

Which of the following applies to the social insurance program known as social security?

- A) Contributions are compulsory for most workers
- B) Benefits are based upon a contract with the insured
- C) Benefits are paid to each individual matching their contributions
- D) All insured workers begin to receive benefits at age 65

From the choices below select the one which is false about Social Security (OASDHI):

- A) Benefits are installed by federal law, not by a contract.
- B) The benefits received are closely related to the contributions made, actuarially speaking.
- C) It will likely need to be supplemented by the individual participant since it was designed only to provide a minimum floor of income.
- D) It is, for the most part, a compulsory system.

By definition, the United States Government is not an insurer.

- A) TRUE
- B) FALSE

A worker dies while he is credited with six quarters of the last 13 quarter period. What status does the worker have under social security?

- A) Partially insured
- B) Disability insured
- C) Currently insured
- D) Fully insured

Retirement benefits under social security are available only for workers who are:

- A) Medicare insured
- B) Currently insured
- C) Disability insured
- D) Fully insured

Three of the four types of benefits given by the Social Security system are listed below. What is the fourth?

- 1) Disability
- 2) Medicare
- 3) Survivors

- A) Medi-Cal
- B) Worker's Compensation
- C) Retirement

Which of the following is true regarding the government's social insurance program known as Social Security?

- A) The majority of workers in the U.S. must pay into the program.
- B) The contributions paid in closely match the benefits received.
- C) Participants sign a contractual agreement with the insurer.
- D) Both A and B above are true.

The social security normal retirement age depends upon:

- A) The number of quarters of coverage
- B) The number of years of employment
- C) The worker's year of birth
- D) The worker's average annual earnings

Lawrence is a 'fully insured' worker. If he were to die leaving his 40 year old spouse and 12 year old son, would his surviving spouse be entitled to receive monthly benefits for the remainder of her life?

- A) Yes
- B) No

The period of time in which a housewife, who has survived the death of her husband, will not receive income benefits from Social Security is called the:

- A) "Blackout period"
- B) Elimination period
- C) Qualification period
- D) None of the above

Which is NOT a way one can become entitled to Social Security Disability benefits?

- 1) Be totally and permanently disabled for 1 month.
- 2) Be disabled for 12 months or longer, plus other qualifications.

- ✓ A) 1 only
- B) 2 only
- C) Neither

Which of the following is not correct regarding the disability benefits provided by Social Security?

- A) To be eligible for benefits the worker must prove total and permanent disability for a minimum of 5 months just prior to receiving benefits.
- ✓ B) The payments received from this program are meant to entirely replace a worker's lost earnings.
- C) The earnings of a worker up to the time of disability determine the amount of benefits.
- D) Total and permanent disability must continue for benefits to continue.

Which definition of disability is the most difficult for an injured worker to satisfy?

- A) The own-occupation definition used by the Social Security Administration
- B) The typical definition of partial disability used by disability income policies
- ✓ C) The total disability definition used by the Social Security Administration
- D) The typical definition of temporary disability used by disability income policies

Under social security, the definition of disability is the inability to engage in:

- A) An approved occupation
- B) An activity with a given level of compensation
- ✓ C) Any substantial gainful activity
- D) The person's chosen career

Social Security provides protection against the financial consequences of all of the following, except:

- A) Premature death
- B) Disability
- C) Poor investments
- D) Retirement

The social security blackout period ends when the surviving spouse reaches the age of:

- A) 55
- B) 60
- C) 62
- D) 65

Social Security disability benefits are paid to persons expected to die or be disabled at least:

- A) 3 months
- B) 6 months
- C) 12 months
- D) 24 months

From the choices below select the one which is false about Social Security (OASDHI):

- A) The program is considered "fully funded."
- B) The benefits received are not closely related to the contributions made, actuarially speaking.
- C) It will likely need to be supplemented by the individual participant since it was designed only to provide a minimum floor of income.
- D) It is, for the most part, a compulsory system.

The taxes that fund Social Security are paid by:

- A) Employees only
- B) Employers only
- C) Employers and employees equally
- D) Employers and employee, but the employer pays more

Determination of a worker's insured status for Social Security uses:

- a. The number of years worked
- ✔ b. The number of quarters worked
- c. The worker's average annual earnings
- d. The worker's age

When an eligible worker dies, all of the following may be entitled to survivors benefits through social security, EXCEPT:

- a. Children of the worker who are unmarried and under 18 (up to 19 if in high school full time)
- ✔ b. The worker's 41-year old widow
- c. The 41-year old widow who cares for the deceased worker's 14-year old son
- d. Parents of the deceased worker who were his dependents and are both 74 years old

Which of the following would an agent be guilty of for misrepresenting the amount of dividends a policy will pay?

- 1. A felony.
- 2. A misdemeanor.
- 3. An aleatoric breach.
- 4. A fiduciary infraction.

A life insurance policy dividend is

- 1. a stockholder's return on his investment in the company.
- 2. legally defined as a return of excess premium and not taxable.
- 3. interest paid to the policyowner on the cash value in force on his permanent insurance policy.
- 4. somewhat larger in a non-participating whole life policy than in a comparable participating policy.

A life insurance policy written after 1988 that fails to meet the seven-pay test is known as

- 1. an endowment policy.
- 2. a modified life policy.
- 3. a single premium contract.
- 4. a modified endowment contract.

Which report of an insurance applicant's creditworthiness and personal characteristics may influence eligibility for life and health insurance?

- 1. Agent's report.
- 2. Consumer report.
- 3. Attending physician's statement.
- 4. Medical Information Bureau disclosure.

The life insurance grace period allows the insured to

- 1. return the policy for a full refund of premium.
- 2. pay the premium after the due date without loss of coverage.
- 3. reinstate the policy after it has lapsed for non-payment of premium.
- 4. convert a term policy to cash value policy without evidence of insurability.

What does the statement "Life insurance creates an immediate estate" mean?

- 1. Premiums are due and payable immediately.
- 2. The total cash value is available immediately.
- 3. The total death benefit is paid whenever the insured dies.
- 4. Policy proceeds are automatically paid to the insured's estate.

What is used to determine the amount of an annuity distribution that is exempt from taxation?

- 1. The seven-pay test.
- 2. The exclusion ratio.
- 3. The economic benefit.
- 4. The incidental limitation.

Which type of insurance guarantees the right to renew the policy each year regardless of health, but at an increased premium?

- 1. Level term.
- 2. Renewable term.
- 3. Decreasing term.
- 4. Convertible term.

A policyowner has the right to change all of the following EXCEPT the

- 1. beneficiary.
- 2. payment mode.
- 3. dividend option.
- 4. dividend schedule.

What is the difference between deferred annuities and immediate annuities?

- 1. Deferred annuities cover more lives.
- 2. Deferred annuities have no surrender charges.
- 3. Deferred annuities have longer liquidation periods.
- 4. Deferred annuities have longer accumulation periods.

Which policy is a savings instrument designed to first accumulate funds and then systematically to liquidate the funds?

- 1. Term life.
- 2. Deferred annuity.
- 3. Mortgage insurance.
- 4. Disability income insurance.

A person owns a life annuity. He elects to receive his annuity payments monthly for the remainder of his life with "ten years certain". The annuity will make payments

- 1. for 120 months, if the insured lives that long.
- 2. for a minimum of 120 months and a maximum of the remainder of his life.
- 3. until his death, when the beneficiary begins receiving payments for 120 additional months.
- 4. during the "period certain" after which the payments will be reduced, but they will continue for the rest of his life.

Which policy provision protects the insurer against possible adverse selection?

- 1. Nonforfeiture.
- 2. Reinstatement.
- 3. Suicide clause.
- 4. Entire contract.

How can partners guarantee a market for their share of the business in the event of death?

- 1. Buy-sell agreements.
- 2. Key person insurance.
- 3. Split dollar insurance.
- 4. Deferred compensation agreements.

If a life agent sells a whole life policy to a prospect on behalf of an insurer without an appointment, the

- 1. insurer must submit a notice of appointment to the Commissioner.
- 2. agent is fined for unauthorized transaction without an appointment.
- 3. insurer is relieved of any liability because there is no appointment.
- 4. agent is automatically appointed by default of transacting insurance.

When a family policy covers children, all of the following are true EXCEPT

- 1. the coverage is term insurance for a fixed amount.
- 2. there is no additional charge for covering new additions to the family.
- 3. evidence of insurability is required to convert coverage for children to permanent insurance.
- 4. all children living with the family are covered even if adopted or born after the policy is issued.

All of the following information is gathered during the personal financial planning process EXCEPT

- 1. information regarding an individual's investments.
- 2. a listing of the individual's assets and liabilities.
- 3. information regarding a person's income and expenditures.
- 4. a listing of a person's civic and professional organization memberships.

How long is the free cancellation period for life insurance policies offered to individuals who are 60 or older?

- 1. 10 days.
- 2. 20 days.
- 3. 30 days.
- 4. 45 days.

The insured is totally and permanently disabled. The insured's policy continues in force without payment of further premiums because the policy contains a

- 1. guaranteed insurability provision.
- 2. waiver of premium provision.
- 3. reinstatement provision.
- 4. grace period provision.

In group life insurance, who is issued a certificate of insurance?

- 1. The insurer.
- 2. The beneficiary.
- 3. The participant.
- 4. The policyholder.

A 10-year certain annuity with an installment refund is purchased. The annuitant dies after receiving monthly payments for 5 years. How many remaining payments will the insurer make?

- 1. None.
- 2. 60 payments.
- 3. 120 payments.
- 4. One lump sum payment.

The additional premium charged by an insurer for adding the accidental death benefit to a whole life policy

- 1. increases the policy's cash value.
- 2. increases the yearly dividend amount.
- 3. does not affect the policy's cash value.
- 4. decreases the length of time that premiums are payable.

Your client has just bought a new home which he has financed with a \$150,000, 7.5% interest, 30-year bank loan. He would like to be sure that if he dies that the unpaid balance of the mortgage would be paid. He wants a policy that will cover the mortgage balance - no more, no less - anytime during the life of the mortgage. Which policy is designed to meet this need?

- 1. Level term policy.
- 2. Home service policy.
- 3. Increasing term policy.
- 4. Decreasing term policy.

People commonly purchase an annuity to protect against the risk of:

- 1. dying too soon.
- 2. becoming uninsurable.
- 3. outliving their financial resources.
- 4. dying before their home mortgage is paid off.

What is one difference between group life and individual life underwriting?

- 1. Only group life insurance gives a choice of payment plans.
- 2. Group life insurance usually requires a medical examination.
- 3. Only individual life insurance requires the naming of a beneficiary.
- 4. Individual life insurance requires the applicant to answer medical questions.

Which component of a life insurance premium is based on the insured's age and gender?

- 1. Expense
- 2. Interest
- 3. Morbidity
- 4. Mortality

Individual life insurance policies sold to seniors in the State of California must include a prominently placed statement that divulges all of the following information EXCEPT

- 1. the policy should be returned to the agent or insurer if not wanted.
- 2. proof of surrender must be notarized at the agent's principal office.
- 3. a charge might apply if declined after the time allowed for surrender.
- 4. the policy can be returned during a free look period for a full refund.

Which policy covering two or more individuals pays the face amount only when the first person dies?

- 1. Family policy.
- 2. Joint life policy.
- 3. Survivorship policy.
- 4. Universal life policy.

An insured replaces an existing annuity with a new one and must pay a surrender charge for cancelling the existing annuity. The new policy holds no greater financial benefits to the insured than the existing contract. This is an example of

- 1. nonforfeiture.
- 2. a deferred annuity.
- 3. a substandard annuity.
- 4. an unnecessary replacement.

Which two insurance products are commonly used to fund buy-sell agreements?

- 1. Life insurance and disability insurance.
- 2. Life insurance and deferred compensation.
- 3. Disability insurance and deferred compensation.
- 4. Disability insurance and Long-Term Care insurance.

Life insurance policies written without a physical examination are called

- 1. non-medical.
- 2. preferred.
- 3. standard.
- 4. substandard.

Which policy provision allows an insured to continue coverage under a previously lapsed policy?

- 1. The settlement provision.
- 2. The reinstatement provision.
- 3. The nonforfeiture provision.
- 4. The incontestability provision.

Which type of life insurance policy gives an owner the right to share in the insurer's surplus?

- 1. Level term.
- 2. Participating.
- 3. Decreasing term.
- 4. Non-participating.

Which type of insurance coverage has both a savings element and a flexible premium option?

- 1. Term life.
- 2. Whole life.
- 3. Universal life.
- 4. There is currently no insurance product available in the standard market which has both of these features.

Which benefits are provided by key employee insurance?

- 1. Retirement compensation for long-time employees.
- 2. Bonuses to employees for exceptional performance.
- 3. Payment to a business when an important employee dies.
- 4. Death benefits to the family of a deceased stockholder.

All of the following statements about contingent beneficiaries are true EXCEPT

- 1. more than one contingent beneficiary may be named.
- 2. the contingent beneficiary shares death proceeds equally with the primary beneficiary.
- 3. they receive the death proceeds if the primary beneficiary is deceased at the time of the insured's death.
- 4. they receive the remaining payments to be made under a settlement agreement upon the primary beneficiary's death.

All of the following are true about term life insurance policies EXCEPT the

- 1. insured can choose the premium payment mode.
- 2. insured must answer medical questions on the application.
- 3. face amount is paid if the insured dies during the policy period.
- 4. face amount is paid if the insured survives to the end of the policy period.

What do we call the process whereby insurers decide which customers to insure and what coverage to offer?

- 1. Adverse selection.
- 2. Underwriting.
- 3. Ratemaking.
- 4. Marketing.

The payor rider on a juvenile life policy provides that if the payor dies or becomes disabled before the insured juvenile reaches the age specified in the policy that the

- 1. insurer will make all future payments.
- 2. insured's estate will make the premium payments.
- 3. insurer will lend money to keep the policy in force.
- 4. insurer will make the payments until the insured juvenile reaches a specified age - usually twenty-one or twenty-five.

Death benefits that are received by a beneficiary are generally

- 1. subject to capital gains tax.
- 2. subject to federal income tax.
- 3. exempt from federal income tax.
- 4. included in the beneficiary's adjusted gross income.

An agent who violates the laws governing life insurance policy illustrations is subject to all of the following EXCEPT

- 1. a fine.
- 2. license suspension.
- 3. license revocation.
- 4. mandatory termination of all insurer appointments.

Which of the following is a characteristic of nonqualified annuities?

- 1. Tax-deductible contributions.
- 2. Limits on contributions.
- 3. Mandatory participation.
- 4. Tax-deferred earnings.

An attempt by an agent to deter an insured from replacing an existing life insurance policy is called

- 1. alienation.
- 2. concealment.
- 3. conservation.
- 4. replacement.

A \$50,000 whole life policy with a cash value of \$10,000 has been in force for eleven years. The policyowner is unable to continue the premium payments. Which of the following describes the reduced paid-up nonforfeiture option?

- 1. The cash value is used to select a \$20,000 paid-up policy.
- 2. The policy is surrendered and the policyowner is paid \$10,000 by the insurer.
- 3. The cash value is used to purchase a \$50,000 term insurance policy that is paid up for ten years.
- 4. The policyowner begins to receive monthly payments of \$200 from the insurer that will continue for life.

Which of the following contracts provides benefits that fluctuate automatically with investment results?

- 1. Variable life insurance.
- 2. Universal life insurance
- 3. Adjustable life insurance.
- 4. Continuous premium whole life insurance.

Which type of insurance policy provides a death benefit that matches the projected outstanding debt on an individual's home?

- 1. Level term.
- 2. Joint life.
- 3. Family protection.
- 4. Mortgage redemption.

How much employer-provided group term life insurance is exempt from income taxation?

- 1. \$25,000
- 2. \$50,000
- 3. \$75,000
- 4. \$100,000

According to the California Insurance Code, governing the use of life insurance policy illustrations, the term illustration means

- 1. any brochure, advertisement, or policy quotation.
- 2. the copy of a policy form included with a proposal.
- 3. a description of the expected coverage of a policy.
- 4. a presentation of policy features that includes non-guaranteed elements.

The number of deaths during a year compared with the total number of persons exposed in the class is known as the

- 1. morbidity rate.
- 2. mortality rate.
- 3. retention ratio.
- 4. permissible loss ratio.

Why is the delivery of a life insurance policy important?

- 1. The policy is not in effect until it is delivered.
- 2. The grace period begins on the policy delivery date.
- 3. Commissions are not paid until the policy is delivered.
- 4. The free-look period begins on the policy delivery date.

Which of the following is NOT an option for the use of the policy dividends?

- 1. Purchase paid-up additions.
- 2. Reduce the current premium.
- 3. Purchase a 1-year term addition.
- 4. Fund the distribution of monthly income payments.

The theory of probability is applied to life insurance through the use of

- 1. morbidity tables.
- 2. mortality tables.
- 3. the needs approach.
- 4. the human life value approach.

The insured bought an annuity ten years ago. He will retire in five years. To determine the value of his annuity, he must multiply the value of the "accumulation units" he owns, times the value of the "separate account". This type of annuity is known as a

- 1. fixed annuity.
- 2. flexible annuity.
- 3. variable annuity.
- 4. accumulation annuity.

What does the statement "Life insurance creates an immediate estate" mean?

- 1. Premiums are due and payable immediately.
- 2. The total cash value is available immediately.
- 3. The total death benefit is paid whenever the insured dies.
- 4. Policy proceeds are automatically paid to the insured's estate.

The policyowner, age 50, has been paying the premiums on his whole life policy for fifteen years. He needs the equivalent of one-third of his policy's cash value for two years. He wants to continue to have the same amount of life insurance protection and he can afford to continue to pay the policy's premium. Which of the following would appear to be his BEST course of action?

- 1. Look elsewhere. Whole Life policies do not develop cash value.
- 2. Use the policy loan provision to borrow money from the policy, but keep making the premium payments to keep the policy in force.
- 3. Surrender the policy, because to get any of the cash he must surrender the policy. He can then buy a new policy with the other two-thirds of the proceeds.
- 4. Look elsewhere. The insurer is not required to make the cash value available to the policyowner until the policy matures. If they allowed this, most policies would lapse.

A participating life insurance policy is defined as a contract that

- 1. insures the lives of two or more persons.
- 2. gives the beneficiary certain rights under the policy.
- 3. allows the policyowner to receive a share of surplus in the form of policy dividends.
- 4. may require the policyowner to pay a periodic assessment in addition to the stated premium.

Who MUST sign a statement acknowledging that a life insurance policy illustration was given to an applicant?

- 1. The applicant and the beneficiary.
- 2. The applicant and the agent.
- 3. The applicant.
- 4. The agent.

Creditors have rights to life insurance policy proceeds when the beneficiary is the

- 1. insured's child.
- 2. insured's estate.
- 3. insured's spouse.
- 4. insured's business partner.

Which policy provision protects the insurer against possible adverse selection?

- 1. Nonforfeiture.
- 2. Reinstatement.
- 3. Suicide clause.
- 4. Entire contract.

Which policy allows the insured to choose where the assets backing the cash value are invested?

- 1. Term life.
- 2. Variable life.
- 3. Universal life.
- 4. Endowment life.

A life insurance policy's waiver of premium takes effect if an insured

- 1. is age 65.
- 2. becomes totally disabled.
- 3. becomes terminally ill.
- 4. is confined to a long-term care facility.

Which policy covering two or more individuals terminates after paying benefits on the first to die?

- 1. Family policy.
- 2. Joint life policy.
- 3. Survivorship life policy.
- 4. Limited payment whole life policy.

In a group life insurance policy, who are the parties to the master contract?

- 1. The insurer and the employer.
- 2. The insurer and the employees.
- 3. The employer and the employees.
- 4. The employees and their dependents.

The components of determining policy premiums include all of the following EXCEPT

- 1. dividends.
- 2. insurer expenses.
- 3. investment return.
- 4. mortality cost.

A husband and wife have a disabled child who is financially dependent upon them. The death of one parent would not result in financial disaster for the disabled child, but the death of both parents would. Which policy should they purchase?

- 1. Juvenile policy.
- 2. First-to-die policy.
- 3. Second-to-die policy.
- 4. Family protection policy.

If a term life insurance policy is renewable, the renewal provision usually states that:

- 1. a higher premium is payable at each renewal.
- 2. the policy cash value increases at each renewal.
- 3. evidence of insurability is required at the time renewal is requested.
- 4. the policy can be renewed at any time, regardless of the insured's age.

Which of the following is NOT one of the common personal uses for life insurance?

- 1. Funding a buy-sell agreement.
- 2. Creation of an immediate estate.
- 3. Helping to fund a person's retirement.
- 4. Creating emergency funds to avoid the need to liquidate assets.

What is the penalty tax imposed on amounts received from a modified endowment contract?

- 1. 10%
- 2. 15%
- 3. 20%
- 4. 25%

A beneficiary wants to let the death benefit accumulate and receive only the monthly investment proceeds. Which settlement option should be chosen?

- 1. Cash option.
- 2. Interest option.
- 3. Fixed amount option.
- 4. Fixed period option.

The use of non-medical life insurance accomplishes all of the following EXCEPT

- 1. there is less demand on the medical profession.
- 2. the processing of life insurance applications is expedited.
- 3. insureds can avoid answering medical questions on the application.
- 4. insurer expenses are reduced by the cost of paying for medical examinations.

In a 5-year vesting schedule, what percentage of employer contributions MUST be vested after 5 years of service?

- 1. 20%
- 2. 40%
- 3. 80%
- 4. 100%

When does an individual have an insurable interest in the life of another person?

- 1. The individuals have a common ethnic heritage.
- 2. The individuals share a common interest in community affairs.
- 3. The individual depends on the other person for financial support.
- 4. The individual will succeed the other person as president of an organization.

Under which policy provisions can a policy be surrendered for its net cash value?

- 1. Dividend options.
- 2. Settlement options.
- 3. Beneficiary options.
- 4. Nonforfeiture options.

A 10-year certain annuity with an installment refund is purchased. The annuitant dies after receiving monthly payments for 5 years. How many remaining payments MUST the insurer make?

- 1. None.
- 2. 60 payments.
- 3. 120 payments.
- 4. One lump sum payment.

The conversion privilege allows a terminating employee to convert

- 1. an annuity into group life insurance.
- 2. group life insurance into an annuity.
- 3. permanent insurance into term insurance.
- 4. term insurance into permanent insurance.

The California Insurance Code requirements regarding the return of life or annuity contracts issued to seniors

- 1. applies to both individual and group policies.
- 2. defines seniors as someone 65 years of age or older on the date of purchase of the policy.
- 3. gives a senior at least 30 days to return specified life and/or annuity contracts for a full refund.
- 4. 1, 2 and 3 are all true.

Life insurers must include all of the following in their financial statements EXCEPT

- 1. balance sheet.
- 2. cash flow statement.
- 3. summary of operations.
- 4. policy summary description.

Which policy provision protects the policyowner from unintentional lapse of the contract?

- 1. Grace period.
- 2. Free look period.
- 3. Incontestability.
- 4. Settlement options.

What is an ESOP?

- 1. Employee Stock Ownership Plan.
- 2. Employer Simplified Option Plan.
- 3. Employer Security Ownership Pension.
- 4. Employee Savings Organization Pension.

A group life policy is issued on a contributory basis. This means that the

- 1. employer will contribute all of the premium.
- 2. insured employees will pay part of the premium.
- 3. employer will make a contribution whenever an employee dies.
- 4. employee group members will each make a contribution whenever an employee dies.

Underwriters classify insurance risks as any of the following EXCEPT

- 1. standard risks.
- 2. dividend risks.
- 3. preferred risks.
- 4. substandard risks.

Which distribution from an annuity would be subject to a penalty tax?

- 1. A series of substantially equal lifetime periodic payments.
- 2. A single payment made to a taxpayer who is age 55.
- 3. Payments made due to the taxpayer's death or disability.
- 4. A single payment made to a taxpayer who is age 65.

Which policy provision protects an insurer against a lawsuit before the insurer has had a reasonable opportunity to investigate a claim?

- 1. Grace period.
- 2. Legal actions.
- 3. Reinstatement.
- 4. Incontestability period.

From lowest to highest, which is the CORRECT order of initial premiums for life insurance policies?

- 1. Single premium, modified premium, ordinary life.
- 2. Modified premium, ordinary life, single premium.
- 3. Ordinary life, modified life, single premium.
- 4. Modified premium, single premium, ordinary life.

Death benefits that are received by a beneficiary are generally

- 1. subject to capital gains tax.
- 2. subject to federal income tax.
- 3. exempt from federal income tax.
- 4. included in the beneficiary's adjusted gross income.

Under a group life insurance policy, acts of war and aviation are examples of:

- 1. optional riders.
- 2. policy exclusions.
- 3. required provisions.
- 4. optional provisions.

What is REQUIRED when an application reveals conditions that require more information?

- 1. Agent's report.
- 2. Physical examination.
- 3. Investigative consumer report.
- 4. Attending physician's statement.

What factor determines the difference between deferred and immediate annuities?

- 1. When annuity benefit payments begin.
- 2. The number of annuity benefit payments.
- 3. Who receives the annuity benefit payments.
- 4. The dollar amount of the annuity benefit payment.

Which of the following is a characteristic of nonqualified annuities?

- 1. Tax-deductible contributions.
- 2. Limits on contributions.
- 3. Mandatory participation.
- 4. Tax-deferred earnings.

How does the cost recovery rule apply when a life insurance policy is surrendered for its cash value?

- 1. The insurer retains the cost basis.
- 2. The entire premium surrender value is taxable.
- 3. The insured receives only the cost basis.
- 4. The cost basis of the policy is exempt from taxation.

How can partners guarantee a market for their share of the business in the event of death?

- 1. Buy-sell agreements.
- 2. Key person insurance.
- 3. Split dollar insurance.
- 4. Deferred compensation agreements.

The accidental death benefit rider is also known as

- 1. incontestability.
- 2. double indemnity.
- 3. waiver of premium.
- 4. guaranteed insurability.

An insured replaces an existing annuity with a new one and must pay a surrender charge for cancelling the existing annuity. The new policy holds no greater financial benefits to the insured than the existing contract. This is an example of

- 1. Nonforfeiture.
- 2. a deferred annuity.
- 3. a substandard annuity.
- 4. an unnecessary replacement.

Which statement is TRUE regarding employer contributions to qualified plans?

- 1. They are fully taxable to the employer.
- 2. They are tax deductible by the employer.
- 3. They are included in the employee's income.
- 4. They are subject to Social Security withholding tax.

Which policy pays the face amount if the insured survives to the end of a certain period?

- 1. Term insurance.
- 2. Endowment insurance.
- 3. Whole life insurance.
- 4. Universal life insurance.

Common life insurance policy riders include all of the following EXCEPT

- 1. extended term.
- 2. accidental death.
- 3. waiver of premium.
- 4. guaranteed insurability.

An insurer's request for an attending physician's report MUST be accompanied by a copy of the

- 1. signed application.
- 2. policy illustration.
- 3. signed authorization.
- 4. underwriting criteria.

What is the difference between a conditional premium receipt and a binding premium receipt?

- 1. Premiums must be paid to receive only a conditional receipt.
- 2. The applicant must be insurable in order to have coverage only under the binding receipt.
- 3. Only a binding receipt always provides insurance that is effective from the date the receipt is given.
- 4. Only a conditional receipt always provides insurance that is effective from the date the receipt is given.

Under which group term life provision does an insurer make payments to the guardian of a beneficiary who is a minor?

- 1. Survivorship.
- 2. Incontestability.
- 3. Facility of payment.
- 4. Contingent beneficiary.

The adjustments that insurers make to the cash value account in a universal life policy each time a payment is made includes all of the following EXCEPT

- 1. subtract for mortality and general expense charges.
- 2. subtract the policy surrender charges.
- 3. add the current premium paid.
- 4. add the current interest.

When a family policy covers children, all of the following are true EXCEPT

- 1. the coverage is term insurance for a fixed amount.
- 2. there is no additional charge for covering new additions to the family.
- 3. evidence of insurability is required to convert coverage for children to permanent insurance.
- 4. all children living with the family are covered even if adopted or born after the policy is issued.

All of the following are contained in a mortality table EXCEPT

- 1. yearly probability of dying.
- 2. age at the beginning of the year.
- 3. number dying during designated year.
- 4. number living at the end of designated year.

Which of the following is a correct statement about the premium payment modes?
The total premium paid by a life policyowner for one policy year is:

- 1. the same regardless of the frequency of payment.
- 2. less when paid quarterly than if paid semiannually.
- 3. greater if the premium is paid semiannually rather than annually.
- 4. based on the assumption that the insured will pay policy premiums at the end of the policy year in one payment; if paid earlier in the policy year, a discount will be allowed.

Which of the following statements about policy dividends is TRUE?

- 1. All dividends are taxable.
- 2. Dividends can be guaranteed.
- 3. Dividends are payable only in nonparticipating policies.
- 4. Insureds elect a dividend option at the time of policy purchase.

What is the limit of liability in a life insurance policy?

- 1. The total cash value.
- 2. The face amount of the policy.
- 3. The total amount of premium paid.
- 4. The face amount plus the premium paid.

In financial planning, the human life value concept is based on an individual's

- 1. age.
- 2. education.
- 3. health.
- 4. income.

The cost of employer-provided group life insurance above \$50,000 is

- 1. taxable to the employer.
- 2. tax exempt to the employee.
- 3. tax deductible by the employee.
- 4. taxable as income to the employee.

Which government regulation prevents retirement plans from favoring highly compensated employees?

- 1. Vesting.
- 2. Nondiscrimination.
- 3. Minimum distribution rules.
- 4. Early withdrawal penalties.