Life Insurance Exam Questions and Answers PDF

1. What is another word for a mathematician who analyzes the probability of specific events occurring and values health or life insurance policies depending on the probability of those events occurring?

Statistician

Computator

Actuary

Economist

ANSWER: Actuary

An actuary is a mathematician who analyzes the probability of certain events occurring and then prices insurance policies depending on the probability of those events occurring.

2. Mikey, Len's grandson, is one of his three children. Len's disability policy names his wife as the primary beneficiary, but she died five years ago. All of Len's children had died by the time he goes away. They, like Mikey, had benefited from his generosity. Mikey is what kind of beneficiary?

Secondary

Tertiary

Primary

None of the above

All of the above

ANSWER: Tertiary

The policyholder names a beneficiary to receive the benefits or payout from an insurance policy. The following are the three sorts of beneficiaries:

Primary (a spouse) is the primary beneficiary, receiving benefits or cash from the policy before all other beneficiaries.

In the case that the primary beneficiary is deceased when the insured dies, a secondary beneficiary (a child) can get the benefits or proceeds.

In the case that both the primary and secondary beneficiaries are deceased when the insured dies, a tertiary beneficiary (a grandchild) can get the benefits or proceeds.

3. When compared to other types of plans, adjustable life policies are?

Flexible

Illegal

Strict

Risky

Waiver

ANSWER: Flexible

In comparison to other types of plans, adjustable life policies are more flexible.

Adjustable life insurance policies exist primarily because of the flexibility they provide.

Adjustable life insurance policies allow you to adjust the policy’s main aspects, such as the premiums you pay and the face value.

Conventional insurance is utilized as a base, and the features can then be tailored to the insured’s specific needs.

The insured has the option of requesting a certain premium payment schedule and amount.

Changes to the protection time and face amount are also possible.

The insured gains more flexibility with an adjustable policy, while the insurer can charge a larger premium than with a whole or term life policy.

4. Ken wants to get a life insurance policy as soon as possible, but he also wants the flexibility to shop about and switch plans if he discovers one that he likes better. What benefit will Ken receive from this provision?

Free look

Sample period

Review period

First look

Tryout clause

ANSWER: Free look

A “free-look” clause allows a policyholder to buy life insurance with the option of shopping around and switching policies if better coverage is found.

Following the actual delivery of the policy, these policies often give a ten to thirty-day review period.

During the review time, the insured can conduct additional research into different policies to choose whether they want to keep their present policy or return it for a full refund of their premiums.

When the policyholder receives the real physical delivery and pays the premium, the free look review time begins.

Before the free look time can begin, the insured must sign a delivery receipt that is dated, signed, and witnessed by the agent.

Coverage is in effect as long as the premium is paid and the policy is delivered.

5. Zhang, one of your clients, approaches you for help with his current life insurance policy, which includes a dangerous policy exclusion. Zhang will take part in his hometown's famous Spring Flower motorcycling event. Zhang's lovely wife Fei is quite anxious, and he wants to make sure that his existing coverage would give benefits. Zhang has never ridden a motorcycle before. What do you think you should say to Zhang?

Coverage could be available by other means

The exclusion to his policy is unenforceable

An exclusion in the policy will prevent coverage for the race

Zhang's policy will provide coverage since the race is a one-time event

None of the above

ANSWER: Coverage could be available by other means

If a death is caused by an inherently dangerous activity, such as participating in a motorcycle race, an insurance company is allowed to limit or exclude the payment of a life insurance death benefit.

A short-term Accidental Death and Dismemberment policy is an alternative for temporary participation in a dangerous activity.

Auto racing, mountain climbing, hang gliding, and cliff diving are all perilous activities. Other policy exclusions include:

1) suicide, though this may be limited to the first one or two years (depending on the state);

2) an act of war exclusion, such as if the death occurs while serving in the military or during the war; and

3) a drug or alcohol abuse exclusion, as well as an exclusion for engaging in illegal activities.

6. Rainer has an injury at work and is compensated through workers' compensation. She's on approved leave as well. Does Rainer have the option of continuing to be covered by her employer's group health insurance policy while she is unable to work?

No. She has to go through COBRA to obtain coverage

The health and life insurance coverage is canceled while Rainer is on leave

Yes but her health insurer has to approve her request

Yes the law requires her cash value and health insurance coverage to continue on her employer's plan

None of the above

ANSWER: Yes but her health insurer has to approve her request

Rainer can ask to stay on her employer's group health insurance coverage while she is unable to work because her ailment is covered by workers' compensation, but her request must be approved by her employer's health provider.

Coverage may still be available if clearance is not given.

Depending on her situation, she might be eligible to get coverage through COBRA or the Family and Medical Leave Act (FMLA).

7. What kind of income does someone insured have if he or she is unable to work?

Unearned

Earned

Adhesion

Contingency

Flashcards

ANSWER: Unearned

Unearned income, such as interest payments or investment income, is income that persists even if a person is unable to work.

Unearned income may be used to calculate how many disability payments a person is eligible for.

An adhesion contract is one offered by an insurance firm on a "take it or leave it" basis, though the word is not confined to the insurance business.

The insured has the option of accepting or rejecting the contract. However, any ambiguities in the contract are construed against the drafter of the contract (the insurance company) and in favor of the insured, which means that the insured will be given the respect deserved if there is any question about what a policy term is supposed to entail.

As a result of this hypothesis, insurance companies are encouraged to make policy terms as plain as feasible.

8. The following is a way of calculating the amount of disability coverage that an individual requires:

COBRA

Programming

Computing

Actuarial

None of the above

ANSWER: Programming

Programming is a way of calculating the amount of disability insurance that a person needs.

An actuary is a mathematician who analyzes the probability of certain events occurring and then prices insurance policies depending on the probability of those events occurring.

The 1985 Act by Consolidated Omnibus Budget Reconciliation (COBRA) allows employees and their dependents in a group health plan to go on acquiring health insurance coverage up to 18 months or longer after leaving their employer if certain conditions are met.

This means that an employee who has left their employer can choose COBRA continuation benefits and continue receiving the same coverage if they are eligible.

If a "prequalifying event" happens that results in the loss of coverage, COBRA continuation coverage is allowed.

These are the "qualifying events":

Involuntary or voluntary termination or reduced working hours

The death of an insured

Legal separation or divorce leading to the ex-coverage spouse's being terminated -when a dependent kid "olds out" (is no longer eligible for coverage)

A second qualifying event must occur or the qualified recipient must be found disabled by Social Security to get an extension of COBRA continuing coverage for an additional 18 months once the initial 18 months have expired.

Aside from the aforementioned qualifying circumstances, if the covered employee becomes Medicare-eligible, an extension is allowed.

To get an extension, the qualifying employee must notify the plan administrator and submit proof of the reason or the social security administration’s disability determination.

9. Reina buys a whole life insurance policy with a clause that allows her to shop about and get a refund if she finds a better deal. Which of the following statements about the policy she bought is correct?

Coverage is in effect once the policy is actually delivered

Coverage is active once the premium rates are paid

Coverage is effected once the receipt is issued

Coverage is activated once the group life insurance is settled

All of the above

ANSWER: All of the above

Reina bought a policy with a “free-look” provision, which permits a policyholder to buy a life insurance policy and then shop around for better coverage if one is found.

Following the actual delivery of the policy, these policies often give a ten to thirty-day review period.

During the review time, the insured can conduct additional research into different policies to choose whether they want to keep their present policy or return it for a full refund of their premium.

When the policyholder receives the real physical delivery and pays the premium, the free look review time begins.

Before the free look time can begin, the insured must sign a delivery receipt that is dated, signed, and witnessed by the agent.

Coverage is in effect as long as the premium is paid and the policy is delivered. When the policyholder receives the real physical delivery and pays the premium, the free look review time begins.

Before the free look time can begin, the insured must sign a delivery receipt that is dated, signed, and witnessed by the agent.

Coverage is in effect as long as the premium is paid and the policy is delivered.

10.Which insurance paperwork permits an insured to obtain term coverage for a spouse?

Spouse term insurance rider

Term life insurance rider

Spouse convertible rider

Cash surrender value rider

All of the above

ANSWER: Spouse term insurance rider

A spousal term insurance rider allows a whole life policyholder to add term coverage to their spouse.

A minor death benefit is usually paid out by a term policy. It could also contain the opportunity to convert the term policy to a permanent policy without having to prove insurability when the spouse reaches specific ages as defined in the insurance contract.

Another option is that if the insured dies within the premium-paying period, the spouse's coverage will be converted to term coverage without the need to pay any further payment.

A term life insurance policy flaunts a set premium and is only valid for a set period of time.

In addition to the permanent full coverage in the main policy, term life riders provide term coverage for a set amount of time.

When a life rider is added to a permanent life policy, the insured can convert his or her term life insurance coverage to permanent life insurance at any time.

The insured saves money on premiums at the start of the policy term by having a portion of the coverage as a year term.

A conversion does not, however, necessitate a further underwriting process or medical test.

Whole life insurance and straight life insurance are other terms for ordinary life insurance.

Ordinary life insurance is a policy that is assured to stay in full force for the duration of the insured's life, or until the policy maturity date, whichever comes first.

A life insurance policy is an understanding between the insured and the insurer that compels the insurer to pay the policy's death benefit to the policy's beneficiaries when the insured passes away if the terms of the contract are followed.

Whole life policies have substantially higher premiums than term policies since they are assured to stay in force as long as the required premiums are paid.

Whole life premiums are set at the time of issue and do not normally increase with age.

Apart from limited pay policies, which may be paid up in 9-10 years, 19-20 years, or at age 64-65, the insured party usually pays premiums until death.

Whole life insurance is a sort of life insurance that has a cash value, like variable life, universal life, and endowment policies.

11. COBRA permits:

A terminated employee to continue coverage

An employer to terminate an employee's coverage

An employer to continue terminated employee's coverage

An employer to give insurance premiums to employee

None of the above

ANSWER: A terminated employee to continue coverage

The 1985 Act by Consolidated Omnibus Budget Reconciliation (COBRA) allows employees and their dependents in a group health plan to go on acquiring health insurance coverage up to 18 months or longer after leaving their employer if certain conditions are met.

This means that an employee who has left their employer can choose COBRA continuation benefits and continue receiving the same coverage if they are eligible.

It is not a decision made by the employer.

If a "prequalifying incident" happens that results in a loss of coverage, continuation coverage is available.

These are the "qualifying events":

Involuntary or voluntary termination or reduced working hours

The death of an insured -legal separation or divorce leading to the ex-coverage spouse's being terminated

When a dependent kid "olds out" (is no longer eligible for coverage)

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12. Fran buys a 5-year annuity with a graded vesting period. Which of the following percentages will be vested at the end of year three?

100%

80%

60%

20%

ANSWER: 60%

Vesting refers to an insured's withdrawal of an annuity's balance before the annuity's contractual term expires.

The vesting time might be extended or shortened.

As the conclusion of the annuity period approaches, the percentage that vests often increases on a graded basis.

The vested amount is 100 percent when the period finishes.

For example, a ten-year annuity might vest 10% per year at the end of each year for the remainder of the ten-year period.

The annuity is fully vested at the end of the ten-year period.

The vesting schedule is 20% per year (100 percent / 5 years), therefore after three years, 60% of the shares will be vested (3 x 20 percent).

13. What is the major function of a STOLI?

An investment vehicle

To adhere to federal law

To help the elderly

Insurance for the protection of loved ones

To make an insurance product cocktail

ANSWER: An investment vehicle

Stranger-originated life insurance (STOLI) is a policy in which the recipient has never met the insured and has no insurable interest in him or her before the policy is purchased.

STOLI policies are not prohibited under federal law, they may be restricted by state insurance laws.

Rather than providing protection to the insured and those close to the insured, STOLI is largely purchased as an investment for the benefit of the beneficiary.

Unscrupulous individuals who want to take advantage of the elderly may exploit STOLIs.

14. Which of these processes is not a common underwriting position for a health insurance company?

Rating the policy

Sending the policy documents to the applicants

Reviewing medical histories

Setting premium rates

ANSWER: Sending the policy documents to the applicants

Underwriters' primary responsibility, particularly in the case of accident or disability insurance, is to assess and analyze the risk and exposures of applicants.

To establish an applicant's risk level, underwriters look at a variety of factors, including the applicant's medical history.

After that, the underwriter determines the level of coverage to provide the applicant and rates the policy.

After that, the premium rate is calculated.

Finally, the policy is issued, which normally entails submitting all plan documentation to the selling agent, including the certificate of insurance (COI).

The documents are then given to the applicant by the agent.

15. A(n) ______________________ is an add-on to an insurance policy that increases the benefits.

Rider

Supplement

Expansion of provision

B and E

Continuation

ANSWER: Rider

A rider is an add-on to an insurance contract that can increase or decrease the benefits, conditions, or coverage of a policy.

A rider is a legally binding document that is attached to a contract.

16. What document is supplied by an insurance company to offer verification that a medical procedure is covered by the insured?

Proof of coverage

POS

COI

IME

ANSWER: COI

An insurance firm issues a certificate of insurance (COI) to prove that insurance coverage is in place.

The coverage provisions are also included in the paper, which includes the kind of insurance, coverage terms, the effective date of coverage, and any limitations or exclusions.

The COI could be used to demonstrate that a specific medical practice is covered.

An insurer may request an independent medical examination (IME) to verify claims made by an insured's personal doctor.

Before the IME, the IME doctor had not treated the insured.

It's a second thought.

The qualities of a health maintenance organization (HMO) and a preferred provider organization (PPO) are combined in a point of service plan (POS) (PPO).

In a Point-of-Service plan, members who receive health services from plan providers are typically reimbursed 90-100 percent of the cost, compared to roughly 70% for non-plan providers.

The insured is responsible for the difference between the cost and the reimbursement amount.

A POS is a sort of managed care that provides lower medical costs in exchange for a limited provider selection.

17. Both of Lechter's parents died in an aviation crash when he was 12 years old. Lechter is qualified for Social Security benefits if he is at least _____ years old and became disabled before the age of _____

22: 18

18: 16

25: 18

25: 21

ANSWER: 22: 18

Once a child becomes 18 and becomes disabled before the age of 22, he or she can receive Social Security payments as a dependent, unmarried child of a deceased, disabled, or retired worker.

18. When assessing a health insurance policy premium, all but which of the following should be taken into account?

Age

Gender

Weight

Use of tobacco products

ANSWER: Gender

When calculating the cost of health insurance coverage, gender should not be taken into account.

Premiums may be increased as a function of age, cigarette usage, and weight.

Premiums will be reduced for young people who are healthy, do not smoke, and are not obese.

The insurance company determines the specific elements and their relative importance.

19. Grant is terminally ill, but he has a cash surrender value life insurance policy that he wants to sell to a private individual. Yodel is interested in buying the policy but is only willing to pay a fraction of its face value. What is the name of the procedure for selling a life insurance policy for less than the death benefit?

Viatical settlement

Cash out sale

Conversion transfer

Settlement of cash value

ANSWER: Viatical settlement

A viatical settlement occurs when a policyholder sells a policy to a private individual for less than the amount of the death benefit.

While the insured receives less than the death benefit, the insured receives more than the cash surrender value, making it an appealing option for policyholders who are chronically or terminally ill because it allows the insured to receive a lump sum settlement payment and live out the rest of their lives without worry about finances.

When the insured dies, the purchaser of the policy becomes the new policyholder, and as long as the purchaser pays the required premiums, the purchaser will receive the entire death benefit.

20. Which of the following statements concerning Medicaid is correct?

It is a nationwide program

It is a local program

It is both a nationwide and local program

It is a privately managed program

ANSWER: It is both a state and federal program

Medicaid is a federal-state government program that is offered in every state. It offers free or low-cost health care to those who meet certain criteria.

The funding is split between the federal and state governments. Each state determines the degree of benefits, as well as coverage and prices, although Medicaid programs must follow federal rules.

Payments to medical providers might be provided directly to them, or the Medicaid program can be managed by a third-party administrator or insurance company, depending on the program.