maximized. Which of the following should he choose?
- a. Paid-up additions
  - b. Accumulated dividend
  - c. Extended term
  - d. Paid-up insurance (reduced insurance)
34. Which statement is false when the new owner borrows on a policy?
- a. If a large loan is taken after the policy has been in force for some years, the interest cost may exceed the premium.
  - b. Dividend will be reduced by the amount of the current interest.
  - c. The policy will lapse if, after reasonable notice, the indebtedness exceeds the cash value.
  - d. The proceeds of the policy will be reduced by the amount of unpaid loan plus interest, if the insured dies.
35. Which of the following does a whole life provide?
- a. Protection for the life of the policyholder with premiums payable for a limited term of years
  - b. Low cost protection only for a limited term of years with no savings
  - c. The highest level of savings for the insured within a specific term of years
  - d. Protection with premiums payable for life and low level of savings as an alternative to continued protection in old age

36. In practice, most claims for the death benefits of life insurance policies are \_\_\_\_.
- a. Investigated thoroughly for evidence of misrepresentation or fraud before payment is made
  - b. Paid on the first policy anniversary after the death of the insured
  - c. Settled by interpleader proceedings
  - d. Paid promptly as soon as properly completed claim forms are received by the company
37. The following statements concerning insurable interest are correct, except:
- a. It is deemed to exist if economic loss would occur at the death of the insured
  - b. It is deemed to exist by virtue of a relationship by blood or by marriage
  - c. It is important for purposes of underwriting the risk
  - d. Everyone has an insurable interest in his own life
38. Which policy permits the policyholder to vary the level of premiums, the sum insured, and has its cash values dependent on the investment performance, and the level of premiums paid?
- a. Universal life
  - b. Participating whole life policy
  - c. Participating endowment
  - d. None of the above
39. Life insurance contributes directly to the welfare and progress of the country by
- a. Accumulating capital for investment in commerce and industry
  - b. Partially relieving the community of the care of dependents
  - c. Encouraging provisions for the future
  - d. All of the above
40. For the waiver of premium to be effective
- a. Disability must be total
  - b. Disability must be permanent
  - c. Both a and b
  - d. Either a and b
41. In a life insurance company, risk appraisal is necessary to:
- a. Prevent anti-selection
  - b. Project dividend rates for participating policies
  - c. Collate mortality statistics
  - d. Calculate the mortality rate for a given policy
42. Limited payment life policies are called as such because those policies \_\_\_\_.
- a. Shorten the period when the benefits may be paid
  - b. Limit the period during which the premiums are payable
  - c. Limit the conditions under which the policies are payable
  - d. Limit the number of beneficiaries, thereby, minimizing the problems of paying too many people

43. Which of the following is a settlement option?
- a. Cash surrender value
  - b. Extended term insurance option
  - c. Policy loan
  - d. Interest on insurance proceeds
44. The following statements about "Disability Waiver of Premium Rider" are true, except:
- a. There is a waiting period
  - b. Disability must occur before a stated date
  - c. The insured has to die while disabled
  - d. It has to be attached to a life insurance policy
45. Which of the following statements is false?
- a. Too many lapsed policies can cause an agent's agreement to be cancelled.
  - b. When a policy lapses, the agent loses a valuable source of prospect.
  - c. When a policy lapses, the agent loses all future commissions on renewal premiums.
  - d. Agents with persistent business seldom stay long with one company.
46. Under an endowment policy, if the person whose life is insured survives to the end of the period stated in the policy, the \_\_\_\_.
- a. Policy will terminate without value
  - b. Face amount of the policy be paid
  - c. Policy will automatically be converted to paid-up whole policy
  - d. The extended term insurance will be brought into effect
47. "Critical years" in the programming of life insurance means:
- a. Retirement years
  - b. Years between the time the youngest child is 15 years old and the mother is 62 years old
  - c. Years immediately following the insured's death
  - d. Period during which the children are small, and cannot provide for themselves
48. Jared wants to update his yearly renewable term life insurance policy. Which of the following applies to a yearly renewable term life insurance?
- a. The policy owner may renew the policy only once.
  - b. Evidence of insurability shall be required every renewal.
  - c. Cash values will increase for as long as the policy is in force.
  - d. Premiums shall increase every time the policy is renewed.
49. The Insurance Commissioner has the power to revoke or refuse an agent's license in all of the following instances, except:
- a. When the applicant for license has intentionally withheld information concerning his conviction of a crime involving moral turpitude
  - b. When the agent has diverted any premium collection for his personal use
  - c. When an agent influences the applicant's choice of plan to be purchased
  - d. None of the above



50. In an application, the information that must be disclosed include
- Only his date and place of birth
  - Only his family history
  - Every fact in his knowledge that is material to the insurance
  - Only the information he wants the agent to know
51. Which rider could greatly increase the total life coverage of a permanent basic policy?
- An accidental death benefit rider
  - A supplemental term rider
  - An interim term rider
  - None of the above
52. When does an interpleader come into play?
- To decide conflicting claims on the same insurance proceeds
  - To determine if the cause of the insured's death was an excluded risk
  - To recommend the best settlement options for the beneficiary if the interest on a policy loan is not paid at the policy anniversary of the insurance
  - To resolve the question of insurable interest
53. For life insurance coverage to be valid, insurable interest must exist
- Only at the inception of the policy
  - Only at the time of the loan
  - Throughout the lifetime of the policy
  - Both at the time of policy issue and at the time of the loan but not necessarily throughout the lifetime of the policy
54. How does the law of probability help life insurance companies?
- Predict when an individual insured will die
  - Estimate future death rates among members of a given group
  - Determine the experienced death rate among the insured persons
  - Develop statistics of past deaths among the general population
55. If Phoebe wants to continue her renewable term insurance, which of the following she may do?
- Change the life insured at renewable date
  - Renew at the same premium for further period of years
  - Renew providing the insurance company agrees to continue coverage
  - Renew the coverage based on a higher premium
56. Mr. Barrio has been insured under the employee group life insurance plan for several years. Which of the following will happen to Mr. Barrios' group life insurance if he leaves this job?
- Changed, upon the employer's notice to the insurance company, to a permanent plan of insurance for the same amount
  - Continue to provide coverage of the same amount for a period of 31 days during which Mr. Barrio can convert to an individual policy

- c. Cover him for a reduced amount of paid-up term insurance until the end of the current policy year
  - d. Coverage will stop at once
57. A whole life policy with an initial premium rate that applies to the first five (5) years of the policy and a higher premium rate that applies to the remainder of the premium-payment period is known as \_\_\_\_.
- a. An extended life policy
  - b. A modified life policy
  - c. An experience-premium policy
  - d. A guaranteed renewable policy
58. What is the purpose of the incontestability clause?
- a. Permits that company to pay claims within two (2) years
  - b. Gives the company the right to rescind a policy at any time
  - c. Prevents the company from denying a claim after the policy has been in force for two (2) years
  - d. Makes it necessary for the beneficiary to present proof of death in the event of a death claim
59. In life insurance, there is always “agency” relationship between the \_\_\_\_.
- a. Beneficiary and the insurance company
  - b. Insured and the insurance company
  - c. Soliciting agent and insurance company
  - d. Policyowner and the soliciting agent
60. Clark applied for a Ps. 20,000 whole life policy, and paid the full initial premium to his agent, who issued a binding receipt. Under such scenario, what does the insurance company do?
- a. Guarantee the policy will be issued as applied for
  - b. Offer permanent insurance coverage effective as of the date of the application
  - c. Immediately provides interim insurance that remains in effect until the policy is issued or the application is declined
  - d. Promise that the insurance coverage will become effective as of the date of the application is approved
61. Which of the following statement is correct?
- a. Orphan policy owners hardly need an agent’s services
  - b. Orphan policy owners will only deal with their original agents
  - c. New agents should stay away from orphan policy owners
  - d. Orphan policy owners are good sources of prospect and new sales

62. The widow of your policyholder tells that she does not want a lump sum payment, but she prefers to receive monthly allowance for the rest of her natural life. Which option do you recommend?
- a. Periodic annuity option
  - b. Life annuity option
  - c. Fixed period option
  - d. Fixed income option
63. A risk is considered substandard based on any or all of the following criteria
- a. Death, occupation and moral character
  - b. Occupation, moral character and family health history
  - c. Income, educational attainment and occupation
  - d. Death income and educational background
64. How are endowment life insurance and term life insurance the same?
- a. Build up cash value rapidly in the early policy years
  - b. Provide for payment of the face amount if the insured is alive at the end of specified period
  - c. Contain provisions for automatic continuation of the insurance protection at the end of a specified period
  - d. Provide life insurance protection for only a period of time specified in the policy contract
65. A prospect tells you that he wants the maximum possible provision for his retirement with no life coverage. Which of the following would you offer him?
- a. Whole life policy
  - b. A life paid-up at age 65 policy
  - c. A 20-pay life policy
  - d. None of the above
66. Some insurance companies charge females a lower premium rate than males. Which of the following justifies the practice?
- a. Women are less likely to lapse the policies
  - b. Generally, women have less hazardous jobs
  - c. Women have a longer life expectancy (after age 54) than men
  - d. Generally, women buy the higher premium rate policies, such as an endowment policy or retirement income policy
67. At the end of 25 years, which statement is true for a 25-year Life policy and is not for a 25-year endowment?
- a. No further premiums are paid
  - b. The contract is terminated
  - c. The sum insured is paid
  - d. The insurance remains in-force

68. Which of the following sales practices determines a prospect's complete financial requirement before offering a policy?
- a. Planned selling
  - b. Counselor selling
  - c. Multiple products selling
  - d. Total needs selling
69. Insurance provides protection against economic loss by enabling the policy owner to \_\_\_\_.
- a. Transfer responsibility for the loss to others
  - b. Take speculative risk to compensate for the loss
  - c. Reduce the possibility of the occurrence of the event causing the loss
  - d. Share the loss with others exposed to similar risk
70. When is the only instance a life insurance contract is treated primarily as an indemnity agreement?
- a. A person insures the life of a friend
  - b. Creditor insures the life of his debtor to protect himself
  - c. Person insures the life of his or her spouse to protect against the loss of income earned by the spouse
  - d. Person in a partnership insures the life of his partner to protect the firm against loss due to the death of that partner
71. The convertible feature of a term insurance policy provides that the policy may be
- a. Changed to a permanent insurance policy without evidence of insurability
  - b. Changed to another life
  - c. Cashed for a guaranteed sum
  - d. Changed to permanent insurance with evidence of insurability
72. William chose a straight-premium whole life policy over a limited payment whole life policy. What is the advantage of such purchase?
- a. Liberal risk selection procedures
  - b. Concentration of premium payments during the period of highest earnings
  - c. More rapid accumulations cash values
  - d. More insurance protection for the same annual premiums outlay
73. Life insurance guarantees cash benefits for all the following except:
- a. Clean-up fund
  - b. Family dependency period income
  - c. Educational fund
  - d. Mortgage
74. The following have a legitimate insurable interest except:
- a. An individual on his own life
  - b. An individual on the life of his spouse

- c. A finance company on the life of its borrower
- d. An individual on the life of his mistress

75. Which of the following best describes Participating Life Insurance policies?

- a. Allow variation in the wording of certain provisions
- b. Provide for the distribution of dividends to the policy owner
- c. Develop profit which must be paid to stockholders
- d. Permit beneficiaries to exercise certain ownership rights during the lifetime of the insured

76. What is the commuted value of an insurance policy?

- a. The cash value of basic addition
- b. The single sum of money which is equal in value to the discounted future payments
- c. The cash value of the policy after the loan has been deducted
- d. The paid-up value of the policy

77. What is a policy that affords coverage for two or more persons simultaneously with the face amount of the policy payable when any of the insured dies at which time the policy terminates automatically?

- a. Joint and Survivor Annuity
- b. Double Duty Pesos Insurance
- c. Joint Life Policy
- d. Split Pesos Insurance Plan

78. Name the provision in a permanent life insurance policy under which, if the premium are discontinued, full insurance coverage will be maintained for a specified period.

- a. Paid-up insurance additions
- b. Life income option pension
- c. Reduced paid-up insurance
- d. Extended term insurance

79. The savings element of permanent plans allows for the build up of

- a. Dividends
- b. Cash values
- c. Maturity benefits
- d. Death benefits

80. To waive life insurance premiums under a typical waiver of premium for disability clause, the disability of the insured person must be total, and which other condition?

- a. It was expected to continue until death
- b. It has continued for a specified period, such as six months
- c. It has been caused by illness of a chronic nature, not accident
- d. It has been caused by accident, not by illness of a chronic nature

81. Disability benefits are not paid
- For self-inflicted injuries
  - If there is a loan against the policy
  - If all policy dividends have been withdrawn
  - If disability resulted from sickness only
82. Setting aside possible legal impediments, which option would you recommend if an endowment policy owner, at age 65, tells you that he wants to provide his church with a monthly donation for as long as the church exists?
- Interest option
  - Life annuity option
  - Fixed income option
  - Periodic annuity option
83. A Family Income rider is specifically designed to \_\_\_\_.
- Pay twice the face amount of the policy in the event of death.
  - Provide a monthly income from the date of death of the insured to some future date specified in the contract
  - Provide an income for the adjustment period immediately following death
  - Provide a retirement income for the insured and his spouse
84. Nicole want to enhance her exiting policy by purchasing a separate provision coverage for a different nature. What would you recommend to her?
- Deposit privileges
  - Dividends
  - Riders
  - Assignment
85. Applicants for life insurance with moderate physical impairments are called sub-standard risks and \_\_\_\_.
- Therefore cannot obtain life insurance in any company
  - May be insured at increased rates to compensate for the extra hazard
  - Are issued policies without any non-forfeiture values
  - Are required to pay premiums on an annual basis
86. Life insurance companies practice risk selection primarily to \_\_\_\_.
- Guard against anti-selection
  - Establish dividend rates on participating policies
  - Determine policy reserve amount
  - Gather and test mortality statistics
87. What is the legal consideration for the promise made by the insurance company in a life insurance contract?
- Payment of renewal premium

- b. Approval by the underwriters
- c. Establishment of the reserve
- d. Payment of the initial premium

88. A hazardous occupation could be defined

- a. An occupation the duties of which expose the insured to a degree of danger of sustaining injury
- b. An occupation in an unhealthy working condition exposing the insured to elements which can cause sickness
- c. An occupation which exposes the insured to social hazards
- d. All of the above

89. Which of the following is not true about insurance premiums?

- a. The grace period is usually 31 days.
- b. A premium is the legal consideration needed to effectuate a life insurance policy
- c. Premiums which are paid quarterly or semi-annually are higher than those paid annually
- d. Cash is required for all premiums paid in the grace period

90. Which of the following determines the extent of medical evidence required?

- a. Occupation of the applicant
- b. The age of the applicant and the proposed sum to be insured
- c. Date of the last medical examination
- d. Financial condition of the applicant

91. Which of the following statements satisfies the requirement that the beneficiary should have an insurable interest?

- a. The insured and the beneficiary are engaged in a similar occupation
- b. The insured belongs to the same club as the beneficiary
- c. The insured is financially indebted to the beneficiary
- d. The insured and the beneficiary regularly travel to and from work in a car pool arrangement

92. Most life insurance agents are expressly authorized to perform the following functions:

- a. Solicit application for insurance, accept the initial premium, and issue a receipt on behalf of the insurance company
- b. Solicit and approve the application of the proposed insured
- c. Accept initial premium, and waive the insurable interest requirement
- d. Appraise applicants, and decide on a standard or sub-standard rating

93. Helena owns a policy that is kept in force by paying the premiums on a semi-annual basis. If she elected the non-forfeiture option. This means she \_\_\_\_.

- a. Chooses a mode of settlement for the life proceeds
- b. Discontinues premium payments for a whole life or endowment policy
- c. Converts a term policy to a whole life policy

- d. Renews a term life policy
94. In order for an assignment of a life insurance policy to be binding upon the company, \_\_\_\_.
- a. It must be made in writing and filed with the company
  - b. It must be of the limited type
  - c. The company must be satisfied that it is justified
  - d. The company must certify to its validity
95. Mr. Lorenzo and his primary beneficiary died in a common accident. It was established that the primary beneficiary died before Mr. Lorenzo, and there are no contingent beneficiaries named. To whom will the proceeds of Mr. Lorenzo's life insurance policy be paid?
- a. The estate of the primary beneficiary
  - b. The estate of the insured
  - c. Both the estates of the insured and primary beneficiary on a 50/50 percent basis
  - d. A court of law
96. The life insurance business relies on the following, except:
- a. The level of first year commission
  - b. Pressure selling
  - c. The use of effective needs selling
  - d. Agent's service oriented attitude
97. Which of the following are requirements in reinstating a policy after it has lapsed for non-payment of premiums?
- a. Payment of all overdue premiums
  - b. Application for reinstatement within the specified time
  - c. Evidence of insurability and payment of interest on overdue premiums
  - d. All of the above
98. What source of information will an insurance company not consider from a client pertaining to insurability?
- a. Medical examination report
  - b. Government tax records
  - c. Agent's inspection report
  - d. The applicant's personal appearance
99. The grace period provision in life insurance policies is designed to \_\_\_\_.
- a. Compel the insured to pay premiums more promptly
  - b. Permit the company to extra charges
  - c. Give the insured more time to pay the premium while coverage remains in-force
  - d. Terminate the contract of insurance automatically



100. In most cases, what will happen to a policy loan that has not been repaid at the time of the insured's death?
- a. It will be charged to the person responsible for paying the debts of the insured.
  - b. It will be collected from the life insurance company's reserve.
  - c. It will be written off against the insurance company under the terms of the premium loan repayment option.
  - d. It will be deducted from the proceeds of the policy when the death claim is paid.
101. The Insurance Code specifies that a contract does not take effect unless:
- a. The policy is delivered to an insured, his assignee, agent, or beneficiary
  - b. Payment of the first premium is made to the insurer or its authorized agent
  - c. 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
  - d. The insured has named no fewer than two beneficiaries in the policy
102. In personal accident and/or sickness contracts, what does "blanket policies" refer to?
- a. Group insurance covering loss from specific hazards, incidental to or related to particular activities
  - b. Insurance covering all hazards
  - c. Insurance for all types of hospital and health care expenses
  - d. None of the above
103. A man is about to retire. He has Ps. 100,000, 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. Which of the following will you sell him?
- a. Retirement income endowment
  - b. Straight life annuity
  - c. Cash refund policy
  - d. Joint and survivorship annuity
104. All of the following statements about Group Insurance are true, except:
- a. Each covered employee receives a policy.
  - b. A covered employee who terminates his employment continues to be covered for 31 days after termination date.
  - c. In a non-contributory plan, 100% of the group members must be included.
  - d. Most group policies pay dividends to employer.
105. Daniel failed to disclose that he is already a high-risk candidate for high blood pressure during the initial years of the policy. How will his contract be affected by such information?
- a. Void from the beginning
  - b. Valid unless the insurer can prove fraud
  - c. Valid if the insurer issues a policy which is delivered to the applicant
  - d. Voidable by the insurer if it has been in force less than 2 years

106. In developing a life insurance policy, the company must accumulate from premium payments a fund required to meet the contract obligations. What is this fund?
- a. Dividend fund
  - b. Policy reserve
  - c. Accrued discount
  - d. Contingency fund
107. What is Retirement Annuity?
- a. An arrangement where a person can pay a Life Insurance Company a sum of money in return for pension for life
  - b. A special kind of medical examination that has to be repeated every year
  - c. A kind of regular annual savings arrangement to provide a pension for life with no life coverage
  - d. A one-time payment for a pension to start at a predetermined date
108. Insurance companies which are owned by the policyowners are examples of
- a. stock companies
  - b. mutual companies
  - c. family corporation
  - d. open-end companies
109. An agent is prohibited from doing all of the following practices except to:
- a. Alter an application without the applicant's prior written approval
  - b. Convince a prospect to cancel his policy in one insurance company to buy a policy from the insurance company represented by the agent
  - c. Refund some of his commission to his client
  - d. Make complete comparison of the policies he sells and those offered by competing insurance companies
110. Margaux is the beneficiary of her dad's insurance policy. When it was time for her to make a claim, she was offered different options, which of these settlement options does not apply to her?
- a. Payment of the proceeds over a fixed period
  - b. Payment of the proceeds for the life of the insured
  - c. Payment of the proceeds in fixed amounts until exhausted
  - d. Proceeds held by the company, with interest payable to the beneficiary on request
111. Neal and his wife have a whole life and endowment policies respectively, that is why they are both assured that certain minimum policy benefits will remain with them even under certain changed conditions. Which non-forfeiture provision holds true with the given situation?
- a. Any guaranteed policy values will belong to the policy owner even if premium payments are discontinued
  - b. No death claim will be denied for any misstatement on the application

- c. The premium on the policy will remain the same even when another beneficiary is added to the policy
  - d. The face amount of the policy will remain the same even if the insured's health becomes impaired
112. In determining the number of people dying or living at a particular age within a given period, which principle do we use?
- a. Probability
  - b. Insurable Interest
  - c. Mortality Table
  - d. Risk Sharing
113. Simon named his mother as primary beneficiary and his brother as secondary revocable beneficiary for his Ps. 20,000 policy. Which of the following applies to this situation?
- a. Upon the insured's death, the primary and secondary beneficiaries shall each receive Ps. 10,000
  - b. The designation of a contingent beneficiary is subject to the primary beneficiary's approval
  - c. Any policy loan assignment will require the primary beneficiary's approval
  - d. The insured can add a third beneficiary at any time
114. What is the restriction when the death benefit of a policy is restricted in amount during the early years of the policy?
- a. Rate adjustment
  - b. An increasing death benefit
  - c. A lien
  - d. A subtractive clause
115. When does the insured person receive the full face amount himself?
- a. When he becomes 65 years old in the case of a whole life policy
  - b. On the date of maturity in the case of endowment policy
  - c. Only if he lives to 100 years old in the case of an endowment
  - d. When he becomes 65 years old in the case of limited pay life
116. All of the following statement regarding a life insurance application are correct, except:
- a. Misstatement of material facts could void the policy during the contestable period
  - b. It must be signed by the applicant
  - c. Usually, it will be made a part of the policy
  - d. Statements made on the application are warranties
117. All of the following are Standard Provision of a life insurance policy, except:
- a. A misstatement of age clause
  - b. A grace period clause
  - c. An automatic premium loan clause

d. An entire contract clause

118. If a policyholder wants to get the maximum immediate value from non-participating policy by surrendering it, which of the following would he get?
- a. Cash value
  - b. Loan value
  - c. Extended term insurance
  - d. Accumulated dividend
119. The premium on a participating life insurance policy is \_\_\_\_.
- a. The same as an non-participating policy
  - b. Greater at younger ages
  - c. Lower than a non-participating policy
  - d. Higher than a non-participating policy
120. In a case where the premium has not been paid and the cash value has been exhausted, which of the following can the policy still avail of?
- a. Automatic premium loan provision
  - b. Reinstatement provision
  - c. Extended term insurance
  - d. Grace period
121. A prospect tells you that he wants to be insured for life at the least annual cost until he dies. What would you offer him?
- a. A 20-pay life policy
  - b. A whole life policy
  - c. A term policy
  - d. Endowment policy
122. You visit a prospect who tells you that he does not believe in life insurance because, when his mother died, he was the beneficiary under her life policy. Most of the money were used to pay Estate Taxes because her agent made a mistake. Only this man and his sister were named in the policy. Which of the following did they fall under?
- a. Absolute assignee
  - b. Irrevocable primary beneficiary
  - c. Revocable secondary beneficiary
  - d. Revocable primary beneficiary
123. All of the following apply under the beneficiary provision, except:
- a. An irrevocable beneficiary's interest is very similar to that of an absolute assignee
  - b. The beneficiary must notify the company of the insured's death within 24 hours
  - c. The beneficiary can only receive the policy proceeds if he alive at the time of the insured's death

- d. The interest of a contingent beneficiary remains inoperative during the lifetime of the insured
124. In theory, endowment insurance is a combination of what?
- a. Level term and whole life
  - b. Level term and pure endowment
  - c. Increasing term and whole insurance
  - d. Increasing term and decreasing whole life
125. Paid-up additions options is one of the following features available in a participating policy. Which of the following is true about paid-up additions?
- a. Don't affect the cash value of the policy
  - b. Don't affect the loan or cash value of the policy
  - c. Affect both cash and loan value of the policy
  - d. Only affect the cash value of the policy
126. A misrepresentation in the application form is considered to be material if \_\_\_\_.
- a. The insurance company would have altered its risk appraisal decision had the truth been known.
  - b. The Insurance Commission disregard the misrepresentation.
  - c. The insured died during the contestable period.
  - d. The misrepresentation is subsequently discovered by the insurance company.
127. Harry made a policy loan to pay for the tuition fees of his children. After a year, he is still unable to pay for the loan. What will the insurance company do?
- a. Increase the present loan by the interest
  - b. Demand full settlement of the loan
  - c. Refuse to grant future additional loan
  - d. Terminate the contract
128. The company uses the information on a life insurance application relating to an applicant's birthday, occupation, and avocation primarily for what purpose?
- a. Appraising the risk
  - b. Assigning the risk
  - c. Determining the insurable interest
  - d. Determining a suitable plan of insurance
129. A client has a policy with you for Ps 1,000,000, which is payable to his estate, and he tells you that he wants his wife to receive the money free from Estate Tax. What would you recommend?
- a. Appoint an irrevocable beneficiary
  - b. Take a new policy with the bank as a third party
  - c. Make an absolute assignment
  - d. Make a collateral assignment

130. Which one of the following provisions in a permanent life insurance policy may lapse for non-payment of premium?
- a. Guaranteed insurability
  - b. Automatic premium loan
  - c. Settlement Options
  - d. Reinstatement Provision
131. Most binding receipts have the following provision, except:
- a. An acknowledgement of the receipt of the initial contractual premium
  - b. A minimum amount of coverage
  - c. The right of the company to terminate the initial coverage if the application is disapproved by the company
  - d. There is a confirmation of payment
132. Non-productive agents in a company affect
- a. Investment yield
  - b. Risk sharing
  - c. Expense
  - d. Profit allowance
133. A housewife without gainful employment applies for Ps 500,000 life coverage. Which of the following should the agent do?
- a. Suggest she doubles the amount
  - b. Tell her she has no need for it
  - c. Be grateful
  - d. Examine the adequacy of the husband's insurance coverage
134. An individual, at age 35, purchases a policy under which he, in 20 years, will receive the face amount of the policy himself, if he is alive at that date. This policy is obviously a \_\_\_\_.
- a. 20-pay life
  - b. 20-year endowment
  - c. 20-year term
  - d. None of the above
135. One supplementary benefit offered is a payor's benefit, which is intended to \_\_\_\_.
- a. Provide a waiver of premium benefit in the event of death or disability of the person paying the premiums
  - b. Provide for the returns of premiums to an adult payer in the event that a minor insured dies
  - c. Assure that the adult payor will retain a vested interest in the policy when the insured reaches the age of majority
  - d. Allow the insurance company to pay the policy's proceeds to the person who seems equitably entitled to the proceeds

136. Because the renewal of a term life insurance policy presents an increased possibility of anti-selection, it is customary for the insurance company to \_\_\_\_.
- a. Require some evidence of insurability each time that policy is renewed
  - b. Charge higher premium rates for term policies that are renewable than those that are not renewable
  - c. Restrict the policy owner's right to change the beneficiary of a renewable term policy
  - d. Define insurable interest more strictly for term policies than for other policies
137. When the beneficiary of a life insurance policy has been designated irrevocably, the policy owner must obtain the consent of the beneficiary in order to:
- I. Name a different person to receive policy benefits
  - II. Obtain a loan under the policy
  - III. Surrender the policy for its cash value
  - IV. Elects the extended term non-forfeiture option
- a. All of these
  - b. I, III, and IV
  - c. I, II, and III
  - d. II, III, and IV
138. 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 \_\_\_\_.
- a. Remain the same, and Mr. Kho will continue to receive policy dividends
  - b. Decrease, but Mr. Kho will continue to receive policy dividends
  - c. Stop increasing for the term of the rider
  - d. Increase, and Mr. Kho will continue to receive policy dividends
139. Anti-Selection refers to a general tendency on the part of \_\_\_\_.
- a. Agency managers to discriminate between loyal agents and disloyal agents
  - b. Applicants for life insurance to opt for inexpensive plans of insurance
  - c. Persons with impaired insurability to be more keen in obtaining insurance coverage than those persons who are in good health
  - d. Agents to call those prospects who state no obligations to life insurance
140. 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 as \_\_\_\_.
- a. Riders
  - b. Dividends
  - c. Assignment
  - d. Deposit privileges

141. What is a policy that is in force for less than the original sum assured with no indebtedness has availed of?
- The Reinstatement Provision
  - Grace Period
  - Paid-Up Insurance Option**
  - Cancellation
142. Philip bought a policy on the life of his wife and was not able to clarify to the insurance company that his wife was a year older when they bought their life insurance policy. What will the insurance company pay in case his wife dies?
- The face amount adjusted for misstatement of age
  - Slightly less than the face amount**
  - The sum of the premium paid
  - The face amount
143. A policy is approved with this rating when the insured has a higher than average chance of dying prematurely due to varying degrees of impairments.
- Standard Rate
  - Substandard Rate**
  - Decline
  - Postpone
144. John is young professional who loves sports. He engages in combat sports such as Kickboxing and MMA on his leisure time as his fitness routine. He tries to keep himself fit and does not take on any vices except for occasional drinks with friends. What could be his rating should he apply for a life insurance?
- Standard Rate
  - Substandard Rate**
  - Decline
  - Postponed
145. Mr. Sanchez has been with his partner for more 20 years, since he and his wife separated. Though he and his wife had remained friends, they agreed that they would no longer have interest in each other's assets after the separation. With this, Mr. Sanchez wishes to name his long-time partner to be his beneficiary. Can he do this?
- Yes, because he has been together for so long.
  - Yes, because Mr. Sanchez and his wife has already agreed not to make any claim should anything happen
  - No, because common-law spouse may not be nominated as beneficiary as per Philippine Law**
  - No, because they don't have children



146. In the event of an insured death, his common-law spouse filed for claim to his insurance. Since they were never married because of the insured's previous marriage, the common-law spouse's claim was denied. His parents were nominated as his beneficiary, but the insured outlived them. Where will the insured's insurance proceeds go?
- a. To his siblings
  - b. To his legal wife
  - c. To the insured's estate
  - d. To the state
147. What does a person have when he, the beneficiary, suffers financial loss caused by the death of the insured?
- a. Anti-selection
  - b. Speculation
  - c. Insurable Interest
  - d. Qualification
148. Sancho and Bong have been business partners for 5 years. Last year, they decided to set up a convenience store together. Can Sancho nominate Bong as his beneficiary when he applies for a policy?
- a. Yes, because they are living together. They are common-law partners.
  - b. Yes, because they are business partners, but Bong should also have a cross-insurance naming Sancho as his beneficiary.
  - c. No, because Philippine law does not recognize same-sex relationships and marriages.
  - d. No, because they are not technically related.
149. This type of life insurance provides lifetime protection with premiums payable in limited number of years, with cash values, and dividends. The face amount is paid when the insured dies, or reaches the age of 100, whichever comes first.
- a. Level Term Plan
  - b. Regular Whole Life Plan
  - c. Limited Pay Life Plan
  - d. Regular Endowment Plan
150. Which of the following provides protection in a specified period, and pays only the face amount in the event of death.
- a. Limited Pay Life Plan
  - b. Term Plan
  - c. Whole Life Plan
  - d. Endowment Plan
151. What increases yearly which is based on the insured's attained age?
- a. Natural Premium
  - b. Level Premium
  - c. Death Benefit

- d. Living Benefit
152. A single premium policy means a policy
- a. requiring only a single premium each year
  - b. under which only one premium payment is required
  - c. only available to single individuals
  - d. on which no more than one premium can be paid in advance
153. A fixed amount added to the premium of a given policy regardless of policy size is known as
- a. Policy fee
  - b. Policy reserve
  - c. Policy values
  - d. Extra Premium
154. To be able to calculate the required premiums for a given policy, the agent must know the applicants
- a. Age
  - b. choice of plan
  - c. face amount desired
  - d. all of the above
155. To calculate premiums for the other modes of premium payment, the annual premium is
- a. divided by the desired number of premium payments
  - b. divided by a conversion factor for the mode of payment desired
  - c. multiplied by a conversion factor for the mode of payment desired
  - d. multiplied by a constant conversion factor
156. Benefits payable under health insurance policies cover
- a. accidental death and dismemberment benefits
  - b. expense reimbursement benefits
  - c. disability income benefits
  - d. all of the above
157. With employer-employee groups, an employee does not fill out personal application for insurance. Instead he merely fills out
- a. An enrollment card
  - b. A registration card
  - c. A certificate of insurance coverage
  - d. A salary deduction form
158. In the event an employee leaves the company in which he is a member of its group insurance policy, his group coverage can be changed to individual policy using the
- a. Policy exchange facility
  - b. Conversion privilege

- c. Change of plan provision
  - d. Policy change form
159. For a contract to be legal and binding
- a. Parties to the contract must be members of the bar
  - b. Parties to the contract must be legally competent
  - c. Parties to the contract be above 21
  - d. Parties to the contract must possess blood relationship
160. A father enters into a life insurance contract on behalf of his child. In this case the father is the
- a. Insured
  - b. Beneficiary
  - c. Insurer
  - d. Applicant-owner
161. All of the following would be practicable to become beneficiaries except
- a. Children by former marriage
  - b. Brothers and sisters
  - c. Someone who owes you money
  - d. Someone to whom you owe money
162. Under the law pertaining to life insurance
- a. Only the minor children can be named irrevocable beneficiaries
  - b. Only the wife can be named irrevocable beneficiaries
  - c. Only the wife and the children can be named irrevocable beneficiaries
  - d. Any person with insurable interest can be named irrevocable beneficiaries
163. When the proceeds of a life insurance policy are left with the company to earn interest
- a. Income tax is levied on the proceeds
  - b. Income tax is levied on the interest earnings of the proceeds
  - c. Estate tax is levied on the proceeds
  - d. Donor's tax is levied on the proceeds
164. A person has insurable interest in the life of
- a. His child or grandchild
  - b. Any person upon whom he is wholly or in part dependent on, or from whom he is receiving support or education
  - c. Any person in whom he has pecuniary interest
  - d. All of the above
165. Anybody can be designated a beneficiary except
- a. A creditor
  - b. Minors

- c. Those expressly prohibited by law to receive donations
  - d. All of the above
166. The common practice of most life insurers is that the life insurance goes into force
- a. When the application is received by the branch office
  - b. When the policy is delivered to the applicant
  - c. In accordance with the legal stipulation of the Insurance Code
  - d. When the agent gives a binding receipt
167. The parties involved in life insurance contract are the
- a. Insurance company and agent
  - b. Insurance company and insured
  - c. Agent and insured
  - d. Insured and beneficiary
168. According to insurance law, a common-law spouse cannot be designated a beneficiary
- a. Since there is no benefit of marriage in the relationship
  - b. If his/her legal partner is still living and the previous marriage has not been legally dissolved
  - c. Since the common-law relationship is an immoral relationship
  - d. All of the above
169. Within two years of buying a life insurance policy, you are accidentally killed when your car hits a tree. In these circumstances the insurance company will
- a. Refund premiums because it is suicide
  - b. Pay double the face amount
  - c. Pay the face amount
  - d. Pay nothing
170. A policyholder may obtain money from the insurance company and still remain insured by
- a. Surrendering the policy for its cash value
  - b. Discontinuing payment of premium for some period
  - c. Taking a policy loan
  - d. Taking the extended insurance option
171. When explaining dividends, the following information must be supplied
- a. That they are not guaranteed
  - b. The dividends paid up in the previous years
  - c. The anticipated dividends
  - d. The relation to the cost of the policy

172. The typical grace period provision in a life insurance policy obliges the life insurance company to
- a. Establish a policy loan to cover any premium which the policyowner fails to pay by due date
  - b. Keep the policy in force for the duration of any major disability suffered by the policyowner
  - c. Allow the policy owner a three-month extension beyond the due date to make the late premium payment without penalty
  - d. None of the above
173. Automatic premium loan differs from the other policy loans in that an automatic premium loan
- a. Need not be repaid by the policy owner
  - b. Must be repaid during the policy year in which it is granted
  - c. Goes into effect requiring no separate action from the policy owner
  - d. Involves higher interest payments because of the greater cost of administration
174. When a policy is assigned absolutely
- a. The assignee acquires all the rights and interests of the original policyholder
  - b. The original policyholder still can exercise some of the rights
  - c. The original beneficiary is not changed
  - d. None of the above
175. If a policy did not contain the name of a beneficiary, the beneficiary will be
- a. The wife
  - b. The children
  - c. The insured's brothers and sisters
  - d. The insured estate
176. If the policyowner does not pay a premium on the due date, the policy will immediately
- a. Lapse
  - b. Be converted to a paid-up policy for a lesser amount
  - c. Go into automatic premium loan
  - d. Continue in full force for a grace period
177. If a policyowner whose wife is the irrevocable beneficiary wishes to cash in his policy, he must
- a. Tell his wife what he is going to do
  - b. First take a loan on the policy
  - c. Have the check issued in the name of his wife
  - d. Have the wife's consent

178. Choose the incorrect statement:  
The entire contract between the policyowner and the insurance company include
- a. The application and the policy
  - b. Any verbal statement made by the agent to the applicant
  - c. Any document attached to the policy when issued
  - d. Any subsequent written amendments to the contract
179. If a loan is taken on a participating policy, dividends for that policy while there is a loan against the policy will be
- a. Suspended
  - b. Paid in a reduced rate
  - c. Unaffected
  - d. Increased
180. Interest is charged on policy loans
- a. For registered policies only
  - b. If the loan is outstanding for more than a year, a loan repaid within a year is interest free
  - c. To replace investment income the insurer cannot earn since a loan has been granted
  - d. For participating policies only
181. An insurance plan which offers both protection and savings is called
- a. Temporary plan
  - b. Permanent plan
  - c. Participating plan
  - d. Non-participating plan
182. A man with moderate means can have maximum protection possible through
- a. 20 Yr. Endowment
  - b. Limited pay life
  - c. Term insurance
  - d. Whole life insurance
183. Mr. Juan Valdez wants a policy which will entitle him to receive dividends yearly. What will you recommend to Mr. Valdez?
- a. Participating plan
  - b. Non-participating Plans
  - c. Term insurance
  - d. None of the above
184. Which of the following can give the longest protection?
- a. 20 yr. Endowment
  - b. Endowment at 65
  - c. Ordinary life

- d. 20 yr term
185. In a 20 Life policy
- a. Protection is until age 100, payment of premium is for age 20 years
  - b. Protection is until age 100, payment of premiums until age 100
  - c. Protection is for 20 years, payment of premium is for 20 years
  - d. Protection is for 20 years, payment of premiums until age 100
186. A participating plan entitles the policyowner to receive a return of excess premiums. Such is termed as:
- a. Endowments
  - b. Dividends
  - c. Cash values
  - d. Cash surrender value
187. Mrs. Rose Cortez owns a policy which does not provide for the build up of cash values and whose premiums remain level. Mrs. Cortez owns:
- a. Ordinary Life
  - b. Limited Pay Life
  - c. Decreasing term
  - d. Level Term
188. Two attractive features of a term insurance are:
- a. Convertibility and cash values
  - b. Cash values and dividends
  - c. Protection and dividends
  - d. Convertibility and renewability
189. A term insurance which allows the policyowners to convert it to a permanent insurance within a specified period without evidence of insurability contains \_\_\_\_\_ feature:
- a. Convertibility
  - b. Renewability
  - c. Dividend option
  - d. Both a & b
190. A term policy only offers
- a. Cash values
  - b. Protection
  - c. Savings
  - d. Dividends
191. The main difference between a term plan and a permanent plan is
- a. Permanent plans provide both protection and savings while term plans offer protection only

- b. Permanent plans provide savings and dividends while term plans provide savings only
  - c. Permanent plans can be converted and renewed while term plans cannot
  - d. All of the above
192. A term rider is
- a. A term policy with a waiver of premium
  - b. Another name for a convertible term policy
  - c. A renewable term policy
  - d. A term insurance added to a permanent plan
193. An optional rider which can be attached to a policy stopping further premium payments in the event of disability is called
- a. Policyholder protection clause
  - b. Accidental death and dismemberment
  - c. Waiver of premium
  - d. Total disability monthly income
194. If a policy with the accidental death rider becomes paid-up
- a. The accidental death rider ceases
  - b. The face amount of the policy is reduced
  - c. Premiums on the basic policy stop but the rider premium continues
  - d. None of the above
195. Mr. Pedro Cruz became paralyzed as a result of jumping out of the window in an attempt to commit suicide. Under the usual provisions of a disability income policy, he would be entitled to
- a. Receive the total disability income benefit and the waiver of premium
  - b. Receive partial disability benefits
  - c. Be granted the waiver of premiums
  - d. Receive neither disability income nor waiver of premiums
196. A person wanting a greater coverage for the least amount of premium has an option of attaching what rider in his permanent life policy?
- a. A waiver of premium
  - b. Term insurance rider
  - c. Guaranteed insurability rider
  - d. Accidental death rider
197. If an insured is disabled and his life insurance policy is being continued in force through the waiver of premium, the dividends of the policy would
- a. Cease
  - b. Continue at reduced rate
  - c. Continue as if the owner is paying the premium
  - d. Continue but they would be applied toward premium being waived



198. A policy with a minor as the proposed insured is called
- a. Rated policy
  - b. Juvenile policy
  - c. Regular policy
  - d. Substandard policy
199. Life insurance policies for which higher than standard premium rates are payable are said to be
- a. Rated policies
  - b. Contingent policies
  - c. Non-participating policies
  - d. Conditional policies
200. Which of the following factors would have the least effect on the premium charged for life insurance
- a. Age
  - b. Occupation
  - c. Income
  - d. All of the above
201. Anti-selection occurs
- a. When an agent thinks only of his own interest and not of his policyowners
  - b. When you purchase bad stocks with expectation that they will improve
  - c. When the insurance company accepts more than a share of poor risks
  - d. When persons in poor health wish to buy insurance
202. In insurance, risk means
- a. Chances of you being paid by the company
  - b. Hazard on people's lives
  - c. Chances of the beneficiary being paid
  - d. None of the above
203. Insurance companies have various sources of information and the insured. These are
- a. Application form
  - b. Medical information bureau
  - c. Inspection report
  - d. All of the above
204. In insurance risks are classified as
- a. Unacceptable and acceptable
  - b. Regular and irregular
  - c. Standard, substandard and declined
  - d. Complete and incomplete

205. Statement in the application forms are
- a. Guarantees
  - b. Representation
  - c. Warranties
  - d. None of the above
206. Mr. Roel Reyes has been confined in a hospital for 3 years prior to his application for insurance. He therefore needs to give the following information
- a. Name of attending doctor, diagnosis, date of confinement
  - b. The bill and medicines
  - c. Name of doctor only
  - d. Date of confinement only
207. Insurance companies have a source of confidential medical information on applicants for life insurance. This is the
- a. Agents confidential report bureau
  - b. Inspection reports bureau
  - c. Financial standing bureau
  - d. Medical impairment bureau
208. An agent is filling up the Agent's Confidential Report. What information must be put in his report?
- a. Information about insured's standing in the community
  - b. Information about insured's finances
  - c. All information he knows which are material to the application for insurance
  - d. a & b only
209. An annuity plan
- a. offers life insurance protection
  - b. offers the waiver of premium benefit
  - c. is the same as an endowment plan
  - d. is a purchase of income
210. The person who purchases the annuity plan is called the
- a. assignor
  - b. owner
  - c. insured
  - d. annuitant
211. A life insurance company earns income from two main sources
- a. premium income and investment income
  - b. mortgage income and premium income
  - c. dividend income and premium income
  - d. dividend income and interest income

- e. mortgage income and dividend income
212. Policy reserves are future obligations on the part of
- a. the insurance commission
  - b. the insurance company
  - c. the beneficiary
  - d. the policyowner
213. Stock companies are owned by
- a. policyowners
  - b. stockholders
  - c. creditors
  - d. government
214. In the case of life insurance a sale is considered completed if the application is signed and payment of the first premium is made by the applicant. For the sale to be considered completed
- a. a medical examination has to be made first
  - b. payment of the first premium has to be made by the applicant in full or in part, as specified. One of the acceptable methods of settlement is by cash or check in part, with a note for the balance
  - c. payment of the first premium has to be made in full by a note first
  - d. the first premium has to be paid for in full and in cash
215. Why is it important that the application is the basis of the policy?
- a. Because the completed application is the basis of the policy contract and the company may accept or reject an application based on the information given in the application
  - b. For the agent to have available data of his prospect in connection with future sales
  - c. To avoid the necessity of the insurer putting all relevant details in the contract
  - d. None of the above
216. Which one of the following statements is correct?
- a. Advertising by life insurance agents is prohibited
  - b. All information about a client or a prospective client has to be treated as confidential
  - c. The agents should always recommend the amount and type of policy to a prospective client which would be profitable for the company
  - d. When an agent advertises his services to the press, he is not allowed to state the name of his company
217. Prior to granting a license, the IC requires proof of
- a. A clean record of employment
  - b. A reasonable educational background
  - c. A prospective agent's character and reputation
  - d. All of the above

218. The IC has the power to adjudicate insurance claims against companies for any single claim not exceeding
- a. 1,000,000.00
  - b. 250,000.00
  - c. 100,000.00
  - d. 500,000.00
219. Which one of the following statements is correct?
- a. An insurance agent's license will be renewed when the commissioner is satisfied that the information in the application is accurate and all requirements are met
  - b. An insurance agent's license is valid only for one month
  - c. An insurance agent's license is valid during the lifetime of the agent
  - d. An insurance agent's license will be renewed when the corresponding application and fee are received by the insurance commissioner
220. The insurance industry is under government regulations because
- a. It is required to account for the money spent in company operations
  - b. It pays high taxes
  - c. It affects public interest
  - d. It is a charitable institution
221. Which one of the following statements is correct?
- a. An agent is allowed to share commissions when selling a whole life policy but not when selling a term policy
  - b. An agent is allowed to share commissions with another licensed agent or agents but with no one else
  - c. Sharing the commission with any other person is called twisting
  - d. An agent is not allowed to share commissions with any person
222. Which one of the following statements is correct?
- a. Rebating of premiums can only be authorized by the head office of the insurer
  - b. A life insurance is not allowed to identify on his letterhead the name of the insurer he represents
  - c. Life insurance agents are allowed to act for two insurers at the same time under the same license
  - d. Rebating of premiums by an insurance agent is prohibited
223. Persuading a policyowner, directly or indirectly, to surrender or lapse a policy in one company and replacing it with a policy in another company is
- a. Rebating
  - b. Twisting
  - c. Knocking
  - d. Discounting

224. Rebating is
- a. Dating the policy a month in advance
  - b. Giving false information
  - c. Twisting
  - d. Premium discrimination against policyholders
225. An insurance agent's license can be revoked for
- a. Fraudulent practices
  - b. Violation of any provision of the insurance code
  - c. Misrepresentation in the application for license
  - d. Any or all of the above
226. One example covered under the ethical practices and procedures is
- a. Keep all policyholders information confidential
  - b. Always recommend a will
  - c. Never drink in front of client
  - d. Always pick-up the first premium with the application for insurance
227. The term knocking means
- a. Promising to pay two annuitants a fixed annual income as long as both survive
  - b. Making derogatory remarks about competing underwriters or companies
  - c. The number of years that person at a given age will live on the average as shown by the mortality table
  - d. None of the above
228. The following are unethical practices in the solicitation and procurement of insurance except
- a. Misleading estimates of the dividends or shares of surplus to be received thereon
  - b. Inducing a policyholder to lapse, forfeit or surrender a policy he holds for another company
  - c. Misrepresenting the terms of any policy issued by any insurance company or the benefits or advantages promised thereon
  - d. Obtaining or attempting to obtain a license by fraud or misrepresentation
229. Twisting is
- a. Paying the premium on one policy by surrendering the dividends of another policy
  - b. The replacement of a policy in one company with another policy in another company
  - c. An attempt made by an insurance company to secure the services of an agent from another company
  - d. An offense which does not apply to variable concepts
230. The misstatement of facts by either of the parties of insurance to the other whether in writing or orally preliminary and in reference to making the insurance contract is
- a. Knocking
  - b. Overloading

- c. Misrepresentation
  - d. Twisting
231. Selling a person more insurance than what is warranted by his sources is called
- a. Overloading
  - b. Twisting
  - c. Rebating
  - d. Knocking
232. Inducing an insured to lapse or forfeit his insurance
- a. Is not allowed by the conditions of the contract
  - b. Is always to the advantage of the policyholder
  - c. Is an offense in the great majority of cases
  - d. Is a matter left entirely to the discretion of the agent
233. The suicide clause is in effect for
- a. The first 6 months
  - b. The first year
  - c. The first 2 years
  - d. The first 18 months
234. The three non-forfeiture values in a permanent policy are
- a. Cash dividends, bonus additions and extended term insurance
  - b. Cash surrender value, loan value, assignment
  - c. Waiver of premium, reinstatement and the policy loan
  - d. Cash surrender value, paid value, extended term insurance
235. In the event that a policy elects the paid-up insurance option
- a. The premiums stop and the policy continues for the full face amount until age 65
  - b. The premiums cease and protection continues with a reduced amount of coverage
  - c. The insurance continues with a reduced amount and a reduced premium
  - d. The policy will automatically terminate
236. In case of misstatement of age
- a. The policy is cancelled and a new one is issued for the correct age
  - b. The insured can be changed
  - c. The amount of insurance is adjusted to the amount which the premium paid at the correct age would have purchased
  - d. The policy remains in force and the company cannot contest it
237. Which one of the following is not derived from the non-forfeiture values
- a. Cash surrender value
  - b. Paid-up insurance
  - c. Dividends

- d. Extended term insurance
238. Mr. Dela Cruz stated in his application that he was 30 years of age and a policy was issued to him on that basis. When he died twenty years later it was found out that, in fact, he was 34 years of age at the time of his application. In conformity with the Insurance Code, the company
- a. Paid the amount of insurance payable to his beneficiary reduced in relation to his actual age at the time the contract was signed
  - b. Paid one-half of the face value of the policy
  - c. Need not pay the face value of the policy, but refund all premiums paid
  - d. Paid the full face value of the policy without any extra charges
239. If a policyowner commits suicide within one year. What's the company's liability?
- a. The company is not liable at all
  - b. The company would be liable for the payment of the face value of the policy
  - c. The company would be liable for the payment of the premiums paid by the insured only
  - d. None of the above
240. Which of the non-forfeiture option gives the largest amount of protection?
- a. Fully paid insurance
  - b. Cash surrender value
  - c. Extended term insurance
  - d. All of the above give equal protection
241. Any policy which has lapsed can be reinstated subject to normal conditions of proof of insurability within
- a. Three years
  - b. Six months
  - c. One year
  - d. Two years
242. Life insurance is
- a. A luxury afforded by the rich
  - b. Only available to a specific group
  - c. A cooperative risk sharing plan
  - d. A speculative risk
243. The official who makes the necessary assumption and calculation in respect of the principal elements in life insurance premium in order to arrive at the premium rates to be charged is the
- a. Life agent
  - b. Senior statistician
  - c. Insurance commissioner
  - d. Actuary

244. Since the purchase of life insurance is a voluntary choice the individual must meet
- A comprehensive inspection
  - Certain standards of health and occupation
  - A satisfactory medical examination
  - A minimum income figure
245. The fundamental advantage of the use of insurance as means of meeting economic losses is that through insurance these losses are
- Spread over a large number of people
  - Deferred for a specified period of time
  - Reduced for the group as a whole through the multiplier effect
  - Met as they arise through savings accumulated on an assessment basis
246. The term loading means
- The difference between the gross and net premiums for the purpose of paying the insurance overhead expenses including commissions and taxes
  - The amount which the company will lend to the policyholder with the policy as a security
  - The amount payable in the event of the occurrence of a loss which renders him unfit for insurance
  - None of the above
247. Life insurance can provide money when income stops because of
- Disability
  - Death
  - Retirement
  - All of the above
248. The three elements that make up a life insurance premium are
- Mortality experience, investment earnings and operating expenses
  - Cash values, dividends and paid up values
  - Cash values, loan values and paid up values
  - Past dividend experience, present dividend and projected interest
249. The number of years that persons at a given age will live on the average as shown by the mortality table is called
- Law of large numbers
  - Life income option
  - Life annuity
  - Life expectancy



250. Part of the premium paid by a policyholder is invested by the insurance company. In premium computation, this factor is known as
- a. Interest
  - b. Investment
  - c. Loading
  - d. Mortality

**Direction: Write T if the statement is TRUE and F if the statement is FALSE on the answer sheet provided.**

**False** 1. If the premium has not been paid and the cash values have been exhausted, the grace period provision still applies. **Policy Provisions**

**True** 2. According to the law of large numbers, events which happen seemingly by chance will actually be bound to follow a predictable pattern, if enough such happenings are observed. - **IC Guidelines**

**False** 3. Anti-selection occurs when persons in good health wish to buy insurance. - **Underwriting**

**False** 4. If policy is still in force for the full face amount and will remain in force for a further period of four years and 117 days, without the payment of any premiums, this implies that the owner has availed of the paid-up insurance option. – **Products & Riders/ Policy Provisions**

**False** 5. In the case of misstatement of age, the amount of insurance will not be adjusted to the amount which the premium paid at the correct age would have purchased. - **Policy Provisions**

**True** 6. A participating endowment is a policy that provides guaranteed cash values plus extra annual distributions and pays the insured after a specified time. - **Products & Riders**

**False** 7. In a group insurance it is assumed that every member of the group is insurable, provided that every member of the group is working a minimum number of (usually 60 hours) each week. - **Products & Riders**

**False** 8. An endowment at age 66 policy with premium payable for a limited period of 20 years pays the full amount after 20 years. - **Products & Riders**

**False** 9. In most life insurance applications, the largest amount of information requested is the data which identifies the applicant. - **Underwriting**

**True** 10. A misstatement of the assured's age does not make the policy a void contract. - **Policy Provisions**