

PRACTICE EXAM 5: 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. During a licensing practice review, a mutual insurer is generally owned by its:
 - A. Shareholders
 - B. Producers
 - C. Policyholders
 - D. Regulators
2. During a licensing practice review, 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
3. During a licensing practice review, an insurer authorized to transact insurance in a state is called:
 - A. Alien insurer
 - B. Unauthorized insurer
 - C. Surplus producer
 - D. Admitted insurer
4. During a licensing practice review, 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
5. During a licensing practice review, what is the underwriting goal of classification?
 - A. Place similar risks in appropriate groups
 - B. Issue every application immediately
 - C. Eliminate policy exclusions
 - D. Set claim reserves
6. During a licensing practice review, an applicant's medical history is used primarily to assess:
 - A. Producer compensation
 - B. Policy ownership
 - C. Dividend options
 - D. Risk of loss

7. During a licensing practice review, the document that forms part of the life insurance contract with the policy is the:
- A. Advertising brochure
 - B. Application
 - C. Producer license
 - D. Claim check
8. During a licensing practice review, which policy provision states that the policy and attached application make up the agreement?
- A. Misstatement-of-age provision
 - B. Grace-period provision
 - C. Entire-contract provision
 - D. Assignment provision
9. During a licensing practice review, a life policy's grace period is designed to:
- A. Increase the face amount
 - B. Waive underwriting permanently
 - C. Keep coverage in force after a missed premium
 - D. Pay a policy loan
10. During a licensing practice review, which provision limits the time an insurer may contest material application statements?
- A. Insuring clause
 - B. Consideration clause
 - C. Assignment clause
 - D. Incontestability provision
11. During a licensing practice review, what happens under a life policy misstatement-of-age provision?
- A. Policy is always voided
 - B. Benefit is adjusted to the correct age
 - C. Premium is refunded only
 - D. Beneficiary is removed
12. During a licensing practice review, 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

13. During a licensing practice review, a collateral assignment is commonly used to:
- A. Secure a loan with policy value
 - B. Change the insured
 - C. Name a contingent beneficiary
 - D. Cancel the policy
14. During a licensing practice review, a life settlement involves:
- A. Purchase of a new deferred annuity contract
 - B. Exchange of a group health coverage certificate
 - C. Payment of a fixed health policy deductible
 - D. Sale of an existing life policy to a third party
15. During a licensing practice review, a viatical settlement is most associated with an insured who:
- A. Has a new job
 - B. Owns group insurance
 - C. Has a qualifying terminal or chronic illness
 - D. Is a minor child
16. During a licensing practice review, which settlement option provides income for a specified period?
- A. Interest-only option
 - B. Fixed-period option
 - C. Cash option
 - D. Life-income option
17. During a licensing practice review, a fixed-amount settlement option pays:
- A. Only interest indefinitely
 - B. One lump sum only
 - C. A stated amount until proceeds are exhausted
 - D. Income for the beneficiary's life
18. During a licensing practice review, 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
19. During a licensing practice review, a spendthrift clause is intended to:
- A. Increase the death benefit
 - B. Protect proceeds from beneficiary creditors
 - C. Guarantee a policy loan
 - D. Avoid premium payments

20. During a licensing practice review, which dividend option uses dividends to purchase additional paid-up coverage?
- A. Cash payment
 - B. Premium reduction
 - C. Accumulation at interest
 - D. Paid-up additions
21. During a licensing practice review, a participating life policy may pay:
- A. Policy dividends
 - B. Guaranteed capital gains
 - C. Federal tax refunds
 - D. Producer bonuses
22. During a licensing practice review, 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
23. During a licensing practice review, decreasing term insurance is often used to cover:
- A. A growing retirement income
 - B. A fixed medical deductible
 - C. A declining loan balance
 - D. A child's education savings
24. During a licensing practice review, whole life insurance is characterized by:
- A. Annual renewable coverage only
 - B. Permanent coverage with fixed premiums
 - C. No death benefit
 - D. No policy values
25. During a licensing practice review, a limited-pay whole life policy is designed to:
- A. Expire after a stated number of years
 - B. Be paid up after a stated number of years
 - C. Require flexible premiums over a stated period
 - D. Avoid all policy cash-value accumulation

- 26.** During a licensing practice review, 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
- 27.** During a licensing practice review, in variable life insurance, investment risk is primarily borne by the:
- A. Insurer
 - B. Producer
 - C. Policy owner
 - D. Beneficiary
- 28.** During a licensing practice review, 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
- 29.** During a licensing practice review, 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
- 30.** During a licensing practice review, the annuitization period begins when:
- A. Premiums first become due
 - B. The contract is applied for
 - C. The producer is appointed
 - D. Income payments start
- 31.** During a licensing practice review, a fixed annuity generally guarantees:
- A. Stock-market ownership
 - B. A stated minimum interest rate
 - C. A variable death benefit
 - D. No surrender charges
- 32.** During a licensing practice review, a variable annuity's separate account is invested in:
- A. Only insurer general-account bonds
 - B. A policy loan reserve
 - C. Market-based investment options
 - D. State guaranty funds

33. During a licensing practice review, an immediate annuity typically begins income payments:
- A. Only after ten years
 - B. Soon after a lump-sum purchase
 - C. At policy delivery only
 - D. After a disability claim
34. During a licensing practice review, a deferred annuity is intended to:
- A. Eliminate mortality risk
 - B. Provide property coverage
 - C. Replace group insurance
 - D. Delay income payments to a later date
35. During a licensing practice review, 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
36. During a licensing practice review, a replacement occurs when a new policy is purchased and an existing policy is:
- A. Lapsed, surrendered, or otherwise terminated
 - B. Delivered for the first time
 - C. Assigned as collateral only
 - D. Placed in a trust only
37. During a licensing practice review, twisting is the unethical practice of:
- A. Inducing replacement through misleading comparisons
 - B. Charging a policy fee
 - C. Using a beneficiary form
 - D. Paying premiums annually
38. During a licensing practice review, a producer's fiduciary duty includes:
- A. Guaranteeing claims
 - B. Changing policy terms
 - C. Setting state statutes
 - D. Safeguarding client premium funds
39. During a licensing practice review, 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

40. During a licensing practice review, 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
41. During a licensing practice review, 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
42. During a licensing practice review, a producer who acts beyond granted authority may create liability through:
- A. Apparent authority
 - B. Coinsurance
 - C. Reinsurance
 - D. Indemnity
43. During a licensing practice review, which type of policy is usually renewable at the insurer's option only?
- A. Noncancelable policy
 - B. Guaranteed renewable policy
 - C. Optionally renewable health policy
 - D. Conditionally renewable policy
44. During a licensing practice review, 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
45. During a licensing practice review, 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
46. During a licensing practice review, a health policy deductible is the amount the insured pays:
- A. After every claim is settled
 - B. Instead of every premium
 - C. Before the policy begins paying covered expenses
 - D. Only for preventive care

47. During a licensing practice review, coinsurance is a provision that:
- A. Pays all costs after one premium
 - B. Eliminates deductibles
 - C. Creates cash value
 - D. Shares covered costs between insured and insurer
48. During a licensing practice review, 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
49. During a licensing practice review, 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
50. During a licensing practice review, 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
51. During a licensing practice review, a preferred provider organization commonly provides:
- A. No provider contracts
 - B. Network discounts with some out-of-network access
 - C. Only hospital indemnity
 - D. Mandatory life annuitization
52. During a licensing practice review, a point-of-service plan combines features of:
- A. Term and whole life
 - B. Medicare and Medicaid only
 - C. Disability and property insurance
 - D. HMO and PPO arrangements
53. During a licensing practice review, managed care is designed mainly to:
- A. Eliminate all copayments
 - B. Guarantee every provider choice
 - C. Coordinate services and control healthcare costs
 - D. Create investment income

54. During a licensing practice review, a major medical policy is intended to cover:
- A. Broad catastrophic medical expenses
 - B. Only accidental death
 - C. Only vision exams
 - D. Only fixed hospital cash
55. During a licensing practice review, 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
56. During a licensing practice review, a surgical expense policy primarily provides benefits for:
- A. Prescription drug discounts
 - B. Covered surgical procedures
 - C. Life policy loans
 - D. Dental cleanings only
57. During a licensing practice review, disability income insurance is designed to replace:
- A. The insured's estate
 - B. A policy beneficiary
 - C. A portion of lost earned income
 - D. Medical provider charges
58. During a licensing practice review, 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
59. During a licensing practice review, the benefit period in a disability policy is the:
- A. Maximum duration benefits are payable
 - B. Time before the first premium
 - C. Period to apply for coverage
 - D. Length of the free look
60. During a licensing practice review, residual disability benefits address:
- A. Property damage losses
 - B. Death benefits for dependents
 - C. Medical deductibles only
 - D. Partial income loss after disability

- 61.** During a licensing practice review, the own-occupation definition of disability focuses on inability to perform:
- A. Any job in the national economy
 - B. Only household duties
 - C. The duties of the insured's regular occupation
 - D. A beneficiary's duties
- 62.** During a licensing practice review, a waiver-of-premium rider generally waives premiums during:
- A. Any missed payment
 - B. Normal retirement
 - C. A policy loan
 - D. Qualifying total disability
- 63.** During a licensing practice review, the probationary period in a health policy commonly limits coverage for:
- A. Sickness beginning soon after issue
 - B. Accidental injuries
 - C. Policy loans
 - D. Beneficiary changes
- 64.** During a licensing practice review, 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
- 65.** During a licensing practice review, 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
- 66.** During a licensing practice review, subrogation gives an insurer the right to:
- A. Recover from a responsible third party
 - B. Change a beneficiary
 - C. Cancel a life policy
 - D. Require annuitization
- 67.** During a licensing practice review, the notice-of-claim provision requires the insured to:
- A. Pay every claim immediately
 - B. Notify the insurer within the stated time
 - C. Choose a beneficiary
 - D. Request a policy loan

- 68.** During a licensing practice review, proof of loss is documentation that:
- A. Creates an annuity
 - B. Sets premium taxes
 - C. Supports a claim for benefits
 - D. Changes policy ownership
- 69.** During a licensing practice review, 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
- 70.** During a licensing practice review, medicare Part A primarily helps cover:
- A. Outpatient prescription drugs
 - B. Routine dental care
 - C. Inpatient hospital and related care
 - D. Long-term investment accounts
- 71.** During a licensing practice review, medicare Part B generally helps cover:
- A. Most inpatient room charges
 - B. Life insurance premiums
 - C. Custodial long-term care only
 - D. Physician and outpatient services
- 72.** During a licensing practice review, medicare Part C is commonly known as:
- A. Medicare Advantage
 - B. Medigap
 - C. Original Medicare
 - D. Medicaid expansion
- 73.** During a licensing practice review, medicare Part D provides coverage mainly for:
- A. Outpatient prescription drugs
 - B. Life annuity payments
 - C. Homeowners losses
 - D. Inpatient hospital room only
- 74.** During a licensing practice review, 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

75. During a licensing practice review, medicaid is generally a program for:
- A. Only active-duty military members
 - B. Eligible people meeting income and other criteria
 - C. Only private annuity owners
 - D. Only corporate executives
76. During a licensing practice review, workers compensation generally covers:
- A. Personal vacation losses
 - B. Life insurance replacements
 - C. Job-related injury or illness
 - D. Home mortgage payments
77. During a licensing practice review, 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
78. During a licensing practice review, 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
79. During a licensing practice review, a group health conversion privilege allows a departing insured to:
- A. Keep group rates forever
 - B. Transfer the employer plan
 - C. Avoid all premiums
 - D. Obtain individual coverage without new evidence of insurability
80. During a licensing practice review, in group insurance, the master policy is usually issued to the:
- A. Individual employee
 - B. Beneficiary
 - C. Employer or sponsoring organization
 - D. Producer
81. During a licensing practice review, a certificate of coverage is given to:
- A. The state insurance commissioner
 - B. An insured group member
 - C. The reinsurer
 - D. A policy beneficiary only

- 82.** During a licensing practice review, contributory group insurance means:
- A. Employer pays every premium
 - B. Coverage is individually underwritten
 - C. Only executives can enroll
 - D. Employees share premium cost
- 83.** During a licensing practice review, noncontributory group insurance usually means:
- A. Employees pay all premiums
 - B. Benefits are never taxable
 - C. Employer pays the full premium
 - D. Coverage has no eligibility rules
- 84.** During a licensing practice review, 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
- 85.** During a licensing practice review, an ERISA fiduciary generally must act:
- A. Only for the insurer
 - B. In the interest of plan participants
 - C. Only for the employer
 - D. Only for the producer
- 86.** During a licensing practice review, an accidental death and dismemberment policy pays for:
- A. All medical expenses
 - B. Natural death from illness
 - C. Specified accidental losses
 - D. Cash surrender value
- 87.** During a licensing practice review, long-term care insurance is intended to help with:
- A. Short-term property repairs
 - B. Investment losses
 - C. Producer licensing fees
 - D. Extended assistance with daily living needs
- 88.** During a licensing practice review, activities of daily living commonly include:
- A. Bathing, dressing, and eating
 - B. Trading securities
 - C. Writing a will
 - D. Buying an annuity

- 89.** During a licensing practice review, 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
- 90.** During a licensing practice review, 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
- 91.** During a licensing practice review, key person life insurance protects a business against loss of:
- A. An important employee or owner
 - B. A policy beneficiary
 - C. A regulatory license
 - D. A medical provider
- 92.** During a licensing practice review, credit life insurance is designed to help repay:
- A. A hospital deductible
 - B. A disability benefit
 - C. A producer commission
 - D. An outstanding debt after the debtor's death
- 93.** During a licensing practice review, mortgage protection life insurance is generally intended to:
- A. Replace health coverage
 - B. Fund retirement income
 - C. Pay nursing-home expenses
 - D. Help satisfy a home loan balance
- 94.** During a licensing practice review, 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
- 95.** During a licensing practice review, human life value analysis estimates:
- A. Cash surrender value only
 - B. Economic value of future earnings
 - C. A claim reserve
 - D. Hospital room charges

- 96.** During a licensing practice review, 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
- 97.** During a licensing practice review, surrendering a cash-value life policy means:
- A. Borrowing against the policy
 - B. Changing the beneficiary
 - C. Extending the grace period
 - D. Ending coverage for its available surrender value
- 98.** During a licensing practice review, the extended-term nonforfeiture option uses cash value to:
- A. Buy reduced paid-up coverage
 - B. Buy term coverage for the full face amount
 - C. Pay dividends in cash
 - D. Create an annuity
- 99.** During a licensing practice review, reduced paid-up insurance provides:
- A. A smaller amount of permanent paid-up coverage
 - B. Full coverage for a short term
 - C. Only policy loan protection
 - D. A larger death benefit
- 100.** During a licensing practice review, a cash surrender option gives the owner:
- A. A guaranteed new policy
 - B. A disability income payment
 - C. Available policy value after ending coverage
 - D. A hospital benefit

PRACTICE EXAM 5: ANSWER KEY AND EXPLANATIONS

- [illegible]

[illegible]

[illegible]

64. 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

[illegible]

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

97. 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.

98. 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.

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. 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.