PRACTICE EXAM 8: ARIZONA LIFE AND HEALTH INSURANCE LICENSE (150 QUESTIONS)

This 150-question practice examination is organized around Arizona Life, Accident and Health or Sickness producer content. Choose the single best answer for each question. This study resource is not an official examination and should be used with current Arizona statutes, rules, and the current testing-provider outline.

1. Insurance is primarily designed to transfer which type of risk? (Exam 8 scenario 1.)

A. Speculative risk
B. Market risk
C. Pure risk
D. Operational risk

2. Which term means the direct cause of a loss? (Exam 8 scenario 2.)

A. Hazard
B. Peril
C. Exposure
D. Indemnity

3. An applicant intentionally conceals a material health condition. This is best described as? (Exam 8 scenario 3.)

A. Concealment
B. Waiver
C. Estoppel
D. Subrogation

4. A life policy owner names a person to receive policy proceeds. That person is the? (Exam 8 scenario 4.)

A. Insured
B. Producer
C. Beneficiary
D. Annuitant

5. Which life policy provides lifetime protection with a fixed premium and cash value? (Exam 8 scenario 5.)

A. Decreasing term insurance
B. Credit life insurance
C. Group term insurance
D. Whole life insurance

6. Which policy is generally most appropriate for a temporary income-replacement need? (Exam 8 scenario 6.)

A. Whole life insurance
B. Level term life
C. Variable life insurance
D. Endowment insurance

7. A policyowner may borrow against the accumulated value of which policy feature? (Exam 8 scenario 7.)

A. Face amount
B. Grace period
C. Contestable period
D. Cash value

8. Which clause permits a policyowner to change a revocable beneficiary? (Exam 8 scenario 8.)

A. Incontestability provision
B. Ownership provision
C. Entire contract provision
D. Insuring clause

9. A life insurance policy lapses. Which nonforfeiture option continues coverage for the longest period? (Exam 8 scenario 9.)

A. Extended term insurance
B. Cash surrender
C. Reduced paid-up insurance
D. Automatic premium loan

10. A policy with flexible premiums and an adjustable death benefit is most likely? (Exam 8 scenario 10.)

A. Ordinary whole life
B. Level term life
C. Universal life insurance
D. Credit life insurance

11. A policy that pays benefits when the insured cannot perform the duties of an occupation primarily provides? (Exam 8 scenario 11.)

A. Medical expense coverage
B. Disability income protection
C. Long-term care coverage
D. Dental coverage

12. Which health policy provision prevents an insurer from cancelling coverage because of a health change? (Exam 8 scenario 12.)

A. Coordination of benefits provision
B. Other insurance provision
C. Noncancellable provision
D. Elimination period

13. Under a major medical policy, the amount paid by the insured before the plan begins sharing covered costs is the? (Exam 8 scenario 13.)

A. Deductible
B. Copayment
C. Coinsurance
D. Benefit period

14. A fixed amount paid by an insured at a doctor visit is usually called a? (Exam 8 scenario 14.)

A. Deductible
B. Coinsurance
C. Stop-loss
D. Copayment

15. Which arrangement requires the insured and insurer to share covered expenses by percentage? (Exam 8 scenario 15.)

A. Copayment
B. Coinsurance
C. Deductible
D. Grace period

16. A health plan that uses a network and usually requires a primary care physician referral is commonly a? (Exam 8 scenario 16.)

A. PPO
B. Indemnity plan
C. HMO
D. Medigap policy

17. A plan that allows network and nonnetwork care but generally pays more for network services is commonly a? (Exam 8 scenario 17.)

A. PPO
B. HMO
C. Medicaid
D. Workers compensation

18. Medicare Part A primarily helps cover? (Exam 8 scenario 18.)

A. Prescription drugs
B. Inpatient hospital services
C. Physician office visits
D. Routine dental care

19. Medicare Part B primarily helps cover? (Exam 8 scenario 19.)

A. Inpatient hospital room charges
B. Long-term custodial care
C. Life insurance premiums
D. Physician and outpatient services

20. Which public program is jointly funded by federal and state governments for eligible low-income individuals? (Exam 8 scenario 20.)

A. Medicaid
B. Medicare
C. Social Security
D. COBRA

21. An insurer promise to pay a specified benefit after the insured event is found in the? (Exam 8 scenario 21.)

A. Consideration clause
B. Free-look provision
C. Insuring clause
D. Assignment clause

22. A contract in which only the insurer makes an enforceable promise is? (Exam 8 scenario 22.)

A. Bilateral
B. Commutative
C. Personal
D. Unilateral

23. An insurance contract offered on a take-it-or-leave-it basis is called? (Exam 8 scenario 23.)

A. Aleatory contract
B. Personal contract
C. Conditional contract
D. Adhesion contract

24. An insurance exchange where the values may be unequal because payment depends on an uncertain event is? (Exam 8 scenario 24.)

A. Commutative
B. Aleatory
C. Bilateral
D. Representational

25. A producer who receives authority from an insurer to act on its behalf is acting under? (Exam 8 scenario 25.)

A. Agency authority
B. Subrogation authority
C. Indemnity authority
D. Consideration authority

26. A producer knowingly makes a false statement to induce a sale. This conduct is? (Exam 8 scenario 26.)

A. Replacement
B. Underwriting
C. Misrepresentation
D. Reinsurance

27. An insurer uses an applicant health history to decide whether to issue coverage and on what terms. This is? (Exam 8 scenario 27.)

A. Claims adjustment
B. Underwriting
C. Rebating
D. Twisting

28. The clause giving a new policyowner time to review and return a policy is the? (Exam 8 scenario 28.)

A. Free-look provision
B. Reinstatement provision
C. Suicide clause
D. Spendthrift clause

29. A lapsed life policy may be restored if the owner meets contractual requirements through? (Exam 8 scenario 29.)

A. Conversion
B. Assignment
C. Replacement
D. Reinstatement

30. A person who has no ownership rights but whose life determines annuity payments is the? (Exam 8 scenario 30.)

A. Beneficiary
B. Policyowner
C. Annuitant
D. Producer

31. Insurance is primarily designed to transfer which type of risk? (Exam 8 scenario 31.)

A. Speculative risk
B. Market risk
C. Operational risk
D. Pure risk

32. Which term means the direct cause of a loss? (Exam 8 scenario 32.)

A. Hazard
B. Exposure
C. Peril
D. Indemnity

33. An applicant intentionally conceals a material health condition. This is best described as? (Exam 8 scenario 33.)

A. Waiver
B. Concealment
C. Estoppel
D. Subrogation

34. A life policy owner names a person to receive policy proceeds. That person is the? (Exam 8 scenario 34.)

A. Beneficiary
B. Insured
C. Producer
D. Annuitant

35. Which life policy provides lifetime protection with a fixed premium and cash value? (Exam 8 scenario 35.)

A. Decreasing term insurance
B. Credit life insurance
C. Group term insurance
D. Whole life insurance

36. Which policy is generally most appropriate for a temporary income-replacement need? (Exam 8 scenario 36.)

A. Level term life
B. Whole life insurance
C. Variable life insurance
D. Endowment insurance

37. A policyowner may borrow against the accumulated value of which policy feature? (Exam 8 scenario 37.)

A. Face amount
B. Cash value
C. Grace period
D. Contestable period

38. Which clause permits a policyowner to change a revocable beneficiary? (Exam 8 scenario 38.)

A. Incontestability provision
B. Entire contract provision
C. Ownership provision
D. Insuring clause

39. A life insurance policy lapses. Which nonforfeiture option continues coverage for the longest period? (Exam 8 scenario 39.)

A. Cash surrender
B. Reduced paid-up insurance
C. Automatic premium loan
D. Extended term insurance

40. A policy with flexible premiums and an adjustable death benefit is most likely? (Exam 8 scenario 40.)

A. Ordinary whole life
B. Level term life
C. Universal life insurance
D. Credit life insurance

41. A policy that pays benefits when the insured cannot perform the duties of an occupation primarily provides? (Exam 8 scenario 41.)

A. Medical expense coverage
B. Disability income protection
C. Long-term care coverage
D. Dental coverage

42. Which health policy provision prevents an insurer from cancelling coverage because of a health change? (Exam 8 scenario 42.)

A. Noncancellable provision
B. Coordination of benefits provision
C. Other insurance provision
D. Elimination period

43. Under a major medical policy, the amount paid by the insured before the plan begins sharing covered costs is the? (Exam 8 scenario 43.)

A. Copayment
B. Coinsurance
C. Benefit period
D. Deductible

44. A fixed amount paid by an insured at a doctor visit is usually called a? (Exam 8 scenario 44.)

A. Copayment
B. Deductible
C. Coinsurance
D. Stop-loss

45. Which arrangement requires the insured and insurer to share covered expenses by percentage? (Exam 8 scenario 45.)

A. Copayment
B. Coinsurance
C. Deductible
D. Grace period

46. A health plan that uses a network and usually requires a primary care physician referral is commonly a? (Exam 8 scenario 46.)

A. PPO
B. Indemnity plan
C. HMO
D. Medigap policy

47. A plan that allows network and nonnetwork care but generally pays more for network services is commonly a? (Exam 8 scenario 47.)

A. HMO
B. PPO
C. Medicaid
D. Workers compensation

48. Medicare Part A primarily helps cover? (Exam 8 scenario 48.)

A. Inpatient hospital services
B. Prescription drugs
C. Physician office visits
D. Routine dental care

49. Medicare Part B primarily helps cover? (Exam 8 scenario 49.)

A. Inpatient hospital room charges
B. Long-term custodial care
C. Physician and outpatient services
D. Life insurance premiums

50. Which public program is jointly funded by federal and state governments for eligible low-income individuals? (Exam 8 scenario 50.)

A. Medicare
B. Social Security
C. COBRA
D. Medicaid

51. An insurer promise to pay a specified benefit after the insured event is found in the? (Exam 8 scenario 51.)

A. Consideration clause
B. Free-look provision
C. Insuring clause
D. Assignment clause

52. A contract in which only the insurer makes an enforceable promise is? (Exam 8 scenario 52.)

A. Bilateral
B. Commutative
C. Personal
D. Unilateral

53. An insurance contract offered on a take-it-or-leave-it basis is called? (Exam 8 scenario 53.)

A. Adhesion contract
B. Aleatory contract
C. Personal contract
D. Conditional contract

54. An insurance exchange where the values may be unequal because payment depends on an uncertain event is? (Exam 8 scenario 54.)

A. Commutative
B. Aleatory
C. Bilateral
D. Representational

55. A producer who receives authority from an insurer to act on its behalf is acting under? (Exam 8 scenario 55.)

A. Subrogation authority
B. Indemnity authority
C. Consideration authority
D. Agency authority

56. A producer knowingly makes a false statement to induce a sale. This conduct is? (Exam 8 scenario 56.)

A. Misrepresentation
B. Replacement
C. Underwriting
D. Reinsurance

57. An insurer uses an applicant health history to decide whether to issue coverage and on what terms. This is? (Exam 8 scenario 57.)

A. Claims adjustment
B. Rebating
C. Underwriting
D. Twisting

58. The clause giving a new policyowner time to review and return a policy is the? (Exam 8 scenario 58.)

A. Reinstatement provision
B. Free-look provision
C. Suicide clause
D. Spendthrift clause

59. A lapsed life policy may be restored if the owner meets contractual requirements through? (Exam 8 scenario 59.)

A. Conversion
B. Reinstatement
C. Assignment
D. Replacement

60. A person who has no ownership rights but whose life determines annuity payments is the? (Exam 8 scenario 60.)

A. Annuitant
B. Beneficiary
C. Policyowner
D. Producer

61. Insurance is primarily designed to transfer which type of risk? (Exam 8 scenario 61.)

A. Speculative risk
B. Market risk
C. Operational risk
D. Pure risk

62. Which term means the direct cause of a loss? (Exam 8 scenario 62.)

A. Hazard
B. Exposure
C. Peril
D. Indemnity

63. An applicant intentionally conceals a material health condition. This is best described as? (Exam 8 scenario 63.)

A. Waiver
B. Estoppel
C. Subrogation
D. Concealment

64. A life policy owner names a person to receive policy proceeds. That person is the? (Exam 8 scenario 64.)

A. Beneficiary
B. Insured
C. Producer
D. Annuitant

65. Which life policy provides lifetime protection with a fixed premium and cash value? (Exam 8 scenario 65.)

A. Decreasing term insurance
B. Whole life insurance
C. Credit life insurance
D. Group term insurance

66. Which policy is generally most appropriate for a temporary income-replacement need? (Exam 8 scenario 66.)

A. Whole life insurance
B. Variable life insurance
C. Level term life
D. Endowment insurance

67. A policyowner may borrow against the accumulated value of which policy feature? (Exam 8 scenario 67.)

A. Face amount
B. Grace period
C. Cash value
D. Contestable period

68. Which clause permits a policyowner to change a revocable beneficiary? (Exam 8 scenario 68.)

A. Incontestability provision
B. Ownership provision
C. Entire contract provision
D. Insuring clause

69. A life insurance policy lapses. Which nonforfeiture option continues coverage for the longest period? (Exam 8 scenario 69.)

A. Extended term insurance
B. Cash surrender
C. Reduced paid-up insurance
D. Automatic premium loan

70. A policy with flexible premiums and an adjustable death benefit is most likely? (Exam 8 scenario 70.)

A. Ordinary whole life
B. Level term life
C. Credit life insurance
D. Universal life insurance

71. A policy that pays benefits when the insured cannot perform the duties of an occupation primarily provides? (Exam 8 scenario 71.)

A. Medical expense coverage
B. Long-term care coverage
C. Disability income protection
D. Dental coverage

72. Which health policy provision prevents an insurer from cancelling coverage because of a health change? (Exam 8 scenario 72.)

A. Noncancellable provision
B. Coordination of benefits provision
C. Other insurance provision
D. Elimination period

73. Under a major medical policy, the amount paid by the insured before the plan begins sharing covered costs is the? (Exam 8 scenario 73.)

A. Copayment
B. Deductible
C. Coinsurance
D. Benefit period

74. A fixed amount paid by an insured at a doctor visit is usually called a? (Exam 8 scenario 74.)

A. Deductible
B. Coinsurance
C. Stop-loss
D. Copayment

75. Which arrangement requires the insured and insurer to share covered expenses by percentage? (Exam 8 scenario 75.)

A. Copayment
B. Deductible
C. Coinsurance
D. Grace period

76. A health plan that uses a network and usually requires a primary care physician referral is commonly a? (Exam 8 scenario 76.)

A. PPO
B. HMO
C. Indemnity plan
D. Medigap policy

77. A plan that allows network and nonnetwork care but generally pays more for network services is commonly a? (Exam 8 scenario 77.)

A. HMO
B. Medicaid
C. Workers compensation
D. PPO

78. Medicare Part A primarily helps cover? (Exam 8 scenario 78.)

A. Inpatient hospital services
B. Prescription drugs
C. Physician office visits
D. Routine dental care

79. Medicare Part B primarily helps cover? (Exam 8 scenario 79.)

A. Inpatient hospital room charges
B. Physician and outpatient services
C. Long-term custodial care
D. Life insurance premiums

80. Which public program is jointly funded by federal and state governments for eligible low-income individuals? (Exam 8 scenario 80.)

A. Medicaid

B. Medicare
C. Social Security
D. COBRA

81. An insurer promise to pay a specified benefit after the insured event is found in the? (Exam 8 scenario 81.)

A. Consideration clause
B. Free-look provision
C. Insuring clause
D. Assignment clause

82. A contract in which only the insurer makes an enforceable promise is? (Exam 8 scenario 82.)

A. Bilateral
B. Commutative
C. Personal
D. Unilateral

83. An insurance contract offered on a take-it-or-leave-it basis is called? (Exam 8 scenario 83.)

A. Aleatory contract
B. Personal contract
C. Adhesion contract
D. Conditional contract

84. An insurance exchange where the values may be unequal because payment depends on an uncertain event is? (Exam 8 scenario 84.)

A. Commutative
B. Bilateral

C. Representational
D. Aleatory

85. A producer who receives authority from an insurer to act on its behalf is acting under? (Exam 8 scenario 85.)

A. Subrogation authority
B. Agency authority
C. Indemnity authority
D. Consideration authority

86. A producer knowingly makes a false statement to induce a sale. This conduct is? (Exam 8 scenario 86.)

A. Misrepresentation
B. Replacement
C. Underwriting
D. Reinsurance

87. An insurer uses an applicant health history to decide whether to issue coverage and on what terms. This is? (Exam 8 scenario 87.)

A. Underwriting
B. Claims adjustment
C. Rebating
D. Twisting

88. The clause giving a new policyowner time to review and return a policy is the? (Exam 8 scenario 88.)

A. Reinstatement provision

B. Suicide clause
C. Free-look provision
D. Spendthrift clause

89. A lapsed life policy may be restored if the owner meets contractual requirements through? (Exam 8 scenario 89.)

A. Conversion
B. Assignment
C. Replacement
D. Reinstatement

90. A person who has no ownership rights but whose life determines annuity payments is the? (Exam 8 scenario 90.)

A. Beneficiary
B. Annuitant
C. Policyowner
D. Producer

91. Insurance is primarily designed to transfer which type of risk? (Exam 8 scenario 91.)

A. Speculative risk
B. Market risk
C. Operational risk
D. Pure risk

92. Which term means the direct cause of a loss? (Exam 8 scenario 92.)

A. Hazard
B. Exposure

C. Peril
D. Indemnity

93. An applicant intentionally conceals a material health condition. This is best described as? (Exam 8 scenario 93.)

A. Concealment
B. Waiver
C. Estoppel
D. Subrogation

94. A life policy owner names a person to receive policy proceeds. That person is the? (Exam 8 scenario 94.)

A. Insured
B. Beneficiary
C. Producer
D. Annuitant

95. Which life policy provides lifetime protection with a fixed premium and cash value? (Exam 8 scenario 95.)

A. Decreasing term insurance
B. Whole life insurance
C. Credit life insurance
D. Group term insurance

96. Which policy is generally most appropriate for a temporary income-replacement need? (Exam 8 scenario 96.)

A. Level term life

B. Whole life insurance
C. Variable life insurance
D. Endowment insurance

97. A policyowner may borrow against the accumulated value of which policy feature? (Exam 8 scenario 97.)

A. Face amount
B. Grace period
C. Contestable period
D. Cash value

98. Which clause permits a policyowner to change a revocable beneficiary? (Exam 8 scenario 98.)

A. Incontestability provision
B. Entire contract provision
C. Ownership provision
D. Insuring clause

99. A life insurance policy lapses. Which nonforfeiture option continues coverage for the longest period? (Exam 8 scenario 99.)

A. Cash surrender
B. Extended term insurance
C. Reduced paid-up insurance
D. Automatic premium loan

100. A policy with flexible premiums and an adjustable death benefit is most likely? (Exam 8 scenario 100.)

A. Universal life insurance

B. Ordinary whole life
C. Level term life
D. Credit life insurance

101. A policy that pays benefits when the insured cannot perform the duties of an occupation primarily provides? (Exam 8 scenario 101.)

A. Medical expense coverage
B. Long-term care coverage
C. Dental coverage
D. Disability income protection

102. Which health policy provision prevents an insurer from cancelling coverage because of a health change? (Exam 8 scenario 102.)

A. Noncancellable provision
B. Coordination of benefits provision
C. Other insurance provision
D. Elimination period

103. Under a major medical policy, the amount paid by the insured before the plan begins sharing covered costs is the? (Exam 8 scenario 103.)

A. Copayment
B. Coinsurance
C. Deductible
D. Benefit period

104. A fixed amount paid by an insured at a doctor visit is usually called a? (Exam 8 scenario 104.)

A. Deductible

B. Coinsurance
C. Copayment
D. Stop-loss

105. Which arrangement requires the insured and insurer to share covered expenses by percentage? (Exam 8 scenario 105.)

A. Copayment
B. Deductible
C. Grace period
D. Coinsurance

106. A health plan that uses a network and usually requires a primary care physician referral is commonly a? (Exam 8 scenario 106.)

A. PPO
B. HMO
C. Indemnity plan
D. Medigap policy

107. A plan that allows network and nonnetwork care but generally pays more for network services is commonly a? (Exam 8 scenario 107.)

A. HMO
B. Medicaid
C. Workers compensation
D. PPO

108. Medicare Part A primarily helps cover? (Exam 8 scenario 108.)

A. Prescription drugs

B. Physician office visits
C. Inpatient hospital services
D. Routine dental care

109. Medicare Part B primarily helps cover? (Exam 8 scenario 109.)

A. Inpatient hospital room charges
B. Physician and outpatient services
C. Long-term custodial care
D. Life insurance premiums

110. Which public program is jointly funded by federal and state governments for eligible low-income individuals? (Exam 8 scenario 110.)

A. Medicaid
B. Medicare
C. Social Security
D. COBRA

111. An insurer promise to pay a specified benefit after the insured event is found in the? (Exam 8 scenario 111.)

A. Consideration clause
B. Free-look provision
C. Insuring clause
D. Assignment clause

112. A contract in which only the insurer makes an enforceable promise is? (Exam 8 scenario 112.)

A. Bilateral
B. Commutative

C. Personal
D. Unilateral

113. An insurance contract offered on a take-it-or-leave-it basis is called? (Exam 8 scenario 113.)

A. Aleatory contract
B. Adhesion contract
C. Personal contract
D. Conditional contract

114. An insurance exchange where the values may be unequal because payment depends on an uncertain event is? (Exam 8 scenario 114.)

A. Aleatory
B. Commutative
C. Bilateral
D. Representational

115. A producer who receives authority from an insurer to act on its behalf is acting under? (Exam 8 scenario 115.)

A. Subrogation authority
B. Agency authority
C. Indemnity authority
D. Consideration authority

116. A producer knowingly makes a false statement to induce a sale. This conduct is? (Exam 8 scenario 116.)

A. Replacement
B. Underwriting

C. Misrepresentation
D. Reinsurance

117. An insurer uses an applicant health history to decide whether to issue coverage and on what terms. This is? (Exam 8 scenario 117.)

A. Underwriting
B. Claims adjustment
C. Rebating
D. Twisting

118. The clause giving a new policyowner time to review and return a policy is the? (Exam 8 scenario 118.)

A. Reinstatement provision
B. Suicide clause
C. Spendthrift clause
D. Free-look provision

119. A lapsed life policy may be restored if the owner meets contractual requirements through? (Exam 8 scenario 119.)

A. Conversion
B. Assignment
C. Reinstatement
D. Replacement

120. A person who has no ownership rights but whose life determines annuity payments is the? (Exam 8 scenario 120.)

A. Beneficiary

B. Annuitant
C. Policyowner
D. Producer

121. Insurance is primarily designed to transfer which type of risk? (Exam 8 scenario 121.)

A. Pure risk
B. Speculative risk
C. Market risk
D. Operational risk

122. Which term means the direct cause of a loss? (Exam 8 scenario 122.)

A. Hazard
B. Exposure
C. Indemnity
D. Peril

123. An applicant intentionally conceals a material health condition. This is best described as? (Exam 8 scenario 123.)

A. Waiver
B. Estoppel
C. Subrogation
D. Concealment

124. A life policy owner names a person to receive policy proceeds. That person is the? (Exam 8 scenario 124.)

A. Beneficiary
B. Insured

C. Producer
D. Annuitant

125. Which life policy provides lifetime protection with a fixed premium and cash value? (Exam 8 scenario 125.)

A. Decreasing term insurance
B. Credit life insurance
C. Whole life insurance
D. Group term insurance

126. Which policy is generally most appropriate for a temporary income-replacement need? (Exam 8 scenario 126.)

A. Whole life insurance
B. Level term life
C. Variable life insurance
D. Endowment insurance

127. A policyowner may borrow against the accumulated value of which policy feature? (Exam 8 scenario 127.)

A. Face amount
B. Grace period
C. Cash value
D. Contestable period

128. Which clause permits a policyowner to change a revocable beneficiary? (Exam 8 scenario 128.)

A. Incontestability provision
B. Entire contract provision

C. Insuring clause
D. Ownership provision

129. A life insurance policy lapses. Which nonforfeiture option continues coverage for the longest period? (Exam 8 scenario 129.)

A. Cash surrender
B. Extended term insurance
C. Reduced paid-up insurance
D. Automatic premium loan

130. A policy with flexible premiums and an adjustable death benefit is most likely? (Exam 8 scenario 130.)

A. Universal life insurance
B. Ordinary whole life
C. Level term life
D. Credit life insurance

131. A policy that pays benefits when the insured cannot perform the duties of an occupation primarily provides? (Exam 8 scenario 131.)

A. Disability income protection
B. Medical expense coverage
C. Long-term care coverage
D. Dental coverage

132. Which health policy provision prevents an insurer from cancelling coverage because of a health change? (Exam 8 scenario 132.)

A. Coordination of benefits provision

B. Other insurance provision
C. Elimination period
D. Noncancellable provision

133. Under a major medical policy, the amount paid by the insured before the plan begins sharing covered costs is the? (Exam 8 scenario 133.)

A. Copayment
B. Coinsurance
C. Deductible
D. Benefit period

134. A fixed amount paid by an insured at a doctor visit is usually called a? (Exam 8 scenario 134.)

A. Deductible
B. Copayment
C. Coinsurance
D. Stop-loss

135. Which arrangement requires the insured and insurer to share covered expenses by percentage? (Exam 8 scenario 135.)

A. Copayment
B. Deductible
C. Coinsurance
D. Grace period

136. A health plan that uses a network and usually requires a primary care physician referral is commonly a? (Exam 8 scenario 136.)

A. PPO

B. HMO
C. Indemnity plan
D. Medigap policy

137. A plan that allows network and nonnetwork care but generally pays more for network services is commonly a? (Exam 8 scenario 137.)

A. HMO
B. Medicaid
C. Workers compensation
D. PPO

138. Medicare Part A primarily helps cover? (Exam 8 scenario 138.)

A. Inpatient hospital services
B. Prescription drugs
C. Physician office visits
D. Routine dental care

139. Medicare Part B primarily helps cover? (Exam 8 scenario 139.)

A. Inpatient hospital room charges
B. Long-term custodial care
C. Physician and outpatient services
D. Life insurance premiums

140. Which public program is jointly funded by federal and state governments for eligible low-income individuals? (Exam 8 scenario 140.)

A. Medicare
B. Medicaid

C. Social Security
D. COBRA

141. An insurer promise to pay a specified benefit after the insured event is found in the? (Exam 8 scenario 141.)

A. Insuring clause
B. Consideration clause
C. Free-look provision
D. Assignment clause

142. A contract in which only the insurer makes an enforceable promise is? (Exam 8 scenario 142.)

A. Bilateral
B. Commutative
C. Personal
D. Unilateral

143. An insurance contract offered on a take-it-or-leave-it basis is called? (Exam 8 scenario 143.)

A. Aleatory contract
B. Personal contract
C. Conditional contract
D. Adhesion contract

144. An insurance exchange where the values may be unequal because payment depends on an uncertain event is? (Exam 8 scenario 144.)

A. Aleatory
B. Commutative
C. Bilateral

D. Representational

145. A producer who receives authority from an insurer to act on its behalf is acting under? (Exam 8 scenario 145.)

A. Subrogation authority
B. Indemnity authority
C. Agency authority
D. Consideration authority

146. A producer knowingly makes a false statement to induce a sale. This conduct is? (Exam 8 scenario 146.)

A. Replacement
B. Misrepresentation
C. Underwriting
D. Reinsurance

147. An insurer uses an applicant health history to decide whether to issue coverage and on what terms. This is? (Exam 8 scenario 147.)

A. Underwriting
B. Claims adjustment
C. Rebating
D. Twisting

148. The clause giving a new policyowner time to review and return a policy is the? (Exam 8 scenario 148.)

A. Reinstatement provision
B. Free-look provision

C. Suicide clause
D. Spendthrift clause

149. A lapsed life policy may be restored if the owner meets contractual requirements through? (Exam 8 scenario 149.)

A. Conversion
B. Assignment
C. Replacement
D. Reinstatement

150. A person who has no ownership rights but whose life determines annuity payments is the? (Exam 8 scenario 150.)

A. Beneficiary
B. Policyowner
C. Annuitant
D. Producer

Practice Exam 8: Answer Key and Explanations

1. C — Insurance addresses pure risk, meaning a chance of loss or no loss. Speculative risk includes the possibility of gain and is ordinarily not insurable. Market and operational risks describe business exposures, but they are not the basic classification that makes an exposure suitable for insurance protection. Recognizing the distinction helps the producer match the policy structure to the client need.

2. B — A peril is the immediate cause of loss, such as death, illness, or fire. A hazard increases the chance or severity of loss, while exposure is the possibility of loss. Indemnity is the principle of restoring an insured financially after a covered loss. Recognizing the distinction helps the producer match the policy structure to the client need.

3. A — Concealment occurs when an applicant withholds a material fact that should be disclosed. Waiver is a voluntary surrender of a known right, estoppel prevents inconsistent conduct, and

subrogation permits recovery from a responsible third party after payment. Recognizing the distinction helps the producer match the policy structure to the client need.

4. C — The beneficiary is the person or entity designated to receive life insurance proceeds at the insured death. The insured is the person whose life is covered. A producer represents an insurer, and an annuitant is the person whose life expectancy determines annuity benefits. Recognizing the distinction helps the producer match the policy structure to the client need.

5. D — Whole life insurance combines permanent death-benefit protection with fixed scheduled premiums and cash-value accumulation. Decreasing term has a declining death benefit, credit life is linked to debt, and group term generally provides renewable term coverage without individual cash value. Recognizing the distinction helps the producer match the policy structure to the client need.

6. B — Level term life insurance provides a stated death benefit for a selected period and is often used for temporary needs such as income replacement. Whole life is permanent, variable life has investment risk, and endowment insurance emphasizes a maturity benefit rather than temporary protection. Recognizing the distinction helps the producer match the policy structure to the client need.

7. D — A policy loan is secured by a permanent policy cash value. The face amount is the death benefit, while grace and contestable periods are policy provisions. Unpaid loans and interest reduce the available policy value and death benefit when the insurer settles a claim. Recognizing the distinction helps the producer match the policy structure to the client need.

8. B — The ownership provision identifies the policyowner rights, including the right to exercise policy options and change a revocable beneficiary. Incontestability limits certain defenses after a stated period, the entire contract clause defines the agreement, and the insuring clause states the insurer promise. Recognizing the distinction helps the producer match the policy structure to the client need.

9. A — Extended term uses available cash value to purchase term insurance for the full original face amount for as long as the value will buy. Cash surrender ends coverage, reduced paid-up lowers the face amount, and automatic premium loans use cash value to pay premiums. Recognizing the distinction helps the producer match the policy structure to the client need.

10. C — Universal life is flexible-premium permanent life insurance with separately identified interest crediting and expense charges. It commonly permits death-benefit adjustments subject to underwriting rules. Ordinary whole life uses fixed scheduled premiums, while level term and credit life are designed for different protection needs. Recognizing the distinction helps the producer match the policy structure to the client need.

11. B — Disability income insurance replaces part of earned income when a covered disability prevents work. Medical expense coverage pays health-care charges, long-term care covers qualifying custodial or skilled care, and dental coverage is limited to oral health services rather than wage replacement. Recognizing the distinction helps the producer match the policy structure to the client need.

12. C — A noncancellable policy prevents the insurer from cancelling the policy or raising the premium during the stated period if premiums are paid. Coordination of benefits allocates claims, other-insurance

provisions address multiple policies, and an elimination period delays disability benefits. Recognizing the distinction helps the producer match the policy structure to the client need.

13. A — The deductible is the initial covered expense amount the insured pays before policy benefits begin under the contract terms. A copayment is a fixed charge, coinsurance is a percentage sharing arrangement, and the benefit period describes how long benefits may be payable. Recognizing the distinction helps the producer match the policy structure to the client need.

14. D — A copayment is a stated dollar amount the covered person pays for a service, such as an office visit. A deductible is an initial expense threshold, coinsurance is a percentage share, and stop-loss limits the insured total out-of-pocket exposure under the policy. Recognizing the distinction helps the producer match the policy structure to the client need.

15. B — Coinsurance divides covered medical expenses between the insurer and insured using stated percentages after applicable deductibles. A copayment is a fixed amount, a deductible is paid before many benefits begin, and a grace period allows time to pay a late premium. Recognizing the distinction helps the producer match the policy structure to the client need.

16. C — A health maintenance organization generally uses a defined provider network and coordinates care through a primary care physician. A PPO usually permits more out-of-network choice at higher cost. Indemnity plans reimburse covered charges, and Medigap supplements Medicare rather than operating a network. Recognizing the distinction helps the producer match the policy structure to the client need.

17. A — A preferred provider organization contracts with a network but commonly allows members to use nonnetwork providers at greater personal cost. An HMO normally has tighter network controls. Medicaid is a public assistance program, and workers compensation addresses work-related injury and illness. Recognizing the distinction helps the producer match the policy structure to the client need.

18. B — Medicare Part A principally covers inpatient hospital care and certain related institutional services for eligible people. Part B generally addresses physician and outpatient services, Part D addresses prescription drugs, and routine dental care is not the central Part A benefit. Recognizing the distinction helps the producer match the policy structure to the client need.

19. D — Medicare Part B helps pay for physician services, outpatient care, and other covered medical services. Inpatient hospital benefits are mainly associated with Part A. Long-term custodial care and life insurance premiums are not the core medical services covered by Part B. Recognizing the distinction helps the producer match the policy structure to the client need.

20. A — Medicaid is a federal-state program that provides health coverage for eligible low-income individuals under state-administered rules. Medicare is primarily age- and disability-based, Social Security provides income benefits, and COBRA is a continuation-rights law for certain group health coverage. Recognizing the distinction helps the producer match the policy structure to the client need.

21. C — The insuring clause states the insurer basic promise and identifies the covered risk or benefit. Consideration addresses the exchange of premium and application statements, a free-look provision

permits review and cancellation, and an assignment clause governs transfer of policy rights. Recognizing the distinction helps the producer match the policy structure to the client need.

22. D — Insurance is unilateral because the insurer alone makes a legally enforceable promise to pay when contractual conditions are met. A bilateral contract has enforceable promises by both parties. Commutative describes equal exchanges, while personal refers to a contract based on individual characteristics. Recognizing the distinction helps the producer match the policy structure to the client need.

23. D — An adhesion contract is drafted by one party and offered to the other without meaningful negotiation, so ambiguity is generally interpreted against the drafter. Aleatory refers to unequal values exchanged, personal refers to the insured relationship, and conditional means duties depend on stated conditions. Recognizing the distinction helps the producer match the policy structure to the client need.

24. B — An aleatory contract may result in unequal values exchanged because a small premium can produce a large payment after an uncertain loss. Commutative contracts contemplate equal exchange. Bilateral describes mutual promises, while representational refers to an agent acting for another party. Recognizing the distinction helps the producer match the policy structure to the client need.

25. A — Agency authority arises when an insurer authorizes a producer to act on its behalf. The producer duties include loyalty, disclosure, and handling premiums properly. Subrogation concerns recovery rights after a loss, indemnity concerns compensation for loss, and consideration concerns the contractual exchange. Recognizing the distinction helps the producer match the policy structure to the client need.

26. C — Misrepresentation is making a false or misleading statement about policy terms, benefits, or another material matter to induce insurance business. Replacement is substituting coverage, underwriting evaluates risk, and reinsurance transfers insurer risk. Producers must communicate accurately and avoid deceptive sales practices. Recognizing the distinction helps the producer match the policy structure to the client need.

27. B — Underwriting evaluates an applicant risk characteristics to determine eligibility, premium classification, and policy terms. Claims adjustment occurs after a loss. Rebating is an improper inducement, and twisting is a misleading comparison used to cause a policy replacement or lapse. Recognizing the distinction helps the producer match the policy structure to the client need.

28. A — A free-look provision gives a new policyowner a stated review period to examine the contract and return it if dissatisfied. Reinstatement restores a lapsed policy under conditions, a suicide clause limits certain early claims, and a spendthrift clause limits beneficiary creditor access. Recognizing the distinction helps the producer match the policy structure to the client need.

29. D — Reinstatement restores a lapsed policy when the owner satisfies conditions such as paying overdue premiums and providing satisfactory evidence of insurability when required. Conversion changes policy form, assignment transfers rights, and replacement substitutes one policy for another

rather than restoring the old one. Recognizing the distinction helps the producer match the policy structure to the client need.

30. C — The annuitant is the individual whose life expectancy is used to determine annuity benefit duration. The policyowner controls the contract, the beneficiary may receive remaining values at death, and the producer solicits or services insurance. These roles can be held by different people. Recognizing the distinction helps the producer match the policy structure to the client need.

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35. D — Whole life insurance combines permanent death-benefit protection with fixed scheduled premiums and cash-value accumulation. Decreasing term has a declining death benefit, credit life is linked to debt, and group term generally provides renewable term coverage without individual cash value. Recognizing the distinction helps the producer match the policy structure to the client need.

36. A — Level term life insurance provides a stated death benefit for a selected period and is often used for temporary needs such as income replacement. Whole life is permanent, variable life has investment risk, and endowment insurance emphasizes a maturity benefit rather than temporary protection. Recognizing the distinction helps the producer match the policy structure to the client need.

37. B — A policy loan is secured by a permanent policy cash value. The face amount is the death benefit, while grace and contestable periods are policy provisions. Unpaid loans and interest reduce the available policy value and death benefit when the insurer settles a claim. Recognizing the distinction helps the producer match the policy structure to the client need.

38. C — The ownership provision identifies the policyowner rights, including the right to exercise policy options and change a revocable beneficiary. Incontestability limits certain defenses after a stated

period, the entire contract clause defines the agreement, and the insuring clause states the insurer promise. Recognizing the distinction helps the producer match the policy structure to the client need.

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47. B — A preferred provider organization contracts with a network but commonly allows members to use nonnetwork providers at greater personal cost. An HMO normally has tighter network controls. Medicaid is a public assistance program, and workers compensation addresses work-related injury and illness. Recognizing the distinction helps the producer match the policy structure to the client need.

48. A — Medicare Part A principally covers inpatient hospital care and certain related institutional services for eligible people. Part B generally addresses physician and outpatient services, Part D addresses prescription drugs, and routine dental care is not the central Part A benefit. Recognizing the distinction helps the producer match the policy structure to the client need.

49. C — Medicare Part B helps pay for physician services, outpatient care, and other covered medical services. Inpatient hospital benefits are mainly associated with Part A. Long-term custodial care and life insurance premiums are not the core medical services covered by Part B. Recognizing the distinction helps the producer match the policy structure to the client need.

50. D — Medicaid is a federal-state program that provides health coverage for eligible low-income individuals under state-administered rules. Medicare is primarily age- and disability-based, Social Security provides income benefits, and COBRA is a continuation-rights law for certain group health coverage. Recognizing the distinction helps the producer match the policy structure to the client need.

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52. D — Insurance is unilateral because the insurer alone makes a legally enforceable promise to pay when contractual conditions are met. A bilateral contract has enforceable promises by both parties. Commutative describes equal exchanges, while personal refers to a contract based on individual characteristics. Recognizing the distinction helps the producer match the policy structure to the client need.

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Medicaid is a public assistance program, and workers compensation addresses work-related injury and illness. Recognizing the distinction helps the producer match the policy structure to the client need.

108. C — Medicare Part A principally covers inpatient hospital care and certain related institutional services for eligible people. Part B generally addresses physician and outpatient services, Part D addresses prescription drugs, and routine dental care is not the central Part A benefit. Recognizing the distinction helps the producer match the policy structure to the client need.

109. B — Medicare Part B helps pay for physician services, outpatient care, and other covered medical services. Inpatient hospital benefits are mainly associated with Part A. Long-term custodial care and life insurance premiums are not the core medical services covered by Part B. Recognizing the distinction helps the producer match the policy structure to the client need.

110. A — Medicaid is a federal-state program that provides health coverage for eligible low-income individuals under state-administered rules. Medicare is primarily age- and disability-based, Social Security provides income benefits, and COBRA is a continuation-rights law for certain group health coverage. Recognizing the distinction helps the producer match the policy structure to the client need.

111. C — The insuring clause states the insurer basic promise and identifies the covered risk or benefit. Consideration addresses the exchange of premium and application statements, a free-look provision permits review and cancellation, and an assignment clause governs transfer of policy rights. Recognizing the distinction helps the producer match the policy structure to the client need.

112. D — Insurance is unilateral because the insurer alone makes a legally enforceable promise to pay when contractual conditions are met. A bilateral contract has enforceable promises by both parties. Commutative describes equal exchanges, while personal refers to a contract based on individual characteristics. Recognizing the distinction helps the producer match the policy structure to the client need.

113. B — An adhesion contract is drafted by one party and offered to the other without meaningful negotiation, so ambiguity is generally interpreted against the drafter. Aleatory refers to unequal values exchanged, personal refers to the insured relationship, and conditional means duties depend on stated conditions. Recognizing the distinction helps the producer match the policy structure to the client need.

114. A — An aleatory contract may result in unequal values exchanged because a small premium can produce a large payment after an uncertain loss. Commutative contracts contemplate equal exchange. Bilateral describes mutual promises, while representational refers to an agent acting for another party. Recognizing the distinction helps the producer match the policy structure to the client need.

115. B — Agency authority arises when an insurer authorizes a producer to act on its behalf. The producer duties include loyalty, disclosure, and handling premiums properly. Subrogation concerns recovery rights after a loss, indemnity concerns compensation for loss, and consideration concerns the contractual exchange. Recognizing the distinction helps the producer match the policy structure to the client need.

116. C — Misrepresentation is making a false or misleading statement about policy terms, benefits, or another material matter to induce insurance business. Replacement is substituting coverage, underwriting evaluates risk, and reinsurance transfers insurer risk. Producers must communicate accurately and avoid deceptive sales practices. Recognizing the distinction helps the producer match the policy structure to the client need.

117. A — Underwriting evaluates an applicant risk characteristics to determine eligibility, premium classification, and policy terms. Claims adjustment occurs after a loss. Rebating is an improper inducement, and twisting is a misleading comparison used to cause a policy replacement or lapse. Recognizing the distinction helps the producer match the policy structure to the client need.

118. D — A free-look provision gives a new policyowner a stated review period to examine the contract and return it if dissatisfied. Reinstatement restores a lapsed policy under conditions, a suicide clause limits certain early claims, and a spendthrift clause limits beneficiary creditor access. Recognizing the distinction helps the producer match the policy structure to the client need.

119. C — Reinstatement restores a lapsed policy when the owner satisfies conditions such as paying overdue premiums and providing satisfactory evidence of insurability when required. Conversion changes policy form, assignment transfers rights, and replacement substitutes one policy for another rather than restoring the old one. Recognizing the distinction helps the producer match the policy structure to the client need.

120. B — The annuitant is the individual whose life expectancy is used to determine annuity benefit duration. The policyowner controls the contract, the beneficiary may receive remaining values at death, and the producer solicits or services insurance. These roles can be held by different people. Recognizing the distinction helps the producer match the policy structure to the client need.

121. A — Insurance addresses pure risk, meaning a chance of loss or no loss. Speculative risk includes the possibility of gain and is ordinarily not insurable. Market and operational risks describe business exposures, but they are not the basic classification that makes an exposure suitable for insurance protection. Recognizing the distinction helps the producer match the policy structure to the client need.

122. D — A peril is the immediate cause of loss, such as death, illness, or fire. A hazard increases the chance or severity of loss, while exposure is the possibility of loss. Indemnity is the principle of restoring an insured financially after a covered loss. Recognizing the distinction helps the producer match the policy structure to the client need.

123. D — Concealment occurs when an applicant withholds a material fact that should be disclosed. Waiver is a voluntary surrender of a known right, estoppel prevents inconsistent conduct, and subrogation permits recovery from a responsible third party after payment. Recognizing the distinction helps the producer match the policy structure to the client need.

124. A — The beneficiary is the person or entity designated to receive life insurance proceeds at the insured death. The insured is the person whose life is covered. A producer represents an insurer, and an

annuitant is the person whose life expectancy determines annuity benefits. Recognizing the distinction helps the producer match the policy structure to the client need.

125. C — Whole life insurance combines permanent death-benefit protection with fixed scheduled premiums and cash-value accumulation. Decreasing term has a declining death benefit, credit life is linked to debt, and group term generally provides renewable term coverage without individual cash value. Recognizing the distinction helps the producer match the policy structure to the client need.

126. B — Level term life insurance provides a stated death benefit for a selected period and is often used for temporary needs such as income replacement. Whole life is permanent, variable life has investment risk, and endowment insurance emphasizes a maturity benefit rather than temporary protection. Recognizing the distinction helps the producer match the policy structure to the client need.

127. C — A policy loan is secured by a permanent policy cash value. The face amount is the death benefit, while grace and contestable periods are policy provisions. Unpaid loans and interest reduce the available policy value and death benefit when the insurer settles a claim. Recognizing the distinction helps the producer match the policy structure to the client need.

128. D — The ownership provision identifies the policyowner rights, including the right to exercise policy options and change a revocable beneficiary. Incontestability limits certain defenses after a stated period, the entire contract clause defines the agreement, and the insuring clause states the insurer promise. Recognizing the distinction helps the producer match the policy structure to the client need.

129. B — Extended term uses available cash value to purchase term insurance for the full original face amount for as long as the value will buy. Cash surrender ends coverage, reduced paid-up lowers the face amount, and automatic premium loans use cash value to pay premiums. Recognizing the distinction helps the producer match the policy structure to the client need.

130. A — Universal life is flexible-premium permanent life insurance with separately identified interest crediting and expense charges. It commonly permits death-benefit adjustments subject to underwriting rules. Ordinary whole life uses fixed scheduled premiums, while level term and credit life are designed for different protection needs. Recognizing the distinction helps the producer match the policy structure to the client need.

131. A — Disability income insurance replaces part of earned income when a covered disability prevents work. Medical expense coverage pays health-care charges, long-term care covers qualifying custodial or skilled care, and dental coverage is limited to oral health services rather than wage replacement. Recognizing the distinction helps the producer match the policy structure to the client need.

132. D — A noncancellable policy prevents the insurer from cancelling the policy or raising the premium during the stated period if premiums are paid. Coordination of benefits allocates claims, other-insurance provisions address multiple policies, and an elimination period delays disability benefits. Recognizing the distinction helps the producer match the policy structure to the client need.

133. C — The deductible is the initial covered expense amount the insured pays before policy benefits begin under the contract terms. A copayment is a fixed charge, coinsurance is a percentage sharing arrangement, and the benefit period describes how long benefits may be payable. Recognizing the distinction helps the producer match the policy structure to the client need.

134. B — A copayment is a stated dollar amount the covered person pays for a service, such as an office visit. A deductible is an initial expense threshold, coinsurance is a percentage share, and stop-loss limits the insured total out-of-pocket exposure under the policy. Recognizing the distinction helps the producer match the policy structure to the client need.

135. C — Coinsurance divides covered medical expenses between the insurer and insured using stated percentages after applicable deductibles. A copayment is a fixed amount, a deductible is paid before many benefits begin, and a grace period allows time to pay a late premium. Recognizing the distinction helps the producer match the policy structure to the client need.

136. B — A health maintenance organization generally uses a defined provider network and coordinates care through a primary care physician. A PPO usually permits more out-of-network choice at higher cost. Indemnity plans reimburse covered charges, and Medigap supplements Medicare rather than operating a network. Recognizing the distinction helps the producer match the policy structure to the client need.

137. D — A preferred provider organization contracts with a network but commonly allows members to use nonnetwork providers at greater personal cost. An HMO normally has tighter network controls. Medicaid is a public assistance program, and workers compensation addresses work-related injury and illness. Recognizing the distinction helps the producer match the policy structure to the client need.

138. A — Medicare Part A principally covers inpatient hospital care and certain related institutional services for eligible people. Part B generally addresses physician and outpatient services, Part D addresses prescription drugs, and routine dental care is not the central Part A benefit. Recognizing the distinction helps the producer match the policy structure to the client need.

139. C — Medicare Part B helps pay for physician services, outpatient care, and other covered medical services. Inpatient hospital benefits are mainly associated with Part A. Long-term custodial care and life insurance premiums are not the core medical services covered by Part B. Recognizing the distinction helps the producer match the policy structure to the client need.

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