

QUIZ

The Do Not Call Registry offers exemptions for calls placed from all of the following EXCEPT

- charities
- surveys
- insurance sales calls
- political organizations

Correct

Correct. All of these types of calls are exempt from the Do Not Call Registry EXCEPT insurance sales calls.

CONTINUE >

Ken is a producer who has obtained Consumer Information Reports under false pretenses. Under the Fair Credit Reporting Act, what is the maximum penalty that may be imposed on Ken?

- \$1,000
- \$5,000
- \$7,000
- \$3,000

Correct

Correct. Under the Fair Credit Reporting Act, the maximum penalty for a producer who obtains Consumer Information Reports under false pretenses is \$5,000 and 1 year imprisonment.

CONTINUE >

A type of insurer that is owned by its policyowners is called

- in-house
- domestic
- stock
- mutual

Correct

Correct. A mutual insurer is owned by its policyowners.

CONTINUE >

What is the primary purpose of a rating service company such as A.M Best?

- Determine which insurer offers the best policies
- Determine financial strength of an insurance company
- Determine which agent to use locally
- Determine which insurer offers the best rates

Correct

Correct. The primary purpose of a rating service company is to determine the financial strength of the company being rated.

CONTINUE >

Karen is a producer who has obtained personal information about a client without having a legitimate reason to do so. Under the McCarran-Ferguson Act, what is the minimum penalty for this?

- \$15,000
- \$10,000
- \$5,000
- \$0

Correct

Correct. A fine of \$10,000 or up to one year in jail is the penalty for any person who obtains information about a client without having a legitimate reason to receive it.

CONTINUE >

An insurer's ability to make unpredictable payouts to policyowners is called

- investment values
- liquidity
- assets
- capital

Correct

Correct. Liquidity indicates a company's ability to make unpredictable payouts to policyowners.

CONTINUE >

Why are dividends from a mutual insurer not subject to taxation?

- Because dividends are considered to be a return of premium
- Because insurance premiums are tax-deductible
- Because dividends are already subject to capital gains
- Because dividends are payable directly to the policyholder

Incorrect

Incorrect. The correct answer is "Because dividends are considered to be a return of premium". Dividends are not subject to taxation because paying dividends is equivalent to returning a premium.

CONTINUE >

Which of the following is NOT considered advertising?

- Direct mailing from an agency
- A rating from a rating service company, such as A.M. Best
- An illustration
- A sales presentation

Correct

Correct. An A.M. Best company rating is not considered advertising.

CONTINUE >

A life insurance company has transferred some of its risk to another insurer. The insurer assuming the risk is called the

- mutual insurer
- reinsurer
- reciprocal insurer
- participating insurer

Correct

Correct. When risk is transferred from one insurer to another, the insurer assuming the risk is called the reinsurer.

CONTINUE >

A nonparticipating company is sometimes called a(n)

- mutual insurer
- alien insurer
- reinsurer
- stock insurer

Correct

Correct. A stock insurer is referred to as a nonparticipating company because policyholders do not participate in dividends resulting from stock ownership.

VIEW RESULTS

Legal purpose is a term used in contract law meaning

- there must be an offer and acceptance
- the contract must be aleatory
- there must be legal reasons for entering into the contract
- the contract must be a contract of adhesion

Correct

Correct. In contract law, legal purpose refers to the fact that the reasons for entering into a contract must be legal.

CONTINUE >

According to life insurance contract law, insurable interest exists

- when any business relationship exists
- at the time of application
- at the time of death
- only when determined by a judge

Incorrect

Incorrect. The correct answer is "at the time of application". According to life insurance in contract law, a person most likely will have an insurable interest in insuring a person's life if at the time of application

CONTINUE >

The authority granted to a licensed producer is provided via the

- producer's apparent authority
- written contract
- Law of Agency
- Principal Capacity

Incorrect

Incorrect. The correct answer is "Law of Agency". According to the Law of Agency, the producer/agent represents the principal/insurer and is granted actual, implied and apparent authority to act on behalf of the insurer. The Law of Agency makes the principal responsible for these acts of the agent.

CONTINUE >

A professional liability for which producers can be sued for mistakes of putting a policy into effect is called

- fiduciary bond
- errors and omissions
- fiduciary trust
- errors and oversights

Correct

Correct. Errors and omissions is a professional liability for which producers can be sued for mistakes of putting a policy into effect.

CONTINUE >

Bob and Tom start a business. Since each partner contributes an important element to the success of the business, they decide to take life insurance policies out on each other, and name each other as beneficiaries. Eventually, they retire and dissolve the business. Bob dies 12 months later. The policies continue in force with no change. Both partners are still married at the time of Bob's death. In this situation, who will receive Bob's policy proceeds?

- Tom's spouse
- Bob's estate
- Bob's spouse
- Tom

Correct

Correct. Insurable interest only has to exist at the time of the application, not at the time of the claim. Being there was no change in beneficiary prior to Bob's death, Tom will still receive the policy proceeds.

CONTINUE >

The power given to an individual producer that is not specifically addressed in his/her contract is considered what type of authority?

- discreet
- apparent
- implied
- express

Correct

Correct. Implied authority is the unwritten authority that is not expressly granted, but which the agent is assumed to have in order to transact the business of the principal.

CONTINUE >

All of the following are elements of an insurance policy EXCEPT

- definitions
- other insurance
- claim forms
- conditions

Incorrect

Incorrect. The correct answer is "claim forms". Claim forms are not an element of an insurance policy.

CONTINUE >

Which type of clause describes the following statement: "We have issued the policy in consideration of the representations in your applications and payment of the first-term premium".

- Premium clause
- Consideration clause
- Adhesion clause
- Contestability clause

Correct

Correct. This statement refers to the consideration clause.

CONTINUE >

Under a contract of adhesion,

- there is the potential for an unequal exchange of value
- the insurer's obligations are dependent upon certain acts of the insured individual
- the terms must be accepted or rejected in full
- only one party makes any kind of enforceable promise

Correct

Correct. Under a contract of adhesion, the contract has been prepared by one party (the insurance company) with no negotiation between the applicant and insurer. In effect, the applicant "adheres" to the terms of the contract on a "take it or leave it" basis when accepted.

CONTINUE >

When the principal gives the agent authority in writing, it's referred to as

- express authority
- implied authority
- apparent authority
- imposed authority

Incorrect

Incorrect. The correct answer is "express authority". Express authority is given when the principal gives the agent authority in writing.

CONTINUE >

_____ is NOT an element of a valid contract.

- Legal
- Consideration
- Competent parties
- Countersignature

Correct

Correct. A countersignature is not an element of a valid contract.

CONTINUE >

Which of the following is present when an applicant stands to lose value if the insured dies?

- Insurability
- Offer and acceptance
- Insurable interest
- Consideration

Incorrect

Incorrect. The correct answer is "Insurable interest".
Insurable interest means that the person acquiring the contract (the applicant) must be subject to loss upon the death, illness, or disability of the person being insured.

CONTINUE >

In an insurance contract, the insurer is the only party legally obligated to perform. Because of this, an insurance contract is considered

- voidable
- conditional
- aleatory
- unilateral

Correct

Correct. A contract in which only the insurer would be legally obligated to perform is considered unilateral.

CONTINUE >

Insurable interest does NOT occur in which of the following relationships?

- Sister and brother
- Parent and children
- Business partners
- Business owner and business client

Correct

Correct. There would not be insurable interest between a business owner and its customer.

CONTINUE >

The term which describes the fact that both parties of a contract may NOT receive the same value is referred to as

- Apparent
- Estoppel
- Aleatory
- Unilateral

Correct

Correct. Aleatory is a term that describes the fact that both parties of a contract may NOT receive the same value.

CONTINUE >

Which contract element is insurable interest a component of?

- Competent parties
- Offer and acceptance
- Consideration
- Legal purpose

Correct

Correct. Insurable interest is a component of legal purpose.

CONTINUE >

What is implied authority defined as?

- Authority given in writing to an agent in the agency agreement
- Authority that is not specifically given to an agent in the agency contract, but that an agent can reasonably assume to carry out his/her duties
- Authority given to handle claims and process payments
- Authority given to an agent to act outside the scope of the agency agreement

Correct

Correct. Implied authority is defined as the authority that is not specifically granted to an agent in the agency agreement, but that an agent can reasonably assume to accomplish the day-to-day activities of the job.

CONTINUE >

Ambiguities in an insurance policy are always resolved in favor of the

- insured
- producer
- insurer
- underwriter

Correct

Correct. Ambiguities in an insurance policy are always resolved in favor of the insured.

CONTINUE >

What makes an insurance policy a unilateral contract?

- Only the insured pays the premium
- Only the insured can change the provisions
- Only the insurer is legally bound
- Only the insured is legally bound

Correct

Correct. Insurance contracts are unilateral, meaning that only the insurer makes legally enforceable promises in the contract.

CONTINUE >

In order for a contract to be valid, it must

- be filed with the state
- be signed and witnessed by an attorney
- be in writing
- contain an offer and acceptance

Incorrect

Incorrect. The correct answer is "contain an offer and acceptance". For a contract to be valid it MUST include an offer and an acceptance.

VIEW RESULTS

Which of these would be the best example of a limited pay life insurance policy?

- Whole life policy that pays out its cash value over a 20 year period
- Whole life policy with premiums paid up after 20 years
- Term life policy that returns cash value after 20 years
- Term life policy with premiums paid up after 20 years

Correct

Correct. A whole life insurance policy where the premiums are paid up after 20 years would be considered a limited pay life insurance policy.

CONTINUE >

Variable life insurance and Universal life insurance are very similar. Which of these features are held exclusively by variable universal life insurance?

- Policyowner may increase or decrease the premium payments
- Policyowner may increase or decrease the face amount
- Policyowner can contribute large sums of money
- Policyowner has the right to select the investment which will provide the greatest return

Incorrect

Incorrect. The correct answer is "Policyowner has the right to select the investment which will provide the greatest return". The right to select the investment which will provide the greatest return pertains only to variable universal life insurance.

CONTINUE >

The type of policy which pays on the death of the last person is called

- joint life
- survivorship life
- dual life
- shared life

Correct

Correct. A survivorship life policy pays on the death of the last person.

CONTINUE >

What is a corridor in relation to a Universal Life insurance policy?

- The gap between the total death benefit and the policy's cash value
- The gap between when a claim is filed and when the death benefit is received
- The amount of interest that has accumulated in the policy's cash value
- The point in time when the policy's cash value reaches \$0

Correct

Correct. The corridor is the gap between a Universal Life policy's total death benefit and the policy's cash value.

CONTINUE >

Donald is the primary insured of a life insurance policy and adds a children's term rider. What is the advantage of adding this rider?

- Can be converted to permanent coverage without evidence of insurability
- Coverage can be different for each child
- Premiums on this rider are not required until the limiting age is reached
- Increases the policy's overall cash value

Incorrect

Incorrect. The correct answer is "Can be converted to permanent coverage without evidence of insurability". An advantage of a children's term rider is the ability to convert to permanent insurance without evidence of insurability.

CONTINUE >

How are survivorship life insurance policies helpful in estate planning?

- Provide funds to help fund retirement
- Provide funds to help pay taxes
- Provide funds for funeral expenses
- Provide tax deductions for premium payments

Correct

Correct. Survivorship life insurance policies are useful in estate planning because they can provide money to pay taxes on assets.

CONTINUE >

Peter has a policy where 80% to 90% of the premium is invested in traditional fixed income securities and the remainder of the premium is invested in contracts tied to a stipulated stock index. What kind of policy is this?

- Modified Endowment Contract
- Current assumptive whole life
- Credit life insurance
- Equity index whole life

Correct

Correct. The type of policy where 80% to 90% of the premium is invested in traditional fixed income securities and the remainder of the premium is invested in contracts tied to a stipulated stock index is equity index whole life.

CONTINUE >

Which type of life insurance is normally associated with a Payor Benefit rider?

- Juvenile insurance
- Family income insurance
- Spouse insurance
- Term rider

Correct

Correct. A Payor Benefit rider waives the premium ONLY in connection with juvenile insurance.

CONTINUE >

The statement which best describes the relationship between the premiums of a whole life policy and the premium payment period is

- The shorter the payment period, the lower the premium
- The longer the payment period, the higher the premium
- The shorter the payment period, the higher the premium
- The payment period has no affect on the premium payment

Correct

Correct. With a whole life policy, the shorter the payment period, the higher the annual premium.

CONTINUE >

A permanent life insurance policy where the policyowner pays premiums for a specified number of years is called a(n)

- adjustable policy
- limited pay policy
- level term policy
- variable universal policy

Correct

Correct. A permanent life insurance policy where the policyowner pays premiums for a specified number of years is called a limited pay policy.

CONTINUE >

What is the automatic continuance of insurance coverage referred to as?

- renewal
- reinstatement
- resumption
- renovation

Incorrect

Incorrect. The correct answer is "renewal". The automatic continuance of insurance coverage is called renewal.

CONTINUE >

Krissa purchases a 10-year level term life insurance policy that has a death benefit of \$200,000. Which of these statements is true?

- The policy automatically converts to whole life after the 10-year period
- The face amount will remain constant and the premium will increase over the 10-year period
- The premium will remain constant and the face amount will increase over the 10-year period
- The face amount and premium will remain constant over the 10-year period

Incorrect

Incorrect. The correct answer is "The face amount and premium will remain constant over the 10-year period". In this situation, the premium and the face amount will remain constant for the 10-year period.

CONTINUE >

What kind of life insurance policy covers two or more people with the death benefit payable upon the last person's death?

- Dual Life insurance
- Joint Life insurance
- Last Survivor Life insurance
- Shared Life insurance

Incorrect

Incorrect. The correct answer is "Last Survivor Life insurance". Coverage of two or more individuals with the death benefit payable upon the last person's death is a feature of last survivor insurance.

CONTINUE >

A business will typically use which type of life insurance to cover their employees?

- Group policy
- Adjustable life policy
- Whole life policy
- Endowment policy

Correct

Correct. A type of life insurance policy most commonly used by businesses for employees is a group policy.

CONTINUE >

Which type of multiple protection policy pays on the death of the last person?

- Joint life policy
- Survivorship life policy
- Dual life policy
- Multiple life policy

Incorrect

Incorrect. The correct answer is "Survivorship life policy". A survivorship life policy pays on the death of the last person.

CONTINUE >

A single premium cash value policy can be described as

- a policy that is paid up after only one payment
- a policy that only requires an annual payment
- a policy that is guaranteed issue
- a policy that covers two or more lives

Correct

Correct. A single premium cash value policy is best described as a policy that is paid up after only one payment.

CONTINUE >

Which of these is NOT subject to income taxation under a Modified Endowment Contract (MEC)?

- Loan against the cash value
- Policy withdrawal
- Policy dividend
- Death benefit

Incorrect

Incorrect. The correct answer is "Death benefit". The death benefit would NOT be subject to income tax under a Modified Endowment Contract (MEC).

CONTINUE >

A renewable Term Life insurance policy allows the policyowner the right to renew the policy

- at anytime the policyowner chooses
- as many times as the policyowner chooses
- paying the same premium as before the renewal
- without producing proof of insurability

Correct

Correct. If Term Life insurance is renewable, the policyowner is purchasing the right to renew the policy without showing proof of insurability.

CONTINUE >

A limited payment whole life policy provides

- protection for 20 years
- lifetime protection
- protection for more than one person
- discounted premiums

Correct

Correct. Premiums on limited payment whole life insurance are paid for a limited number of years, but the benefits last a lifetime.

CONTINUE >

Level premium permanent insurance accumulates a reserve that will eventually

- equal the face amount of the policy
- pay a dividend to the policyowner
- require the policyowner to make periodic withdrawals
- become larger than the face amount

Correct

Correct. Level premium permanent insurance accumulates a reserve that will eventually equal the face amount of the policy.

VIEW RESULTS

A life insurance policy that contains a guaranteed interest rate with the chance to earn a rate that is higher than the guaranteed rate is called

- whole life
- group life
- credit life
- universal life

Correct

Correct. Universal life has a guaranteed interest rate with the possibility to earn an interest rate that is higher than the guaranteed rate.

CONTINUE >

Which of the following policies does NOT build cash value?

- Term
- Straight Life
- Endowment
- Variable Life

Correct

Correct. Term life insurance does not build cash value.

CONTINUE >

Jonas is a whole life insurance policyowner and would like to add coverage for his two children. Which of the following products would allow him to accomplish this?

- Child term rider
- Payor rider
- Family maintenance rider
- Family income rider

Correct

Correct. A child term rider is level term insurance that can be added to an existing policy.

CONTINUE >

Pre-death distributions from a modified endowment contract (MEC) receive different tax treatment than other life insurance policies because

- the MEC has tax deductible premiums
- the MEC is considered an illegal product
- the MEC tends to be an investment vehicle
- the MEC does not accumulate cash value

Incorrect

Incorrect. The correct answer is "the MEC tends to be an investment vehicle". A modified endowment contract (MEC) receives different tax treatment on pre-death distributions than other life insurance policies because it tends to be an investment vehicle.

CONTINUE >

Which of these is NOT subject to income taxation under a Modified Endowment Contract (MEC)?

- Loan against the cash value
- Policy withdrawal
- Policy dividend
- Death benefit

Correct

Correct. The death benefit would NOT be subject to income tax under a Modified Endowment Contract (MEC).

CONTINUE >

Rob purchased a standard whole life policy with a \$500,000 death benefit when he was age 30. His insurance agent told him the policy would be paid up if he reached age 100. The present cash value of the policy equals \$250,000. Rob recently died at age 60. The death benefit would be

- \$250,000
- \$750,000
- \$375,000
- \$500,000

Incorrect

Incorrect. The correct answer is "\$500,000". In this situation, the death benefit would be the \$500,000 face amount.

CONTINUE >

A policyowner may change two policy features on what type of life insurance?

- Modified Whole Life
- Decreasing Term Life
- Adjustable Life
- Whole Life

Correct

Correct. Adjustable Life allows the policyowner to change two policy features: premium and face amount.

CONTINUE >

A Renewable Term Life insurance policy can be renewed

- at a predetermined date or age, regardless of the insured's health
- only if the insured provides evidence of insurability
- anytime at the policyowner's request
- typically with no change in premium

Incorrect

Incorrect. The correct answer is "at a predetermined date or age, regardless of the insured's health".

Renewable Term Life insurance guarantees the policy can be renewed to a predetermined date or age, regardless of the insured's health status.

CONTINUE >

Which policy feature makes a universal life policy different from a whole life policy?

- A fixed cash value
- A flexible premium schedule
- A fixed death benefit
- The ability to take out a policy loan

Correct

Correct. The policy feature that makes universal life different from whole life insurance policies is its flexible premium schedule.

CONTINUE >

Which type of life insurance policy pays the face amount at the end of the specified period if the insured is still alive?

- Adjustable life policy
- Modified life policy
- Endowment policy
- Universal life policy

Incorrect

Incorrect. The correct answer is "Endowment policy". A type of life insurance policy which provides for the payment of the face amount at the end of the specified period if the insured is still alive is an endowment policy.

CONTINUE >

Which type of life insurance offers flexible premiums, a flexible death benefit, and the choice of how the cash value will be invested?

- Adjustable life policy
- Variable universal policy
- Universal policy
- Modified whole life policy

Correct

Correct. A variable universal life policy has three key elements- flexible premium, death benefit, and the choice of how the cash value will be invested.

CONTINUE >

What happens to the coverage under a children's term rider when that child reaches a certain specified age?

- Coverage decreases automatically
- Coverage increases automatically
- Coverage remains as long as proof of insurability is provided
- Coverage is eliminated

Incorrect

Incorrect. The correct answer is "Coverage is eliminated". When a child reaches a certain specified age under a children's term rider, he or she is eliminated from coverage.

CONTINUE >

A life insurance policy that is subject to a contract interest rate is referred to as

- adjustable life
- group life
- term life
- universal life

Correct

Correct. Universal life is subject to a contract interest rate or a current annual interest rate.

CONTINUE >

All of these are characteristics of a universal life insurance policy EXCEPT

- Flexible death benefit
- Fixed surrender value
- Flexible premiums
- Builds cash value

Correct

Correct. A fixed surrender value is NOT a characteristic of a universal life insurance policy.

CONTINUE >

Barbara's policy includes a rider which allows her to purchase additional insurance at specific dates or events without evidence of insurability. This rider is called a(n)

- Guaranteed insurability rider
- Payor rider
- Endowment rider
- Family income rider

Correct

Correct. A guaranteed insurability rider allows for the insured to purchase additional insurance at specific dates or events without evidence of insurability.

CONTINUE >

In what part of an insurance policy are policy benefits found?

- Declarations
- Entire contract
- Waivers
- Conditions

Incorrect

Incorrect. The correct answer is "Declarations". Essentially, the insurance declaration page is like a quick guide to the insurance policy, providing all of the basic information the policyholder needs to know.

CONTINUE >

Which of these would limit a company's liability to provide insurance coverage?

- Waiver
- Exclusion
- Rider
- Provision

Incorrect

Incorrect. The correct answer is "Exclusion". An exclusion is a condition which limits the company's liability to provide coverage.

CONTINUE >

In order to activate the reinstatement clause of a lapsed life insurance policy, the insured MUST

- remit all past-due premiums within the grace period
- provide evidence of insurability to the insurer
- resubmit a new life insurance application
- provide a valid reason for the lapse

Incorrect

Incorrect. The correct answer is "provide evidence of insurability to the insurer". In order to activate the reinstatement clause of a lapsed life insurance policy, the insured must provide evidence of insurability to the insurer.

CONTINUE >

Which dividend option would an insurer invest the policyowner's money and add any interest earnings as the dividends accrue?

- Accumulation at Interest Option
- Cash Dividend Option
- Paid-Up Additions Option
- One-Year Term Dividend Option

Correct

Correct. The Accumulation at Interest Option invests the policyowner's money and adds interest earnings to the initial amount of the dividends.

CONTINUE >

A provision in a whole life policy that allows a policyowner to terminate the policy in return for a reduced paid-up policy of the same type is called a(n)

- insuring clause
- payor provision
- reinstatement provision
- nonforfeiture provision

Correct

Correct. A nonforfeiture provision in a cash value life insurance policy allows a policyowner to terminate the policy in return for a reduced paid-up policy of the same type.

CONTINUE >

Under a life insurance policy, what does the insuring clause state?

- The agent's obligation to provide the proper amount of coverage
- The insurer's obligation to return all premiums upon an approved death claim
- The insurer's obligation to pay a death benefit upon an approved death claim
- The agent's obligation to pay a death benefit upon an approved death claim

Correct

Correct. While a life policy is in force, the insuring clause states the insurer's obligation is to pay the death benefit to the beneficiary when a death claim is approved.

CONTINUE >

James is the insured on a life insurance policy where his age was misstated on the application. Which of the following is CORRECT regarding the death benefit amount?

- The original face amount will be paid to the beneficiary
- The policy will be voided with no death benefits paid
- The death benefit paid will be what the premium would have purchased at the correct age
- The amount of premiums paid will be returned with interest

Correct

Correct. Under the Misstatement of Age provision, the amount paid will be what the premium would have purchased at the correct age.

CONTINUE >

Ron has a life insurance policy with a face value of \$100,000 and a cost of living rider. If the consumer price index has gone up 4%, how much may Ron increase the face value of the policy?

- \$400
- \$800
- \$2,000
- \$4,000

Correct

Correct. In this situation, Ron may increase the face value of his policy by \$4,000. $\$100,000 \times .04 = \$4,000$.

CONTINUE >

Which of these is NOT considered to be a common life insurance nonforfeiture option?

- Cash surrender
- Extended term insurance
- Reduced paid-up insurance
- Life income annuity

Incorrect

Incorrect. The correct answer is "Life income annuity". All of these are common life insurance nonforfeiture options EXCEPT a life income annuity.

CONTINUE >

If an insured dies during the grace period with no premiums paid

- the policy would be payable, minus the premium amount
- the policy would be payable only after the beneficiary makes past due premium payment
- all past premiums will be refunded with interest
- the claim would be denied

Correct

Correct. If the insured dies during the grace period and premiums have NOT been paid, the policy would be payable, less the premium amount.

CONTINUE >

All of these are standard exclusions found in a life insurance policy EXCEPT

- hazardous occupations
- aviation
- disability
- war

Correct

Correct. Disability is not one of the standard exclusions found in life insurance policies.

CONTINUE >

Which of these is NOT a characteristic of the Accelerated Death Benefit option?

- The face amount and policy premium are not affected by the payment
- Before payment of the benefit is made, specific conditions must exist, such as suffering from a terminal illness
- There may be a dollar limit on the maximum benefit
- The benefit can be offered as a rider at a specific extra cost or may be at no cost

Incorrect

Incorrect. The correct answer is "The benefit can be offered as a rider at a specific extra cost or may be at no cost ". Accelerated Death Benefit options are offered with NO increase in premium.

CONTINUE >

Which of the following is considered to be an alternative to a life settlement?

- Accelerated death benefit rider
- Waiver of premium rider
- Extended term option
- Decreasing term insurance

Correct

Correct. An alternative to a life settlement is an accelerated death benefit rider.

CONTINUE >

Joanne has a \$100,000 whole life policy with an accumulated \$25,000 of cash value. She would like to borrow \$15,000 against the cash value. Which of the following statements is TRUE?

- Net death benefit will be reduced if the loan is not repaid
- No interest will be charged on loan balance
- Term life policies are the only type of insurance that allows policy loans
- A loan can be taken out for up to the face amount of the policy

Correct

Correct. If the loan is not repaid, the net death benefit will be reduced by the outstanding loan balance.

CONTINUE >

Which type of rider will waive the premium on a child's life insurance policy if the parent paying the premium dies?

- Waiver of premium
- Juvenile waiver
- Guaranteed insurability
- Payor benefit

Correct

Correct. A payor benefit will waive the premium on a juvenile life insurance policy if the parent paying the premium dies.

CONTINUE >

A life insurance policy normally contains a provision that restricts coverage in the event of death under all of the following situations EXCEPT

- fare-paying passenger
- pilot of personal airplane
- suicide
- war

Incorrect

Incorrect. The correct answer is "fare-paying passenger". A policy may contain provisions excluding or restricting coverage as specified in the event of death under all of these situations EXCEPT a fare-paying passenger.

CONTINUE >

Of the following dividend options, which of these is taxable?

- Reduction of premium
- One year term
- Paid-up additions
- Accumulation at interest

Correct

Correct. The accumulation at interest is a taxable dividend option.

CONTINUE >

If an insured's age on a life insurance policy has been misstated, what is the insurer's liability if the insured dies?

- No death benefit is owed because of the misstatement of age
- The full original death benefit listed on the policy
- A prorated death benefit based on the amount of insurance the insured's premiums would have been if purchased at the correct age
- The original death benefit listed on the policy minus any outstanding loans and interest

Correct

Correct. In this situation, the insurer must pay a prorated amount of the policy based on the amount of insurance the insured's premiums would have been if purchased at the correct age.

CONTINUE >

What is the name of the provision which states that a copy of the application must be attached to the policy when issued?

- Policy Summary
- Buyer's Guide
- Entire Contract
- Entire Policy

Correct

Correct. The provision that the policy and a copy of an application is endorsed upon or attached to the policy when issued is the entire contract provision.

VIEW RESULTS

What would be an expense factor in an insurance program?

- Premiums collected
- Mortality costs
- Opportunity costs
- Investment interest

Incorrect

Incorrect. The correct answer is "Mortality costs".
Mortality costs are considered an expense factor in an insurance program.

CONTINUE >

What does a life insurance policy guarantee to the stated beneficiary upon the death of the insured?

- Policy Dividend
- Specified amount of money
- Policy's cash value
- Funeral expense fund

Incorrect

Incorrect. The correct answer is "Specified amount of money". Life insurance guarantees to the beneficiary a specified sum of money in the event of the insured's death.

CONTINUE >

Elizabeth is the beneficiary of a life insurance policy. She is receiving the death benefit in payments of \$10,000 per month until the principal and interest has been paid out. Which option was chosen?

- Fixed period
- Fixed amount
- Life income
- Interest only

Incorrect

Incorrect. The correct answer is "Fixed amount". The fixed amount installment option pays a fixed death benefit in specified installment amounts until the principal and interest are exhausted.

CONTINUE >

A beneficiary change can occur

- only upon the request of the revocable beneficiary
- only on specified dates within the policy
- normally at any time during the policy term
- at no time

Correct

Correct. A beneficiary change can occur normally at any time during the policy term.

CONTINUE >

Insurance premium is determined by each of the following factors EXCEPT

- Mortality
- Interest
- Expenses
- Liquidity

Correct

Correct. All of these are factors which determine insurance premiums EXCEPT "Liquidity".

CONTINUE >

The premium payment mode that results in the highest overall cost would be

- monthly
- quarterly
- semi-annual
- annual

Correct

Correct. A monthly premium mode will result in the highest overall cost.

CONTINUE >

Mortality is calculated by using a large risk pool of

- hobbies and time
- people and time
- family history and geographical area
- insurance companies and agents

Correct

Correct. Mortality is based on a large risk pool of people and time.

CONTINUE >

What is the primary feature of a viatical settlement?

- No interest on policy loans
- Reduced death benefit prepayment
- Longer contestable period
- Lower premiums

Correct

Correct. The primary feature of a viatical settlement is the prepayment of a reduced death benefit.

CONTINUE >

Over the course of a year, which premium payment mode is most expensive?

- Monthly
- Quarterly
- Semi-Annually
- Annually

Correct

Correct. The monthly payment mode is the most expensive over the course of a year.

CONTINUE >

Which of these is affected by the frequency of an insurance policy's premium payments?

- Settlement options
- Cash value
- Death benefit
- Cost

Incorrect

Incorrect. The correct answer is "Cost". The frequency of insurance premium payments affects the policy's cost.

CONTINUE >

Tonya has replaced her whole life policy with an annuity without incurring a tax penalty. This transaction is called a(n)

- Modified Exchange
- Endowment Exchange
- 1040 Exchange
- 1035 Exchange

Correct

Correct. A 1035 tax free Exchange is the IRS tax code that allows for the rollover of a non-qualified annuity (or transfer of a life insurance policy) to a new annuity or life policy of equal or greater value.

CONTINUE >

A beneficiary has just received a claim payment for a life insurance policy. Which of the following is TRUE regarding the federal income tax liability owed?

- A flat tax of 10% is owed on all proceeds
- Federal income tax is owed if proceeds exceed \$250,000
- No federal income tax is owed on life insurance proceeds
- Tax liability owed depends on the type of life insurance policy

Incorrect

Incorrect. The correct answer is "No federal income tax is owed on life insurance proceeds". There is no federal income tax on life insurance proceeds if you receive the proceeds under a life insurance contract as a beneficiary.

CONTINUE >

Level premium term life insurance policies

- build cash value in a separate account
- automatically convert to permanent insurance at a predetermined date
- automatically renew at predetermined dates
- have premiums that are averaged over the policy period

Correct

Correct. The policyowner pays more in the early years for protection to help cover the cost in later years, which allows the premiums to remain level throughout the life of the policy.

CONTINUE >

Which type of beneficiary should be named if the insured wants to give explicit directions on how the policy proceeds should be paid?

- Individual
- Group
- Class
- Estate

Correct

Correct. An individual beneficiary designation would be most appropriate in this situation.

CONTINUE >

A life insurance claim which involves a per capita distribution of policy proceeds would be payable to the

- estate of the insured only
- estate of the deceased beneficiaries only
- named contingent beneficiaries only
- named living primary beneficiaries

Correct

Correct. "Per capita" is a method of life insurance distribution using total number of individuals. This means that all living members that are identified in the life insurance policy will receive an equal amount of the life insurance proceeds. Using per capita distribution means that if one of the beneficiaries becomes deceased before the insured, then the other beneficiaries will simply have their share increased accordingly.

CONTINUE >

A policyowner can receive an immediate payment before the insured dies by using a(n)

- viatical settlement contract
- buy-sell arrangement
- adhesion agreement
- spendthrift plan

Incorrect

Incorrect. The correct answer is "viatical settlement contract". A viatical settlement contract is a transaction that involves an immediate payment to the policyowner prior to the death of the insured.

CONTINUE >

Proceeds from a life insurance policy are protected from the beneficiary's creditors by which clause?

- protection clause
- creditor clause
- spendthrift trust clause
- beneficiary trust clause

Incorrect

Incorrect. The correct answer is "spendthrift trust clause". The clause in a life insurance policy protecting its proceeds from the beneficiary's creditors is referred to as the spendthrift trust clause.

CONTINUE >

Which of these ensures that proceeds of a life insurance policy will be free from attachment or seizure by the beneficiary's creditors?

- Spendthrift Clause
- Protection Clause
- Viatical Clause
- Settlement Clause

Correct

Correct. A Spendthrift Clause is a statement in a settlement agreement that indicates that the proceeds of the policy will be free from attachment or seizure by the beneficiary's creditors.

CONTINUE >

Which of these factors help determine an insured's life insurance premium?

- insured's salary
- marital status
- place of residence
- avocation (hobby)

Incorrect

Incorrect. The correct answer is "avocation (hobby)".
Life insurance premiums are determined by several factors pertaining to the insured, such as age, occupation, and avocation (hobby).

CONTINUE >

Naming a contingent beneficiary as "all surviving children" is described by which term?

- Contingent designation
- Primary designation
- Class designation
- Tertiary designation

Incorrect

Incorrect. The correct answer is "Class designation".
"All surviving children" is an example of naming a beneficiary by class designation.

VIEW RESULTS

Which settlement option involves having the proceeds remain with the insurer and earnings paid on a monthly basis to the beneficiary?

- interest only
- dividends only
- extended interest
- fixed period

Incorrect

Incorrect. The correct answer is "interest only". The settlement option that allows proceeds to remain with the insurer and earnings to be paid to the beneficiary on a monthly basis is called interest only.

Sharon is the policyowner of a \$50,000 life insurance policy. Her son, Mike, is the beneficiary. If Sharon MUST obtain Mike's signature in order to change the beneficiary, what kind of beneficiary designation is this?

- Tertiary
- Contingent
- Revocable
- Irrevocable

Correct

Correct. An irrevocable beneficiary designation requires the beneficiary's signature.

CONTINUE >

Which of these is affected by the frequency of an insurance policy's premium payments?

- Settlement options
- Cash value
- Death benefit
- Cost

Correct

Correct. The frequency of insurance premium payments affects the policy's cost.

CONTINUE >

Which of these premium payment frequencies is not typically available to a policyowner?

- Bi-weekly
- Monthly
- Quarterly
- Semi-annual

Correct

Correct. A bi-weekly payment mode is normally not an option to policyowners.

CONTINUE >

Elizabeth is the beneficiary of a life insurance policy. She is receiving the death benefit in payments of \$10,000 per month until the principal and interest has been paid out. Which option was chosen?

- Fixed period
- Fixed amount
- Life income
- Interest only

Correct

Correct. The fixed amount installment option pays a fixed death benefit in specified installment amounts until the principal and interest are exhausted.

Which of the following enables a life policy to be replaced with another life policy and results in the postponement of the tax consequence?

- Section 1040 exchange
- Section 1035 exchange
- Nonforfeiture Option
- Spendthrift Option

Correct

Correct. A Section 1035 Exchange enables a life policy to be replaced with another life policy and results in the postponement of the tax consequence.

CONTINUE >

Which of these factors help determine an insured's life insurance premium?

- insured's salary
- marital status
- place of residence
- avocation (hobby)

Correct

Correct. Life insurance premiums are determined by several factors pertaining to the insured, such as age, occupation, and avocation (hobby).

CONTINUE >

Purchasing a life insurance policy in order to avoid the forced sale of assets upon death is called

- estate funding
- capital withholding
- capital gains
- estate conservation

Incorrect

Incorrect. The correct answer is "estate conservation". Estate conservation involves purchasing life insurance to avoid the forced sale of assets upon death.

CONTINUE >

What is created after policy proceeds are obtained in a lump sum and then immediately invested?

- Viatical Settlement
- Emergency Fund
- Lump Sum Fund
- Estate

Incorrect

Incorrect. The correct answer is "Estate". Policy proceeds can be obtained in a lump sum and invested to create an estate.

CONTINUE >

Where would policy proceeds be paid if both the insured and primary beneficiary were killed in the same accident?

- primary beneficiary's estate
- contingent beneficiary
- insured's estate
- children of the insured

Correct

Correct. If the insured and the primary beneficiary are killed in the same accident, the policy proceeds will be paid to the contingent beneficiary of the insured.

CONTINUE >

Pat is insured with a life insurance policy and Karen is his primary beneficiary. They are both involved in an automobile accident where Pat dies instantly and Karen dies 5 days later. Which policy provision will protect the rights of the contingent beneficiary to receive the policy benefits?

- Nonforfeiture clause
- Common disaster clause
- Spendthrift clause
- Accident indemnity clause

Correct

Correct. With a common disaster provision, a policyowner can be sure that if both the insured and the primary beneficiary die within a short period of time, the death benefits will be paid to the contingent beneficiary.

All of these are settlement options for life insurance policies EXCEPT

- Life income
- Lump sum
- Extended term
- Fixed period

Correct

Correct. The extended term option is a nonforfeiture option, not a settlement option.

CONTINUE >

Which of these is considered a major tax advantage of life insurance?

- Tax credits are available for life insurance premiums paid
- Annual earnings are tax free
- Premiums are tax deductible by an employee if paid for by an employer
- Income tax is typically not owed on proceeds paid directly to a beneficiary

Correct

Correct. One of the major tax advantages of life insurance is that the beneficiary generally does not pay income tax on the proceeds.

If the beneficiary dies from the same accident as the insured individual, the insurer will proceed as if

- the insured outlived the beneficiary
- the beneficiary outlived the insured
- both the insured and beneficiary died at the same time
- the estate was listed as beneficiary

Incorrect

Incorrect. The correct answer is "the insured outlived the beneficiary". A common disaster provision states that if the beneficiary dies from the same accident as the insured individual, the insurer will proceed as if the insured outlived the beneficiary. This allows the proceeds to go to the contingent beneficiary.

[VIEW RESULTS](#)

Which of the following does a life insurance policy summary normally include?

- The policy's cash value
- Agent's report
- Policyowner's MIB report
- Stated beneficiary

Correct

Correct. A life insurance policy summary typically includes the cash values of the policy.

CONTINUE >

In which of the following relationships would there NOT be an insurable interest?

- Parent to child
- Business partner to business partner
- Brother to sister
- Business owner to business customer

Correct

Correct. An insurable interest does not exist between a business owner and a business customer.

CONTINUE >

An attending physician's statement would be appropriate for which life insurance purpose?

- Attending physician's statements are mandatory during the application process
- At the request of the applicant to assist in the underwriting decision
- At the request of the producer to assist in the underwriting decision
- At the request of the insurer to assist in the underwriting decision

Correct

Correct. An attending physician's statement is done at the request of the insurer when it could affect the underwriting decision, but with the consent of the applicant.

CONTINUE >

All of these are considered key factors in underwriting life insurance EXCEPT

- Tobacco use
- Health history
- Age
- Marital status

Correct

Correct. Marital status is not a key factor in underwriting life insurance.

CONTINUE >

An applicant's character and personal habits can be obtained for underwriting purposes from which source?

- Investigative consumer report
- Attending physician's statement
- Medical Information Bureau (MIB)
- Credit report

Correct

Correct. An investigative consumer report is a detailed report that contains information on a consumer's character, general reputation, personal characteristics, or mode of living and is obtained through personal interviews with neighbors, friends, or associates of the consumer.

CONTINUE >

What guarantees that the statements supplied by an insurance applicant are true?

- Assurance
- Promise
- Representation
- Warranty

Incorrect

Incorrect. The correct answer is "Warranty". A warranty is considered a statement of fact or something guaranteed to be true. Breach of warranties can be considered grounds for voiding the policy.

CONTINUE >

Which of the following is a requirement for ANY change in an insurance application?

- Change must be initialed by the agent
- Change must be initialed by the applicant
- Change must be approved by the insurer
- Change must be notorized

Incorrect

Incorrect. The correct answer is "Change must be initialed by the applicant". Any changes in an insurance application MUST be initialed by the applicant.

CONTINUE >

Signatures for an insurance application MUST be obtained by the producer from all of the following sources EXCEPT

- the producer
- the insured
- the policyowner
- the beneficiary

Correct

Correct. The beneficiary is not required to sign an insurance application.

CONTINUE >

What happens when an insurance policy is backdated?

- The policy's elimination period is waived
- The time frame for reinstating a lapsed policy is extended
- The policy's probation period is earlier than the present
- The policy's effective date is earlier than the present

Correct

Correct. Backdating on an insurance policy is the practice of making the policy effective on an earlier date than the present.

CONTINUE >

An underwriter's primary responsibility to an insurer is to protect against

- natural selection
- inverse selection
- adverse selection
- risk selection

Correct

Correct. One of the main responsibilities of an underwriter is to protect the insurer against adverse selection.

CONTINUE >

An insurance applicant with a below-average likelihood of loss is typically considered to be a

- preferred risk
- subpar risk
- declined risk
- standard risk

Incorrect

Incorrect. The correct answer is "preferred risk". A proposed insured whose likelihood of loss is significantly less than the average is classified as preferred risk.

A person who is a nonsmoker, of average weight, and in excellent health would most likely be in which risk classification?

- Standard
- Substandard
- Acceptable
- Preferred

Correct

Correct. In this situation, the individual will most likely have a preferred risk classification.

Which of these is NOT considered to be a risk factor in life insurance underwriting?

- Number of children
- Health history
- Hobbies
- Occupation

Correct

Correct. All of these are considered risk factors in life underwriting criteria EXCEPT number of children.

Which of these is likely to occur when life or health insurance is being applied for?

- The Medical Information Bureau (MIB) will determine the risk classification
- The agent is required to report all medical information to the Medical Information Bureau (MIB)
- Physical examinations are required
- Medical history from the insured may be reviewed and reported

Correct

Correct. To apply for a life or health insurance policy, the insured individual's medical history may be reviewed and reported.

Which of the following statements is CORRECT regarding an individual applying for life or health insurance?

- The applicant waives all privacy rights
- The applicant's family medical history is always required
- The applicant's medical history is irrelevant
- The applicant's medical history may be analyzed and reported

Correct

Correct. To apply for a life or health insurance policy, an applicant's medical history may be reviewed and reported.

An insurance producer is often responsible for field underwriting during the application process. All of these are possible field underwriting roles EXCEPT

- providing disclosure information to the applicant
- collecting initial premium
- policy delivery
- providing commission information to the applicant

Correct

Correct. All of these are field underwriting roles an insurance producer may perform EXCEPT "providing commission information to the applicant".

CONTINUE >

Statements made by an insurance applicant on an application are considered to be

- irrevocable
- warranties
- representations
- guarantees

Incorrect

Incorrect. The correct answer is "representations". The proposed insured's statements on a life insurance application are considered to be representations.

Which of the following would be considered an underwriting duty of an agent?

- Requesting medical information from the Medical Information Bureau (MIB)
- Completing all applications and collecting initial premiums
- Accepting or declining an application
- Assigning a risk classification

Correct

Correct. An agent's underwriting duties include completing all applications and collecting initial premiums.

CONTINUE >

Underwriters can acquire information from all of the following sources EXCEPT

- Medical Information Bureau (MIB)
- consumer reports
- attending physician's statements
- genetic testing

Correct

Correct. Underwriters can acquire information from all of these sources EXCEPT genetic testing.

Which scenario would most life insurance policies exclude coverage for?

- A tourist traveling abroad on a major airline carrier
- An individual who has a hobby racing cars once a month
- An airline pilot who flies for a commercial carrier
- A soldier on leave at home

Incorrect

Incorrect. The correct answer is "An individual who has a hobby racing cars once a month". Most life insurance policies exclude coverage for a loss arising from an auto enthusiast racing automobiles as a hobby.

[VIEW RESULTS](#)

How many months can a life insurance policy normally be backdated from the date of application?

- 3
- 6
- 9
- 12

Correct

Correct. A life insurance policy can typically be backdated up to 6 months from the date of the written insurance application. Ohio is an exception and allows only up to 3 months.

CONTINUE >

What would happen if a life insurance applicant is given a conditional receipt from an insurance agent and then dies the next day?

- Claim will be denied by insurer
- Claim will be paid if money was received by the insurance company
- Claim will be paid if underwriter has received the application
- Claim will be paid if application is approved

Correct

Correct. In this situation, the claim will be paid if the application is approved.

CONTINUE >

Which of these is considered to be a document that describes the critical segments of a life insurance policy?

- Buyer's guide
- Policy summary
- Consumer report
- Buyer's summary

Correct

Correct. A document that specifies the critical segments of an insured's life insurance policy is known as a policy summary.

CONTINUE >

A person who is a nonsmoker, of average weight, and in excellent health would most likely be in which risk classification?

- Standard
- Substandard
- Acceptable
- Preferred

Correct

Correct. In this situation, the individual will most likely have a preferred risk classification.

CONTINUE >

Signatures for an insurance application MUST be obtained by the producer from all of the following sources EXCEPT

- the producer
- the insured
- the policyowner
- the beneficiary

Correct

Correct. The beneficiary is not required to sign an insurance application.

CONTINUE >

An insurance producer is often responsible for field underwriting during the application process. All of these are possible field underwriting roles EXCEPT

- providing disclosure information to the applicant
- collecting initial premium
- policy delivery
- providing commission information to the applicant

Correct

Correct. All of these are field underwriting roles an insurance producer may perform EXCEPT "providing commission information to the applicant".

CONTINUE >

Which of the following pertains to the analysis of an applicant's personal information and determining whether insurance should be issued or declined?

- Adverse calculation
- Underwriting
- Risk classification
- Actuarial determination

Correct

Correct. The analysis of information pertaining to an applicant that was obtained from various sources and the determination of whether the insurance should be issued or declined is called underwriting.

Which of the following signatures is not required on an individual insurance application?

- Producer
- Applicant
- Insured
- Insurer

Incorrect

Incorrect. The correct answer is "Insurer". On an individual insurance application, the insurer's signature is not required.

CONTINUE >

Which of the following does a life insurance policy summary normally include?

- The policy's cash value
- Agent's report
- Policyowner's MIB report
- Stated beneficiary

Incorrect

Incorrect. The correct answer is "The policy's cash value". A life insurance policy summary typically includes the cash values of the policy.

A field underwriter's main task is

- assign a risk classification to the insured
- report medical information to the Medical Information Bureau (MIB)
- to ensure an applicant's medical information is accurate and complete
- to approve or decline an applicant

Correct

Correct. One of the main tasks of a field underwriter is to ensure the accuracy and completeness of an individual's medical information.

CONTINUE >

The principle of insurable interest, in regards to a life insurance contract, is accurately described in which statement?

- An agent establishes insurable interest
- An individual does not have insurable interest on his or her own life
- Insurable interest only pertains to business arrangements
- Insurable interest can be based on the love and affection of individuals related by blood or law

Correct

Correct. Individuals related closely by blood or law have an insurable interest based on love and affection.

[VIEW RESULTS](#)

Field underwriting performed by the producer involves

- assigning a risk classification to the insured
- providing commission information to the applicant
- approving or declining an applicant
- completing the application and collecting initial premium

Correct

Correct. Field underwriting performed by the producer involves completing the application and collecting initial premium. Other duties include, but are not limited to, providing disclosure information to the applicant and policy delivery.

CONTINUE >

In regards to a life insurance contract, which of the following statements is NOT true regarding the concept of insurable interest?

- Individuals are assumed to have insurable interest in themselves
- Insurable interest is established by a court of law
- Insurable interest can be established sufficiently by sentimental attachment alone
- Insurable interest must exist at the time of the application

Incorrect

Incorrect. All of these statements on insurable interest in a life insurance contract are true EXCEPT "Insurable interest can be established sufficiently by sentimental attachment alone".

Which of the following would be a valid reason why a policy premium would be higher than the standard premium?

- The insurer is not a member of the MIB
- The agent quoted the wrong price
- The insured does not have the necessary financial reserves
- The insured does not meet established underwriting requirements

Correct

Correct. Sometimes, policy premiums are higher than the standard premium because the insured does not meet certain underwriting requirements.

CONTINUE >

What guarantees that the statements supplied by an insurance applicant are true?

- Assurance
- Promise
- Representation
- Warranty

Incorrect

Incorrect. The correct answer is "Warranty". A warranty is considered a statement of fact or something guaranteed to be true. Breach of warranties can be considered grounds for voiding the policy.

CONTINUE >

An insurance company needs to obtain personal information from a third party concerning an applicant. Which law do all insurers and their producers need to comply with?

- USA Patriot Act
- Personal Information Act
- Fair Credit Reporting Act
- McCarran-Ferguson Act

Correct

Correct. To protect the rights of consumers for whom an inspection or credit report has been requested, Congress enacted the Fair Credit Reporting Act in 1970.

CONTINUE >

An applicant intentionally lying to an insurance company on an application in order to obtain a cheaper premium is an example of

- rebating
- coercion
- fraud
- twisting

Incorrect

Incorrect. The correct answer is "fraud". A deliberate lie by an insured to the insurance company in order to obtain a lower premium is an example of fraud.

An individual most likely will have an insurable interest in insuring a person's life if

- an economic interest exists for the continuance of the insured's life
- a financial interest exists at the time of insured's death
- there is any blood relationship with the insured
- a business relationship exists

Correct

Correct. An individual most likely will have an insurable interest in insuring a person's life if an economic interest exists for the continuance of the insured's life.

CONTINUE >

All of these are typically sources of underwriting information for life or health insurance EXCEPT

- Consumer reports
- Medical Information Bureau (MIB) reports
- Disclosure authorization response
- Attending physician's statement (APS)

Incorrect

Incorrect. The correct answer is "Disclosure authorization response". A disclosure authorization response is not considered a source of underwriting information.

Upon policy delivery, which of the following must a producer have an applicant sign if no initial premium was collected with the life insurance application?

- A waiver of premium
- A replacement form
- A good health statement
- An exclusion

Incorrect

Incorrect. The correct answer is "A good health statement". In this situation, the producer must have the applicant sign a statement of good health when delivering the policy.

Preferred risk policies with reduced premiums are issued by insurance companies because the insured has

- a higher face amount than average
- a better ability to pay premiums over a long period of time
- worse than average mortality or morbidity experience
- better than average mortality or morbidity experience

Correct

Correct. Insurers issue preferred risk policies with reduced premiums with the expectation of better than normal mortality or morbidity experience.

CONTINUE >

A change in an insurance application requires

- an initial made by the producer
- an initial made by the applicant
- approval by the insurer
- submitting a new application

Correct

Correct. Any changes in an insurance application must be initiated by the applicant.

CONTINUE >

A non-contributory health insurance plan helps the insurer avoid

- adverse selection
- state compliance
- the underwriting process
- tax deductions

Correct

Correct. Because all eligible employees are usually covered, noncontributory plans are desirable from an underwriting standpoint because adverse selection is minimized.

CONTINUE >

The conversion privilege under a group life plan allows an employee to convert to a(n)

- family plan with another insurer
- individual plan with another insurer that has better rates
- individual plan upon employment termination
- individual policy in the spouse's name

Correct

Correct. Under group insurance, the conversion privilege allows an employee to convert to an individual plan upon termination of employment.

CONTINUE >

Under a group life policy, the insurer will issue an individual ___ to the policyowner for delivery to each person insured.

- policy
- certificate
- application
- rider

Correct

Correct. The insurer will issue an individual certificate to the policyowner for delivery to each person insured under a group life policy.

CONTINUE >

The coverage, conditions, and limitations in the master policy of a group contract can be found in which document?

- Certificate of Authority
- Consumer report
- Coverage document
- Certificate of coverage and benefits

Correct

Correct. The certificate of coverage and benefits describes the coverage, conditions, and limitations found in the master policy of a group contract.

CONTINUE >

What does the Group Life underwriting risk selection process help protect insurance companies from?

- Risk aversion
- Natural selection
- Adverse selection
- Risk management

Correct

Correct. Adverse selection is the tendency of less favorable insurance risks to seek or continue insurance to a greater extent than others.

CONTINUE >

Which of these factors would an insurer consider when determining whether to accept a group life plan?

- Number of dependents
- Incontestable period
- Average age
- Grace period

Correct

Correct. An insurer would consider the average age when determining whether to accept a group life plan.

CONTINUE >

A type of group that has a constitution and bylaws and has been organized for purposes other than obtaining insurance is called a(n)

- employer group
- employee group
- association or labor group
- multiple coalition

Correct

Correct. Associations and labor groups have a constitution and bylaws. They are organized and maintained in good faith for purposes other than obtaining insurance.

CONTINUE >

An employee under a group insurance policy has the right to name a beneficiary and the right to

- remain on the group plan in the event of employment termination
- cash surrender the existing policy
- change the policy provisions
- convert to an individual policy in the event of employment termination

Correct

Correct. A person whose life is insured under a group insurance policy has the right to designate a beneficiary and the right to have an individual policy issued in the case of termination of employment.

Converting a group plan to permanent life insurance requires

- submitting proof of insurability
- paying a lower premium
- converting to term life insurance
- the conversion being applied for within 31 days of termination

Correct

Correct. When converting from group to permanent life insurance, the conversion must be applied for within 31 days of termination.

CONTINUE >

All of the following are characteristics of a Group Life Insurance Plan EXCEPT

- Group underwriting
- Master contract
- Individual underwriting
- Probationary period

Correct

Correct. Group Life Insurance Plans are characterized by group underwriting, not individual.

[VIEW RESULTS](#)

Tim is covered under a group plan and would like to change his group coverage to an individual policy with the same insurer because of employment termination. Which of these describes the change that will take place?

- Coordination of benefits
- Conversion
- Extension of benefits
- Rollover

Correct

Correct. Conversion is when an insured individual changes his or her group insurance to an individual policy with the same insurer at the termination of employment.

CONTINUE >

What does the Group Life underwriting risk selection process help protect insurance companies from?

- Risk aversion
- Natural selection
- Adverse selection
- Risk management

Correct

Correct. Adverse selection is the tendency of less favorable insurance risks to seek or continue insurance to a greater extent than others.

CONTINUE >

Kristi purchases an annuity that will pay her husband an income for 15 years. If he dies, this income will become payable to their children for the remainder of the period. Kristi has what kind of annuity?

- Joint life with period certain
- Life annuity with survivorship
- Survivorship annuity
- Temporary annuity certain

Correct

Correct. Under a temporary annuity certain, the company guarantees that payments will be made for a specified number of years. Since this income is guaranteed, if the annuitant dies before receiving payments for the full specified period of time, the annuitant's beneficiary will receive the payments for the remaining number of years.

CONTINUE >

How do interest earnings accumulate in a deferred annuity?

- On a tax credit basis
- On a tax-deferred basis
- On a tax-free basis
- On a taxable basis

Correct

Correct. Deferred annuities accumulate interest earnings on a tax-deferred basis.

CONTINUE >

Kathy's annuity is currently experiencing tax-deferred growth until she retires. Which phase is this annuity in?

- Payout period
- Accumulation period
- Deferred period
- Growth period

Correct

Correct. Kathy's annuity is in the accumulation period.

CONTINUE >

How are annuities given favorable tax treatment?

- Gains are tax deductible
- Gains are tax exempt at distribution
- Gains are taxed at distribution
- Gains are converted to tax credits

Correct

Correct. Annuity gains are typically tax deferred until distribution.

CONTINUE >

Which annuity payout option allows the policyowner to choose a pre-determined number of benefit payments?

- Period certain
- Straight life
- Installment refund
- Amount certain

Correct

Correct. An annuity where the policyowner chooses a pre-determined number of benefit payments is called period certain.

CONTINUE >

Which type of annuity guarantees a stated number of income payments, whether or not the annuitant is still alive to receive them?

- Life annuity certain
- Secure life annuity
- Irrevocable survivor annuity
- Guaranteed life annuity

Incorrect

Incorrect. The correct answer is "Life annuity certain". A life annuity certain provides a guaranteed minimum number of benefit payments, whether the annuitant live or dies.

CONTINUE >

Fixed period settlement options are considered to be a form of a(n)

- cash value loan
- variable life policy
- annuity
- endowment

Incorrect

Incorrect. The correct answer is "annuity". A fixed period settlement option is actually a form of an annuity.

CONTINUE >

When does an immediate annuity begin making payments?

- After multiple premiums have been paid
- After the first premium has been paid
- After policy has been active for one year
- After the contestable period

Correct

Correct. An immediate annuity begins making payments after the first premium has been paid.

CONTINUE >

How soon can the benefit payments begin with a deferred annuity?

- Anytime after date of purchase
- Anytime within 12 months after date of purchase
- A minimum of 6 months after date of purchase
- A minimum of 12 months after date of purchase

Correct

Correct. A deferred annuity is an annuity contract in which periodic income payments are not scheduled to begin for at least 12 months.

CONTINUE >

Which of these is NOT considered to be a purpose of an annuity?

- Annuities are intended to create an estate
- Annuities are intended to liquidate an estate
- Annuities are intended for the tax-free growth of principal
- Annuities are intended to distribute accumulated principal

Incorrect

Incorrect. The correct answer is "Annuities are intended to create an estate". All of these are purposes of an annuity except "Annuities are intended to create an estate".

CONTINUE >

An immediate annuity has been purchased with a single premium. When does the annuitant typically begin receiving benefit payments?

- 1 month
- 6 months
- 12 months
- 24 months

Incorrect

Incorrect. The correct answer is "1 month". When an immediate annuity is funded with a single premium, the annuitant may begin receiving payments after 1 month.

CONTINUE >

An annuitant is guaranteed to NOT outlive their benefits with a(n)

- Survivorship clause
- Guaranteed lifetime withdrawal benefit
- Period certain provision
- Guaranteed minimum accumulation benefit

Incorrect

Incorrect. The correct answer is "Guaranteed lifetime withdrawal benefit". A guaranteed lifetime withdrawal benefit (GLWB) is a rider on a variable annuity that allows minimum withdrawals from the invested amount without having to annuitize the investment. This rider guarantees that a certain percentage (often based on age) of the amount invested can be withdrawn each year for as long as the contract holder lives.

CONTINUE >

Which of the following annuity payout options makes no additional payments regardless of when the annuitant dies?

- Life only
- Life with period certain
- Cash refund
- Installment refund

Correct

Correct. The life only annuity payout option has no additional payouts regardless of when the annuitant dies.

CONTINUE >

Which of the following is an annuity that is linked to a market-related index?

- Market-related annuity
- Equity-indexed annuity
- Deferred-risk annuity
- Fixed-amount annuity

Correct

Correct. An equity-indexed annuity is linked to a market-related index.

CONTINUE >

What is the primary reason for buying an annuity?

- Provide tax-free income
- Provide a risky, yet high return investment
- Provide an instant estate
- Provide future economic security

Incorrect

Incorrect. The correct answer is "Provide future economic security ". The main reason for purchasing an annuity is to provide future economic security.

VIEW RESULTS

What is the nonforfeiture value of an annuity before annuitization?

- All premiums paid
- All premiums paid plus interest
- All premiums paid minus any withdrawals and surrender charges
- All premiums paid, plus interest, minus any withdrawals and surrender charges

Correct

Correct. The nonforfeiture value of an annuity prior to annuitization is all premiums paid, plus interest, minus any withdrawals and surrender charges.

CONTINUE >

Which settlement option pays a stated amount to an annuitant, but no residual value to a beneficiary?

- Fixed period
- Interest only
- Installment refund
- Life income

Incorrect

Incorrect. The correct answer is "Life income". The settlement option that pays a specified amount to an annuitant, but pays no residual value to a beneficiary is known as life income.

CONTINUE >

If the annuitant dies before the annuity start date,

- the benefits will be given tax-free only to a stated beneficiary
- nothing is given to the beneficiary
- the premiums paid will be given to the beneficiary
- the premiums paid plus interest earned will be given to the beneficiary

Correct

Correct. If the annuitant dies before the annuity start date, the beneficiary receives the premiums paid plus interest earned.

CONTINUE >

Fixed annuities provide each of the following EXCEPT

- Guaranteed interest
- Retirement funds
- Hedge against inflation
- Tax advantage

Correct

Correct. Fixed annuities do NOT provide for a hedge against inflation.

CONTINUE >

Simon has purchased a fixed immediate annuity. His payment amount will be dependent upon principal, interest, and the contract's

- surrender charge
- death benefit
- cash refund
- income period

Correct

Correct. The amount of a fixed immediate annuity payment is dependent upon starting principal, interest, and the annuity's income period.

CONTINUE >

What is the primary reason for buying an annuity?

- Provide tax-free income
- Provide a risky, yet high return investment
- Provide an instant estate
- Provide future economic security

Correct

Correct. The main reason for purchasing an annuity is to provide future economic security.

CONTINUE >

An annuity is primarily used to provide

- retirement income
- disability income
- long-term care benefits
- death benefits

Correct

Correct. The principal use of an annuity is to provide income for retirement.

CONTINUE >

During the accumulation period, who can surrender an annuity?

- Payor
- Annuitant
- Beneficiary
- Policyowner

Correct

Correct. The policyowner is the only one who can surrender an annuity during the accumulation period.

CONTINUE >

Which market index is normally associated with an indexed annuity's rate of return?

- NAIC
- SEC
- S & P 500
- A & P 300

Correct

Correct. An indexed annuity rate of return is linked to a market index, like the S & P 500.

VIEW RESULTS

How does one qualify as a fully-insured individual under Social Security disability coverage?

- Individual has been credited with the appropriate number of quarters of coverage
- Individual is currently covered under Medicaid
- Individual is expected to be disabled for 5 months
- Individual is currently employed

Correct

Correct. Under Social Security disability coverage, a fully-insured individual is one who has been credited with the appropriate number of quarters of coverage.

CONTINUE >

An insured's status under Social Security can be described as

- partially insured
- actively insured
- fully insured
- completely insured

Correct

Correct. There are two types of insured statuses that qualify individuals for Social Security benefits: fully insured and currently insured. Most Social Security benefits are paid to fully insured individuals.

[VIEW RESULTS](#)

How long must an individual be unable to engage in any gainful activity due to physical or mental disability in order to qualify for Social Security Total Disability?

- 3 months
- 6 months
- 12 months
- 18 months

Correct

Correct. To qualify, the disability must be expected to last, or have lasted, at least 12 months, or it must be expected to result in death.

CONTINUE >

All of the following statements correctly describe the purpose of Social Security EXCEPT

- It provides a source of income for a meaningful standard of living during retirement
- It provides basic protection against financial problems accompanying death, disability, and retirement
- It augments a sound personal insurance plan
- It provides retirement and survivor benefits to a worker and the worker's family

Correct

Correct. Social Security enhances, but does not replace, a sound personal insurance plan.

CONTINUE >

The period in which there are no Social Security benefits for the surviving spouse is called the

- blackout period
- elimination period
- ineligible period
- dependency period

Correct

Correct. The blackout period begins when the youngest child turns 16 and continues until the spouse reaches age 60, at the earliest. If there are no eligible children with the surviving spouse when the breadwinner dies, the blackout period starts immediately.

CONTINUE >

Dana is an employee who deposits a percentage of her income into her individual annuity. Her company also contributes a percentage into a separate company pension plan. What kind of annuity is this considered?

- Keogh annuity plan
- Executive compensation plan
- Qualified retirement annuity
- Key employee retirement annuity

Incorrect

Incorrect. The correct answer is "Qualified retirement annuity". In this situation, her annuity is considered a qualified retirement annuity.

Mike has inherited his father's traditional IRA. As beneficiary, he will pay
___ taxes on any money withdrawn.

- income
- probate
- no
- estate

Correct

Correct. When a beneficiary inherits a traditional IRA, an income tax is paid when money is withdrawn.

CONTINUE >

Rob has a benefit at work which enables him to defer his current receipt of income and have it paid at a later date, when he will probably be in a lower tax bracket. Which benefit fits this description?

- Deferred compensation option
- Income deferral option
- Key person IRA
- Period certain annuity

Correct

Correct. A deferred compensation option enables an employee to defer current receipt of income and have it paid at a later date, when presumably the employee will be in a lower income tax bracket.

CONTINUE >

How are contributions made to a Roth IRA handled for tax purposes?

- Conditionally tax deductible
- Fully tax deductible
- Partially tax deductible
- Not tax deductible

Correct

Correct. Contributions made to a Roth IRA are not tax deductible.

CONTINUE >

Which of the following employers is required to follow ERISA regulations?

- A church with 30 employees
- A local government with 150 employees
- A Canadian company with 300 employees working in the United States
- A local electrical supply company with 12 employees

Incorrect

Incorrect. The correct answer is "A local electrical supply company with 12 employees". A local electrical supply company with 12 employees would be subject to ERISA.

CONTINUE >

A rollover from a Traditional IRA to another IRA **MUST** be done within ____ days to avoid tax consequences.

- 90
- 60
- 15
- 30

Correct

Correct. A distribution received from a Traditional IRA is eligible for a tax-free rollover if it is reinvested in another IRA within 60 days following receipt of the distribution and if the plan participant does not actually take physical receipt of the distribution.

CONTINUE >

Which of the following would disqualify a company's retirement plan from receiving favorable tax treatment?

- It is temporary
- Contains a vesting schedule
- Formed for the sole benefit of employees and their beneficiaries
- Contributions are applied with no regard to income

Correct

Correct. A retirement plan will not qualify for favorable tax treatment if it is temporary.

CONTINUE >

Erica is 35 years old and owns an IRA. At what age can she begin to receive distributions without a tax penalty?

- 70 1/2
- 55
- 62
- 59 1/2

Correct

Correct. An individual can begin to receive distributions from an IRA at age 59 1/2 without a tax penalty.

CONTINUE >

Which of these retirement plans do NOT qualify for a federal income tax deduction?

- Keogh Plan
- Roth IRA
- Traditional IRA
- SIMPLE Plan

Correct

Correct. All of these retirement plans qualify for a federal income tax deduction EXCEPT a Roth IRA.

CONTINUE >

Who were Keogh plans designed to provide pension benefits for?

- Government employees
- The self-employed
- Public school employees
- Corporate officers

Correct

Correct. Keogh plans were designed to provide pension benefits for self-employed individuals.

[VIEW RESULTS](#)

All of the following are considered appropriate uses of life insurance for business purposes EXCEPT

- Attracting quality employees by offering a group life plan
- Funding an entity buy-sell agreement
- Protecting the business by covering key employees with life insurance
- Protecting the business by covering entry level employees with life insurance

Correct

Correct. Covering entry level employees with life insurance to protect the business is not an appropriate business use.

CONTINUE >

When calculating the amount of life insurance needed for an income earner, what has to be determined when using the Needs Approach?

- The income earner's future projected income
- The family's financial objectives if the income earner were to die or become disabled
- The insurance company's financial rating
- The income earner's credit score

Correct

Correct. When using the needs approach to determine the amount of life insurance needed for the income earner, it is necessary to determine the family's financial objectives in the event of the death or disability of the income earner.

CONTINUE >

A Key Employee policy is taken out by Company X on its vice president. Ten years later, this employee leaves Company X and begins working for Company Y. If this individual were to die and the policy is still in force and unchanged, where would the death proceeds be directed?

- The employee's family
- Company Y
- Company X
- The employee's estate

Correct

Correct. With Key Person Insurance, the company purchases, owns, pays the premiums and is the beneficiary of the life insurance policy on the key person.

Which approach predicts a person's earning potential and determines how much of that amount would be devoted to dependents?

- Future value approach
- Earnings approach
- Needs approach
- Human life value approach

Correct

Correct. The human life value approach predicts an individual's future earning potential and determines how much of that amount would be devoted to dependents.

Which of these is a method of determining the level of funds required for ongoing support in the event of the breadwinner's death?

- Financial loss value
- Human life value
- Assessment value
- Replacement value

Correct

Correct. The human life value calculator helps you assess the financial loss your family would incur if you were to die today.

CONTINUE >

All of the following are examples of a Business Continuation Plan EXCEPT

- Key person insurance
- Cross-purchase agreement
- Stock Redemption Plan
- Deferred Compensation

Incorrect

Incorrect. The correct answer is "Deferred Compensation". Deferred Compensation is NOT an example of a Business Continuation Plan.

CONTINUE >

Which of these is NOT a reason for a business to buy key person life insurance?

- The reduction in sales as a direct result from death of the key employee
- A void in leadership if the key person were to die
- The loss of company revenues while a replacement is being sought
- A pension deficiency if the key employee dies

Incorrect

Incorrect. The correct answer is "A pension deficiency if the key employee dies". All of these are reasons for a business organization to purchase key person life insurance EXCEPT "The increased pension liability resulting from the key person's death".

Which of these factors is NOT taken into account when determining an applicant's life insurance needs?

- Social Security
- automobile
- savings
- pension

Correct

Correct. In the process of determining an applicant's life insurance needs, an insurance producer takes into account all of these factors EXCEPT an applicant's automobile.

CONTINUE >

What is considered a valid reason for small businesses to insure the lives of its major shareholders?

- To provide an income for the surviving dependents
- Reduce the company's tax liability
- To pay for final expenses
- Fund a buy-sell agreement

Correct

Correct. Life insurance is purchased to fund a buy-sell agreement in the event of the death of a major shareholder in a business.

CONTINUE >

Craig purchased a life insurance policy for enabling his heirs to pay estate taxes. What is this called?

- Estate conservation
- Liquidity maintenance
- Survivor fund
- Human value protection

Correct

Correct. When individuals purchase life insurance to enable their heirs to pay estate taxes, this is called estate conservation.

[VIEW RESULTS](#)

When an existing life insurance policy is terminated so that a new life insurance policy can be purchased, this transaction is referred to as

- Twisting
- Replacement
- Coercion
- Rebating

Correct

Correct. Replacement is any transaction in which new life insurance or a new annuity is to be purchased and existing life insurance or annuity is to be terminated or discontinued.

CONTINUE >

An agent inducing an insured to lapse, forfeit, or surrender insurance through misrepresentation is committing the illegal act of

- boycotting
- rebating
- twisting
- subrogation

Incorrect

Incorrect. The correct answer is "twisting". Twisting is inducing or attempting to induce any insured person through misrepresentation to lapse, forfeit, or surrender insurance.

CONTINUE >

Lapsed individual life insurance may be reinstated at any time within

- 2 years
- 3 years
- 4 years
- 5 years

Incorrect

Incorrect. The correct answer is "5 years". Lapsed individual life insurance may be reinstated at any time within 5 years.

CONTINUE >

How long must every insurance agent maintain all records, books, and documents related to each insurance transaction?

- 6 years
- 5 years
- 4 years
- 3 years

Incorrect

Incorrect. The correct answer is "5 years". Every insurance agent/broker MUST maintain all records, books, and documents for insurance transactions for a period of not less than 5 years.

CONTINUE >

T is employed by an amusement park from June through September, working 50 hours per week. The amusement park's Group Policy would

- consider T eligible for the insurance because T is working over 40 hours per week
- consider T NOT eligible for the insurance because as a seasonal employee, T does not meet the definition of "employee" under North Carolina law
- consider T eligible for the insurance since the employer would like T to have insurance coverage
- consider T eligible for the insurance as long as T pays the premium

Correct

Correct. T is NOT eligible for the insurance because as a seasonal employee, T does not meet the definition of 'employee' under North Carolina law.

CONTINUE >

The circulation of written literature that is maliciously critical of an insurer's financial condition is called\n

- coercion
- defamation
- boycott
- rebating

Correct

Correct. Circulation of any oral or written statement or any pamphlet, circular, article, or literature that is false or maliciously critical of or derogatory to the financial condition of an insurer is known as defamation.

CONTINUE >

A life insurance company cannot declare a policy lapsed or forfeited within one year after default in premium payment, unless it has mailed a notice indicating the amount of premium due. This requirement only applies to policies with a(n):

- specific provision initiated by the insured
- annual premium schedule
- monthly premium schedule
- insurable interest

Correct

Correct. This requirement only applies to policies with an annual premium schedule, and not to policies that are payable monthly (or shorter intervals), or to group insurance and term insurance contracts for one year or less.

CONTINUE >

Minors in North Carolina age __ and up can enter into life insurance contracts and have all the rights that come with ownership.

- 13
- 14
- 15
- 16

Correct

Correct. Minors in North Carolina age 15 and up can enter into life insurance contracts and have all the rights that come with ownership.

CONTINUE >

An applicant for a nonresident agent license **MUST** meet which of the following requirements?

- Have resided in another state for at least three years
- Maintain a place of business in North Carolina
- Be licensed as an agent in the agent's state of domicile
- Pass a special examination for nonresident agents

Correct

Correct. An applicant for a nonresident agent license must be licensed as an agent in the agent's state of domicile.

CONTINUE >

An applicant may NOT be refused insurance coverage due to

- occupation
- race
- age
- health

Correct

Correct. No insurer shall refuse to insure an individual because of race.

CONTINUE >

If an agent is found to be incompetent, untrustworthy, or financially irresponsible, the Commissioner may\n

- reduce the agent's sales commission
- incarcerate the agent for up to 5 years
- suspend, revoke, or refuse to renew the agent's license
- convert the license from a permanent to temporary license

Correct

Correct. If the Commissioner of insurance finds that a licensed person has used fraudulent, coercive, or dishonest practices or has proved to be incompetent, untrustworthy, or financially irresponsible, the law allows the Commissioner to suspend, revoke, or refuse to renew the agent's license.

CONTINUE >

An example of rebating would be

- An example of rebating would be
- reducing the premiums across the board for a specific risk class
- offering a client something of value not stated in the contract in exchange for their business
- using intimidation in order to restrain or monopolize the business of insurance.

Correct

Correct. Rebating can be defined as offering a prospect something of value that is not specified in a contract in order to induce the purchase of that contract.

CONTINUE >

Which of these actions is NOT considered an act of rebating?

- Sharing commissions with other licensed and appointed agents
- Sharing commissions with a client in exchange for their business
- Offering employment to an individual in exchange for writing a large insurance contract
- Offering anything of value not specified in the policy

Incorrect

Incorrect. The correct answer is "Sharing commissions with other licensed and appointed agents". Sharing commissions with other licensed and appointed agents is not considered rebating.

CONTINUE >

If a blank insurance contract application is signed by an agent, the agent

- must have the signatures notarized
- is guilty of a misdemeanor
- must attach an appropriate rider
- is guilty of a felony

Correct

Correct. An agent who signs a blank contract application or policy of insurance is guilty of a misdemeanor.

CONTINUE >

Z is an agent who violated the Insurance Information and Privacy Protection Act. Z was then issued and served a statement of charges and notice of hearing by the Commissioner of Insurance. Z's hearing date must be at least __ days after service of charges.

- 10
- 15
- 20
- 25

Correct

Correct. The date of such hearing shall be at least 10 days after service of charges.

CONTINUE >

The Commissioner of Insurance may suspend or revoke the license of an agent who takes any of the following actions EXCEPT

- makes an intentional misrepresentation on his license application
- represents more than one insurance company
- misrepresents the terms of an existing insurance contract
- misappropriates an insured's premium payment

Correct

Correct. Representing more than one insurance company is not a reason for suspension or revocation.

CONTINUE >

An insurance company formed under North Carolina laws is referred to as a(n)

- alien company
- domestic company
- foreign company
- admitted company

Correct

Correct. Insurers organized under the laws of North Carolina are called domestic companies.

CONTINUE >

Who does an insurance broker in North Carolina represent?

- Insurer
- Insured
- Commissioner
- Governor

Correct

Correct. An insurance broker in North Carolina is a representative of the insured.

CONTINUE >

ABC Insurance Company fails to pay death proceeds after satisfactory proof of loss was submitted. ABC must then begin paying interest on the death proceeds after ___ days of receiving proof of loss.

- 10
- 30
- 40
- 60

Correct

Correct. If after satisfactory proof of loss an insurer fails or refuses to pay death proceeds, the insurer must pay interest on the proceeds after 30 days.

CONTINUE >

Which of the following is NOT an unfair claim settlement practice?

- Failing to acknowledge and act promptly with respect to an insurance claim
- Compelling an insured to initiate a lawsuit by offering less on an insurance claim
- Failing to accept or deny a claim within reasonable time after proof of loss is submitted
- Needing written documentation of claim details

Correct

Needng written documentation of claim details

CONTINUE >

If a life insurance company becomes insolvent, the fund that guarantees policyowners payment of death benefits is known as the

- Life Insurance Surety Association
- Employees Solvency Security Association
- Insurance Solvency Association
- Life and Health Insurance Guaranty Association

Correct

Correct. The fund that assures policyholders payment of death benefits on Life Policies, if the company is insolvent at the time of the claim, is called the Life and Health Insurance Guaranty Association.

CONTINUE >

Which of these circumstances REQUIRE an insurer to clearly specify questions designed to obtain information solely for marketing research?

- Health insurance applications only
- Any insurance transaction
- Only at the company's discretion
- Property and casualty insurance applications only

Correct

Correct. An insurance company MUST clearly specify questions designed to obtain information solely for marketing research in any insurance transaction.

CONTINUE >

In North Carolina, which of the following MUST be delivered to a policyowner upon the sale of an individual life insurance policy?

- Insurer's AM Best rating
- The written sales proposal
- A Policy Summary and Buyer's Guide
- Buyer's Guide only

Correct

Correct. An agent who sells an individual life insurance policy in North Carolina MUST deliver to the policyowner a Policy Summary and Buyer's Guide.

CONTINUE >

According to North Carolina's rules on disclosure, a life insurance applicant is expected to be provided with

- a Certificate of Coverage and Buyer's Guide
- a Summary Statement and Buyer's Guide
- a Buyer's Guide and Policy Summary
- a Written Comparison and Policy Summary

Correct

Correct. North Carolina's rules on disclosure require an insurance company to provide a purchaser of life insurance with a Buyer's Guide and a Policy Summary.

CONTINUE >

Viatical settlements between a policyowner and a viatical settlement provider are negotiated through a(n)

- viatical settlement purchaser
- viatical settlement broker
- registered investment advisor
- independent investor

Correct

Correct. Viatical settlements between a policyowner and a viatical settlement provider are negotiated through a viatical settlement broker.

CONTINUE >

The Life and Health Insurance Guaranty Association in North Carolina has regulations that apply ONLY to

- Life and Health policies issued by companies authorized outside of North Carolina
- self-funded plans that are sold in North Carolina
- Life and Health policies issued by companies authorized in North Carolina
- variable products sold in North Carolina

Correct

Correct. The rules and regulations of the Life and Health Insurance Guaranty Association in North Carolina apply to Life and Health policies issued by companies authorized in North Carolina.

CONTINUE >

In North Carolina, tontine policies are:

- Common
- Only issued with approval of the Commissioner
- Sometimes attached to an annuity
- Prohibited

Correct

Correct. Tontine policies are prohibited in North Carolina.

CONTINUE >

The Commissioner of Insurance is empowered to

- enforce state laws relating to insurance
- pass state laws relating to insurance
- write policy forms for mandatory insurance coverage
- set rates for all insurance coverages

Correct

Correct. The Commissioner of Insurance is empowered to enforce state laws relating to insurance.

CONTINUE >

An insurance applicant was recently denied insurance coverage. The applicant is requesting access from the insurer to recorded personal information regarding this decision. Under the Information and Privacy Protection Act, the insurer MUST make the information available within ___ business days.

- 10
- 15
- 30
- 45

Correct

Correct. According to the Information and Privacy Protection Act, when access to recorded personal information is requested following an adverse underwriting decision, the insurer must make the information available within 30 days.

CONTINUE >

An agent's license can be suspended or revoked by

- writing primarily controlled business
- not meeting annual sales quota
- replacing an existing insurance policy with a new one
- issuing a binding receipt

Incorrect

Incorrect. The correct answer is "writing primarily controlled business". An agent's license can be suspended or revoked by writing primarily controlled business.

CONTINUE >

North Carolina requires that an insurance agent must complete __ hours of continuing education on the subject of law and ethics every two years.

- 3
- 4
- 5
- 6

Correct

Correct. North Carolina requires that an insurance agent must complete 3 hours of continuing education on the subject of law and ethics every two years.

CONTINUE >

What is the MINIMUM age for an individual to be a licensed North Carolina insurance agent?

- 16
- 17
- 18
- 19

Correct

Correct. A person is required to be at least 18 years old before he or she is licensed as an agent in North Carolina.

CONTINUE >

If the Commissioner of Insurance is no longer able to complete the term of office, who is REQUIRED to fill this vacancy?

- Attorney General
- Governor
- Voters via a special election
- State Legislature

Correct

Correct. If a vacancy occurs during the term, it shall be filled by the Governor for the unexpired term.

CONTINUE >

S is a life insurance policyowner and enters into a written agreement to receive immediate cash in exchange for the sale and transfer of her life insurance policy. This agreement is referred to as a(n)

- 1035 Exchange
- Viatical Settlement
- Equity Cash Arrangement
- Cash Conversion

Incorrect

Incorrect. The correct answer is "Viatical Settlement". A written agreement to provide a life insurance policyholder immediate cash in exchange for the sale and transfer of a life insurance policy is a Viatical Settlement.

CONTINUE >

Anyone who knowingly provides an untrue, false or fraudulent claim to an insurance company is guilty of:

- treason
- a misdemeanor
- a felony
- association

Incorrect

Incorrect. The correct answer is "a felony". Anyone who knowingly provides an untrue, false or fraudulent claim to an insurance company is guilty of a felony.

VIEW RESULTS