

PRACTICE EXAM 20: 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. In this licensing scenario, whole life insurance is characterized by:
 - A. Annual renewable coverage only
 - B. No death benefit
 - C. No policy values
 - D. Permanent coverage with fixed premiums
2. In this licensing scenario, 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
3. In this licensing scenario, universal life insurance generally offers:
 - A. Flexible premiums and adjustable death benefit
 - B. No cash value
 - C. Only annual renewable terms
 - D. Guaranteed dividends only
4. In this licensing scenario, in variable life insurance, investment risk is primarily borne by the:
 - A. Insurer
 - B. Policy owner
 - C. Producer
 - D. Beneficiary
5. In this licensing scenario, an annuity is principally designed to:
 - A. Insure a home against fire
 - B. Pay a medical deductible
 - C. Provide income during life or a period
 - D. Replace property damage
6. In this licensing scenario, the accumulation period of an annuity is when:
 - A. Income benefits are distributed
 - B. Funds are paid into the contract
 - C. A death claim is denied
 - D. Policy loans are repaid

7. In this licensing scenario, the annuitization period begins when:
- A. Income payments start
 - B. Premiums first become due
 - C. The contract is applied for
 - D. The producer is appointed
8. In this licensing scenario, a fixed annuity generally guarantees:
- A. Stock-market ownership
 - B. A variable death benefit
 - C. No surrender charges
 - D. A stated minimum interest rate
9. In this licensing scenario, a variable annuity's separate account is invested in:
- A. Market-based investment options
 - B. Only insurer general-account bonds
 - C. A policy loan reserve
 - D. State guaranty funds
10. In this licensing scenario, 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
11. In this licensing scenario, 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
12. In this licensing scenario, what does the life insurance free-look provision allow?
- A. Skip premiums permanently
 - B. Change the insured at will
 - C. Return the policy within the stated review period
 - D. Receive a guaranteed dividend
13. In this licensing scenario, a replacement occurs when a new policy is purchased and an existing policy is:
- A. Delivered for the first time
 - B. Lapsed, surrendered, or otherwise terminated
 - C. Assigned as collateral only
 - D. Placed in a trust only

- 14.** In this licensing scenario, twisting is the unethical practice of:
- A. Charging a policy fee
 - B. Using a beneficiary form
 - C. Paying premiums annually
 - D. Inducing replacement through misleading comparisons
- 15.** In this licensing scenario, a producer's fiduciary duty includes:
- A. Guaranteeing claims
 - B. Changing policy terms
 - C. Safeguarding client premium funds
 - D. Setting state statutes
- 16.** In this licensing scenario, controlled business refers to insurance written primarily on the producer's:
- A. Own interests or close associates
 - B. Largest commercial accounts
 - C. Out-of-state customers
 - D. Independent insurers
- 17.** In this licensing scenario, which is an example of unfair discrimination?
- A. Using valid underwriting classes with actuarial support
 - B. Requiring a signed insurance application before issue
 - C. Different rates for identical risk classes without basis
 - D. Explaining a policy exclusion in plain language
- 18.** In this licensing scenario, an insurance illustration should be presented as:
- A. A binding promise of future returns
 - B. A projection that is not guaranteed unless stated
 - C. A replacement notice
 - D. A claim settlement agreement
- 19.** In this licensing scenario, a producer who acts beyond granted authority may create liability through:
- A. Apparent authority
 - B. Coinsurance
 - C. Reinsurance
 - D. Indemnity
- 20.** In this licensing scenario, 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

- 21.** In this licensing scenario, a noncancelable health policy means the insurer cannot:
- A. Require a claim form
 - B. Pay covered losses
 - C. Offer policy riders
 - D. Cancel or raise premiums during the stated period
- 22.** In this licensing scenario, 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
- 23.** In this licensing scenario, a health policy deductible is the amount the insured pays:
- A. After every claim is settled
 - B. Before the policy begins paying covered expenses
 - C. Instead of every premium
 - D. Only for preventive care
- 24.** In this licensing scenario, 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
- 25.** In this licensing scenario, 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
- 26.** In this licensing scenario, what is the purpose of a stop-loss limit?
- A. Limit the insurer's marketing budget
 - B. Increase the deductible annually
 - C. Cap the insured's out-of-pocket covered costs
 - D. Set a beneficiary designation
- 27.** In this licensing scenario, a health maintenance organization typically emphasizes:
- A. Coordinated care through a provider network
 - B. Unrestricted indemnity payments
 - C. Cash-value accumulation
 - D. Life insurance settlements

28. In this licensing scenario, 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

29. In this licensing scenario, 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

30. In this licensing scenario, 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

31. In this licensing scenario, a major medical policy is intended to cover:

- A. Only accidental death
- B. Broad catastrophic medical expenses
- C. Only vision exams
- D. Only fixed hospital cash

32. In this licensing scenario, hospital indemnity insurance generally pays:

- A. All actual medical expenses
- B. Only surgical fees
- C. A life insurance death benefit
- D. A stated daily or weekly benefit

33. In this licensing scenario, a surgical expense policy primarily provides benefits for:

- A. Prescription drug discounts
- B. Covered surgical procedures
- C. Life policy loans
- D. Dental cleanings only

34. In this licensing scenario, 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

35. In this licensing scenario, the elimination period in disability income insurance is the:
- A. Time premiums are waived
 - B. Period after policy cancellation
 - C. Waiting time before benefits begin
 - D. Time allowed to change beneficiaries
36. In this licensing scenario, 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
37. In this licensing scenario, residual disability benefits address:
- A. Property damage losses
 - B. Death benefits for dependents
 - C. Partial income loss after disability
 - D. Medical deductibles only
38. In this licensing scenario, the own-occupation definition of disability focuses on inability to perform:
- A. Any job in the national economy
 - B. The duties of the insured's regular occupation
 - C. Only household duties
 - D. A beneficiary's duties
39. In this licensing scenario, a waiver-of-premium rider generally waives premiums during:
- A. Qualifying total disability
 - B. Any missed payment
 - C. Normal retirement
 - D. A policy loan
40. In this licensing scenario, the probationary period in a health policy commonly limits coverage for:
- A. Accidental injuries
 - B. Policy loans
 - C. Beneficiary changes
 - D. Sickness beginning soon after issue
41. In this licensing scenario, 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

- 42.** In this licensing scenario, what does coordination of benefits seek to prevent?
- A. Policy replacement notices
 - B. Life settlement transactions
 - C. Duplicate recovery from multiple health plans
 - D. Producer licensing
- 43.** In this licensing scenario, 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
- 44.** In this licensing scenario, 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
- 45.** In this licensing scenario, proof of loss is documentation that:
- A. Creates an annuity
 - B. Sets premium taxes
 - C. Supports a claim for benefits
 - D. Changes policy ownership
- 46.** In this licensing scenario, a health insurance claim form is used to:
- A. Purchase a life policy
 - B. Name a contingent beneficiary
 - C. Reinstate an annuity
 - D. Request payment for covered loss
- 47.** In this licensing scenario, medicare Part A primarily helps cover:
- A. Outpatient prescription drugs
 - B. Inpatient hospital and related care
 - C. Routine dental care
 - D. Long-term investment accounts
- 48.** In this licensing scenario, medicare Part B generally helps cover:
- A. Physician and outpatient services
 - B. Most inpatient room charges
 - C. Life insurance premiums
 - D. Custodial long-term care only

- 49.** In this licensing scenario, medicare Part C is commonly known as:
- A. Medicare Advantage
 - B. Medigap
 - C. Original Medicare
 - D. Medicaid expansion
- 50.** In this licensing scenario, medicare Part D provides coverage mainly for:
- A. Life annuity payments
 - B. Homeowners losses
 - C. Outpatient prescription drugs
 - D. Inpatient hospital room only
- 51.** In this licensing scenario, medigap policies are designed to:
- A. Replace all private insurance
 - B. Supplement Original Medicare cost sharing
 - C. Provide employer disability income
 - D. Create cash value
- 52.** In this licensing scenario, medicaid is generally a program for:
- A. Only active-duty military members
 - B. Only private annuity owners
 - C. Only corporate executives
 - D. Eligible people meeting income and other criteria
- 53.** In this licensing scenario, workers compensation generally covers:
- A. Personal vacation losses
 - B. Life insurance replacements
 - C. Home mortgage payments
 - D. Job-related injury or illness
- 54.** In this licensing scenario, social Security disability benefits generally require:
- A. Any temporary absence from work
 - B. A qualifying total disability under program rules
 - C. A current life policy
 - D. A medical savings account
- 55.** In this licensing scenario, cOBRA is associated with:
- A. Continuation of qualifying group health coverage
 - B. Conversion of term life to whole life
 - C. Medicare enrollment only
 - D. Life settlement licensing

56. In this licensing scenario, a group health conversion privilege allows a departing insured to:

- A. Keep group rates forever
- B. Transfer the employer plan
- C. Obtain individual coverage without new evidence of insurability
- D. Avoid all premiums

57. In this licensing scenario, in group insurance, the master policy is usually issued to the:

- A. Employer or sponsoring organization
- B. Individual employee
- C. Beneficiary
- D. Producer

58. In this licensing scenario, a certificate of coverage is given to:

- A. The state insurance commissioner
- B. The reinsurer
- C. An insured group member
- D. A policy beneficiary only

59. In this licensing scenario, contributory group insurance means:

- A. Employer pays every premium
- B. Coverage is individually underwritten
- C. Only executives can enroll
- D. Employees share premium cost

60. In this licensing scenario, noncontributory group insurance usually means:

- A. Employees pay all premiums
- B. Employer pays the full premium
- C. Benefits are never taxable
- D. Coverage has no eligibility rules

61. In this licensing scenario, a contributory group plan commonly requires:

- A. Employee participation requirements
- B. A beneficiary designation from employer
- C. An individual medical exam for all
- D. No premium collection

62. In this licensing scenario, an ERISA fiduciary generally must act:

- A. Only for the insurer
- B. Only for the employer
- C. Only for the producer
- D. In the interest of plan participants

- 63.** In this licensing scenario, 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
- 64.** In this licensing scenario, 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
- 65.** In this licensing scenario, activities of daily living commonly include:
- A. Bathing, dressing, and eating
 - B. Trading securities
 - C. Writing a will
 - D. Buying an annuity
- 66.** In this licensing scenario, a life insurance accelerated benefit rider may allow:
- A. An increase in cash value without premium
 - B. Advance access to part of a death benefit
 - C. Automatic policy replacement
 - D. Payment of all medical bills
- 67.** In this licensing scenario, a business continuation life policy is commonly used to fund:
- A. An employee health deductible
 - B. A homeowner claim
 - C. A hospital copayment
 - D. A buy-sell agreement
- 68.** In this licensing scenario, key person life insurance protects a business against loss of:
- A. A policy beneficiary
 - B. A regulatory license
 - C. An important employee or owner
 - D. A medical provider
- 69.** In this licensing scenario, credit life insurance is designed to help repay:
- A. A hospital deductible
 - B. An outstanding debt after the debtor's death
 - C. A disability benefit
 - D. A producer commission

70. In this licensing scenario, mortgage protection life insurance is generally intended to:

- A. Help satisfy a home loan balance
- B. Replace health coverage
- C. Fund retirement income
- D. Pay nursing-home expenses

71. In this licensing scenario, the primary purpose of a life insurance needs analysis is to:

- A. Guarantee investment returns
- B. Determine a policy dividend
- C. Estimate appropriate coverage for financial obligations
- D. Set state premium tax

72. In this licensing scenario, human life value analysis estimates:

- A. Cash surrender value only
- B. A claim reserve
- C. Hospital room charges
- D. Economic value of future earnings

73. In this licensing scenario, 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

74. In this licensing scenario, surrendering a cash-value life policy means:

- A. Ending coverage for its available surrender value
- B. Borrowing against the policy
- C. Changing the beneficiary
- D. Extending the grace period

75. In this licensing scenario, the extended-term nonforfeiture option uses cash value to:

- A. Buy reduced paid-up coverage
- B. Pay dividends in cash
- C. Create an annuity
- D. Buy term coverage for the full face amount

76. In this licensing scenario, reduced paid-up insurance provides:

- A. Full coverage for a short term
- B. A smaller amount of permanent paid-up coverage
- C. Only policy loan protection
- D. A larger death benefit

77. In this licensing scenario, a cash surrender option gives the owner:
- A. Available policy value after ending coverage
 - B. A guaranteed new policy
 - C. A disability income payment
 - D. A hospital benefit
78. In this licensing scenario, which insurance contract feature requires the insurer to perform after the premium is paid?
- A. Aleatory contract
 - B. Personal contract
 - C. Conditional contract
 - D. Unilateral contract
79. In this licensing scenario, what is the primary purpose of an insurable-interest requirement?
- A. Guarantee policy dividends
 - B. Set premium tax rates
 - C. Prevent wagering on another person's loss
 - D. Create cash value
80. In this licensing scenario, a statement made by an applicant that is believed true to the best of their knowledge is a:
- A. Warranty
 - B. Representation
 - C. Rider
 - D. Binder
81. In this licensing scenario, what does the principle of indemnity seek to accomplish?
- A. Increase the insured's savings
 - B. Restore the insured financially without profit
 - C. Guarantee replacement cost
 - D. Eliminate all deductibles
82. In this licensing scenario, 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
83. In this licensing scenario, which policy provision identifies the amount and frequency of premium payments?
- A. Grace-period provision
 - B. Incontestability provision
 - C. Premium provision
 - D. Entire-contract provision

- 84.** In this licensing scenario, a temporary insurance contract issued before the policy is delivered is a:
- A. Binder
 - B. Warranty
 - C. Dividend
 - D. Endorsement
- 85.** In this licensing scenario, an applicant's intentional concealment of a material fact is:
- A. Adverse selection
 - B. Subrogation
 - C. Reinstatement
 - D. Misrepresentation by concealment
- 86.** In this licensing scenario, which party is protected by a life insurance beneficiary designation?
- A. Insurance producer
 - B. Person named to receive proceeds
 - C. Policy owner's creditor
 - D. Insurer's reinsurer
- 87.** In this licensing scenario, a policy owner's right to change a revocable beneficiary is an example of:
- A. Consideration
 - B. Indemnification
 - C. Ownership right
 - D. Coinsurance
- 88.** In this licensing scenario, what does a conditional receipt generally provide?
- A. Limited coverage if stated conditions are met
 - B. Permanent coverage without underwriting
 - C. A guaranteed policy loan
 - D. An immediate cash surrender
- 89.** In this licensing scenario, which type of authority is specifically granted in an agency agreement?
- A. Apparent authority
 - B. Implied authority
 - C. Fiduciary authority
 - D. Express authority
- 90.** In this licensing scenario, an insurer's financial reserve is primarily intended to:
- A. Pay producer commissions only
 - B. Replace underwriting
 - C. Support future policy obligations
 - D. Avoid premium notices

- 91.** In this licensing scenario, which is a common example of a stock insurance company?
- A. An insurer owned by shareholders
 - B. An insurer owned by policyholders
 - C. A federal benefit program
 - D. A reciprocal exchange
- 92.** In this licensing scenario, a mutual insurer is generally owned by its:
- A. Shareholders
 - B. Policyholders
 - C. Producers
 - D. Regulators
- 93.** In this licensing scenario, what is the purpose of reinsurance?
- A. Transfer part of an insurer's risk
 - B. Transfer ownership to policyholders
 - C. Eliminate underwriting
 - D. Guarantee dividends
- 94.** In this licensing scenario, an insurer authorized to transact insurance in a state is called:
- A. Alien insurer
 - B. Unauthorized insurer
 - C. Admitted insurer
 - D. Surplus producer
- 95.** In this licensing scenario, which rating factor is most directly related to expected mortality in individual life insurance?
- A. Policy delivery method
 - B. Age
 - C. Producer appointment date
 - D. Number of beneficiaries
- 96.** In this licensing scenario, what is the underwriting goal of classification?
- A. Issue every application immediately
 - B. Eliminate policy exclusions
 - C. Set claim reserves
 - D. Place similar risks in appropriate groups
- 97.** In this licensing scenario, an applicant's medical history is used primarily to assess:
- A. Producer compensation
 - B. Risk of loss
 - C. Policy ownership
 - D. Dividend options

98. In this licensing scenario, the document that forms part of the life insurance contract with the policy is the:

- A. Advertising brochure
- B. Producer license
- C. Application
- D. Claim check

99. In this licensing scenario, which policy provision states that the policy and attached application make up the agreement?

- A. Misstatement-of-age provision
- B. Grace-period provision
- C. Assignment provision
- D. Entire-contract provision

100. In this licensing scenario, a life policy's grace period is designed to:

- A. Keep coverage in force after a missed premium
- B. Increase the face amount
- C. Waive underwriting permanently
- D. Pay a policy loan

PRACTICE EXAM 20: ANSWER KEY AND EXPLANATIONS

- [illegible]

[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. 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.

100. 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.