

PRACTICE EXAM 4: ARIZONA LIFE AND HEALTH INSURANCE LICENSE (150 QUESTIONS)

This 150-question practice examination covers life insurance, accident and health insurance, general insurance principles, and Arizona producer regulation. It is a study aid, not an official Arizona examination. Select the single best answer for each question. Verify current Arizona laws, rules, and licensing requirements with the Arizona Department of Insurance and Financial Institutions before testing.

1. Which term is best described by the following statement? Provides protection for a stated period and generally has no cash value.
 - A. Variable life insurance
 - B. Term life insurance
 - C. Deferred annuity
 - D. Whole life insurance
2. Which term is best described by the following statement? Provides lifetime protection with level premiums and guaranteed cash-value features.
 - A. Whole life insurance
 - B. Life income with period certain
 - C. Variable life insurance
 - D. Credit life insurance
3. Which term is best described by the following statement? Allows flexible premium payments and an adjustable death benefit within policy limits.
 - A. Indexed life insurance
 - B. Universal life insurance
 - C. Variable universal life insurance
 - D. Variable annuity
4. Which term is best described by the following statement? Places cash values in separate-account investment options and shifts investment risk to the owner.
 - A. Decreasing term insurance
 - B. Deferred annuity
 - C. Variable life insurance
 - D. Variable universal life insurance
5. Which term is best described by the following statement? Combines flexible premiums with separate-account investment choices.
 - A. Term life insurance
 - B. Modified endowment contract
 - C. Credit life insurance
 - D. Variable universal life insurance

6. Which term is best described by the following statement? Uses a death benefit that declines over the policy period.
- A. Decreasing term insurance
 - B. Life income option
 - C. Universal life insurance
 - D. Cash refund annuity option
7. Which term is best described by the following statement? Lets the owner exchange term coverage for permanent coverage without new evidence of insurability.
- A. Convertible term insurance
 - B. Term life insurance
 - C. Decreasing term insurance
 - D. Credit life insurance
8. Which term is best described by the following statement? Lets coverage continue at the end of a term without evidence of insurability.
- A. Installment refund annuity option
 - B. Industrial life insurance
 - C. Renewable term insurance
 - D. Credit life insurance
9. Which term is best described by the following statement? Covers two lives and pays when the first insured dies.
- A. Decreasing term insurance
 - B. Convertible term insurance
 - C. Variable universal life insurance
 - D. Joint life policy
10. Which term is best described by the following statement? Covers two lives and pays after the second insured dies.
- A. Life income with period certain
 - B. Survivorship life policy
 - C. Industrial life insurance
 - D. Variable universal life insurance
11. Which term is best described by the following statement? Credits a stated or guaranteed interest rate and transfers investment risk to the insurer.
- A. Survivorship life policy
 - B. Accumulation period
 - C. Industrial life insurance
 - D. Fixed annuity
12. Which term is best described by the following statement? Uses separate-account investments, so payment values can vary with investment performance.
- A. Joint life policy
 - B. Variable annuity
 - C. Cash refund annuity option
 - D. Whole life insurance

13. Which term is best described by the following statement? Begins income payments shortly after a lump-sum premium is paid.
- A. Joint life policy
 - B. Fixed annuity
 - C. Immediate annuity
 - D. Cash refund annuity option
14. Which term is best described by the following statement? Accumulates value before the income-payment phase begins.
- A. Deferred annuity
 - B. Installment refund annuity option
 - C. Convertible term insurance
 - D. Universal life insurance
15. Which term is best described by the following statement? Is the annuity phase during which premiums grow before distributions begin.
- A. Accumulation period
 - B. Whole life insurance
 - C. Joint life policy
 - D. Variable life insurance
16. Which term is best described by the following statement? Is the phase during which an annuity converts accumulated value into income payments.
- A. Deferred annuity
 - B. Accumulation period
 - C. Annuitization period
 - D. Indexed life insurance
17. Which term is best described by the following statement? Pays income for as long as the annuitant lives.
- A. Decreasing term insurance
 - B. Life income option
 - C. Cash refund annuity option
 - D. Immediate annuity
18. Which term is best described by the following statement? Pays for life but guarantees payments for at least a stated period.
- A. Variable life insurance
 - B. Life income option
 - C. Convertible term insurance
 - D. Life income with period certain

19. Which term is best described by the following statement? Pays for life and returns any unpaid premium balance at death.

- A. Cash refund annuity option
- B. Group life insurance
- C. Survivorship life policy
- D. Term life insurance

20. Which term is best described by the following statement? Pays for life and continues installments to a beneficiary until the unpaid premium is returned.

- A. Industrial life insurance
- B. Life income option
- C. Fixed annuity
- D. Installment refund annuity option

21. Which term is best described by the following statement? Credits interest using an external index subject to policy terms, floors, and caps.

- A. Variable annuity
- B. Credit life insurance
- C. Indexed life insurance
- D. Joint life policy

22. Which term is best described by the following statement? Is a life policy that fails the federal seven-pay test and receives different tax treatment for distributions.

- A. Credit life insurance
- B. Modified endowment contract
- C. Convertible term insurance
- D. Deferred annuity

23. Which term is best described by the following statement? Is designed to pay or reduce a debtor's loan balance if the debtor dies.

- A. Convertible term insurance
- B. Credit life insurance
- C. Accumulation period
- D. Renewable term insurance

24. Which term is best described by the following statement? Insures a group under a master contract, commonly issued to an employer or association.

- A. Group life insurance
- B. Deferred annuity
- C. Joint life policy
- D. Life income option

25. Which term is best described by the following statement? Traditionally provides small face amounts with frequent premium collection.

- A. Survivorship life policy
- B. Convertible term insurance
- C. Life income option
- D. Industrial life insurance

26. Which term is best described by the following statement? Is the time after a premium due date when coverage remains in force while payment is overdue.

- A. Suicide clause
- B. Ownership clause
- C. Grace period
- D. Automatic premium loan

27. Which term is best described by the following statement? Limits the insurer's ability to contest a policy after it has been in force for the stated period, subject to exceptions.

- A. Spendthrift clause
- B. Incontestability clause
- C. Extended term insurance
- D. Grace period

28. Which term is best described by the following statement? Limits payment when death by suicide occurs during the policy's early specified period.

- A. Dividend option
- B. Reduced paid-up insurance
- C. Suicide clause
- D. Entire contract provision

29. Which term is best described by the following statement? Restricts a beneficiary's ability to assign or creditors' ability to reach policy proceeds before payment.

- A. Entire contract provision
- B. Settlement option
- C. Automatic premium loan
- D. Spendthrift clause

30. Which term is best described by the following statement? States that the policy and attached application make up the complete agreement.

- A. Entire contract provision
- B. Per capita designation
- C. Incontestability clause
- D. Free-look provision

31. Which term is best described by the following statement? Identifies the policyowner's contractual rights, including beneficiary changes when allowed.

- A. Free-look provision
- B. Collateral assignment
- C. Per stirpes designation
- D. Ownership clause

32. Which term is best described by the following statement? May be changed by the policyowner without that beneficiary's consent.

- A. Absolute assignment
- B. Per capita designation
- C. Revocable beneficiary
- D. Reduced paid-up insurance

33. Which term is best described by the following statement? Has vested rights, so designated changes generally require that beneficiary's consent.

- A. Absolute assignment
- B. Irrevocable beneficiary
- C. Misstatement of age provision
- D. Revocable beneficiary

34. Which term is best described by the following statement? Transfers some or all policy rights from the owner to another party.

- A. Assignment
- B. Extended term insurance
- C. Grace period
- D. Accelerated death benefit rider

35. Which term is best described by the following statement? Transfers limited policy rights to secure a debt while the owner retains remaining rights.

- A. Free-look provision
- B. Collateral assignment
- C. Ownership clause
- D. Per capita designation

36. Which term is best described by the following statement? Transfers all ownership rights in the policy to an assignee.

- A. Suicide clause
- B. Common disaster clause
- C. Absolute assignment
- D. Per stirpes designation

37. Which term is best described by the following statement? Allows a permanent-policy owner to borrow against available cash value.

- A. Policy loan provision
- B. Suicide clause
- C. Assignment
- D. Reduced paid-up insurance

38. Which term is best described by the following statement? Uses available cash value to pay an overdue premium when the policyowner has elected the option.

- A. Spendthrift clause
- B. Assignment
- C. Reduced paid-up insurance
- D. Automatic premium loan

39. Which term is best described by the following statement? Ends the policy and pays the available surrender value.

- A. Cash surrender option
- B. Entire contract provision
- C. Irrevocable beneficiary
- D. Ownership clause

40. Which term is best described by the following statement? Uses cash value to buy a smaller amount of permanent insurance with no further premiums.

- A. Cash surrender option
- B. Reduced paid-up insurance
- C. Accelerated death benefit rider
- D. Revocable beneficiary

41. Which term is best described by the following statement? Uses cash value to buy term insurance for the original face amount for a limited period.

- A. Assignment
- B. Dividend option
- C. Free-look provision
- D. Extended term insurance

42. Which term is best described by the following statement? Specifies how a participating-policy owner may receive or apply a policy dividend.

- A. Revocable beneficiary
- B. Cash surrender option
- C. Dividend option
- D. Suicide clause

43. Which term is best described by the following statement? Specifies how life insurance proceeds will be distributed to a beneficiary.

- A. Spendthrift clause
- B. Suicide clause
- C. Entire contract provision
- D. Settlement option

44. Which term is best described by the following statement? Directs a deceased beneficiary's share to that beneficiary's descendants.

- A. Accelerated death benefit rider
- B. Per stirpes designation
- C. Cash surrender option
- D. Entire contract provision

45. Which term is best described by the following statement? Divides proceeds equally among surviving members of the named class.

- A. Dividend option
- B. Per stirpes designation
- C. Per capita designation
- D. Cash surrender option

46. Which term is best described by the following statement? Addresses beneficiary and insured deaths in the same event when the order of death is uncertain.

- A. Common disaster clause
- B. Spendthrift clause
- C. Reduced paid-up insurance
- D. Dividend option

47. Which term is best described by the following statement? Adjusts benefits to the amount the premium would have purchased at the correct age.

- A. Spendthrift clause
- B. Misstatement of age provision
- C. Waiver of premium rider
- D. Per stirpes designation

48. Which term is best described by the following statement? Gives the policyowner time after delivery to review and return the policy for a refund.

- A. Free-look provision
- B. Reduced paid-up insurance
- C. Misstatement of age provision
- D. Extended term insurance

49. Which term is best described by the following statement? Permits eligible insureds to receive part of the death benefit early upon a qualifying condition.
- A. Extended term insurance
 - B. Dividend option
 - C. Automatic premium loan
 - D. Accelerated death benefit rider
50. Which term is best described by the following statement? Waives future premiums if the insured becomes totally disabled as defined by the rider.
- A. Revocable beneficiary
 - B. Dividend option
 - C. Waiver of premium rider
 - D. Misstatement of age provision
51. Which term is best described by the following statement? Provides broad medical-expense coverage, commonly subject to deductibles and coinsurance.
- A. High-deductible health plan
 - B. Major medical insurance
 - C. EPO
 - D. Disability buy-sell insurance
52. Which term is best described by the following statement? Pays a stated amount for covered hospital confinement rather than reimbursing actual expenses.
- A. HMO
 - B. Physician expense policy
 - C. POS plan
 - D. Hospital indemnity policy
53. Which term is best described by the following statement? Pays benefits tied to covered surgical procedures.
- A. Surgical expense policy
 - B. HMO
 - C. Health savings account
 - D. Dental insurance
54. Which term is best described by the following statement? Pays benefits for covered physician services.
- A. Hospital indemnity policy
 - B. EPO
 - C. Physician expense policy
 - D. Health reimbursement arrangement
55. Which term is best described by the following statement? Provides benefits for covered preventive, basic, and sometimes major dental services.
- A. HMO
 - B. Dental insurance
 - C. Health savings account
 - D. Hospital indemnity policy

56. Which term is best described by the following statement? Provides benefits for covered eye examinations, lenses, frames, or contacts.

- A. Vision insurance
- B. Dental insurance
- C. Health reimbursement arrangement
- D. Hospital indemnity policy

57. Which term is best described by the following statement? Covers qualifying assistance or services for chronic illness or functional impairment.

- A. COBRA continuation coverage
- B. High-deductible health plan
- C. Long-term care insurance
- D. Major medical insurance

58. Which term is best described by the following statement? Replaces part of earned income when a covered disability prevents work.

- A. Long-term care insurance
- B. Accidental death and dismemberment coverage
- C. COBRA continuation coverage
- D. Disability income insurance

59. Which term is best described by the following statement? Reimburses specified business operating expenses during an owner's disability.

- A. Business overhead expense insurance
- B. Health reimbursement arrangement
- C. Major medical insurance
- D. Surgical expense policy

60. Which term is best described by the following statement? Funds a buy-sell obligation when an owner becomes disabled.

- A. Health savings account
- B. Health reimbursement arrangement
- C. Hospital indemnity policy
- D. Disability buy-sell insurance

61. Which term is best described by the following statement? Pays stated benefits for covered accidental death or specified accidental losses.

- A. Dental insurance
- B. Accidental death and dismemberment coverage
- C. Major medical insurance
- D. Disability income insurance

- 62.** Which term is best described by the following statement? Provides narrowly defined benefits and is not a substitute for comprehensive major medical coverage.
- A. Physician expense policy
 - B. Medicare Advantage plan
 - C. Limited-benefit policy
 - D. Disability income insurance
- 63.** Which term is best described by the following statement? Uses a network-based delivery system that emphasizes coordinated care and preventive services.
- A. Accidental death and dismemberment coverage
 - B. Hospital indemnity policy
 - C. Physician expense policy
 - D. HMO
- 64.** Which term is best described by the following statement? Provides network discounts while generally allowing out-of-network care at a higher cost.
- A. Medicare Advantage plan
 - B. High-deductible health plan
 - C. PPO
 - D. EPO
- 65.** Which term is best described by the following statement? Generally covers nonemergency services only when obtained within the plan's network.
- A. EPO
 - B. Coordination of benefits provision
 - C. High-deductible health plan
 - D. Disability income insurance
- 66.** Which term is best described by the following statement? Combines managed-care features with a choice between network and out-of-network service options.
- A. Major medical insurance
 - B. POS plan
 - C. COBRA continuation coverage
 - D. High-deductible health plan
- 67.** Which term is best described by the following statement? Uses a higher deductible and may be designed for compatibility with a health savings account.
- A. High-deductible health plan
 - B. Coordination of benefits provision
 - C. Major medical insurance
 - D. EPO

68. Which term is best described by the following statement? Is a tax-advantaged account used with qualifying high-deductible health coverage for eligible medical expenses.

- A. COBRA continuation coverage
- B. Long-term care insurance
- C. Health savings account
- D. Disability income insurance

69. Which term is best described by the following statement? Lets an employee set aside pre-tax salary contributions for eligible expenses, subject to plan rules.

- A. EPO
- B. Flexible spending arrangement
- C. Health reimbursement arrangement
- D. HMO

70. Which term is best described by the following statement? Is employer-funded and reimburses employees for eligible medical expenses under employer plan terms.

- A. Major medical insurance
- B. Business overhead expense insurance
- C. Dental insurance
- D. Health reimbursement arrangement

71. Which term is best described by the following statement? Is standardized private coverage designed to help pay certain Medicare cost-sharing amounts.

- A. Medicare supplement policy
- B. Health savings account
- C. Coordination of benefits provision
- D. POS plan

72. Which term is best described by the following statement? Provides Medicare-covered benefits through a private plan approved by Medicare.

- A. Coordination of benefits provision
- B. COBRA continuation coverage
- C. Medicare Advantage plan
- D. Business overhead expense insurance

73. Which term is best described by the following statement? Is a joint federal-state program providing medical assistance to eligible low-income individuals.

- A. Surgical expense policy
- B. Medicare Advantage plan
- C. EPO
- D. Medicaid

74. Which term is best described by the following statement? Allows eligible individuals to continue certain employer group health coverage after qualifying events.

- A. Health savings account
- B. COBRA continuation coverage
- C. Flexible spending arrangement
- D. Coordination of benefits provision

75. Which term is best described by the following statement? Determines the order in which multiple health plans pay a covered claim.

- A. Limited-benefit policy
- B. PPO
- C. Coordination of benefits provision
- D. POS plan

76. Which term is best described by the following statement? Is the amount a covered person generally pays before the plan begins sharing covered expenses.

- A. Conformity-with-state-statutes provision
- B. Physical examination and autopsy provision
- C. Proof of loss provision
- D. Deductible

77. Which term is best described by the following statement? Is the percentage of a covered expense shared by the insured after any deductible is met.

- A. Coinsurance
- B. Change-of-occupation provision
- C. Probationary period
- D. Proof of loss provision

78. Which term is best described by the following statement? Is a fixed amount paid by the insured for a covered service under plan terms.

- A. Coinsurance
- B. Copayment
- C. Proof of loss provision
- D. Benefit period

79. Which term is best described by the following statement? Caps certain covered cost sharing by the insured during a plan period, subject to plan terms.

- A. Out-of-pocket maximum
- B. Time-payment-of-claims provision
- C. Conformity-with-state-statutes provision
- D. Own-occupation definition

80. Which term is best described by the following statement? Is the waiting time after disability begins before disability-income benefits become payable.

- A. Other-insurance-with-other-insurers provision
- B. Probationary period
- C. Time-payment-of-claims provision
- D. Elimination period

81. Which term is best described by the following statement? Is the maximum length of time benefits may be paid for a covered disability or condition.

- A. Preexisting-condition provision
- B. Benefit period
- C. Own-occupation definition
- D. Physical examination and autopsy provision

82. Which term is best described by the following statement? Defines disability by inability to perform the duties of the insured's own occupation.

- A. Misstatement-of-age provision
- B. Proof of loss provision
- C. Own-occupation definition
- D. Other-insurance-with-this-insurer provision

83. Which term is best described by the following statement? Defines disability by inability to perform the duties of any occupation for which the insured is reasonably suited.

- A. Any-occupation definition
- B. Conformity-with-state-statutes provision
- C. Time-payment-of-claims provision
- D. Benefit period

84. Which term is best described by the following statement? Treats a new disability as a continuation when it returns within the policy's stated period.

- A. Legal actions provision
- B. Recurrent disability provision
- C. Elimination period
- D. Other-insurance-with-this-insurer provision

85. Which term is best described by the following statement? Pays a partial benefit when disability causes a qualifying loss of income rather than total inability to work.

- A. Other-insurance-with-other-insurers provision
- B. Recurrent disability provision
- C. Misstatement-of-age provision
- D. Residual disability benefit

86. Which term is best described by the following statement? Treats certain severe losses as total disability without requiring proof of income loss.

- A. Copayment
- B. Legal actions provision
- C. Presumptive disability
- D. Other-insurance-with-other-insurers provision

87. Which term is best described by the following statement? Limits coverage for conditions present before the policy's effective date, subject to applicable law and policy terms.

- A. Copayment
- B. Any-occupation definition
- C. Preexisting-condition provision
- D. Notice of claim provision

88. Which term is best described by the following statement? Is an initial period during which losses from specified conditions are not covered.

- A. Relation-of-earnings-to-insurance provision
- B. Probationary period
- C. Recurrent disability provision
- D. Deductible

89. Which term is best described by the following statement? Requires the insured to notify the insurer of a covered loss within the policy's stated time.

- A. Elimination period
- B. Legal actions provision
- C. Own-occupation definition
- D. Notice of claim provision

90. Which term is best described by the following statement? Requires supporting information that substantiates a claim and the amount payable.

- A. Proof of loss provision
- B. Residual disability benefit
- C. Other-insurance-with-other-insurers provision
- D. Elimination period

91. Which term is best described by the following statement? Requires the insurer to pay claims promptly after receiving the required proof.

- A. Time-payment-of-claims provision
- B. Misstatement-of-age provision
- C. Elimination period
- D. Deductible

92. Which term is best described by the following statement? Sets conditions and time limits for bringing a lawsuit under the policy.

- A. Any-occupation definition
- B. Other-insurance-with-other-insurers provision
- C. Legal actions provision
- D. Time-payment-of-claims provision

93. Which term is best described by the following statement? Allows benefit adjustment when the insured changes to an occupation with a different risk classification.

- A. Elimination period
- B. Legal actions provision
- C. Residual disability benefit
- D. Change-of-occupation provision

94. Which term is best described by the following statement? Prevents disability benefits from exceeding the insured's allowable income relationship.

- A. Any-occupation definition
- B. Relation-of-earnings-to-insurance provision
- C. Elimination period
- D. Out-of-pocket maximum

95. Which term is best described by the following statement? Coordinates multiple policies issued by the same insurer to prevent excessive benefits.

- A. Other-insurance-with-this-insurer provision
- B. Unpaid-premium provision
- C. Change-of-occupation provision
- D. Benefit period

96. Which term is best described by the following statement? Coordinates coverage when similar benefits are provided by different insurers.

- A. Probationary period
- B. Recurrent disability provision
- C. Unpaid-premium provision
- D. Other-insurance-with-other-insurers provision

97. Which term is best described by the following statement? Allows an insurer to deduct overdue premium from a claim payment when permitted.

- A. Deductible
- B. Conformity-with-state-statutes provision
- C. Unpaid-premium provision
- D. Notice of claim provision

98. Which term is best described by the following statement? Automatically amends policy terms that conflict with applicable state law.

- A. Own-occupation definition
- B. Conformity-with-state-statutes provision
- C. Physical examination and autopsy provision
- D. Change-of-occupation provision

99. Which term is best described by the following statement? Permits an insurer to request examination or autopsy as allowed by policy terms and law.

- A. Residual disability benefit
- B. Change-of-occupation provision
- C. Physical examination and autopsy provision
- D. Own-occupation definition

100. Which term is best described by the following statement? Adjusts health benefits to reflect the correct age when age was stated incorrectly.

- A. Misstatement-of-age provision
- B. Change-of-occupation provision
- C. Out-of-pocket maximum
- D. Conformity-with-state-statutes provision

101. Which term is best described by the following statement? Involves the possibility of loss or no loss, without the possibility of gain.

- A. Attending physician statement
- B. Aleatory contract
- C. Replacement
- D. Pure risk

102. Which term is best described by the following statement? Involves a possibility of gain as well as loss.

- A. Unilateral contract
- B. Speculative risk
- C. Representation
- D. Physical hazard

103. Which term is best described by the following statement? Is the immediate cause of a loss, such as fire or illness.

- A. Subrogation
- B. Attending physician statement
- C. Conditional contract
- D. Peril

104. Which term is best described by the following statement? Is a condition that increases the chance or severity of loss.

- A. Field underwriting
- B. Hazard
- C. Conditional receipt
- D. Representation

105. Which term is best described by the following statement? Arises from dishonesty or character traits that increase the likelihood of loss.

- A. Moral hazard
- B. Unilateral contract
- C. Underwriting
- D. Peril

106. Which term is best described by the following statement? Arises from carelessness or indifference because insurance exists.

- A. Moral hazard
- B. Unilateral contract
- C. Morale hazard
- D. Indemnity

107. Which term is best described by the following statement? Is a tangible condition that increases the likelihood of loss.

- A. Field underwriting
- B. Subrogation
- C. Attending physician statement
- D. Physical hazard

108. Which term is best described by the following statement? Is a financial or lawful interest in the continued life or health of the insured.

- A. Aleatory contract
- B. Insurable interest
- C. Adverse selection
- D. Hazard

109. Which term is best described by the following statement? Occurs when people with a greater likelihood of loss seek insurance more often or for more coverage.

- A. Conditional receipt
- B. Morale hazard
- C. Adverse selection
- D. Subrogation

110. Which term is best described by the following statement? Is the process of evaluating risk and deciding whether and on what terms to issue coverage.

- A. Underwriting
- B. Conditional receipt
- C. Hazard
- D. Replacement

111. Which term is best described by the following statement? Refers to the producer's initial screening and information gathering during the application process.

- A. Moral hazard
- B. Hazard
- C. Field underwriting
- D. Twisting

112. Which term is best described by the following statement? Is a report from an applicant's physician used by an insurer in underwriting when authorized.

- A. Attending physician statement
- B. Rebating
- C. Indemnity
- D. Medical information bureau

113. Which term is best described by the following statement? Is an industry reporting organization that may provide coded underwriting information when permitted.

- A. Adhesion contract
- B. Medical information bureau
- C. Unilateral contract
- D. Adverse selection

114. Which term is best described by the following statement? Provides temporary coverage only if stated conditions are satisfied.

- A. Adhesion contract
- B. Hazard
- C. Aleatory contract
- D. Conditional receipt

115. Which term is best described by the following statement? Is a statement believed true to the best of the applicant's knowledge but not guaranteed as absolute fact.

- A. Representation
- B. Conditional contract
- C. Field underwriting
- D. Rebating

116. Which term is best described by the following statement? Is a statement that must be literally true when made part of an insurance contract.

- A. Rebating
- B. Physical hazard
- C. Replacement
- D. Warranty

117. Which term is best described by the following statement? Is an agreement in which values exchanged may be unequal because payment depends on an uncertain event.

- A. Adverse selection
- B. Aleatory contract
- C. Insurable interest
- D. Underwriting

118. Which term is best described by the following statement? Is a contract drafted by one party, with ambiguities generally construed against that drafter.

- A. Physical hazard
- B. Subrogation
- C. Adhesion contract
- D. Pure risk

119. Which term is best described by the following statement? Is a contract in which only one party makes an enforceable promise to perform.

- A. Unilateral contract
- B. Morale hazard
- C. Warranty
- D. Medical information bureau

120. Which term is best described by the following statement? Requires certain conditions to be met before the insurer must perform.

- A. Physical hazard
- B. Conditional contract
- C. Replacement
- D. Subrogation

121. Which term is best described by the following statement? Restores an insured financially after a covered loss without creating a profit.

- A. Peril
- B. Hazard
- C. Twisting
- D. Indemnity

122. Which term is best described by the following statement? Allows an insurer that pays a loss to pursue the responsible third party to the extent of payment.

- A. Field underwriting
- B. Attending physician statement
- C. Subrogation
- D. Speculative risk

123. Which term is best described by the following statement? Occurs when a new policy is purchased and an existing policy is lapsed, surrendered, or otherwise reduced.

- A. Hazard
- B. Conditional receipt
- C. Replacement
- D. Medical information bureau

124. Which term is best described by the following statement? Is an unfair practice that induces a policyholder to replace coverage using misleading comparisons.

- A. Adhesion contract
- B. Indemnity
- C. Conditional contract
- D. Twisting

125. Which term is best described by the following statement? Is offering an inducement not stated in the policy to persuade a person to buy insurance.

- A. Peril
- B. Rebating
- C. Medical information bureau
- D. Subrogation

126. Which term is best described by the following statement? Is the Arizona state agency that regulates insurance and financial institutions.

- A. Arizona Department of Insurance and Financial Institutions
- B. License revocation (insurance regulatory concept)
- C. Defamation (insurance regulatory concept)
- D. Buyer guide (insurance regulatory concept)

127. Which term is best described by the following statement? Is a person licensed to sell, solicit, or negotiate insurance on behalf of an insurer or client as authorized.

- A. Insurance producer (insurance regulatory concept)
- B. Unfair claims practice (insurance regulatory concept)
- C. False advertising (insurance regulatory concept)
- D. Suitability (insurance regulatory concept)

128. Which term is best described by the following statement? Is an insurer's authorization of a producer to act for that insurer when appointment is required.

- A. License revocation (insurance regulatory concept)
- B. Boycott coercion or intimidation
- C. Fraud (insurance regulatory concept)
- D. Producer appointment (insurance regulatory concept)

129. Which term is best described by the following statement? Requires a producer to handle premiums or other client funds with the care required for money held in trust.

- A. Arizona Department of Insurance and Financial Institutions
- B. Fiduciary responsibility (insurance regulatory concept)
- C. Continuing education (insurance regulatory concept)
- D. Misrepresentation (insurance regulatory concept)

130. Which term is best described by the following statement? Is making an untrue, misleading, or incomplete statement about policy terms or benefits.

- A. Fraud (insurance regulatory concept)
- B. Producer license renewal (insurance regulatory concept)
- C. Misrepresentation (insurance regulatory concept)
- D. License suspension (insurance regulatory concept)

131. Which term is best described by the following statement? Is using advertising that is untrue, deceptive, or misleading about insurance or an insurer.

- A. Unfair claims practice (insurance regulatory concept)
- B. Unfair discrimination (insurance regulatory concept)
- C. False advertising (insurance regulatory concept)
- D. Replacement notice (insurance regulatory concept)

132. Which term is best described by the following statement? Is making false statements that harm the financial reputation of an insurer or producer.

- A. Defamation (insurance regulatory concept)
- B. Producer appointment (insurance regulatory concept)
- C. Continuing education (insurance regulatory concept)
- D. Unfair discrimination (insurance regulatory concept)

133. Which term is best described by the following statement? Is an unfair trade practice that uses collective pressure or threats to restrain insurance business improperly.

- A. False advertising (insurance regulatory concept)
- B. Boycott coercion or intimidation
- C. Arizona Department of Insurance and Financial Institutions
- D. Buyer guide (insurance regulatory concept)

134. Which term is best described by the following statement? Is treating insureds of the same class and essentially the same risk differently without a lawful basis.

- A. Insurance producer (insurance regulatory concept)
- B. Buyer guide (insurance regulatory concept)
- C. Cease and desist order
- D. Unfair discrimination (insurance regulatory concept)

135. Which term is best described by the following statement? Is the periodic process of maintaining an active license by meeting applicable Arizona requirements.

- A. Producer license renewal (insurance regulatory concept)
- B. Producer appointment (insurance regulatory concept)
- C. License suspension (insurance regulatory concept)
- D. License revocation (insurance regulatory concept)

136. Which term is best described by the following statement? Is required ongoing education intended to maintain producer competence and compliance.

- A. Privacy notice (insurance regulatory concept)
- B. Arizona Department of Insurance and Financial Institutions
- C. Continuing education (insurance regulatory concept)
- D. Producer appointment (insurance regulatory concept)

137. Which term is best described by the following statement? Is a temporary loss of authority to act under an insurance license.

- A. Fiduciary responsibility (insurance regulatory concept)
- B. License suspension (insurance regulatory concept)
- C. Administrative hearing (insurance regulatory concept)
- D. Producer appointment (insurance regulatory concept)

138. Which term is best described by the following statement? Is termination of license authority, generally following a regulatory determination.

- A. Privacy notice (insurance regulatory concept)
- B. Administrative hearing (insurance regulatory concept)
- C. Replacement notice (insurance regulatory concept)
- D. License revocation (insurance regulatory concept)

139. Which term is best described by the following statement? Provides a process for contesting certain regulatory actions through notice and an opportunity to be heard.

- A. Administrative hearing (insurance regulatory concept)
- B. Producer license renewal (insurance regulatory concept)
- C. Policy summary (insurance regulatory concept)
- D. Insurance producer (insurance regulatory concept)

140. Which term is best described by the following statement? Directs a person to stop an identified prohibited or unlawful insurance practice.

- A. Unfair claims practice (insurance regulatory concept)
- B. Cease and desist order
- C. Misrepresentation (insurance regulatory concept)
- D. Boycott coercion or intimidation

141. Which term is best described by the following statement? Is an improper pattern or practice in investigating, evaluating, or settling insurance claims.

- A. License revocation (insurance regulatory concept)
- B. Fraud (insurance regulatory concept)
- C. Unfair discrimination (insurance regulatory concept)
- D. Unfair claims practice (insurance regulatory concept)

142. Which term is best described by the following statement? Is a disclosure used to help consumers understand that a proposed transaction may replace existing coverage.

- A. Continuing education (insurance regulatory concept)
- B. License revocation (insurance regulatory concept)
- C. Replacement notice (insurance regulatory concept)
- D. Producer license renewal (insurance regulatory concept)

143. Which term is best described by the following statement? Is a concise disclosure describing important policy features, benefits, and limitations.

- A. Fiduciary responsibility (insurance regulatory concept)
- B. Unfair claims practice (insurance regulatory concept)
- C. Policy summary (insurance regulatory concept)
- D. Cease and desist order

144. Which term is best described by the following statement? Is consumer-oriented material that explains insurance concepts and assists comparison of coverage.

- A. Buyer guide (insurance regulatory concept)
- B. Privacy notice (insurance regulatory concept)
- C. Policy summary (insurance regulatory concept)
- D. Arizona Department of Insurance and Financial Institutions

145. Which term is best described by the following statement? Requires recommendations to be appropriate for the consumer's needs, objectives, and circumstances when the rule applies.

- A. Controlled business (insurance regulatory concept)
- B. Suitability (insurance regulatory concept)
- C. Defamation (insurance regulatory concept)
- D. Producer license renewal (insurance regulatory concept)

146. Which term is best described by the following statement? Explains an insurer's information-collection, sharing, and protection practices as required by law.

- A. Fiduciary responsibility (insurance regulatory concept)
- B. Controlled business (insurance regulatory concept)
- C. False advertising (insurance regulatory concept)
- D. Privacy notice (insurance regulatory concept)

147. Which term is best described by the following statement? Is a knowingly deceptive act intended to obtain an improper insurance-related benefit or cause an improper payment.

- A. Fraud (insurance regulatory concept)
- B. Producer license renewal (insurance regulatory concept)
- C. Policy delivery (insurance regulatory concept)
- D. Privacy notice (insurance regulatory concept)

148. Which term is best described by the following statement? Is insurance written primarily on the producer, close family, or business interests and may be restricted by law.

- A. Unfair claims practice (insurance regulatory concept)
- B. Controlled business (insurance regulatory concept)
- C. License revocation (insurance regulatory concept)
- D. Buyer guide (insurance regulatory concept)

149. Which term is best described by the following statement? Includes activities such as solicitation, negotiation, sale, advice, application, and policy servicing.

- A. Continuing education (insurance regulatory concept)
- B. Privacy notice (insurance regulatory concept)
- C. Buyer guide (insurance regulatory concept)
- D. Insurance transaction (insurance regulatory concept)

150. Which term is best described by the following statement? Is the act of providing the issued policy to the owner, often accompanied by required disclosures and explanation.

- A. License suspension (insurance regulatory concept)
- B. False advertising (insurance regulatory concept)
- C. Policy delivery (insurance regulatory concept)
- D. Unfair claims practice (insurance regulatory concept)

PRACTICE EXAM 4: ANSWER KEY AND EXPLANATIONS

- 1. B** - Term life insurance is the best answer because it provides protection for a stated period and generally has no cash value. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 2. A** - Whole life insurance is the best answer because it provides lifetime protection with level premiums and guaranteed cash-value features. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 3. B** - Universal life insurance is the best answer because it allows flexible premium payments and an adjustable death benefit within policy limits. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 4. C** - Variable life insurance is the best answer because it places cash values in separate-account investment options and shifts investment risk to the owner. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 5. D** - Variable universal life insurance is the best answer because it combines flexible premiums with separate-account investment choices. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 6. A** - Decreasing term insurance is the best answer because it uses a death benefit that declines over the policy period. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 7. A** - Convertible term insurance is the best answer because it lets the owner exchange term coverage for permanent coverage without new evidence of insurability. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 8. C** - Renewable term insurance is the best answer because it lets coverage continue at the end of a term without evidence of insurability. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 9. D** - Joint life policy is the best answer because it covers two lives and pays when the first insured dies. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 10. B** - Survivorship life policy is the best answer because it covers two lives and pays after the second insured dies. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 11. D** - Fixed annuity is the best answer because it credits a stated or guaranteed interest rate and transfers investment risk to the insurer. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 12. B** - Variable annuity is the best answer because it uses separate-account investments, so payment values can vary with investment performance. Other choices describe different insurance concepts. Read the qualifying words carefully.

Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

13. C - Immediate annuity is the best answer because it begins income payments shortly after a lump-sum premium is paid. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

14. A - Deferred annuity is the best answer because it accumulates value before the income-payment phase begins. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

15. A - Accumulation period is the best answer because it is the annuity phase during which premiums grow before distributions begin. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

16. C - Annuitization period is the best answer because it is the phase during which an annuity converts accumulated value into income payments. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

17. B - Life income option is the best answer because it pays income for as long as the annuitant lives. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

18. D - Life income with period certain is the best answer because it pays for life but guarantees payments for at least a stated period. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

19. A - Cash refund annuity option is the best answer because it pays for life and returns any unpaid premium balance at death. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

20. D - Installment refund annuity option is the best answer because it pays for life and continues installments to a beneficiary until the unpaid premium is returned. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

21. C - Indexed life insurance is the best answer because it credits interest using an external index subject to policy terms, floors, and caps. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

22. B - Modified endowment contract is the best answer because it is a life policy that fails the federal seven-pay test and receives different tax treatment for distributions. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

23. B - Credit life insurance is the best answer because it is designed to pay or reduce a debtor's loan balance if the debtor dies. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

24. A - Group life insurance is the best answer because it insures a group under a master contract, commonly issued to an employer or association. Other choices describe different insurance concepts. Read the qualifying words carefully.

Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

25. D - Industrial life insurance is the best answer because it traditionally provides small face amounts with frequent premium collection. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

26. C - Grace period is the best answer because it is the time after a premium due date when coverage remains in force while payment is overdue. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

27. B - Incontestability clause is the best answer because it limits the insurer's ability to contest a policy after it has been in force for the stated period, subject to exceptions. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

28. C - Suicide clause is the best answer because it limits payment when death by suicide occurs during the policy's early specified period. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

29. D - Spendthrift clause is the best answer because it restricts a beneficiary's ability to assign or creditors' ability to reach policy proceeds before payment. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

30. A - Entire contract provision is the best answer because it states that the policy and attached application make up the complete agreement. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

31. D - Ownership clause is the best answer because it identifies the policyowner's contractual rights, including beneficiary changes when allowed. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

32. C - Revocable beneficiary is the best answer because it may be changed by the policyowner without that beneficiary's consent. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

33. B - Irrevocable beneficiary is the best answer because it has vested rights, so designated changes generally require that beneficiary's consent. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

34. A - Assignment is the best answer because it transfers some or all policy rights from the owner to another party. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

35. B - Collateral assignment is the best answer because it transfers limited policy rights to secure a debt while the owner retains remaining rights. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

- 36. C** - Absolute assignment is the best answer because it transfers all ownership rights in the policy to an assignee. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 37. A** - Policy loan provision is the best answer because it allows a permanent-policy owner to borrow against available cash value. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 38. D** - Automatic premium loan is the best answer because it uses available cash value to pay an overdue premium when the policyowner has elected the option. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 39. A** - Cash surrender option is the best answer because it ends the policy and pays the available surrender value. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 40. B** - Reduced paid-up insurance is the best answer because it uses cash value to buy a smaller amount of permanent insurance with no further premiums. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 41. D** - Extended term insurance is the best answer because it uses cash value to buy term insurance for the original face amount for a limited period. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 42. C** - Dividend option is the best answer because it specifies how a participating-policy owner may receive or apply a policy dividend. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 43. D** - Settlement option is the best answer because it specifies how life insurance proceeds will be distributed to a beneficiary. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 44. B** - Per stirpes designation is the best answer because it directs a deceased beneficiary's share to that beneficiary's descendants. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 45. C** - Per capita designation is the best answer because it divides proceeds equally among surviving members of the named class. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 46. A** - Common disaster clause is the best answer because it addresses beneficiary and insured deaths in the same event when the order of death is uncertain. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 47. B** - Misstatement of age provision is the best answer because it adjusts benefits to the amount the premium would have purchased at the correct age. Other choices describe different insurance concepts. Read the qualifying words

carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

48. A - Free-look provision is the best answer because it gives the policyowner time after delivery to review and return the policy for a refund. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

49. D - Accelerated death benefit rider is the best answer because it permits eligible insureds to receive part of the death benefit early upon a qualifying condition. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

50. C - Waiver of premium rider is the best answer because it waives future premiums if the insured becomes totally disabled as defined by the rider. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

51. B - Major medical insurance is the best answer because it provides broad medical-expense coverage, commonly subject to deductibles and coinsurance. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

52. D - Hospital indemnity policy is the best answer because it pays a stated amount for covered hospital confinement rather than reimbursing actual expenses. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

53. A - Surgical expense policy is the best answer because it pays benefits tied to covered surgical procedures. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

54. C - Physician expense policy is the best answer because it pays benefits for covered physician services. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

55. B - Dental insurance is the best answer because it provides benefits for covered preventive, basic, and sometimes major dental services. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

56. A - Vision insurance is the best answer because it provides benefits for covered eye examinations, lenses, frames, or contacts. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

57. C - Long-term care insurance is the best answer because it covers qualifying assistance or services for chronic illness or functional impairment. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

58. D - Disability income insurance is the best answer because it replaces part of earned income when a covered disability prevents work. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

- 59. A** - Business overhead expense insurance is the best answer because it reimburses specified business operating expenses during an owner's disability. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 60. D** - Disability buy-sell insurance is the best answer because it funds a buy-sell obligation when an owner becomes disabled. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 61. B** - Accidental death and dismemberment coverage is the best answer because it pays stated benefits for covered accidental death or specified accidental losses. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 62. C** - Limited-benefit policy is the best answer because it provides narrowly defined benefits and is not a substitute for comprehensive major medical coverage. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 63. D** - HMO is the best answer because it uses a network-based delivery system that emphasizes coordinated care and preventive services. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 64. C** - PPO is the best answer because it provides network discounts while generally allowing out-of-network care at a higher cost. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 65. A** - EPO is the best answer because it generally covers nonemergency services only when obtained within the plan's network. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 66. B** - POS plan is the best answer because it combines managed-care features with a choice between network and out-of-network service options. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.
- 67. A** - High-deductible health plan is the best answer because it uses a higher deductible and may be designed for compatibility with a health savings account. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 68. C** - Health savings account is the best answer because it is a tax-advantaged account used with qualifying high-deductible health coverage for eligible medical expenses. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.
- 69. B** - Flexible spending arrangement is the best answer because it lets an employee set aside pre-tax salary contributions for eligible expenses, subject to plan rules. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

70. D - Health reimbursement arrangement is the best answer because it is employer-funded and reimburses employees for eligible medical expenses under employer plan terms. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

71. A - Medicare supplement policy is the best answer because it is standardized private coverage designed to help pay certain Medicare cost-sharing amounts. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

72. C - Medicare Advantage plan is the best answer because it provides Medicare-covered benefits through a private plan approved by Medicare. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

73. D - Medicaid is the best answer because it is a joint federal-state program providing medical assistance to eligible low-income individuals. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

74. B - COBRA continuation coverage is the best answer because it allows eligible individuals to continue certain employer group health coverage after qualifying events. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

75. C - Coordination of benefits provision is the best answer because it determines the order in which multiple health plans pay a covered claim. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

76. D - Deductible is the best answer because it is the amount a covered person generally pays before the plan begins sharing covered expenses. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

77. A - Coinsurance is the best answer because it is the percentage of a covered expense shared by the insured after any deductible is met. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

78. B - Copayment is the best answer because it is a fixed amount paid by the insured for a covered service under plan terms. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

79. A - Out-of-pocket maximum is the best answer because it caps certain covered cost sharing by the insured during a plan period, subject to plan terms. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

80. D - Elimination period is the best answer because it is the waiting time after disability begins before disability-income benefits become payable. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

81. B - Benefit period is the best answer because it is the maximum length of time benefits may be paid for a covered disability or condition. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

82. C - Own-occupation definition is the best answer because it defines disability by inability to perform the duties of the insured's own occupation. Other choices describe different insurance concepts. Read the qualifying words carefully.

Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

83. A - Any-occupation definition is the best answer because it defines disability by inability to perform the duties of any occupation for which the insured is reasonably suited. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

84. B - Recurrent disability provision is the best answer because it treats a new disability as a continuation when it returns within the policy's stated period. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

85. D - Residual disability benefit is the best answer because it pays a partial benefit when disability causes a qualifying loss of income rather than total inability to work. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

86. C - Presumptive disability is the best answer because it treats certain severe losses as total disability without requiring proof of income loss. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

87. C - Preexisting-condition provision is the best answer because it limits coverage for conditions present before the policy's effective date, subject to applicable law and policy terms. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

88. B - Probationary period is the best answer because it is an initial period during which losses from specified conditions are not covered. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

89. D - Notice of claim provision is the best answer because it requires the insured to notify the insurer of a covered loss within the policy's stated time. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

90. A - Proof of loss provision is the best answer because it requires supporting information that substantiates a claim and the amount payable. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

91. A - Time-payment-of-claims provision is the best answer because it requires the insurer to pay claims promptly after receiving the required proof. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

92. C - Legal actions provision is the best answer because it sets conditions and time limits for bringing a lawsuit under the policy. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

93. D - Change-of-occupation provision is the best answer because it allows benefit adjustment when the insured changes to an occupation with a different risk classification. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

94. B - Relation-of-earnings-to-insurance provision is the best answer because it prevents disability benefits from exceeding the insured's allowable income relationship. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

95. A - Other-insurance-with-this-insurer provision is the best answer because it coordinates multiple policies issued by the same insurer to prevent excessive benefits. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

96. D - Other-insurance-with-other-insurers provision is the best answer because it coordinates coverage when similar benefits are provided by different insurers. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

97. C - Unpaid-premium provision is the best answer because it allows an insurer to deduct overdue premium from a claim payment when permitted. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

98. B - Conformity-with-state-statutes provision is the best answer because it automatically amends policy terms that conflict with applicable state law. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

99. C - Physical examination and autopsy provision is the best answer because it permits an insurer to request examination or autopsy as allowed by policy terms and law. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

100. A - Misstatement-of-age provision is the best answer because it adjusts health benefits to reflect the correct age when age was stated incorrectly. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

101. D - Pure risk is the best answer because it involves the possibility of loss or no loss, without the possibility of gain. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

102. B - Speculative risk is the best answer because it involves a possibility of gain as well as loss. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

103. D - Peril is the best answer because it is the immediate cause of a loss, such as fire or illness. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

104. B - Hazard is the best answer because it is a condition that increases the chance or severity of loss. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

105. A - Moral hazard is the best answer because it arises from dishonesty or character traits that increase the likelihood of loss. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated

function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

106. C - Morale hazard is the best answer because it arises from carelessness or indifference because insurance exists. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

107. D - Physical hazard is the best answer because it is a tangible condition that increases the likelihood of loss. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

108. B - Insurable interest is the best answer because it is a financial or lawful interest in the continued life or health of the insured. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

109. C - Adverse selection is the best answer because it occurs when people with a greater likelihood of loss seek insurance more often or for more coverage. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

110. A - Underwriting is the best answer because it is the process of evaluating risk and deciding whether and on what terms to issue coverage. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

111. C - Field underwriting is the best answer because it refers to the producer's initial screening and information gathering during the application process. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

112. A - Attending physician statement is the best answer because it is a report from an applicant's physician used by an insurer in underwriting when authorized. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

113. B - Medical information bureau is the best answer because it is an industry reporting organization that may provide coded underwriting information when permitted. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

114. D - Conditional receipt is the best answer because it provides temporary coverage only if stated conditions are satisfied. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

115. A - Representation is the best answer because it is a statement believed true to the best of the applicant's knowledge but not guaranteed as absolute fact. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

116. D - Warranty is the best answer because it is a statement that must be literally true when made part of an insurance contract. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

117. B - Aleatory contract is the best answer because it is an agreement in which values exchanged may be unequal because payment depends on an uncertain event. Other choices describe different insurance concepts. Read the

qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

118. C - Adhesion contract is the best answer because it is a contract drafted by one party, with ambiguities generally construed against that drafter. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

119. A - Unilateral contract is the best answer because it is a contract in which only one party makes an enforceable promise to perform. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

120. B - Conditional contract is the best answer because it requires certain conditions to be met before the insurer must perform. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

121. D - Indemnity is the best answer because it restores an insured financially after a covered loss without creating a profit. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

122. C - Subrogation is the best answer because it allows an insurer that pays a loss to pursue the responsible third party to the extent of payment. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

123. C - Replacement is the best answer because it occurs when a new policy is purchased and an existing policy is lapsed, surrendered, or otherwise reduced. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

124. D - Twisting is the best answer because it is an unfair practice that induces a policyholder to replace coverage using misleading comparisons. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

125. B - Rebating is the best answer because it is offering an inducement not stated in the policy to persuade a person to buy insurance. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

126. A - Arizona Department of Insurance and Financial Institutions is the best answer because it is the Arizona state agency that regulates insurance and financial institutions. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

127. A - Insurance producer is the best answer because it is a person licensed to sell, solicit, or negotiate insurance on behalf of an insurer or client as authorized. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

128. D - Producer appointment is the best answer because it is an insurer's authorization of a producer to act for that insurer when appointment is required. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

129. B - Fiduciary responsibility is the best answer because it requires a producer to handle premiums or other client funds with the care required for money held in trust. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a

licensing examination.

130. C - Misrepresentation is the best answer because it is making an untrue, misleading, or incomplete statement about policy terms or benefits. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

131. C - False advertising is the best answer because it is using advertising that is untrue, deceptive, or misleading about insurance or an insurer. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

132. A - Defamation is the best answer because it is making false statements that harm the financial reputation of an insurer or producer. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

133. B - Boycott coercion or intimidation is the best answer because it is an unfair trade practice that uses collective pressure or threats to restrain insurance business improperly. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

134. D - Unfair discrimination is the best answer because it is treating insureds of the same class and essentially the same risk differently without a lawful basis. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

135. A - Producer license renewal is the best answer because it is the periodic process of maintaining an active license by meeting applicable Arizona requirements. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

136. C - Continuing education is the best answer because it is required ongoing education intended to maintain producer competence and compliance. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

137. B - License suspension is the best answer because it is a temporary loss of authority to act under an insurance license. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

138. D - License revocation is the best answer because it is termination of license authority, generally following a regulatory determination. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

139. A - Administrative hearing is the best answer because it provides a process for contesting certain regulatory actions through notice and an opportunity to be heard. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

140. B - Cease and desist order is the best answer because it directs a person to stop an identified prohibited or unlawful insurance practice. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

141. D - Unfair claims practice is the best answer because it is an improper pattern or practice in investigating, evaluating, or settling insurance claims. Other choices describe different insurance concepts. Read the qualifying words

carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

142. C - Replacement notice is the best answer because it is a disclosure used to help consumers understand that a proposed transaction may replace existing coverage. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

143. C - Policy summary is the best answer because it is a concise disclosure describing important policy features, benefits, and limitations. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

144. A - Buyer guide is the best answer because it is consumer-oriented material that explains insurance concepts and assists comparison of coverage. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

145. B - Suitability is the best answer because it requires recommendations to be appropriate for the consumer's needs, objectives, and circumstances when the rule applies. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

146. D - Privacy notice is the best answer because it explains an insurer's information-collection, sharing, and protection practices as required by law. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

147. A - Fraud is the best answer because it is a knowingly deceptive act intended to obtain an improper insurance-related benefit or cause an improper payment. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

148. B - Controlled business is the best answer because it is insurance written primarily on the producer, close family, or business interests and may be restricted by law. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.

149. D - Insurance transaction is the best answer because it includes activities such as solicitation, negotiation, sale, advice, application, and policy servicing. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination. The central point is the definition supplied in the stem.

150. C - Policy delivery is the best answer because it is the act of providing the issued policy to the owner, often accompanied by required disclosures and explanation. Other choices describe different insurance concepts. Read the qualifying words carefully. Match the stated function to the term. This approach separates closely related concepts on a licensing examination.