

PRACTICE EXAM 12: LIFE & HEALTH INSURANCE LICENSE SIMULATION (100 QUESTIONS)

This 100-question general-knowledge simulation covers Life and Health insurance concepts. It is not state-specific. Work within the time limit used by your testing provider, then review each explanation and confirm your state-law preparation using the current official candidate handbook.

1. A producer is reviewing an application. a legal-actions provision limits when an insured may:
 - A. bring suit after a claim dispute.
 - B. change a beneficiary.
 - C. apply for a policy.
 - D. assign a policy.
2. During a policy delivery appointment, the time-payment-of-claims provision addresses:
 - A. how beneficiaries are named.
 - B. how cash value earns interest.
 - C. when benefits must be paid after required proof.
 - D. how agents are appointed.
3. In a coverage comparison scenario, proof of loss generally requires:
 - A. a beneficiary change.
 - B. supporting information about the claim.
 - C. a new application.
 - D. an annuity election.
4. For a client who asks for a plain-language explanation, a health policy notice-of-claim provision requires the insured to:
 - A. wait until every bill is paid.
 - B. change the policyowner.
 - C. purchase another policy.
 - D. notify the insurer within the stated timeframe.
5. A producer is reviewing an application. the purpose of a health insurance insuring clause is to:
 - A. state the insurer basic promise of coverage.
 - B. list all producer commissions.
 - C. select beneficiaries.
 - D. create an annuity payout.

6. During a policy delivery appointment, a conditionally renewable policy may be renewed:
- A. with no contractual limits at all.
 - B. only after death occurs.
 - C. only when stated conditions are met.
 - D. only by changing beneficiaries.
7. In a coverage comparison scenario, a noncancelable health policy generally provides:
- A. no coverage for sickness.
 - B. renewal with no individual rate increase.
 - C. a variable death benefit.
 - D. an annual right to cancel claims.
8. For a client who asks for a plain-language explanation, a guaranteed renewable health policy means the insurer:
- A. may cancel each year for any claim.
 - B. cannot change any class premium.
 - C. must renew coverage when required premiums are paid.
 - D. must refund all premiums.
9. A producer is reviewing an application. a health insurance preexisting-condition provision addresses:
- A. future claims only.
 - B. producer licensing.
 - C. life policy dividends.
 - D. conditions present before coverage began.
10. During a policy delivery appointment, the primary purpose of a policy exclusion is to:
- A. guarantee every loss.
 - B. identify losses the policy does not cover.
 - C. increase cash value.
 - D. name a beneficiary.
11. In a coverage comparison scenario, coordination of benefits is designed to:
- A. prevent duplicate recovery of the same expense.
 - B. increase duplicate recovery.
 - C. eliminate deductibles in every plan.
 - D. replace Medicare enrollment.

- 12.** For a client who asks for a plain-language explanation, a noncontributory group plan is funded entirely by:
- A. the covered employees.
 - B. the beneficiary.
 - C. the attending physician.
 - D. the employer or sponsor.
- 13.** A producer is reviewing an application. a contributory group plan requires:
- A. the insurer to pay all premium.
 - B. no enrollment procedures.
 - C. employees to pay part of the premium.
 - D. cash values for members.
- 14.** During a policy delivery appointment, the person who may enroll in a group plan without satisfying eligibility requirements is an:
- A. contributory member.
 - B. annuitant.
 - C. beneficiary.
 - D. eligible member.
- 15.** In a coverage comparison scenario, an employee covered under a group policy receives:
- A. the master policy.
 - B. a certificate of coverage.
 - C. an insurer appointment.
 - D. a cash-value statement.
- 16.** For a client who asks for a plain-language explanation, a group health plan master contract is issued to:
- A. the sponsoring employer or association.
 - B. each covered employee.
 - C. the primary beneficiary.
 - D. the attending physician.
- 17.** A producer is reviewing an application. COBRA continuation is associated with:
- A. permanent life insurance conversion.
 - B. Medicare supplement enrollment.
 - C. temporary continuation of group health coverage.
 - D. an annuity surrender charge.

- 18.** During a policy delivery appointment, medicaid is best described as:
- A. a private life insurance contract.
 - B. a joint federal-state program for eligible individuals.
 - C. a voluntary annuity payout.
 - D. an employer-only disability plan.
- 19.** In a coverage comparison scenario, a Medicare supplement policy is designed to:
- A. help pay certain Medicare cost-sharing amounts.
 - B. replace all Medicare enrollment.
 - C. provide life insurance cash value.
 - D. cover only workers compensation claims.
- 20.** For a client who asks for a plain-language explanation, medicare Part D provides coverage focused on:
- A. inpatient surgery only.
 - B. life policy dividends.
 - C. dental benefits only.
 - D. prescription drugs.
- 21.** A producer is reviewing an application. medicare Part C refers to:
- A. Medigap policies only.
 - B. hospital indemnity plans.
 - C. Medicaid eligibility.
 - D. Medicare Advantage plans.
- 22.** During a policy delivery appointment, medicare Part B primarily helps cover:
- A. physician and outpatient services.
 - B. long-term custodial care only.
 - C. life insurance claims.
 - D. property losses.
- 23.** In a coverage comparison scenario, medicare Part A primarily helps cover:
- A. outpatient prescription drugs only.
 - B. inpatient hospital care.
 - C. life insurance premiums.
 - D. long-term disability income.

- 24.** For a client who asks for a plain-language explanation, activities of daily living commonly include:
- A. driving, investing, and voting.
 - B. working, commuting, and shopping.
 - C. bathing, dressing, and eating.
 - D. saving, borrowing, and lending.
- 25.** A producer is reviewing an application. long-term care insurance is designed primarily to help pay for:
- A. life insurance policy loans.
 - B. automobile repairs.
 - C. short-term stock losses.
 - D. extended assistance with daily living needs.
- 26.** During a policy delivery appointment, a residual disability benefit is intended for an insured who:
- A. is fully recovered with no income loss.
 - B. dies during the grace period.
 - C. returns to work with a partial income loss.
 - D. needs long-term custodial care.
- 27.** In a coverage comparison scenario, an own-occupation disability definition is generally more favorable because it considers inability to:
- A. perform the duties of the insured occupation.
 - B. perform any household task.
 - C. pay a deductible.
 - D. change a beneficiary.
- 28.** For a client who asks for a plain-language explanation, the longest time disability income benefits may continue is the:
- A. elimination period.
 - B. benefit period.
 - C. free-look period.
 - D. accumulation period.
- 29.** A producer is reviewing an application. the period after disability begins before disability income benefits start is the:
- A. benefit period.
 - B. grace period.
 - C. elimination period.
 - D. contestable period.

- 30.** During a policy delivery appointment, an accident-only policy generally covers losses resulting from:
- A. ordinary sickness.
 - B. accidental bodily injury.
 - C. routine preventive care.
 - D. long-term custodial care.
- 31.** In a coverage comparison scenario, a specified disease policy provides benefits for:
- A. all causes of loss.
 - B. only accidental death.
 - C. only prescription drugs.
 - D. a named illness such as cancer.
- 32.** For a client who asks for a plain-language explanation, a hospital indemnity policy usually pays:
- A. a stated amount per day or confinement.
 - B. actual surgical charges only.
 - C. a death benefit to any beneficiary.
 - D. the full physician bill without limits.
- 33.** A producer is reviewing an application. a major medical policy is designed primarily to cover:
- A. routine dental cleaning only.
 - B. property damage to a home.
 - C. large medical expenses from illness or injury.
 - D. life insurance cash values.
- 34.** During a policy delivery appointment, a point-of-service plan combines features of:
- A. term and whole life.
 - B. HMO and PPO arrangements.
 - C. Medicare and Medicaid only.
 - D. disability and long-term care.
- 35.** In a coverage comparison scenario, a health maintenance organization generally emphasizes:
- A. network-based managed care.
 - B. unrestricted provider choice.
 - C. cash-value accumulation.
 - D. death-benefit protection.

- 36.** For a client who asks for a plain-language explanation, a preferred provider organization generally allows members to:
- A. use only one physician.
 - B. receive no preventive care.
 - C. avoid all deductibles.
 - D. use out-of-network providers at higher cost.
- 37.** A producer is reviewing an application. the maximum amount an insured pays for covered services in a plan year is the:
- A. out-of-pocket maximum.
 - B. elimination period.
 - C. benefit period.
 - D. grace period.
- 38.** During a policy delivery appointment, a copayment is usually:
- A. a percentage of every claim.
 - B. a life insurance loan.
 - C. a fixed amount paid for a covered service.
 - D. a policy dividend.
- 39.** In a coverage comparison scenario, coinsurance in a medical expense policy requires the insured to:
- A. pay every expense alone.
 - B. share covered expenses after the deductible.
 - C. wait through a life grace period.
 - D. accept a reduced death benefit.
- 40.** For a client who asks for a plain-language explanation, a health policy deductible is the amount:
- A. the insurer pays after a claim.
 - B. paid to a beneficiary at death.
 - C. returned as a dividend.
 - D. the insured pays before benefits begin.
- 41.** A producer is reviewing an application. in health insurance, morbidity refers to:
- A. the incidence of sickness or disability.
 - B. death rates only.
 - C. policy loan interest.
 - D. producer compensation.

- 42.** During a policy delivery appointment, in life insurance, mortality refers to:
- A. the cost of medical care.
 - B. the amount of policy cash value.
 - C. the frequency of death within a group.
 - D. the interest credited to annuities.
- 43.** In a coverage comparison scenario, an adverse selection problem occurs when:
- A. only low-risk applicants buy coverage.
 - B. all claims are paid promptly.
 - C. premiums are returned as dividends.
 - D. higher-risk applicants seek coverage more aggressively.
- 44.** For a client who asks for a plain-language explanation, the purpose of underwriting is to:
- A. pay claims after loss.
 - B. classify and select risks.
 - C. market securities.
 - D. appoint producers.
- 45.** A producer is reviewing an application. using force or threats to obtain insurance business is:
- A. boycott.
 - B. rebating.
 - C. coercion.
 - D. fiduciary duty.
- 46.** During a policy delivery appointment, a false statement that harms an insurer reputation is:
- A. rebating.
 - B. coercion.
 - C. misrepresentation.
 - D. defamation.
- 47.** In a coverage comparison scenario, making misleading comparisons to cause a policyowner to replace coverage is:
- A. churning.
 - B. twisting.
 - C. defamation.
 - D. controlled business.

48. For a client who asks for a plain-language explanation, offering something of value not stated in the policy to induce a purchase is:

- A. rebating.
- B. defamation.
- C. coercion.
- D. replacement.

49. A producer is reviewing an application. charging different rates to similar risks without a valid actuarial basis may be:

- A. rebating.
- B. unfair discrimination.
- C. twisting.
- D. defamation.

50. During a policy delivery appointment, premiums collected by a producer are held in a:

- A. personal capacity.
- B. beneficiary capacity.
- C. contingent capacity.
- D. fiduciary capacity.

51. In a coverage comparison scenario, authority created by an insurer conduct that makes others reasonably believe an agent has authority is:

- A. apparent authority.
- B. express authority.
- C. implied authority.
- D. fiduciary authority.

52. For a client who asks for a plain-language explanation, authority reasonably necessary to perform assigned duties is:

- A. apparent authority.
- B. fiduciary authority.
- C. implied authority.
- D. statutory authority.

53. A producer is reviewing an application. an agent authority specifically granted in an insurer appointment is:

- A. implied authority.
- B. apparent authority.
- C. express authority.
- D. fiduciary authority.

54. During a policy delivery appointment, the free-look provision gives a new policyowner the right to:
- A. borrow against cash value immediately.
 - B. change a claim decision.
 - C. skip the first premium.
 - D. return the policy promptly for a refund.
55. In a coverage comparison scenario, the reinstatement provision permits a lapsed policy to be restored if conditions are met, usually including:
- A. evidence of insurability and overdue premiums.
 - B. a new beneficiary only.
 - C. a new policy number.
 - D. a group enrollment form.
56. For a client who asks for a plain-language explanation, a collateral assignment is most often used to:
- A. change the insured.
 - B. secure a loan.
 - C. avoid premiums.
 - D. create dividends.
57. A producer is reviewing an application. changing ownership rights in a policy to another party is:
- A. assignment.
 - B. novation.
 - C. replacement.
 - D. reinsurance.
58. During a policy delivery appointment, the clause that states the insurer promise to pay covered benefits is the:
- A. consideration clause.
 - B. assignment clause.
 - C. reinstatement clause.
 - D. insuring clause.
59. In a coverage comparison scenario, an insurance application becomes part of a life policy only when it is:
- A. verbally discussed.
 - B. attached to the policy.
 - C. kept by the producer.
 - D. sent after a claim.

- 60.** For a client who asks for a plain-language explanation, the entire contract provision identifies the policy and attached application as:
- A. a temporary receipt.
 - B. an agent contract.
 - C. the complete agreement.
 - D. a beneficiary trust.
- 61.** A producer is reviewing an application. a rider that pays part of a death benefit early for a qualifying terminal illness is:
- A. an automatic premium loan rider.
 - B. a disability income rider.
 - C. a return-of-premium rider.
 - D. an accelerated benefit rider.
- 62.** During a policy delivery appointment, a rider that permits future coverage purchases without new evidence of insurability is:
- A. cost of living.
 - B. waiver of premium.
 - C. guaranteed insurability.
 - D. accelerated benefit.
- 63.** In a coverage comparison scenario, a rider that waives premiums if the insured becomes totally disabled is:
- A. guaranteed insurability.
 - B. waiver of premium.
 - C. accidental death benefit.
 - D. payor benefit.
- 64.** For a client who asks for a plain-language explanation, the policy provision allowing surrender for its cash value is the:
- A. cash surrender option.
 - B. insuring clause.
 - C. entire contract clause.
 - D. consideration clause.
- 65.** A producer is reviewing an application. the nonforfeiture option that provides a lower face amount for life is:
- A. cash surrender.
 - B. reduced paid-up insurance.
 - C. extended term insurance.
 - D. automatic premium loan.

- 66.** During a policy delivery appointment, the nonforfeiture option that provides the same face amount for a shorter period is:
- A. extended term insurance.
 - B. reduced paid-up insurance.
 - C. cash surrender.
 - D. automatic premium loan.
- 67.** In a coverage comparison scenario, a life insurance policy loan is secured by:
- A. the beneficiary designation.
 - B. the death certificate.
 - C. the policy cash value.
 - D. the agent commission.
- 68.** For a client who asks for a plain-language explanation, the incontestability clause generally limits an insurer's ability to:
- A. increase cash value.
 - B. change a beneficiary.
 - C. collect a premium.
 - D. void coverage after the stated period.
- 69.** A producer is reviewing an application. the grace period protects a life policyowner when:
- A. a beneficiary is changed.
 - B. a policy is assigned.
 - C. a premium is paid late.
 - D. a claim is denied.
- 70.** During a policy delivery appointment, which dividend option uses dividends to buy small amounts of paid-up insurance?
- A. Cash option.
 - B. Premium reduction.
 - C. One-year term.
 - D. Paid-up additions.
- 71.** In a coverage comparison scenario, a life policy dividend is best described as:
- A. a return of excess premium.
 - B. a guaranteed interest payment.
 - C. a taxable death benefit.
 - D. a loan repayment.

72. For a client who asks for a plain-language explanation, a fixed annuity generally guarantees:
- A. stock-market returns.
 - B. a stated minimum interest rate.
 - C. a level health deductible.
 - D. a renewable term premium.
73. A producer is reviewing an application. the period in which an annuity makes income payments is the:
- A. free-look period.
 - B. annuitization period.
 - C. contestable period.
 - D. elimination period.
74. During a policy delivery appointment, the period during which an annuity is being funded is the:
- A. annuitization period.
 - B. grace period.
 - C. elimination period.
 - D. accumulation period.
75. In a coverage comparison scenario, the person whose life expectancy is used to determine annuity payments is the:
- A. annuitant.
 - B. owner.
 - C. beneficiary.
 - D. producer.
76. For a client who asks for a plain-language explanation, an annuity is designed primarily to:
- A. replace property damage.
 - B. pay hospital bills only.
 - C. provide an income stream.
 - D. cover short-term disability.
77. A producer is reviewing an application. variable life insurance places cash values in:
- A. separate accounts.
 - B. the general account only.
 - C. a savings account.
 - D. a claims reserve.

- 78.** During a policy delivery appointment, in a universal life policy, the cash value is most directly affected by:
- A. the beneficiary age only.
 - B. the employer contribution.
 - C. interest credits and policy charges.
 - D. the medical deductible.
- 79.** In a coverage comparison scenario, universal life insurance is best described as:
- A. fixed-premium term insurance.
 - B. flexible-premium permanent life insurance.
 - C. a group medical plan.
 - D. a policy with no cash value.
- 80.** For a client who asks for a plain-language explanation, single-premium whole life is funded by:
- A. monthly renewable premiums.
 - B. employer contributions only.
 - C. a separate account deposit.
 - D. one lump-sum premium.
- 81.** A producer is reviewing an application. a limited-pay whole life policy is fully paid up:
- A. only when the insured reaches age 100.
 - B. after one annual premium.
 - C. after premiums are paid for a stated limited period.
 - D. when the beneficiary changes.
- 82.** During a policy delivery appointment, whole life insurance is characterized by:
- A. permanent protection with fixed premiums.
 - B. yearly renewable coverage only.
 - C. variable premiums with no guarantee.
 - D. group-only eligibility.
- 83.** In a coverage comparison scenario, decreasing term insurance is commonly used to cover a:
- A. growing retirement fund.
 - B. declining mortgage balance.
 - C. hospital deductible.
 - D. disability elimination period.

- 84.** For a client who asks for a plain-language explanation, level term insurance generally has:
- A. a decreasing premium each year.
 - B. an increasing cash value guarantee.
 - C. a variable separate account.
 - D. a level death benefit during the term.
- 85.** A producer is reviewing an application. which life policy provides coverage for a specified period and no cash value?
- A. Term life.
 - B. Whole life.
 - C. Universal life.
 - D. Variable life.
- 86.** During a policy delivery appointment, insurable interest in a life policy must generally exist:
- A. when premiums are paid.
 - B. when the beneficiary is paid.
 - C. when the policy is issued.
 - D. at every policy anniversary.
- 87.** In a coverage comparison scenario, a beneficiary designated to receive proceeds if the primary beneficiary has died is:
- A. revocable.
 - B. contingent.
 - C. irrevocable.
 - D. tertiary.
- 88.** For a client who asks for a plain-language explanation, a beneficiary who must consent before a change is made is:
- A. contingent.
 - B. tertiary.
 - C. revocable.
 - D. irrevocable.
- 89.** A producer is reviewing an application. a beneficiary who may be changed by the policyowner is a:
- A. primary insurer.
 - B. contingent owner.
 - C. revocable beneficiary.
 - D. irrevocable premium payer.

- 90.** During a policy delivery appointment, the person named to receive life insurance proceeds is the:
- A. applicant.
 - B. annuitant.
 - C. producer.
 - D. beneficiary.
- 91.** In a coverage comparison scenario, the person whose life is covered by a life insurance policy is the:
- A. beneficiary.
 - B. insured.
 - C. owner.
 - D. annuitant.
- 92.** For a client who asks for a plain-language explanation, the party that owns a life insurance policy is the:
- A. policyowner.
 - B. beneficiary.
 - C. insured.
 - D. producer.
- 93.** A producer is reviewing an application. an insurer's ability to transfer its own risk to another insurer is:
- A. coinsurance.
 - B. reinsurance.
 - C. risk retention.
 - D. self-insurance.
- 94.** During a policy delivery appointment, the event that directly causes a loss is called a:
- A. peril.
 - B. hazard.
 - C. premium.
 - D. dividend.
- 95.** In a coverage comparison scenario, which is an example of a physical hazard?
- A. Dishonest intent.
 - B. Gambling behavior.
 - C. Poor financial planning.
 - D. A defective stairway.

96. For a client who asks for a plain-language explanation, a condition that increases the chance of loss is a:

- A. peril.
- B. risk transfer.
- C. hazard.
- D. insurable interest.

97. A producer is reviewing an application. the possibility of financial loss is known as:

- A. hazard.
- B. peril.
- C. risk.
- D. exposure.

98. During a policy delivery appointment, a statement made by an applicant that is believed true to the best of the applicant's knowledge is a:

- A. warranty.
- B. representation.
- C. waiver.
- D. concealment.

99. In a coverage comparison scenario, a valid insurance contract requires an exchange of value. This requirement is called:

- A. consideration.
- B. indemnification.
- C. representation.
- D. subrogation.

100. For a client who asks for a plain-language explanation, which element makes an insurance policy a contract of adhesion?

- A. Both parties negotiate each clause.
- B. The policy has no legal obligations.
- C. Only the producer signs the policy.
- D. The insurer drafts the policy language.

PRACTICE EXAM 12: ANSWER KEY AND EXPLANATIONS

1. **A** - bring suit after a claim dispute is correct because the legal-actions provision sets contractual timing requirements for lawsuits relating to a claim. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
2. **C** - when benefits must be paid after required proof is correct because time-payment language establishes when claim benefits become due after the insurer receives the required proof. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
3. **B** - supporting information about the claim is correct because proof of loss supplies documentation needed to establish that a covered loss occurred and benefits are payable. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
4. **D** - notify the insurer within the stated timeframe is correct because notice of claim alerts the insurer promptly so it can investigate and process the claimed loss. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
5. **A** - state the insurer basic promise of coverage is correct because the insuring clause identifies the covered person, risk, and promise to pay benefits under stated conditions. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
6. **C** - only when stated conditions are met is correct because conditionally renewable coverage permits nonrenewal only for conditions identified in the contract or governing rules. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
7. **B** - renewal with no individual rate increase is correct because noncancelable coverage gives strong renewal protection and locks the individual premium during the stated period. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
8. **C** - must renew coverage when required premiums are paid is correct because guaranteed renewable coverage generally requires renewal for the insured, though class-wide premium changes may be allowed. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
9. **D** - conditions present before coverage began is correct because a preexisting-condition provision concerns health conditions that existed before the effective date, subject to applicable law. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
10. **B** - identify losses the policy does not cover is correct because an exclusion clearly removes specified circumstances, conditions, or losses from the otherwise broad coverage grant. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
11. **A** - prevent duplicate recovery of the same expense is correct because coordination of benefits establishes which plan pays first and helps prevent total payment above the covered expense. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

12. D - the employer or sponsor is correct because a noncontributory group plan is paid by the sponsor and generally covers all eligible members. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

13. C - employees to pay part of the premium is correct because a contributory plan requires employee contribution and usually requires enough eligible people to participate. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

14. D - eligible member is correct because eligibility rules determine who qualifies for group coverage, often based on employment or membership status. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

15. B - a certificate of coverage is correct because the certificate summarizes the employee coverage, while the sponsor holds the master group contract. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

16. A - the sponsoring employer or association is correct because the master contract belongs to the group sponsor, while insured members receive certificates of coverage. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

17. C - temporary continuation of group health coverage is correct because COBRA may allow eligible people to continue group health coverage temporarily after qualifying events, subject to requirements. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

18. B - a joint federal-state program for eligible individuals is correct because Medicaid is administered with federal and state roles and eligibility rules vary by state and circumstance. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

19. A - help pay certain Medicare cost-sharing amounts is correct because Medicare supplement insurance coordinates with Original Medicare and can help with specified gaps such as cost sharing. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

20. D - prescription drugs is correct because Medicare Part D is the Medicare prescription drug benefit and operates under plan-specific formularies and rules. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

21. D - Medicare Advantage plans is correct because Medicare Part C allows Medicare Advantage plans to provide Medicare-covered benefits through private plan arrangements. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

22. A - physician and outpatient services is correct because Medicare Part B generally covers physician, outpatient, and other medical services rather than inpatient room and board. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

23. B - inpatient hospital care is correct because Medicare Part A is commonly associated with inpatient hospital and related institutional benefits, subject to program rules. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

24. C - bathing, dressing, and eating is correct because activities of daily living are basic self-care functions used to assess functional impairment in long-term care coverage. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

25. D - extended assistance with daily living needs is correct because long-term care coverage addresses services associated with chronic illness or functional impairment, including assistance with daily living. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

26. C - returns to work with a partial income loss is correct because residual benefits address partial disability by recognizing a continuing loss of income after return to work. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

27. A - perform the duties of the insured occupation is correct because own-occupation coverage focuses on the actual job duties of the insured rather than any possible work. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

28. B - benefit period is correct because the benefit period specifies the maximum duration for which a qualifying disability can receive payments. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

29. C - elimination period is correct because the elimination period functions like a time deductible and must pass before disability income benefits begin. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

30. B - accidental bodily injury is correct because accident-only coverage responds to accidental injury and does not provide broad sickness coverage. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

31. D - a named illness such as cancer is correct because specified disease coverage is limited to conditions named in the contract and supplements other medical coverage. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

32. A - a stated amount per day or confinement is correct because hospital indemnity pays a scheduled benefit tied to confinement, regardless of the exact bill amount. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

33. C - large medical expenses from illness or injury is correct because major medical coverage protects against high eligible medical costs and commonly includes deductibles and coinsurance. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

34. B - HMO and PPO arrangements is correct because a POS plan blends network management with an option for outside care, usually at greater cost. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

35. A - network-based managed care is correct because an HMO organizes care through a network and commonly uses primary-care coordination and referral rules. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

36. D - use out-of-network providers at higher cost is correct because a PPO usually offers network discounts but permits out-of-network care with less favorable cost sharing. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

37. A - out-of-pocket maximum is correct because an out-of-pocket maximum caps the insured qualifying cost sharing for covered services under plan terms. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

38. C - a fixed amount paid for a covered service is correct because a copayment is a stated dollar amount the insured pays for a covered visit, prescription, or service. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

39. B - share covered expenses after the deductible is correct because coinsurance splits covered expenses between insurer and insured after any applicable deductible. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

40. D - the insured pays before benefits begin is correct because a deductible is the initial covered expense borne by the insured before policy benefits apply. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

41. A - the incidence of sickness or disability is correct because morbidity measures sickness or disability occurrence and is a core factor in health insurance underwriting. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

42. C - the frequency of death within a group is correct because mortality is the likelihood or rate of death within a population used in life insurance pricing. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

43. D - higher-risk applicants seek coverage more aggressively is correct because adverse selection arises when people with greater expected loss are more motivated to obtain insurance. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

44. B - classify and select risks is correct because underwriting evaluates risk characteristics so coverage may be issued and priced consistently with insurer standards. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

45. C - coercion is correct because coercion improperly pressures a person through force or threats rather than informed voluntary choice. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

46. D - defamation is correct because defamation involves untrue statements intended or likely to damage the reputation of an insurer or person. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

47. B - twisting is correct because twisting uses misrepresentation or incomplete comparisons to induce an unsuitable replacement. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

48. A - rebating is correct because rebating is an improper inducement when a producer offers an unauthorized value to encourage a sale. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

49. B - unfair discrimination is correct because unfair discrimination occurs when similarly situated insureds receive materially different treatment without a lawful basis. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

50. D - fiduciary capacity is correct because a producer holds client funds in trust-like fiduciary capacity and must account for them properly. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

51. A - apparent authority is correct because apparent authority protects a third party who reasonably relies on the insurer representation of agent authority. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

52. C - implied authority is correct because implied authority arises from the tasks the agent is authorized to perform, even if every act is not listed. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

53. C - express authority is correct because express authority is directly conferred by the insurer, typically through appointment language or written instructions. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

54. D - return the policy promptly for a refund is correct because the free-look period lets the buyer examine the contract and return it within the stated timeframe. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

55. A - evidence of insurability and overdue premiums is correct because reinstatement commonly requires proof of acceptable health and payment of overdue amounts with interest. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

56. B - secure a loan is correct because a collateral assignment gives a lender limited rights in a policy as security for a debt. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

57. A - assignment is correct because an assignment transfers some or all policy rights, subject to policy provisions and any irrevocable interests. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

58. D - insuring clause is correct because the insuring clause states the fundamental promise, including the benefit and covered risk. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

59. B - attached to the policy is correct because attaching the application makes it part of the contract and permits both parties to rely on it. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

60. C - the complete agreement is correct because the entire contract provision prevents outside documents from silently changing the agreement. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

61. D - an accelerated benefit rider is correct because an accelerated benefit rider advances part of the death benefit while the insured is alive and qualifying. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

62. C - guaranteed insurability is correct because guaranteed insurability allows scheduled additions to coverage without new medical underwriting, subject to rider rules. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

63. B - waiver of premium is correct because the waiver of premium rider keeps eligible coverage in force by excusing premiums during qualifying disability. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

64. A - cash surrender option is correct because the cash surrender option ends coverage and pays the available cash value after applicable charges. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

65. B - reduced paid-up insurance is correct because reduced paid-up uses cash value to purchase a smaller amount of permanent insurance with no future premiums. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

66. A - extended term insurance is correct because extended term uses cash value to buy term coverage at the original face amount for as long as funds permit. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

- 67. C** - the policy cash value is correct because a policy loan is an advance against cash value, and unpaid principal plus interest reduces benefits. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 68. D** - void coverage after the stated period is correct because after the contestable period, the insurer's ability to challenge most application misstatements is limited. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 69. C** - a premium is paid late is correct because the grace period keeps coverage in force for a stated time after a premium due date. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 70. D** - Paid-up additions is correct because paid-up additions purchase additional permanent insurance with their own cash values and death benefits. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 71. A** - a return of excess premium is correct because participating-policy dividends represent a return of excess premium and are not guaranteed. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 72. B** - a stated minimum interest rate is correct because a fixed annuity credits interest according to contract terms and typically includes a minimum guarantee. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 73. B** - annuitization period is correct because annuitization converts accumulated value into scheduled income payments under the selected payout option. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.
- 74. D** - accumulation period is correct because the accumulation period is when premiums or deposits build value before payout begins. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.
- 75. A** - annuitant is correct because the annuitant is the measuring life; ownership and beneficiary rights may belong to different people. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 76. C** - provide an income stream is correct because an annuity accumulates funds and then can distribute income, often for a selected period or lifetime. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.
- 77. A** - separate accounts is correct because variable life uses separate-account investments, so cash value and often death benefit can fluctuate with performance. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

78. C - interest credits and policy charges is correct because universal life cash value changes with credited interest, premiums, withdrawals, and monthly policy charges. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

79. B - flexible-premium permanent life insurance is correct because universal life generally permits flexible premium timing and adjustable death-benefit choices within policy limits. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

80. D - one lump-sum premium is correct because single-premium whole life is purchased with one payment and remains in force according to its terms. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

81. C - after premiums are paid for a stated limited period is correct because limited-pay whole life compresses premium payments into a chosen period while coverage remains for life. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

82. A - permanent protection with fixed premiums is correct because whole life is permanent coverage with contractual guarantees, including scheduled premiums and cash value growth. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

83. B - declining mortgage balance is correct because decreasing term aligns a falling death benefit with a declining obligation, such as a mortgage loan. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

84. D - a level death benefit during the term is correct because level term keeps the face amount unchanged for the selected term, although renewal premiums may later change. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

85. A - Term life is correct because term insurance supplies pure death protection for a stated period and normally builds no cash value. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

86. C - when the policy is issued is correct because life insurance requires insurable interest at inception to prevent wagering on another person life. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

87. B - contingent is correct because a contingent beneficiary takes only when the primary beneficiary cannot receive the proceeds. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

88. D - irrevocable is correct because an irrevocable beneficiary has a vested interest, so required consent protects that interest. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

89. C - revocable beneficiary is correct because a revocable beneficiary has no vested right before proceeds become payable and may be changed by the owner. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

90. D - beneficiary is correct because the beneficiary receives proceeds at the insured death, subject to the policy designation. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

91. B - insured is correct because the insured is the life on which coverage is written, while ownership may be held by another person. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

92. A - policyowner is correct because the policyowner controls contractual rights, including beneficiary changes when the designation is revocable. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

93. B - reinsurance is correct because reinsurance shifts part of an insurer liability to another insurer, helping manage catastrophic exposure. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

94. A - peril is correct because a peril is the immediate cause of loss, whereas a hazard increases the likelihood of that peril. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

95. D - A defective stairway is correct because a physical hazard is a tangible condition, such as a defective stairway, that can contribute to loss. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

96. C - hazard is correct because a hazard increases loss frequency or severity without itself being the cause of loss. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

97. C - risk is correct because risk is the uncertainty of loss, while a peril is the cause of loss. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

98. B - representation is correct because a representation is a good-faith statement used in underwriting, not an absolute guarantee. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities. This avoids a common exam error.

99. A - consideration is correct because each party gives something of value, such as premium and the insurer promise to perform. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.

100. D - The insurer drafts the policy language is correct because the insurer prepares the standard form, and an ambiguity is generally interpreted against the drafter. The incorrect options name other concepts or outcomes. Match the policy purpose and contractual language to the exact issue described. That distinction is essential when analyzing coverage, benefits, and producer responsibilities.