

Life and Health General Knowledge Practice Test

1. Hazard is best defined as
 - a) The uncertainty of loss.
 - b) **Something that increases the risk of loss.**
 - c) A deliberate attempt to deceive an insurer.
 - d) Neglect to communicate a material fact.

2. A state-issued document allowing an insurance company to become an admitted insurer is called a(n)
 - a) License.
 - b) Certificate of Insurance.
 - c) **Certificate of Authority.**
 - d) Insurance Contract.

3. When doing business in this state, an insurance company that is formed under the laws of another state is known as which type of insurer?
 - a) **Foreign**
 - b) Alien
 - c) Domestic
 - d) Nonadmitted

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) Avoidance
 - b) Waiver
 - c) Breach of warranty
 - d) **Concealment**

6. All of the following are personal uses of life insurance EXCEPT
 - a) Survivor protection.
 - b) Cash accumulation.
 - c) **Buy-sell agreement.**
 - d) Estate creation.

7. For what reason may a life insurance producer backdate a life insurance policy?
- a) To meet sales quotas established by the insurer
 - b) To shorten the period of contestability
 - c) To make a policy effective during a period when the agent's appointment was in force
 - d) **To avoid an increase in premium rate for the insured**
8. Which of the following is NOT an example of valid insurable interest?
- a) **A debtor in the life of the creditor**
 - b) Business partners in each other's lives
 - c) Employer in the key employee's life
 - d) Child in parents' lives
9. A participating insurance policy may do which of the following?
- a) Pay dividends to the stockholder
 - b) Require 80% participation
 - c) **Pay dividends to the policyowner**
 - d) Provide group coverage
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. What process do insurance companies use to determine whether or not an applicant is insurable?
- a) Adverse selection
 - b) **Underwriting**
 - c) Solicitation
 - d) Retention

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. In whole life insurance, when is the policy cash value scheduled to equal the face amount?
- a) By the policy's 10th year
 - b) At the insured's age 100
 - c) When the insured pays up any outstanding policy loans
 - d) That depends on the type of the whole life policy purchased.
15. Which of the following policies would have an IRS required corridor or gap between the cash value and the death benefit?
- a) Variable Universal Life
 - b) Equity Indexed Universal Life
 - c) Universal Life – Option A
 - d) Universal Life – Option B
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. An individual has just borrowed \$10,000 from his bank on a 5-year installment loan requiring monthly payments. What type of life insurance policy would be best suited to this situation?
- a) Decreasing term
 - b) Increasing term
 - c) Whole life
 - d) Universal life
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. Which of the following is an example of a limited-pay life policy?
- a) Straight Life
 - b) Level Term Life
 - c) Life Paid-up at Age 65
 - d) Renewable Term to Age 70
21. When does the free-look period begin for insurance policies?
- a) As soon as the first premium is paid
 - b) When the policyowner receives the policy
 - c) When the insurer issues the policy
 - d) 10 days after the insurer issues the policy
22. Which party has the legal authority to name or change the beneficiary?
- a) Insured
 - b) Policyowner
 - c) Insurer
 - d) Agent
23. If no beneficiary is named in a life insurance policy, after an insured's death, the policy benefits are
- a) Reinvested by the insurance company.
 - b) Transferred to the state Insurance Department.
 - c) Included in the insured's taxable estate.
 - d) Used to purchase a single-premium whole life policy on the insured's next of kin.
24. An insured has had a life insurance policy that he purchased 3 years ago when he stated on the application that he was 40 years old. When he died 3 years later, the insurer discovered that the insured was 2 years older than was stated on the application. What will the company do?
- a) Pay the full death benefit
 - b) Pay a reduced death benefit
 - c) Deny the death claim and pay nothing
 - d) Pay the full death benefit and refund excess premium.

25. When must a beneficiary have insurable interest in the insured?

- a) **Never**
- b) When the policy is issued
- c) Upon the insured's death
- d) The entire time the policy is in force

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) Accumulation at interest.
- b) Reduction of premium.
- c) **Fixed-period installments.**
- d) Paid-up additions.

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 disability riders in life insurance allows the policyowner to keep coverage in force without paying policy premiums after a qualifying event?

- a) Waiver of premium
- b) Accelerated benefits
- c) Waiver of cost of insurance
- d) Disability income benefit

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. According to the entire contract provision, what document must be made part of the insurance policy?

- a) Outline of coverage
- b) Copy of the original application
- c) Buyer's Guide
- d) Agent's report

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. When an annuity is written, whose life expectancy is taken into account?
- a) The annuity owner
 - b) **The annuitant**
 - c) The beneficiary
 - d) Life expectancy is not a factor when writing an annuity.
40. An annuity has accumulated the cash value of \$70,000, of which \$30,000 is from premium payments. The annuitant dies during the accumulation phase. The beneficiary will receive
- a) \$30,000.
 - b) **\$70,000.**
 - c) \$100,000 (combination of the cash value and premiums paid).
 - d) A survivor benefit determined by the insurance company.
41. Which of the following is NOT true regarding an annuity certain?
- a) There are no life contingencies.
 - b) It is a short-term annuity.
 - c) **Benefits stop at the annuitant's death.**
 - d) It will pay until a fixed amount is liquidated.
42. If the owner of a traditional IRA decides to withdraw funds prior to age 59 ½, funds are subject to an additional tax of
- a) 6%.
 - b) **10%**
 - c) 12%
 - d) 15%

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. In life insurance policies, cash value increases
- a) Grow tax deferred.
 - b) Are taxed annually.
 - c) Are income taxable immediately.
 - d) Are only taxed when the owner reaches age 65.
47. Whose responsibility is it to ensure that the application for health insurance is complete and accurate?
- a) The applicant's
 - b) The policyowner's
 - c) The underwriter's
 - d) The agent's
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 number of credits required for fully insured status under Social Security disability benefits?
- a) 6
 - b) 10
 - c) 24
 - d) 40

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. Which of the following would qualify someone for disability benefits?
- a) Injuries only
 - b) Accidents only
 - c) Job-related illness
 - d) Both sickness and accidents
55. An insured owns a disability policy and is in an accident which leaves him permanently blind. Which of the following provisions in a disability policy would qualify the insured for benefits, even if the insured is able to resume working?
- a) Residual Disability
 - b) Presumptive Disability
 - c) Any Occupation
 - d) Rehabilitation Benefit

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 Part A.**
 - 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. All of the following are covered by Part A of Medicare EXCEPT
- a) Inpatient hospital services.
 - b) **Physician's and surgeon's services.**
 - c) Home health services.
 - d) Post-hospital nursing care.
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. In group insurance, what is the policy called?
- a) Certificate of insurance
 - b) Entire contract
 - c) **Master policy**
 - d) Certificate of authority
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. A terminated employee who wants to convert her group health coverage to individual coverage without providing evidence of insurability must do this within
- a) 14 days.
 - b) 21 days.
 - c) **31 days.**
 - d) 60 days.
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. On a policy that contains a guaranteed renewable provision, when can the insurer increase premiums?

- a) After a large claim
- b) Every 90 days
- c) At the beginning of every calendar year
- d) **On the policy anniversary date**

72. All of the following are examples of risk retention EXCEPT

- a) Copayments.
- b) Self-insurance.
- c) **Premiums.**
- d) Deductibles.

73. The Time Limit on Certain Defenses provision is the same as which of the following?

- a) **Incontestability**
- b) Reinstatement
- c) Legal action
- d) Grace period

74. In health insurance, the length of the grace period varies according to the
- a) Length of the waiting period.
 - b) Length of the benefit period.
 - c) Age of the insured.
 - d) **Mode of premium payment.**
75. Which benefits would a disability plan most likely pay?
- a) Medical expenses associated with a disability
 - b) **Income lost by the insured's inability to work**
 - c) Rehabilitation costs
 - d) Copayments
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. Which of the following is a private health insurance plan?
- a) **Medicare supplement policies**
 - b) Medicare Part D
 - c) Medicaid
 - d) Social Security disability insurance
78. A policy which covers medical costs related to a specific condition is called a
- a) Limited-pay policy.
 - b) Blanket policy.
 - c) **Dread disease policy.**
 - d) Comprehensive policy.
79. Under which of the following circumstances may the uniform individual accident and sickness policy provisions be changed?
- a) Under no circumstances
 - b) If approved by the company's board of directors
 - c) **If the change is more favorable to the policyholder**
 - d) If the change is signed by both the agent and the policyholder

80. Regarding long-term care policies, which of the following would NOT be included in activities of daily living?

- a) **Sleeping**
- b) Eating
- c) Bathing
- d) Dressing

81. An insured has a routine exam, blood work, and a follow-up appointment with a specialist. The insured receives a bill for each service provided. What type of plan does the insured have?

- a) Prepaid
- b) Indemnity
- c) **Fee for service**
- d) Comprehensive

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. What is the purpose of a benefit schedule?

- a) To include the average charges for procedures
- b) **To state what and how much is covered in the plan**
- c) To provide the dates for the payment of benefits
- d) To list the insured's copayments and deductibles

85. In an HMO policy, one of the main responsibilities of the primary care physician (PCP) as a gatekeeper is to do which of the following?

- a) Help run the HMO
- b) Keep regular office hours
- c) Seek alternative treatments for patients
- d) **Help control costs**

86. Which of the following determines whether disability insurance benefits are taxed?

- a) State statutes
- b) Policy provisions
- c) **Whether the premiums were tax deductible**
- d) If the total of benefits paid meets the minimum state taxation standard

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. The benefits received by the business in a disability buy-sell agreement are

- a) Fully taxable.
- b) Partially taxable.
- c) **Income tax free.**
- d) Tax deductible.

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. Which of the following mandatory health provisions states the specified number of days given to an insured to return the completed claim forms to the insurance company?

- a) **Proof of Loss**
- b) Notice of Claim
- c) Time Payment of Claim
- d) Claims Form

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) This will vary from provider to provider.
- d) **All plans**

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. All of the following long-term care coverages would allow an insured to receive care at home EXCEPT

- a) Respite care.
- b) **Skilled care.**
- c) Home health care.
- d) Custodial care.

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 active insurance license

98. Who is responsible for covering the expenses associated with the examination of domestic insurers?

- a) **The examined insurer**
- b) All authorizes insurers in this state
- 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