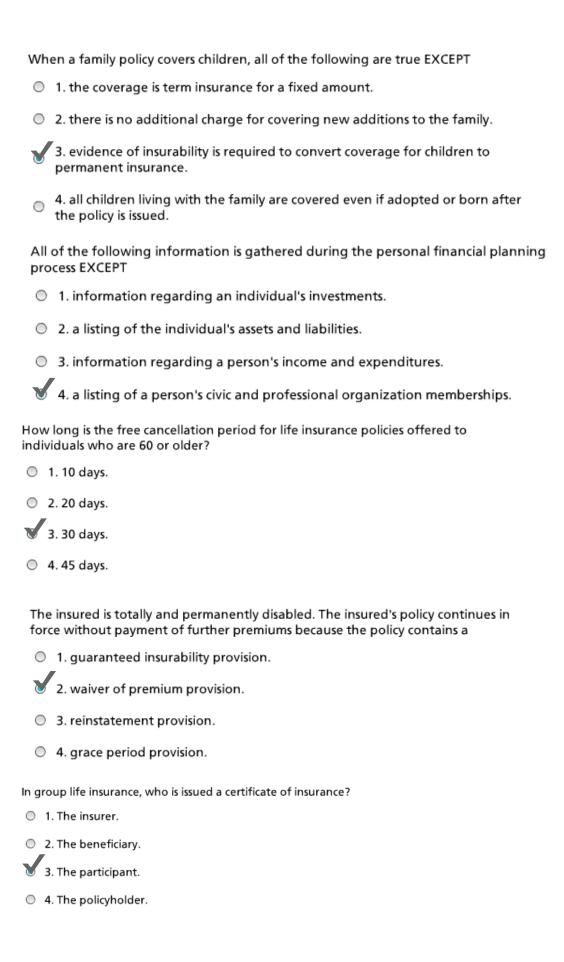
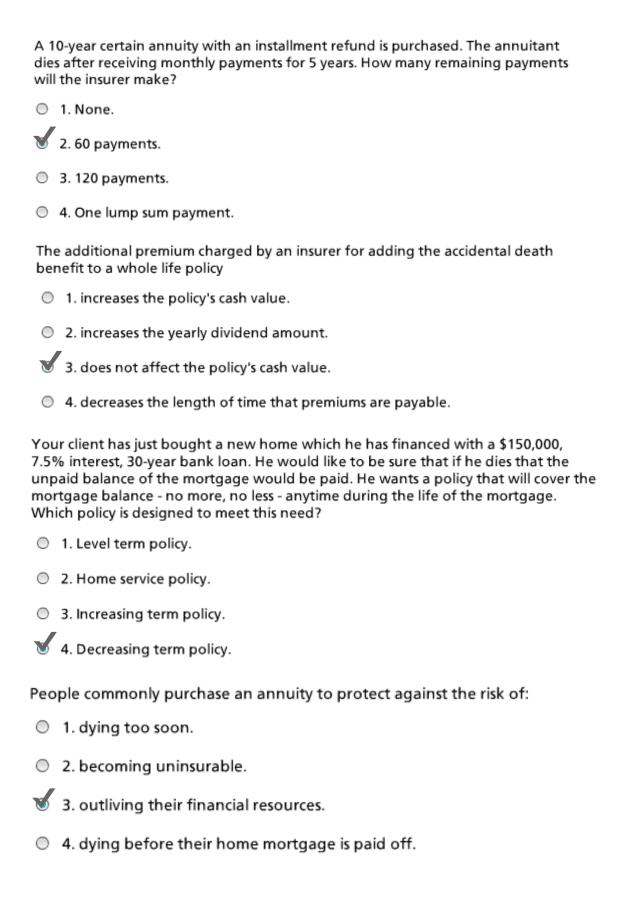


What does the statement "Life insurance creates an immediate estate" mean?
1. Premiums are due and payable immediately.
2. The total cash value is available immediately.
3. The total death benefit is paid whenever the insured dies.
 4. Policy proceeds are automatically paid to the insured's estate.
What 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?
O 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.



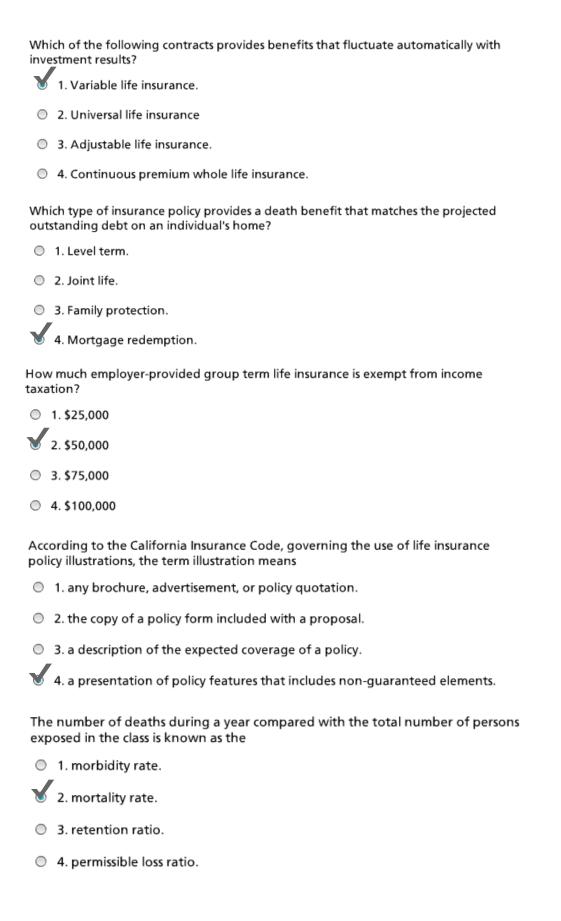


What is one difference between group life and individual life underwriting?
 1. Only group life insurance gives a choice of payment plans.
 2. Group life insurance usually requires a medical examination.
 3. Only individual life insurance requires the naming of a beneficiary.
4. Individual life insurance 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
O 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.		
O 2. preferred.		
O 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.
 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.
O 3. Ratemaking.
O 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
O 1. alienation.
O 2. concealment.
3. conservation.
O 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.



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.