

1. Slippery floors, a habit of lying, or reckless driving are examples of which of the following?
 - a) Perils
 - b) Hazards
 - c) Pure risks
 - d) Causes of loss

2. Which of the following is the foundation of the statistical prediction of loss upon which rates for insurance are calculated?
 - a) The law of large numbers
 - b) The principle of indemnity
 - c) Exposure units
 - d) Adverse selection

3. An insurance company that is owned by the policyholders is called a
 - a) Stock insurer.
 - b) Reciprocal insurer.
 - c) Mutual insurer.
 - d) Fraternal insurer.

4. Which of the following describes the agent's fiduciary responsibility?
 - a) Commingling collected premiums with the agent's personal funds
 - b) Handling insurer funds in a trust capacity
 - c) Being liable for negligence with respect to clients' applications
 - d) Helping clients file insurance claims

5. What term best describes the act of withholding material information that would be critical to an underwriting decision?
 - a) Withholding
 - b) Waiver
 - c) Breach of warranty
 - d) Concealment

6. Which of the following is NOT a personal use of life insurance?
 - a) An individual buys whole life insurance to fund his children's college education.
 - b) An individual buys term insurance to help the family pay off the mortgage in case of premature death.
 - c) An individual buys insurance to fund a buy-sell agreement.
 - d) An individual buys insurance to provide future income to a surviving spouse.

7. Which of the following best represents what is meant by “life insurance creates an immediate estate”?
- a) The policy generates immediate cash value.
 - b) The death benefit will always be paid to the estate of the insured.
 - c) The face value is payable to the beneficiary upon the death of the insured.
 - d) The policy has cash values and nonforfeiture values.
8. Which of the following is NOT an example of insurable interest?
- a) Debtor in creditor
 - b) Business partners in each other
 - c) Employer in employee
 - d) Child in parent
9. Which of the following is NOT a factor in the premium determination for a life insurance policy?
- a) Mortality cost
 - b) Insurer expenses
 - c) Investment return
 - d) Number of beneficiaries
10. Insurance producers must ensure that products they recommend are in the best interest of the insureds. This is called
- a) Indemnity.
 - b) Suitability.
 - c) Underwriting.
 - d) Disclosure.
11. Which of the following may NOT be included in an insurance company's advertisement?
- a) The name of a specific agent
 - b) Policy’s limitations and exclusions
 - c) Stating that the insurer’s policies are covered by the state Guaranty Association
 - d) Differentiating between guaranteed and projected amounts in policy illustrations
12. An individual wants to buy a life insurance policy in which he can count on guaranteed minimum benefits. Which of the following types of insurance would best suit his needs?
- a) Fixed
 - b) Level
 - c) Variable
 - d) Participating

13. Which of the following are characteristics of term life insurance?
- a) Coverage to age 100, cash value, high premium, and payable at the end of a selected period
 - b) Monthly income during a stated period, nonforfeiture provisions, and greater flexibility during times of inflation
 - c) Temporary protection, no cash value, less expensive, and may be renewed
 - d) Option to adjust the face amount, and automatic increases of face amount at given age
14. The owner who is also the insured has a whole life policy for \$50,000. He never misses a payment and has never borrowed from the cash value. He turned 100 years old today. How much of the cash value is he entitled to?
- a) The amount would depend on the actuarial tables.
 - b) The amount equal to the face value, or \$50,000
 - c) The amount equal to the premiums paid.
 - d) None: life insurance proceeds are only paid upon the insured's death.
15. Which insurance is known for having a level premium with a fixed rate of return resulting in guaranteed cash value?
- a) Adjustable life
 - b) Whole life
 - c) Variable life
 - d) Universal life
16. Which of the following types of insurance is investment based, has a level fixed premium, and a nonguaranteed cash value?
- a) Term life
 - b) Universal life
 - c) Variable whole life
 - d) Single premium whole life
17. A universal life policy may be surrendered for its cash value
- a) At any time.
 - b) Only when the cash value equals the death benefit.
 - c) Within 30 days of an interest payment.
 - d) Only if there are no outstanding loans.
18. All of the following could own group life insurance EXCEPT
- a) A group sponsored by an employer.
 - b) An alumni group.
 - c) A debtor group.
 - d) A group needing low-cost life insurance.

19. All of the following are true of the Survivorship Life policy EXCEPT
- a) The premium is based on the age of each insured.
 - b) The death benefit is not paid until the last death.
 - c) The premium would be lower than in a joint life policy.
 - d) The policy can insure more than 2 lives.
20. In an Adjustable Life policy all of the following can be changed by the policyowner EXCEPT
- a) The type of investment.
 - b) The length of coverage.
 - c) The premium.
 - d) The amount of insurance.
21. Which of the following are common provisions found within many life insurance policies?
- a) Reinstatement, entire contract, incontestability
 - b) Aviation, suicide, waiver of premium
 - c) Pre-existing conditions, entire contract, fixed-amount installments
 - d) Right to return, reinstatement, cost of living
22. Which party has the legal authority to name or change the beneficiary?
- a) Insured
 - b) Policyowner
 - c) Insurer
 - d) Agent
23. The policyowner who is also the insured named the primary and the contingent beneficiary for her policy. Several weeks prior to the insured's death, both the primary and contingent beneficiaries were killed in a common disaster. Which of the following will receive the insurance proceeds?
- a) The insured's next of kin survivors
 - b) The insured's estate
 - c) Primary beneficiary's estate
 - d) Primary and contingent beneficiaries' estates in equal amounts
24. How does the incontestability clause benefit the insured?
- a) It dictates that if the insured and beneficiary die together, and the order of death is unknown, the beneficiary is presumed to have died first.
 - b) It protects the death benefit from attachment by creditors after the insured dies.
 - c) It prevents the policy from being cancelled if, after several years, it is discovered that there was a misrepresentation by the policyowner.
 - d) It keeps the policy from lapsing should the premium go unpaid by borrowing from the cash value.

25. After an insured dies it is discovered that the policy was rated based upon an incorrect age. The insured misstated his age when filling out the application 8 years earlier. What effect will this have on the benefit?
- a) The policy is incontestable, so full claim will be paid.
 - b) The policy will be rescinded, and no benefit will be paid.
 - c) The proceeds will be adjusted to the correct age.
 - d) The insurer will require a premium adjustment based on the correct age.
26. Under which settlement option does the insurer retain the death benefit but pays the beneficiary the earnings on the death benefit?
- a) Interest only
 - b) Accumulation at interest
 - c) Life income
 - d) Lump sum
27. The beneficiary chooses to receive the life policy proceeds in the form of monthly income at a specified rate per month, until principal and interest are exhausted. What settlement option did the beneficiary select?
- a) Interest-only to certain age
 - b) Life-only income
 - c) Fixed period
 - d) Fixed amount
28. All of the following are policy dividend options EXCEPT
- a) Fund the distribution of periodic income payments.
 - b) Purchase 1-year term insurance.
 - c) Apply the dividend toward paying the current premium.
 - d) Purchase paid-up additions to the policy.
29. Which of the following is NOT a standard exclusion in life insurance policies?
- a) Aviation
 - b) Disability
 - c) Hazardous occupation
 - d) War and military service
30. The partial transfer of policy ownership rights and privileges in a policy to a bank or lender is called a/an
- a) Ownership provision.
 - b) Collateral assignment.
 - c) Absolute assignment.
 - d) Change of beneficiary.

31. Which of the following policy riders would an insured use to protect against the negative effect of inflation on the future purchasing power of a life policy?
- a) Guaranteed insurability
 - b) Accelerated benefits
 - c) Waiver of cost of insurance
 - d) Cost of living
32. A life policy contains a guaranteed insurability rider. When can the policyowner purchase additional insurance on the policy?
- a) Any time with proof of insurability
 - b) Any time the cost of living increases
 - c) At a specified age after providing evidence of insurability
 - d) At specified ages or dates without evidence of insurance
33. What document must be made part of the insurance policy entire contract?
- a) Outline of summary
 - b) Copy of the original application
 - c) Buyer's Guide
 - d) Shopping Comparison Guide
34. Which of the following may be added to a permanent life policy, at no cost, to ensure that the policy will not lapse as long as there is cash value?
- a) Grace period provision
 - b) Nonforfeiture option
 - c) Extended term rider
 - d) Automatic premium loan rider
35. The Guaranteed Insurability Rider allows the owner to purchase additional amounts of life insurance without proof of insurability at all of the following events EXCEPT
- a) Marriage.
 - b) Birth of a child.
 - c) Purchase of a new home.
 - d) Every 3 years between the ages of 25 and 40.
36. Which of the following best describes the difference between life insurance and annuities?
- a) Annuities pay the death benefit, while life insurance offers living benefits.
 - b) Annuities provide a tax-free income in retirement.
 - c) Life insurance can be funded monthly, while annuities require a lump-sum funding.
 - d) Life insurance creates an immediate estate, while annuities liquidate a sum of money.

37. One of the reasons that a person would purchase an annuity is the concern with the risk of
- a) Dying too soon.
 - b) Becoming too old to qualify for life insurance.
 - c) Having to pay taxes on the retirement savings.
 - d) Outliving the retirement income.
38. An individual receives a lump-sum inheritance. He'd like to use the money to create a lifetime income since he'll be retiring soon. He purchases an annuity and wishes to receive payments beginning in 2 months. What did he buy?
- a) Flexible Premium Immediate Annuity
 - b) Single Premium Deferred Annuity
 - c) Single Premium Immediate Annuity
 - d) Flexible Premium Deferred Annuity
39. An annuitant is paying into an annuity that will be used to help supplement her retirement in a few years. The premium payments go into the insurer's separate account and purchase accumulation units. What type of annuity did the annuitant buy?
- a) Variable annuity
 - b) Fixed annuity
 - c) Guaranteed qualified plan annuity
 - d) Periodic premium immediate annuity
40. Which of the following is NOT true regarding the annuitant?
- a) The annuitant must be a natural person.
 - b) The annuitant receives the annuity benefits.
 - c) The annuitant's life expectancy is taken into consideration for the annuity.
 - d) The annuitant cannot be the same person as the annuity owner.
41. For a retirement plan to be qualified, it must be designed for the benefit of
- a) Employees.
 - b) Key employee.
 - c) Employer.
 - d) IRS.
42. Which of the following can make a fully deductible contribution to a traditional IRA?
- a) An individual under the age of 70 ½ who has earned income
 - b) A person whose contributions are funded by a return on investment
 - c) Someone making contributions to an educational IRA
 - d) Anybody: all IRA contributions are fully deductible regardless of income level

43. A qualified plan may NOT
- a) Provide tax-deferred growth.
 - b) Favor shareholders and top executives.
 - c) Maintain fully funded accounts.
 - d) Be reported to the Internal Revenue Service.
44. If taken as a lump sum, life insurance proceeds to beneficiaries are passed
- a) As tax deductible.
 - b) Without interest.
 - c) Free of federal income taxation.
 - d) Partially tax free and partially taxable.
45. Which portion of a nonqualified annuity payment is taxable?
- a) The entire payment
 - b) The actual payment amount
 - c) Interest earned on principal
 - d) Both principal and interest
46. Which of the following riders would NOT increase the health policy premium for the policyowner?
- a) Payor benefit rider
 - b) Multiple indemnity rider
 - c) Waiver of premium rider
 - d) Impairment rider
47. A producer is acting in what capacity when he or she is trying to obtain creditable information about an applicant for health insurance?
- a) Fiduciary
 - b) Field underwriter
 - c) Principal
 - d) General agent
48. What are the three types of coverages for medical expense insurance?
- a) Medical, Dental, Vision
 - b) Mandatory, Supplementary, Preventive
 - c) Hospital, Surgical, Medical
 - d) Disability, Long-term Care, Medicare

49. What is the minimum number of credits required for partially insured status for Social Security disability benefits?
- a) 4
 - b) 6
 - c) 10
 - d) 20
50. Which of the following best describes the underwriting process for insurance?
- a) Selection, classification, and rating of risks
 - b) Solicitation, negotiation and sale of policies
 - c) Issuance of policies
 - d) Reporting and rejection of risks
51. Which of the following is NOT a common exclusion found in most health policies?
- a) War or act of war
 - b) Self-inflicted injuries
 - c) Dental procedure due to birth defect
 - d) Workers compensation claims
52. A health insurance plan that covers all accidents and sicknesses that are not specifically excluded from the policy is referred to as a
- a) Comprehensive plan.
 - b) Blanket insurance plan.
 - c) Limited benefit plan.
 - d) Broad plan.
53. The Affordable Care Act mandates that insurers provide coverage for adult children of the insured up to the age of
- a) 19
 - b) 21
 - c) 26
 - d) 30

54. All of the following will be covered by Part A of Medicare EXCEPT
- a) Hospitalization.
 - b) Skilled nursing facility care.
 - c) Physician's services.
 - d) Hospice care.
55. The number of credits required for fully insured status under Social Security disability benefits is
- a) 6
 - b) 10
 - c) 24
 - d) 40
56. The primary purpose of disability income insurance is to
- a) Reimburse lost income while in the hospital.
 - b) Replace income lost due to a disability.
 - c) Reimburse loss of income to a family due to the death of the insured.
 - d) Reimburse medical expenses and/or loss income due to accidents at work.
57. Which of the following individuals is NOT eligible for Medicare?
- a) A healthy person age 70
 - b) A person who has turned age 65 and continues to work
 - c) A person who is 35-years-old and has chronic kidney disease
 - d) A person who has been receiving Social Security disability benefits for the last 6 months
58. Long-term care (LTC) coverage may be provided by each of the following EXCEPT
- a) Rider to Medicare.
 - b) Rider to life insurance.
 - c) Individual LTC policy.
 - d) Group LTC policy.

59. For which of the following reasons could an insurer terminate a long-term care insurance policy?
- a) The advanced age of the insured
 - b) Deterioration in mental health of the insured
 - c) Deterioration in physical health of the insured
 - d) Nonpayment of premium
60. Which of the following is NOT a characteristic of an insurable risk?
- a) The loss must be catastrophic.
 - b) The loss must be due to chance.
 - c) The loss must be measurable.
 - d) The loss exposure must be large.
61. Which of the following protects consumers against the circulation of inaccurate or obsolete personal financial information?
- a) The Guaranty Association
 - b) Consumer Privacy Act
 - c) HIPAA
 - d) Fair Credit Reporting Act
62. Which of the following includes information regarding a person's credit, character, reputation, and habits?
- a) Medical Information Bureau report
 - b) Consumer report
 - c) Insurance application
 - d) Agent's report
63. Which of the following groups would most likely be covered by blanket insurance?
- a) A university's sports team
 - b) A large family
 - c) A publishing company
 - d) A group of individuals who obtain temporary insurance

64. What type of care is respite care?
- a) 24-hour care
 - b) Relief for the main caregiver
 - c) Institutional care
 - d) Daily medical care, given by medical personnel
65. Under a credit disability policy, payments to the creditor will be made for the insured until what point?
- a) The period of disability ends or the debt is repaid
 - b) Until the insured's age 65
 - c) 6 months after the onset of a disability
 - d) A disability policy cannot make payments to the creditor.
66. What is the purpose of COBRA?
- a) To protect the insured against insolvent insured
 - b) To provide continuation of coverage for terminated employees
 - c) To provide coverage for the dependents
 - d) To provide affordable health coverage for people with low income
67. What are the terms used to define the amount of benefit paid in a disability policy that contains an Accidental Death and Dismemberment (AD&D) rider?
- a) Primary sum and secondary sum
 - b) Complete benefit and partial benefit
 - c) Double indemnity and triple indemnity
 - d) Principal sum and capital sum
68. A health policy component that provides for the sharing of expenses between the insured and the insurance company is called
- a) Deductible.
 - b) Stop-loss.
 - c) Coinsurance.
 - d) Pro rata expenses.

69. An insured receives \$50,000 from a \$100,000 Accidental Death and Dismemberment policy as a result of the loss of an arm in an accident. This benefit is considered a/an
- a) Principal sum.
 - b) Capital sum.
 - c) Accelerated benefit.
 - d) Limited benefit.
70. What is the minimum length of benefit period that a long-term care policy must provide?
- a) 6 months
 - b) 12 months
 - c) 24 months
 - d) 60 months
71. Which renewability provision allows an insurer to terminate a policy for any reason, and to increase the premiums for any class of insureds?
- a) Guaranteed renewable
 - b) Optionally renewable
 - c) Conditionally renewable
 - d) Cancellable
72. All of the following are examples of risk retention EXCEPT
- a) Copayments.
 - b) Self-insurance.
 - c) Premiums.
 - d) Deductibles.
73. When insurers negotiate contracts with health care providers or physicians to provide health care services to subscribers at a favorable cost, it is called
- a) Preferred Provider Organizations.
 - b) Point of Service plans.
 - c) Indemnity plans.
 - d) Managed care.

74. Who pays the expense for an autopsy allowed under the physical exam and autopsy provision?
- a) The beneficiary
 - b) The insurer
 - c) The insured's estate
 - d) The other policyowners of the insurer through assessment
75. If an insurer wishes to order an inspection report on an applicant to assist in the underwriting process, and if a notice of insurance information practices has been provided, the report may contain all of the following information about the applicant EXCEPT
- a) Ancestry.
 - b) Credit history.
 - c) Habits.
 - d) Prior insurance.
76. If an employee terminates her employment, which of the following provisions would allow her to continue health coverage under an individual policy without proof of insurability, if applied for within a specific amount of time?
- a) Reinstatement
 - b) Conversion
 - c) Grace period
 - d) Replacement
77. Who acts on behalf of the principal?
- a) Company
 - b) Broker
 - c) Agent
 - d) The state
78. Which type of authority is based on the actions or words of the agent?
- a) Fiduciary
 - b) Implied
 - c) Apparent
 - d) Express

79. All of the following statements are correct about uniform mandated provisions in health insurance policies EXCEPT
- a) Proof of loss forms must be sent to the insured within 15 days of notice of claim.
 - b) Annual premium policies must have a 31-day grace period.
 - c) The misstatement of age provision allows the insurer to adjust the benefit.
 - d) Legal action against the insurer may be initiated at any time.
80. Regarding benefit periods in long-term care policies, as the benefit period lengthens, the premium
- a) Remains the same.
 - b) Rises.
 - c) Falls.
 - d) Doubles.
81. If a disability policy is rated up, which of the following is true?
- a) The benefits increase.
 - b) The premium increases.
 - c) The premium decreases.
 - d) The number of exclusions decreases.
82. What type of plans are HMOs?
- a) Service
 - b) Reimbursements
 - c) Health savings
 - d) Consumer driven
83. Which of the following is NOT an essential element of an insurance contract?
- a) Legal purpose
 - b) Competent parties
 - c) Conditions
 - d) Consideration

84. Medicaid provides all of the following benefits EXCEPT
- a) Family planning services.
 - b) Income assistance for work related injuries.
 - c) Home health care services.
 - d) Eyeglasses.
85. Which of the following is a private health insurance plan?
- a) Social Security disability insurance
 - b) Medicare Part B
 - c) Medicaid
 - d) Medicare supplement
86. Who makes up the Medical Information Bureau?
- a) Physicians
 - b) Hospitals
 - c) Insurers
 - d) Consumers
87. To be eligible for a Health Savings Account, an individual must be covered by which of the following plans?
- a) Health plan with no deductible
 - b) High-deductible health plan
 - c) Low-deductible health plan
 - d) Medicare supplement plan
88. When compared with individual coverage, the per capita administrative cost in group health insurance is
- a) Equal.
 - b) Lower.
 - c) Higher.
 - d) Comparable.

89. If an insured changes the mode of premium payment from monthly to annually, the total premium for the policy will
- a) Not be affected.
 - b) Increase.
 - c) Decrease.
 - d) Be prorated.
90. In reference to the standard Medicare Supplement benefits plans, what does the term "standard" mean?
- a) Coverage options are developed for average individuals.
 - b) All providers must have the same coverage options for each plan.
 - c) Coverage options comply with the law, but will vary from provider to provider.
 - d) All plans must include basic benefits A - N.
91. An insured notifies his company that he has become disabled. What provision states that claims must be paid immediately upon receipt of written proof of loss?
- a) Legal action
 - b) Time of payment of claims
 - c) Incontestability
 - d) Notice of claim
92. In which Medicare supplemental plans are the core benefits found?
- a) Plan A only
 - b) Only the plans that do not cover deductibles and coinsurance
 - c) All plans
 - d) This will vary from provider to provider.
93. For group medical and dental expense insurance, what percentage of premium paid by the employer is deductible as a business expense?
- a) 0%
 - b) 10%
 - c) 50%
 - d) 100%

94. The period of time immediately following a disability during which benefits are NOT payable is known as the
- a) Probationary period.
 - b) Grace period.
 - c) Residual period.
 - d) Elimination period.
95. An agent who knowingly misrepresents material information for the purpose of inducing an insured to lapse, forfeit, change or surrender a life insurance policy has committed an illegal practice known as
- a) Concealment.
 - b) Misrepresentation.
 - c) Twisting.
 - d) Fraud.
96. All of the following are unfair claims settlement practices EXCEPT
- a) Refusing to pay claims without conducting an investigation.
 - b) Failing to implement reasonable standards for settling claims.
 - c) Failing to acknowledge pertinent communication regarding a claim.
 - d) Suggesting negotiations in settling the claim.
97. What is a prerequisite for receiving a commission from an insurance transaction?
- a) A signed contract
 - b) A license for the same type of insurance as the transaction
 - c) An appointment with an insurance company
 - d) Any current insurance license
98. Who is responsible for covering the expenses associated with the examination of domestic insurers?
- a) The examined insurer
 - b) The examination committee
 - c) The Department of Insurance
 - d) The Insurance Guaranty Association
99. What is the purpose of requiring licenses for persons who transact insurance?
- a) Be able to collect commissions
 - b) Protect the general public
 - c) Protect insurers from liability and lawsuits
 - d) Generate income for state insurance departments

100. Which of the following is an example of a producer being involved in an unfair trade practice of rebating?
- a) Charging a client a higher premium for the same policy as another client in the same insuring class
 - b) Making deceptive statements about a competitor
 - c) Telling a client that his first premium will be waived if he purchased the insurance policy today
 - d) Convincing the insured to drop a policy in favor of another one when it's not in the insured's best interest