

PRACTICE EXAM 19: LIFE & HEALTH INSURANCE LICENSE (100 QUESTIONS)

This 100-question practice exam covers general life and health insurance concepts. Allow 2 hours. State licensing laws and policy forms vary; use your state outline and current statutes for jurisdiction-specific rules.

1. For the following client situation, an applicant's medical history is used primarily to assess:
 - A. Producer compensation
 - B. Policy ownership
 - C. Risk of loss
 - D. Dividend options
2. For the following client situation, the document that forms part of the life insurance contract with the policy is the:
 - A. Application
 - B. Advertising brochure
 - C. Producer license
 - D. Claim check
3. For the following client situation, which policy provision states that the policy and attached application make up the agreement?
 - A. Misstatement-of-age provision
 - B. Entire-contract provision
 - C. Grace-period provision
 - D. Assignment provision
4. For the following client situation, a life policy's grace period is designed to:
 - A. Increase the face amount
 - B. Waive underwriting permanently
 - C. Pay a policy loan
 - D. Keep coverage in force after a missed premium
5. For the following client situation, which provision limits the time an insurer may contest material application statements?
 - A. Insuring clause
 - B. Incontestability provision
 - C. Consideration clause
 - D. Assignment clause
6. For the following client situation, what happens under a life policy misstatement-of-age provision?
 - A. Policy is always voided
 - B. Premium is refunded only
 - C. Benefit is adjusted to the correct age
 - D. Beneficiary is removed

7. For the following client situation, the owner of a life insurance policy has the right to:
- A. Assign policy rights
 - B. Change the insured without consent
 - C. Require a dividend
 - D. Change state law
8. For the following client situation, a collateral assignment is commonly used to:
- A. Change the insured
 - B. Name a contingent beneficiary
 - C. Cancel the policy
 - D. Secure a loan with policy value
9. For the following client situation, a life settlement involves:
- A. Sale of an existing life policy to a third party
 - B. Purchase of a new deferred annuity contract
 - C. Exchange of a group health coverage certificate
 - D. Payment of a fixed health policy deductible
10. For the following client situation, a viatical settlement is most associated with an insured who:
- A. Has a new job
 - B. Has a qualifying terminal or chronic illness
 - C. Owns group insurance
 - D. Is a minor child
11. For the following client situation, which settlement option provides income for a specified period?
- A. Interest-only option
 - B. Cash option
 - C. Fixed-period option
 - D. Life-income option
12. For the following client situation, a fixed-amount settlement option pays:
- A. Only interest indefinitely
 - B. One lump sum only
 - C. Income for the beneficiary's life
 - D. A stated amount until proceeds are exhausted
13. For the following client situation, the interest-only settlement option pays:
- A. Earnings while principal remains intact
 - B. Principal in equal installments
 - C. Death benefit as a lump sum
 - D. Annuity premiums to the owner

- 14.** For the following client situation, a spendthrift clause is intended to:
- A. Increase the death benefit
 - B. Guarantee a policy loan
 - C. Avoid premium payments
 - D. Protect proceeds from beneficiary creditors
- 15.** For the following client situation, which dividend option uses dividends to purchase additional paid-up coverage?
- A. Cash payment
 - B. Paid-up additions
 - C. Premium reduction
 - D. Accumulation at interest
- 16.** For the following client situation, a participating life policy may pay:
- A. Guaranteed capital gains
 - B. Federal tax refunds
 - C. Policy dividends
 - D. Producer bonuses
- 17.** For the following client situation, which life insurance policy normally provides coverage for a stated term without cash value?
- A. Whole life insurance
 - B. Variable life insurance
 - C. Universal life insurance
 - D. Term life insurance
- 18.** For the following client situation, decreasing term insurance is often used to cover:
- A. A growing retirement income
 - B. A declining loan balance
 - C. A fixed medical deductible
 - D. A child's education savings
- 19.** For the following client situation, whole life insurance is characterized by:
- A. Permanent coverage with fixed premiums
 - B. Annual renewable coverage only
 - C. No death benefit
 - D. No policy values

- 20.** For the following client situation, a limited-pay whole life policy is designed to:
- A. Expire after a stated number of years
 - B. Require flexible premiums over a stated period
 - C. Be paid up after a stated number of years
 - D. Avoid all policy cash-value accumulation
- 21.** For the following client situation, universal life insurance generally offers:
- A. No cash value
 - B. Flexible premiums and adjustable death benefit
 - C. Only annual renewable terms
 - D. Guaranteed dividends only
- 22.** For the following client situation, in variable life insurance, investment risk is primarily borne by the:
- A. Insurer
 - B. Producer
 - C. Policy owner
 - D. Beneficiary
- 23.** For the following client situation, an annuity is principally designed to:
- A. Insure a home against fire
 - B. Pay a medical deductible
 - C. Replace property damage
 - D. Provide income during life or a period
- 24.** For the following client situation, the accumulation period of an annuity is when:
- A. Funds are paid into the contract
 - B. Income benefits are distributed
 - C. A death claim is denied
 - D. Policy loans are repaid
- 25.** For the following client situation, the annuitization period begins when:
- A. Premiums first become due
 - B. The contract is applied for
 - C. Income payments start
 - D. The producer is appointed
- 26.** For the following client situation, a fixed annuity generally guarantees:
- A. A stated minimum interest rate
 - B. Stock-market ownership
 - C. A variable death benefit
 - D. No surrender charges

27. For the following client situation, a variable annuity's separate account is invested in:
- A. Only insurer general-account bonds
 - B. Market-based investment options
 - C. A policy loan reserve
 - D. State guaranty funds
28. For the following client situation, an immediate annuity typically begins income payments:
- A. Only after ten years
 - B. At policy delivery only
 - C. After a disability claim
 - D. Soon after a lump-sum purchase
29. For the following client situation, a deferred annuity is intended to:
- A. Eliminate mortality risk
 - B. Delay income payments to a later date
 - C. Provide property coverage
 - D. Replace group insurance
30. For the following client situation, what does the life insurance free-look provision allow?
- A. Return the policy within the stated review period
 - B. Skip premiums permanently
 - C. Change the insured at will
 - D. Receive a guaranteed dividend
31. For the following client situation, a replacement occurs when a new policy is purchased and an existing policy is:
- A. Delivered for the first time
 - B. Assigned as collateral only
 - C. Placed in a trust only
 - D. Lapsed, surrendered, or otherwise terminated
32. For the following client situation, twisting is the unethical practice of:
- A. Charging a policy fee
 - B. Using a beneficiary form
 - C. Inducing replacement through misleading comparisons
 - D. Paying premiums annually
33. For the following client situation, a producer's fiduciary duty includes:
- A. Safeguarding client premium funds
 - B. Guaranteeing claims
 - C. Changing policy terms
 - D. Setting state statutes

34. For the following client situation, controlled business refers to insurance written primarily on the producer's:
- A. Largest commercial accounts
 - B. Out-of-state customers
 - C. Own interests or close associates
 - D. Independent insurers
35. For the following client situation, which is an example of unfair discrimination?
- A. Using valid underwriting classes with actuarial support
 - B. Different rates for identical risk classes without basis
 - C. Requiring a signed insurance application before issue
 - D. Explaining a policy exclusion in plain language
36. For the following client situation, an insurance illustration should be presented as:
- A. A binding promise of future returns
 - B. A replacement notice
 - C. A claim settlement agreement
 - D. A projection that is not guaranteed unless stated
37. For the following client situation, a producer who acts beyond granted authority may create liability through:
- A. Coinsurance
 - B. Apparent authority
 - C. Reinsurance
 - D. Indemnity
38. For the following client situation, which type of policy is usually renewable at the insurer's option only?
- A. Noncancelable policy
 - B. Guaranteed renewable policy
 - C. Conditionally renewable policy
 - D. Optionally renewable health policy
39. For the following client situation, a noncancelable health policy means the insurer cannot:
- A. Require a claim form
 - B. Pay covered losses
 - C. Cancel or raise premiums during the stated period
 - D. Offer policy riders
40. For the following client situation, guaranteed renewable health insurance permits the insurer to:
- A. Change premiums by class, not individually
 - B. Cancel an individual policy at will
 - C. Reduce a stated benefit after a claim
 - D. Change an insured's age

- 41.** For the following client situation, a health policy deductible is the amount the insured pays:
- A. Before the policy begins paying covered expenses
 - B. After every claim is settled
 - C. Instead of every premium
 - D. Only for preventive care
- 42.** For the following client situation, coinsurance is a provision that:
- A. Pays all costs after one premium
 - B. Eliminates deductibles
 - C. Shares covered costs between insured and insurer
 - D. Creates cash value
- 43.** For the following client situation, a copayment is generally:
- A. A percentage of policy cash value
 - B. A fixed amount paid for a covered service
 - C. An annual premium refund
 - D. A death benefit advance
- 44.** For the following client situation, what is the purpose of a stop-loss limit?
- A. Limit the insurer's marketing budget
 - B. Increase the deductible annually
 - C. Set a beneficiary designation
 - D. Cap the insured's out-of-pocket covered costs
- 45.** For the following client situation, a health maintenance organization typically emphasizes:
- A. Unrestricted indemnity payments
 - B. Coordinated care through a provider network
 - C. Cash-value accumulation
 - D. Life insurance settlements
- 46.** For the following client situation, a preferred provider organization commonly provides:
- A. No provider contracts
 - B. Only hospital indemnity
 - C. Mandatory life annuitization
 - D. Network discounts with some out-of-network access
- 47.** For the following client situation, a point-of-service plan combines features of:
- A. Term and whole life
 - B. Medicare and Medicaid only
 - C. HMO and PPO arrangements
 - D. Disability and property insurance

- 48.** For the following client situation, managed care is designed mainly to:
- A. Coordinate services and control healthcare costs
 - B. Eliminate all copayments
 - C. Guarantee every provider choice
 - D. Create investment income
- 49.** For the following client situation, a major medical policy is intended to cover:
- A. Only accidental death
 - B. Only vision exams
 - C. Only fixed hospital cash
 - D. Broad catastrophic medical expenses
- 50.** For the following client situation, hospital indemnity insurance generally pays:
- A. All actual medical expenses
 - B. A stated daily or weekly benefit
 - C. Only surgical fees
 - D. A life insurance death benefit
- 51.** For the following client situation, a surgical expense policy primarily provides benefits for:
- A. Prescription drug discounts
 - B. Life policy loans
 - C. Covered surgical procedures
 - D. Dental cleanings only
- 52.** For the following client situation, disability income insurance is designed to replace:
- A. A portion of lost earned income
 - B. The insured's estate
 - C. A policy beneficiary
 - D. Medical provider charges
- 53.** For the following client situation, the elimination period in disability income insurance is the:
- A. Time premiums are waived
 - B. Waiting time before benefits begin
 - C. Period after policy cancellation
 - D. Time allowed to change beneficiaries
- 54.** For the following client situation, the benefit period in a disability policy is the:
- A. Time before the first premium
 - B. Period to apply for coverage
 - C. Length of the free look
 - D. Maximum duration benefits are payable

55. For the following client situation, residual disability benefits address:
- A. Property damage losses
 - B. Death benefits for dependents
 - C. Partial income loss after disability
 - D. Medical deductibles only
56. For the following client situation, the own-occupation definition of disability focuses on inability to perform:
- A. The duties of the insured's regular occupation
 - B. Any job in the national economy
 - C. Only household duties
 - D. A beneficiary's duties
57. For the following client situation, a waiver-of-premium rider generally waives premiums during:
- A. Qualifying total disability
 - B. Any missed payment
 - C. Normal retirement
 - D. A policy loan
58. For the following client situation, the probationary period in a health policy commonly limits coverage for:
- A. Accidental injuries
 - B. Policy loans
 - C. Sickness beginning soon after issue
 - D. Beneficiary changes
59. For the following client situation, a preexisting-condition provision concerns conditions that:
- A. Develop after a claim is paid
 - B. Existed before coverage became effective
 - C. Are caused by an accident
 - D. Occur after renewal only
60. For the following client situation, what does coordination of benefits seek to prevent?
- A. Policy replacement notices
 - B. Life settlement transactions
 - C. Producer licensing
 - D. Duplicate recovery from multiple health plans
61. For the following client situation, subrogation gives an insurer the right to:
- A. Change a beneficiary
 - B. Cancel a life policy
 - C. Require annuitization
 - D. Recover from a responsible third party

62. For the following client situation, the notice-of-claim provision requires the insured to:

- A. Notify the insurer within the stated time
- B. Pay every claim immediately
- C. Choose a beneficiary
- D. Request a policy loan

63. For the following client situation, proof of loss is documentation that:

- A. Creates an annuity
- B. Sets premium taxes
- C. Supports a claim for benefits
- D. Changes policy ownership

64. For the following client situation, a health insurance claim form is used to:

- A. Purchase a life policy
- B. Request payment for covered loss
- C. Name a contingent beneficiary
- D. Reinstate an annuity

65. For the following client situation, medicare Part A primarily helps cover:

- A. Outpatient prescription drugs
- B. Routine dental care
- C. Long-term investment accounts
- D. Inpatient hospital and related care

66. For the following client situation, medicare Part B generally helps cover:

- A. Most inpatient room charges
- B. Physician and outpatient services
- C. Life insurance premiums
- D. Custodial long-term care only

67. For the following client situation, medicare Part C is commonly known as:

- A. Medicare Advantage
- B. Medigap
- C. Original Medicare
- D. Medicaid expansion

68. For the following client situation, medicare Part D provides coverage mainly for:

- A. Life annuity payments
- B. Homeowners losses
- C. Outpatient prescription drugs
- D. Inpatient hospital room only

- 69.** For the following client situation, medigap policies are designed to:
- A. Replace all private insurance
 - B. Provide employer disability income
 - C. Create cash value
 - D. Supplement Original Medicare cost sharing
- 70.** For the following client situation, medicaid is generally a program for:
- A. Eligible people meeting income and other criteria
 - B. Only active-duty military members
 - C. Only private annuity owners
 - D. Only corporate executives
- 71.** For the following client situation, workers compensation generally covers:
- A. Personal vacation losses
 - B. Job-related injury or illness
 - C. Life insurance replacements
 - D. Home mortgage payments
- 72.** For the following client situation, social Security disability benefits generally require:
- A. Any temporary absence from work
 - B. A current life policy
 - C. A qualifying total disability under program rules
 - D. A medical savings account
- 73.** For the following client situation, cOBRA is associated with:
- A. Conversion of term life to whole life
 - B. Medicare enrollment only
 - C. Continuation of qualifying group health coverage
 - D. Life settlement licensing
- 74.** For the following client situation, a group health conversion privilege allows a departing insured to:
- A. Obtain individual coverage without new evidence of insurability
 - B. Keep group rates forever
 - C. Transfer the employer plan
 - D. Avoid all premiums
- 75.** For the following client situation, in group insurance, the master policy is usually issued to the:
- A. Individual employee
 - B. Employer or sponsoring organization
 - C. Beneficiary
 - D. Producer

- 76.** For the following client situation, a certificate of coverage is given to:
- A. The state insurance commissioner
 - B. The reinsurer
 - C. A policy beneficiary only
 - D. An insured group member
- 77.** For the following client situation, contributory group insurance means:
- A. Employer pays every premium
 - B. Employees share premium cost
 - C. Coverage is individually underwritten
 - D. Only executives can enroll
- 78.** For the following client situation, noncontributory group insurance usually means:
- A. Employer pays the full premium
 - B. Employees pay all premiums
 - C. Benefits are never taxable
 - D. Coverage has no eligibility rules
- 79.** For the following client situation, a contributory group plan commonly requires:
- A. A beneficiary designation from employer
 - B. An individual medical exam for all
 - C. No premium collection
 - D. Employee participation requirements
- 80.** For the following client situation, an ERISA fiduciary generally must act:
- A. Only for the insurer
 - B. Only for the employer
 - C. In the interest of plan participants
 - D. Only for the producer
- 81.** For the following client situation, an accidental death and dismemberment policy pays for:
- A. All medical expenses
 - B. Specified accidental losses
 - C. Natural death from illness
 - D. Cash surrender value
- 82.** For the following client situation, long-term care insurance is intended to help with:
- A. Short-term property repairs
 - B. Investment losses
 - C. Extended assistance with daily living needs
 - D. Producer licensing fees

- 83.** For the following client situation, activities of daily living commonly include:
- A. Trading securities
 - B. Writing a will
 - C. Buying an annuity
 - D. Bathing, dressing, and eating
- 84.** For the following client situation, a life insurance accelerated benefit rider may allow:
- A. Advance access to part of a death benefit
 - B. An increase in cash value without premium
 - C. Automatic policy replacement
 - D. Payment of all medical bills
- 85.** For the following client situation, a business continuation life policy is commonly used to fund:
- A. An employee health deductible
 - B. A homeowner claim
 - C. A buy-sell agreement
 - D. A hospital copayment
- 86.** For the following client situation, key person life insurance protects a business against loss of:
- A. A policy beneficiary
 - B. A regulatory license
 - C. A medical provider
 - D. An important employee or owner
- 87.** For the following client situation, credit life insurance is designed to help repay:
- A. An outstanding debt after the debtor's death
 - B. A hospital deductible
 - C. A disability benefit
 - D. A producer commission
- 88.** For the following client situation, mortgage protection life insurance is generally intended to:
- A. Replace health coverage
 - B. Help satisfy a home loan balance
 - C. Fund retirement income
 - D. Pay nursing-home expenses
- 89.** For the following client situation, the primary purpose of a life insurance needs analysis is to:
- A. Estimate appropriate coverage for financial obligations
 - B. Guarantee investment returns
 - C. Determine a policy dividend
 - D. Set state premium tax

- 90.** For the following client situation, human life value analysis estimates:
- A. Cash surrender value only
 - B. A claim reserve
 - C. Hospital room charges
 - D. Economic value of future earnings
- 91.** For the following client situation, a policy loan is available only when a policy has:
- A. A revocable beneficiary
 - B. A health deductible
 - C. Sufficient cash value
 - D. A group certificate
- 92.** For the following client situation, surrendering a cash-value life policy means:
- A. Borrowing against the policy
 - B. Ending coverage for its available surrender value
 - C. Changing the beneficiary
 - D. Extending the grace period
- 93.** For the following client situation, the extended-term nonforfeiture option uses cash value to:
- A. Buy term coverage for the full face amount
 - B. Buy reduced paid-up coverage
 - C. Pay dividends in cash
 - D. Create an annuity
- 94.** For the following client situation, reduced paid-up insurance provides:
- A. Full coverage for a short term
 - B. Only policy loan protection
 - C. A smaller amount of permanent paid-up coverage
 - D. A larger death benefit
- 95.** For the following client situation, a cash surrender option gives the owner:
- A. A guaranteed new policy
 - B. A disability income payment
 - C. A hospital benefit
 - D. Available policy value after ending coverage

- 96.** For the following client situation, which insurance contract feature requires the insurer to perform after the premium is paid?
- A. Aleatory contract
 - B. Unilateral contract
 - C. Personal contract
 - D. Conditional contract
- 97.** For the following client situation, what is the primary purpose of an insurable-interest requirement?
- A. Guarantee policy dividends
 - B. Prevent wagering on another person's loss
 - C. Set premium tax rates
 - D. Create cash value
- 98.** For the following client situation, a statement made by an applicant that is believed true to the best of their knowledge is a:
- A. Warranty
 - B. Rider
 - C. Representation
 - D. Binder
- 99.** For the following client situation, what does the principle of indemnity seek to accomplish?
- A. Restore the insured financially without profit
 - B. Increase the insured's savings
 - C. Guarantee replacement cost
 - D. Eliminate all deductibles
- 100.** For the following client situation, when must insurable interest generally exist for a life insurance policy?
- A. Only at death
 - B. Only at renewal
 - C. Only after a claim
 - D. At policy inception

PRACTICE EXAM 19: ANSWER KEY AND EXPLANATIONS

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[illegible]

[illegible]

[illegible]

and state law when applying this concept during a real client situation.

97. B - The keyed option is correct because it states the core insurance principle tested by this item. The other choices either identify a different policy feature, apply only in another circumstance, or reverse the relevant relationship. Use contract wording and state law when applying this concept during a real client situation.

98. C - The keyed option is correct because it states the core insurance principle tested by this item. The other choices either identify a different policy feature, apply only in another circumstance, or reverse the relevant relationship. Use contract wording and state law when applying this concept during a real client situation.

99. A - The keyed option is correct because it states the core insurance principle tested by this item. The other choices either identify a different policy feature, apply only in another circumstance, or reverse the relevant relationship. Use contract wording and state law when applying this concept during a real client situation.

100. D - The keyed option is correct because it states the core insurance principle tested by this item. The other choices either identify a different policy feature, apply only in another circumstance, or reverse the relevant relationship. Use contract wording and state law when applying this concept during a real client situation.