Which of the following would an agent be guilty of for misrepresenting the amount of dividends a policy will pay?

1. A felony.
2. A misdemeanor.
3. An aleatoric breach.
4. A fiduciary infraction.

A life insurance policy dividend is

1. a stockholder's return on his investment in the company.
2. legally defined as a return of excess premium and not taxable.
3. interest paid to the policyowner on the cash value in force on his permanent insurance policy.
4. somewhat larger in a non-participating whole life policy than in a comparable participating policy.

A life insurance policy written after 1988 that fails to meet the seven-pay test is known as

1. an endowment policy.
2. a modified life policy.
3. a single premium contract.
4. a modified endowment contract.

Which report of an insurance applicant's creditworthiness and personal characteristics may influence eligibility for life and health insurance?

1. Agent's report.
2. Consumer report.
3. Attending physician's statement.
4. Medical Information Bureau disclosure.

The life insurance grace period allows the insured to

1. return the policy for a full refund of premium.
2. pay the premium after the due date without loss of coverage.
3. reinstate the policy after it has lapsed for non-payment of premium.
4. convert a term policy to cash value policy without evidence of insurability.

What does the statement "Life insurance creates an immediate estate" mean?

- 1. Premiums are due and payable immediately.
- 2. The total cash value is available immediately.
- ✓ 3. The total death benefit is paid whenever the insured dies.
- 4. Policy proceeds are automatically paid to the insured's estate.

What is used to determine the amount of an annuity distribution that is exempt from taxation?

- 1. The seven-pay test.
- ✓ 2. The exclusion ratio.
- 3. The economic benefit.
- 4. The incidental limitation.

Which type of insurance guarantees the right to renew the policy each yea regardless of health, but at an increased premium?

- 1. Level term.
- ✓ 2. Renewable term.
- 3. Decreasing term.
- 4. Convertible term.

A policyowner has the right to change all of the following EXCEPT the

- 1. beneficiary.
- 2. payment mode.
- 3. dividend option.
- ✓ 4. dividend schedule.

What is the difference between deferred annuities and immediate annuities?

- 1. Deferred annuities cover more lives.
- 2. Deferred annuities have no surrender charges.
- 3. Deferred annuities have longer liquidation periods.
- ✓ 4. Deferred annuities have longer accumulation periods.

Which policy is a savings instrument designed to first accumulate funds and then systematically to liquidate the funds?

1. Term life.
2. Deferred annuity.
3. Mortgage insurance.
4. Disability income insurance.

A person owns a life annuity. He elects to receive his annuity payments monthly for the remainder of his life with "ten years certain". The annuity will make payments

1. for 120 months, if the insured lives that long.
2. for a minimum of 120 months and a maximum of the remainder of his life.
3. until his death, when the beneficiary begins receiving payments for 120 additional months.
4. during the "period certain" after which the payments will be reduced, but they will continue for the rest of his life.

Which policy provision protects the insurer against possible adverse selection?

1.Nonforfeiture.
2. Reinstatement.
3. Suicide clause.
4. Entire contract.

How can partners guarantee a market for their share of the business in the event of death?

1. Buy-sell agreements.
2. Key person insurance.
3. Split dollar insurance.
4. Deferred compensation agreements.

If a life agent sells a whole life policy to a prospect on behalf of an insurer without an appointment, the

1. insurer must submit a notice of appointment to the Commissioner.
2. agent is fined for unauthorized transaction without an appointment.
3. insurer is relieved of any liability because there is no appointment.
4. agent is automatically appointed by default of transacting insurance.

When a family policy covers children, all of the following are true EXCEPT

1. the coverage is term insurance for a fixed amount.

2. there is no additional charge for covering new additions to the family.

3. evidence of insurability is required to convert coverage for children to permanent insurance.

4. all children living with the family are covered even if adopted or born after the policy is issued.

All of the following information is gathered during the personal financial planning process EXCEPT

1. information regarding an individual's investments.

2. a listing of the individual's assets and liabilities.

3. information regarding a person's income and expenditures.

4. a listing of a person's civic and professional organization memberships.

How long is the free cancellation period for life insurance policies offered to individuals who are 60 or older?

1. 10 days.

2. 20 days.

3. 30 days.

4. 45 days.

The insured is totally and permanently disabled. The insured's policy continues in force without payment of further premiums because the policy contains a

1. guaranteed insurability provision.

2. waiver of premium provision.

3. reinstatement provision.

4. grace period provision.

In group life insurance, who is issued a certificate of insurance?

1. The insurer.

2. The beneficiary.

3. The participant.

4. The policyholder.

A 10-year certain annuity with an installment refund is purchased. The annuitant dies after receiving monthly payments for 5 years. How many remaining payments will the insurer make?

1. None.

2. 60 payments.

3. 120 payments.

4. One lump sum payment.

The additional premium charged by an insurer for adding the accidental death benefit to a whole life policy

1. increases the policy's cash value.

2. increases the yearly dividend amount.

3. does not affect the policy's cash value.

4. decreases the length of time that premiums are payable.

Your client has just bought a new home which he has financed with a $150,000, 7.5% interest, 30-year bank loan. He would like to be sure that if he dies that the unpaid balance of the mortgage would be paid. He wants a policy that will cover the mortgage balance - no more, no less - anytime during the life of the mortgage. Which policy is designed to meet this need?

1. Level term policy.

2. Home service policy.

3. Increasing term policy.

4. Decreasing term policy.

People commonly purchase an annuity to protect against the risk of:

1. dying too soon.

2. becoming uninsurable.

3. outliving their financial resources.

4. dying before their home mortgage is paid off.

What is one difference between group life and individual life underwriting?

- 1. Only group life insurance gives a choice of payment plans.
- 2. Group life insurance usually requires a medical examination.
- 3. Only individual life insurance requires the naming of a beneficiary.
- 4. Individual life insurance requires the applicant to answer medical questions.

Which component of a life insurance premium is based on the insured's age and gender?

- 1. Expense
- 2. Interest
- 3. Morbidity
- 4. Mortality

Individual life insurance policies sold to seniors in the State of California must include a prominently placed statement that divulges all of the following information EXCEPT

- 1. the policy should be returned to the agent or insurer if not wanted.
- 2. proof of surrender must be notarized at the agent's principal office.
- 3. a charge might apply if declined after the time allowed for surrender.
- 4. the policy can be returned during a free look period for a full refund.

Which policy covering two or more individuals pays the face amount only when the first person dies?

- 1. Family policy.
- 2. Joint life policy.
- 3. Survivorship policy.
- 4. Universal life policy.

An insured replaces an existing annuity with a new one and must pay a surrender charge for cancelling the existing annuity. The new policy holds no greater financial benefits to the insured than the existing contract. This is an example of

- 1. nonforfeiture.
- 2. a deferred annuity.
- 3. a substandard annuity.
- 4. an unnecessary replacement.

Which two insurance products are commonly used to fund buy-sell agreements?

1. Life insurance and disability insurance.
2. Life insurance and deferred compensation.
3. Disability insurance and deferred compensation.
4. Disability insurance and Long-Term Care insurance.

Life insurance policies written without a physical examination are called

1. non-medical.
2. preferred.
3. standard.
4. substandard.

Which policy provision allows an insured to continue coverage under a previously lapsed policy?

1. The settlement provision.
2. The reinstatement provision.
3. The nonforfeiture provision.
4. The incontestability provision.

Which type of life insurance policy gives an owner the right to share in the insurer's surplus?

1. Level term.
2. Participating.
3. Decreasing term.
4. Non-participating.

Which type of insurance coverage has both a savings element and a flexible premium option?

1. Term life.
2. Whole life.
3. Universal life.
4. There is currently no insurance product available in the standard market which has both of these features.

Which benefits are provided by key employee insurance?

- 1. Retirement compensation for long-time employees.
- 2. Bonuses to employees for exceptional performance.
- ✓ 3. Payment to a business when an important employee dies.
- 4. Death benefits to the family of a deceased stockholder.

All of the following statements about contingent beneficiaries are true EXCEPT

- 1. more than one contingent beneficiary may be named.
- ✓ 2. the contingent beneficiary shares death proceeds equally with the primary beneficiary.
- 3. they receive the death proceeds if the primary beneficiary is deceased at the time of the insured's death.
- 4. they receive the remaining payments to be made under a settlement agreement upon the primary beneficiary's death.

All of the following are true about term life insurance policies EXCEPT the

- 1. insured can choose the premium payment mode.
- 2. insured must answer medical questions on the application.
- 3. face amount is paid if the insured dies during the policy period.
- ✓ 4. face amount is paid if the insured survives to the end of the policy period.

What do we call the process whereby insurers decide which customers to insure and what coverage to offer?

- 1. Adverse selection.
- ✓ 2. Underwriting.
- 3. Ratemaking.
- 4. Marketing.

The payor rider on a juvenile life policy provides that if the payor dies or becomes disabled before the insured juvenile reaches the age specified in the policy that the

- 1. insurer will make all future payments.
- 2. insured's estate will make the premium payments.
- 3. insurer will lend money to keep the policy in force.
- ✓ 4. insurer will make the payments until the insured juvenile reaches a specified age - usually twenty-one or twenty-five.

Death benefits that are received by a beneficiary are generally

1. subject to capital gains tax.

2. subject to federal income tax.

3. exempt from federal income tax.

4. included in the beneficiary's adjusted gross income.

An agent who violates the laws governing life insurance policy illustrations is subject to all of the following EXCEPT

1. a fine.

2. license suspension.

3. license revocation.

4. mandatory termination of all insurer appointments.

Which of the following is a characteristic of nonqualified annuities?

1. Tax-deductible contributions.

2. Limits on contributions.

3. Mandatory participation.

4. Tax-deferred earnings.

An attempt by an agent to deter an insured from replacing an existing life insurance policy is called

1. alienation.

2. concealment.

3. conservation.

4. replacement.

A $50,000 whole life policy with a cash value of $10,000 has been in force for eleven years. The policyowner is unable to continue the premium payments. Which of the following describes the reduced paid-up nonforfeiture option?

1. The cash value is used to select a $20,000 paid-up policy.

2. The policy is surrendered and the policyowner is paid $10,000 by the insurer.

3. The cash value is used to purchase a $50,000 term insurance policy that is paid up for ten years.

4. The policyowner begins to receive monthly payments of $200 from the insurer that will continue for life.

Which of the following contracts provides benefits that fluctuate automatically with investment results?

1. Variable life insurance.

2. Universal life insurance

3. Adjustable life insurance.

4. Continuous premium whole life insurance.

Which type of insurance policy provides a death benefit that matches the projected outstanding debt on an individual's home?

1. Level term.

2. Joint life.

3. Family protection.

4. Mortgage redemption.

How much employer-provided group term life insurance is exempt from income taxation?

1. $25,000

2. $50,000

3. $75,000

4. $100,000

According to the California Insurance Code, governing the use of life insurance policy illustrations, the term illustration means

1. any brochure, advertisement, or policy quotation.

2. the copy of a policy form included with a proposal.

3. a description of the expected coverage of a policy.

4. a presentation of policy features that includes non-guaranteed elements.

The number of deaths during a year compared with the total number of persons exposed in the class is known as the

1. morbidity rate.

2. mortality rate.

3. retention ratio.

4. permissible loss ratio.

Why is the delivery of a life insurance policy important?

- 1. The policy is not in effect until it is delivered.
- 2. The grace period begins on the policy delivery date.
- 3. Commissions are not paid until the policy is delivered.
- 4. The free-look period begins on the policy delivery date.

Which of the following is NOT an option for the use of the policy dividends?

- 1. Purchase paid-up additions.
- 2. Reduce the current premium.
- 3. Purchase a 1-year term addition.
- 4. Fund the distribution of monthly income payments.

The theory of probability is applied to life insurance through the use of

- 1. morbidity tables.
- 2. mortality tables.
- 3. the needs approach.
- 4. the human life value approach.

The insured bought an annuity ten years ago. He will retire in five years. To determine the value of his annuity, he must multiply the value of the "accumulation units" he owns, times the value of the "separate account". This type of annuity is known as a

- 1. fixed annuity.
- 2. flexible annuity.
- 3. variable annuity.
- 4. accumulation annuity.