Free Practice Exam — Life & Health (National Core)

100 questions weighted like the general section of the real combined exam. Timed suggestion: 2 hours. Drawn from the course's open practice bank.

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1. A married couple owns rental property and expects a large estate tax bill, but only when the second spouse dies and the estate passes to their children. They want life insurance timed to pay at exactly that point. Which policy fits?

- A. Survivorship (second-to-die) life insurance
- B. Joint (first-to-die) life insurance
- C. A family policy
- D. Increasing term insurance

2. A trial attorney develops a condition that prevents courtroom work but not legal research and writing for a firm. Her policy uses the definition that pays a total benefit on these facts. That definition is which of the following?

- A. Any-occupation
- B. Own-occupation
- C. Presumptive disability
- D. Partial disability

3. Under universal life Option B, the death benefit equals:

- A. The face amount only, level for life
- B. The face amount plus the cash value
- C. The cash value minus surrender charges only
- D. The premiums paid, returned at death

4. A 20-pay life policy is best described as:

- A. Coverage that ends after 20 years
- B. Coverage that pays only if death occurs within 20 years
- C. A policy whose death benefit is limited to 20 payments to the beneficiary
- D. Whole life with premiums paid for 20 years, after which the policy is paid up and coverage continues for life

5. What is the maximum number of Social Security credits a worker can earn in one year?

- A. 2 credits
- B. 12 credits
- C. 4 credits
- D. 10 credits

6. Paying too much, too fast into a life policy, as with a single-premium design, can create what tax status covered later in this course?

- A. A qualified plan
- B. A Section 1035 exchange
- C. A Roth conversion
- D. A modified endowment contract (MEC)

7. Which feature distinguishes reinstatement from the grace period?

- A. Reinstatement cures a lapse that already happened and requires an application; grace prevents a lapse automatically
- B. Reinstatement is automatic with no application
- C. Grace requires evidence of insurability
- D. Grace comes after a lapse

8. During days 1 through 60 of inpatient hospital care in one benefit period, what does the Part A beneficiary pay?

- A. A daily coinsurance amount for each day
- B. The Part A deductible for the benefit period, and no daily coinsurance
- C. 20% of the Medicare-approved amount
- D. Nothing; Medicare pays all hospital costs from day 1

9. An applicant's history of hospital stays, surgeries, medications, and family health history is recorded in which part of the application?

- A. Part 1, the general section
- B. The conditional receipt
- C. The Agent's Report
- D. Part 2, the medical section

10. A binding receipt differs from a conditional receipt because a binding receipt:

- A. Never requires a premium

- B. Is issued only after delivery
- C. Gives temporary coverage that binds the insurer from the receipt or application date once premium is paid, even if the permanent risk is later declined
- D. Makes coverage conditional on insurability

11. Which statement best describes a 401(k) plan?

- A. A qualified defined-contribution plan in which employees defer salary into individual accounts, often with employer matching or profit-sharing contributions, and no final benefit is promised
- B. A defined benefit plan promising a formula benefit at retirement
- C. A nonqualified plan that may cover only the chief executive
- D. An individual account funded only by the employer

12. A hospital income (hospital indemnity) rider pays what?

- A. 80% of the hospital bill after the deductible
- B. A fixed daily cash benefit for each day of hospital confinement, paid to the insured regardless of actual charges
- C. A percentage of lost wages set by the hospital
- D. The hospital directly, as reimbursement

13. A lapsed policy is reinstated based on a reinstatement application. How does the incontestable clause treat statements in that reinstatement application?

- A. They are contestable for 3 years, matching the reinstatement window
- B. They are contestable for a fresh 2-year period as to those new statements
- C. They are contestable for the insured's entire lifetime
- D. They can never be contested because the original policy is over 2 years old

14. Which service is NOT covered by a Medigap policy?

- A. Part A hospital coinsurance
- B. Part B coinsurance for medical expenses
- C. Part A hospice coinsurance
- D. Long-term custodial care in a nursing home

15. Preferred risks pay less than the standard rate because

- A. Insurers are required to discount all policies for non-tobacco users by the same percentage
- B. The insurer expects fewer and later claims from this better-than-average group
- C. Preferred applicants buy smaller face amounts in every case

- D. Preferred status removes the need for underwriting

16. What does a dependent care FSA pay for?

- A. A dependent's medical and dental bills
- B. Work-related dependent care, such as child care for a child under 13, so the employee can work
- C. Long-term care insurance premiums for a parent
- D. Any household expense for a dependent

17. A widow elects the interest-only settlement option on her husband's $400,000 policy because she is not ready to decide what to do with the money. What does she receive, and what happens to the $400,000?

- A. She receives the $400,000 in installments while interest reduces the balance
- B. She receives periodic interest payments while the insurer holds the $400,000 principal for a later election or beneficiary
- C. She receives nothing until she turns 65
- D. She forfeits the principal in exchange for the interest payments

18. A couple wants one contract that provides permanent coverage on the father, the family's earner, plus smaller amounts of temporary coverage on the mother and each child. Which product is packaged exactly this way?

- A. A joint life policy
- B. A family policy — whole life on the breadwinner with term riders on spouse and children
- C. A survivorship policy with child riders
- D. A group certificate plan

19. Under Gramm-Leach-Bliley, an insurer's privacy notice describes:

- A. What personal information it collects, what it shares, and with whom
- B. Only the insurer's investment holdings
- C. The producer's commission rates
- D. Claim statistics for the prior year

20. A private pilot wants life coverage that includes his flying. Which is a route the guide describes?

- A. He must give up flying permanently
- B. He can accept a policy with an aviation exclusion, pay an extra premium to have aviation covered, or buy a policy written without the exclusion

- C. He can only buy AD&D coverage
- D. He can lie about flying, because aviation is never material

21. Under the entire contract provision, what makes up the entire agreement between the insurer and the policyowner?

- A. The policy, the application, and any oral promises made at sale
- B. The policy plus the agent's sales presentation
- C. The policy itself plus the application attached to it
- D. The policy plus the insurer's underwriting manual

22. Under the physical examination and autopsy provision, while a claim is pending the insurer may:

- A. Require an autopsy in every death claim as a matter of routine
- B. Examine the insured at its own expense as often as reasonably necessary, and conduct an autopsy where not forbidden by law
- C. Charge the examination cost to the claimant
- D. Refuse payment until the insured passes a new underwriting exam

23. An insurer mails an issued policy to its agent with instructions to deliver it, giving up control of the document even though the applicant has not yet physically received it. Legally, what has occurred?

- A. Nothing — delivery requires the applicant's signature on a receipt first
- B. The application has been constructively rescinded
- C. The policy has been postdated
- D. Constructive delivery — the insurer surrendered control with intent to deliver, so delivery is legally accomplished

24. Needs-based selling requires the producer to:

- A. Recommend the largest policy the client can be persuaded to sign for
- B. Gather facts about income, expenses, existing coverage, goals, and obligations before recommending a product
- C. Choose the product first, then fit the facts to it
- D. Skip the needs analysis for small policies

25. What is protected health information (PHI) under HIPAA's privacy rule?

- A. Any health information, even with no identifiers
- B. Individually identifiable health information held or transmitted by a covered entity or its business associate

- C. Only information stored on paper files
- D. Only diagnoses given in a hospital setting

26. If an LTC insured's care costs less than the daily maximum on some days, the unused amount

- A. is forfeited at the end of each month
- B. stays in the pool, so coverage can last longer in calendar time
- C. is paid to the insured as a cash dividend
- D. reduces the next year's premium

27. Under a traditional family deductible — the aggregate (non-embedded) design, in which no individual deductible applies separately inside the family amount — the deductible is met for the whole family when what happens?

- A. Family covered expenses together reach the family amount, commonly two or three times the individual deductible
- B. Every member separately pays a full individual deductible with no relief
- C. One member pays any amount
- D. Premiums paid equal the family amount

28. Eighteen months after issue, an insurer learns an applicant hid a recent heart attack diagnosis on the application — a fact that would have caused a decline if known. The insured is still living. What is the insurer's position?

- A. It must keep the policy unchanged, because applications can never be revisited
- B. It may contest the policy based on the material misrepresentation, because the policy is still within the 2-year contestable period
- C. It may only adjust the benefit for misstatement of age
- D. It must wait until a death claim is filed before taking any position

29. Long-term care and Medicare supplement policies carry which renewability protection in practice?

- A. Cancelable
- B. Optionally renewable
- C. Guaranteed renewable
- D. Conditionally renewable only

30. For association group health coverage to be legitimate, the association must

- A. have been formed primarily to obtain insurance
- B. consist of a single employer's employees

- C. exist for a purpose other than obtaining insurance and be formed and maintained in good faith
- D. be organized as a multiple employer trust

31. If an insurer's medical loss ratio falls below the ACA minimum, what must the insurer do?

- A. Rebate the difference to policyholders or employers
- B. Raise deductibles for the next plan year
- C. Move all enrollees to a lower metal tier
- D. Pay a premium tax credit to each enrollee

32. Two business partners each need the survivor to have cash to keep the shop running if one of them dies first, but they do not need coverage after the first death because the business will then be sold. Which policy structure fits this need?

- A. Survivorship life, because it insures two lives at lower cost
- B. Two separate industrial policies
- C. A family policy with term riders
- D. Joint life, because it pays at the first death and then ends

33. A producer wants to describe a benefit that is built into the premium as free. What should the producer do?

- A. Use the word free only in spoken presentations
- B. Use the word free if the benefit is small
- C. Not call it free, because the buyer pays for it through the premium
- D. Call it free only in the first year of the policy

34. In a variable annuity during the accumulation period, how is the owner's total account value determined?

- A. Number of annuity units multiplied by a guaranteed unit value
- B. Number of accumulation units owned multiplied by the current value of one accumulation unit
- C. Annual premiums paid multiplied by the participation rate
- D. The insurer's declared rate multiplied by the number of subaccounts

35. A participating policyowner wants each year's dividend to buy as much extra permanent coverage as it can, with no medical questions ever asked. Which dividend option does this?

- A. Accumulate at interest

- B. One-year term insurance
- C. Paid-up additions
- D. Reduce the premium

36. What are the five standard dividend options?

- A. Cash, reduce premium, accumulate at interest, paid-up additions, and one-year term
- B. Cash, interest-only, fixed-period, fixed-amount, and life income
- C. Reduce premium, paid-up additions, life income, joint and survivor, and cash
- D. Cash surrender, reduced paid-up, extended term, cash, and one-year term

37. FINRA, whose registration a variable-products producer must hold, is which organization?

- A. The Federal Insurance Regulation Agency, which licenses insurers
- B. The Financial Insurance Rating Association, which rates policy forms
- C. A state insurance department division for variable products
- D. The Financial Industry Regulatory Authority, which oversees broker-dealers and their registered representatives

38. An annuity protects against longevity risk. What is longevity risk?

- A. The risk of dying too soon and leaving needs unfunded
- B. The risk that interest rates will fall
- C. The risk of living too long and outliving one's savings
- D. The risk that a beneficiary will outlive the owner

39. An applicant is insurable but flies small planes as a hobby, an extra risk he expects to give up within a few years. Which rating method best fits a temporary extra risk of this kind?

- A. A table rating, because the risk is permanent
- B. Declining the application until he stops flying
- C. A flat extra premium, because the charge fits extra risk expected to shrink or end
- D. Preferred rates, because hobbies are not rated

40. What happens when a premium tax credit is taken in advance and the household's actual income turns out higher than estimated?

- A. Nothing; advance credits are never reconciled
- B. The marketplace cancels the plan retroactively

- C. The credit is reconciled at tax filing, and some advance amount may have to be repaid under that year's rules
- D. The insurer must refund the difference to the household

41. In an indexed universal life policy, the participation rate is best defined as what?

- A. The percentage of the index gain that is counted when calculating the credit
- B. The percentage of owners who must participate in a group plan
- C. The lowest rate credited in a down period
- D. The percentage of premium paid to the producer

42. What is the grace period in an individual life insurance policy?

- A. 10 days
- B. 30 or 31 days
- C. 7 days for monthly premium policies
- D. 90 days

43. Help with bathing, dressing, and eating provided by a nonmedical aide is

- A. skilled care
- B. custodial care
- C. intermediate care
- D. rehabilitative care

44. As a general tested principle, proceeds payable to a named beneficiary at the insured's death are best described how in relation to the insured's debts?

- A. They pass to the beneficiary outside the insured's estate and are generally beyond the insured's creditors' reach
- B. They are automatically seized by the insured's creditors first
- C. They must be used to pay the insured's debts before the beneficiary receives anything
- D. They belong to the insurer until all debts are proven paid

45. A producer recommending an annuity must have a reasonable basis to believe the consumer will benefit from features such as:

- A. Guaranteed surrender-charge waivers in all cases
- B. Tax deferral, lifetime income, or a death benefit, given the consumer's circumstances
- C. Stock market gains with no downside in all cases
- D. Immediate access to all funds with no charges

46. An insurer may include a provision stating that if the insured is injured while committing a felony, benefits for that loss may be denied. This is the:

- A. Intoxicants and narcotics provision
- B. Unpaid premium provision
- C. Conformity with state statutes provision
- D. Illegal occupation provision

47. An insurer raises premiums on an entire class of guaranteed renewable health policies in a state. A policyowner objects that his premium can never change. The producer should explain:

- A. He is correct; guaranteed renewable freezes premiums
- B. The increase requires his written consent to be valid
- C. The insurer may raise only his individual premium based on his claims
- D. Guaranteed renewable guarantees renewal, but the insurer may raise rates for an entire class

48. An agent holds only a state life insurance license. Before she may sell variable universal life insurance, what additional requirement applies?

- A. She must also be registered/licensed to sell securities and must deliver a prospectus
- B. She needs only the insurer's product training course
- C. She needs a health license in addition to the life license
- D. No additional requirement applies, because it is still a life policy

49. In the producer's report section, a producer notices the applicant clearly uses tobacco but the applicant answered no. The producer should:

- A. Say nothing, to avoid slowing the sale
- B. Change the applicant's answer personally
- C. Coach the applicant to keep the answer
- D. Report honestly what was observed; the producer's report must reflect the risk as seen

50. Priya, age 52, withdraws $12,000 from her deferred annuity, which contains $9,000 of earnings. Ignoring any surrender charge, how is the withdrawal taxed?

- A. The $12,000 comes out basis-first and is tax-free until her premiums are recovered
- B. Only $3,000 is taxed, under the exclusion ratio

- C. The full $12,000 is taxed as a capital gain
- D. The first $9,000 is taxable ordinary income, and a 10% early-withdrawal penalty applies to that taxable portion

51. An owner names a primary, a contingent, and a tertiary beneficiary. When does the tertiary beneficiary receive proceeds?

- A. Whenever the primary beneficiary is delayed
- B. Only if neither any primary nor any contingent beneficiary survives the insured
- C. At the same time as the primary, in equal shares
- D. Immediately upon the policy's issue

52. What does an 'extension' feature do in some LTC rider designs?

- A. It extends the grace period to one year
- B. It continues LTC payments after the accelerated death benefit is exhausted, up to a stated total pool
- C. It extends the suicide window to 5 years
- D. It extends coverage to the insured's pets

53. How many credits must a worker earn to be fully insured for Social Security retirement benefits?

- A. 40 credits
- B. 20 credits
- C. 60 credits
- D. 80 credits

54. After a qualifying 3-day hospital stay, a patient enters a skilled nursing facility. Medicare pays the full cost for days 1–20, then the patient owes daily coinsurance for:

- A. Days 21–60
- B. Days 101–150
- C. Days 21–100
- D. The entire stay after day 1

55. Investors approach a healthy 78-year-old and offer to pay all premiums on a large new policy on his life. The investors will control the policy and profit when he dies; he has no connection to them and no estate need for the coverage. This arrangement is best described as:

- A. A life settlement

- B. STOLI — stranger-originated life insurance, invalid for lack of insurable interest at inception
- C. A cross-purchase buy-sell agreement
- D. A split-dollar plan

56. In a guaranteed renewable policy, an insurer may change which item?

- A. Any provision for one insured
- B. The premium for one sick insured only
- C. Renewal itself if claims are high
- D. Premium, by class only

57. What is the main purpose usually tested for buying juvenile life insurance?

- A. To replace income the family depends on the child earning
- B. To fund the child's current household expenses
- C. To guarantee the child's future insurability while the child is young and healthy
- D. To provide the child's retirement income directly

58. During Medigap open enrollment, an insurer:

- A. May charge more because of an applicant's heart condition
- B. Must waive the Part B deductible for new enrollees
- C. May impose a 12-month preexisting condition exclusion
- D. Must offer a policy without health-based denial or pricing

59. The formal mandatory-provision name for the health incontestable concept is which of the following?

- A. Legal actions
- B. Entire contract
- C. Time limit on certain defenses
- D. Time of payment of claims

60. An applicant applied for standard rates, but the insurer issues the policy at a substandard rating with a higher premium and sends it out for delivery. The applicant has not yet responded. What is the status of coverage?

- A. There is no coverage until the applicant accepts the insurer's counteroffer and pays the higher premium
- B. Coverage is in force at standard rates, because the insurer issued a policy
- C. Coverage is in force at the substandard rate automatically after 10 days

- D. The applicant may force the insurer to honor the applied-for rate

61. Shortening a disability policy's benefit period from 'to age 65' to 'two years' will generally have which effect on premium?

- A. Raise it, because shorter policies are riskier for the insurer
- B. No effect, because premium depends only on the monthly benefit
- C. Lower it, because the insurer's longest and most expensive outcome is removed
- D. Lower it only if the elimination period is also shortened

62. After the deductible, a plan pays 80% and the insured pays 20% until the insured's coinsurance reaches a stated cap, after which the plan pays 100% of remaining covered expenses. The cap is called which of the following?

- A. The stop-loss limit
- B. The corridor deductible
- C. The elimination period
- D. The surgical schedule maximum

63. Elena opened her Roth IRA six years ago and is now 61. She withdraws her contributions plus earnings to buy a car. How is the withdrawal treated for federal income tax?

- A. Fully taxable, because Roth withdrawals are always taxed at withdrawal
- B. Taxable only on contributions, because earnings come out first
- C. Fully tax-free, because the distribution is qualified — the 5-year rule and age 59½ are both met
- D. Tax-free only if she first converts it to a traditional IRA

64. Why does prompt remittance of premiums matter to the applicant?

- A. It raises the producer's commission rate
- B. Delays can prevent issue and leave coverage the client believes exists not in force
- C. It changes the policy's rating class
- D. It shortens the contestable period

65. Which statement about flexible premiums in universal life is NOT correct?

- A. The owner may pay more than planned in a given year
- B. The owner may skip a premium if cash value covers the monthly deductions
- C. Monthly charges are deducted whether or not a premium is paid that month

- D. The owner may pay nothing forever and the policy is guaranteed to stay in force

66. An impairment rider is also known by which names?

- A. Exclusion rider or waiver of condition
- B. Hospital income rider
- C. Return of premium rider
- D. Guaranteed purchase option

67. A stem describes a plan with a large deductible, coinsurance, and a very high maximum benefit aimed at a six-figure hospital bill. The silhouette is which type of coverage?

- A. Basic hospital expense
- B. Basic surgical expense
- C. Regular medical expense
- D. Major medical

68. A COLA rider on a disability policy does what?

- A. Lets the insured buy more coverage while healthy
- B. Increases the monthly benefit periodically while benefits are being paid, to offset inflation
- C. Refunds premiums at age 65
- D. Excludes a named condition

69. Under the standard provision, within how long after a lapse may a life policy be reinstated?

- A. 5 years
- B. 1 year
- C. 3 years
- D. 2 years

70. A disability policy pays a benefit that shrinks or grows in direct proportion to the percentage of income the insured has lost. That payment pattern describes:

- A. Partial disability coverage
- B. Residual disability coverage
- C. Presumptive disability coverage
- D. Recurrent disability coverage

71. A whole life insured misses a premium due date and dies 19 days later without paying it. The policy had been in force for six years. How will the insurer settle the claim?

- A. Nothing is payable, because the premium was never received
- B. The full face amount is paid, because death occurred in the first 30 days
- C. The face amount is paid minus the overdue premium
- D. The cash surrender value only is paid to the beneficiary

72. In signing the application, the applicant agrees the answers are which of the following?

- A. True and complete to the best of the applicant's knowledge and belief
- B. Guaranteed true in every detail as warranties
- C. Only estimates the insurer may not rely on
- D. True only if the producer also believes them

73. A key feature of a PPO is that members

- A. must get a PCP referral before seeing any specialist
- B. may use non-network providers without a referral, but benefits are paid at a lower level
- C. receive no benefit for any out-of-network care
- D. are treated only by providers employed by the plan

74. An employee covered under a group life plan is laid off. She wants to keep life coverage but currently has a serious health condition that would fail individual underwriting. What right protects her?

- A. She may convert to an individual permanent policy within 31 days of termination, with no evidence of insurability
- B. She may stay on the group plan indefinitely by paying the employer directly
- C. She may convert within 3 years if she passes a medical exam
- D. She has no rights once group coverage ends

75. A point-of-service (POS) plan is best described as

- A. an HMO-based plan with a gatekeeper that also lets members self-refer out of network at higher cost-sharing
- B. a PPO that pays nothing for out-of-network care
- C. a plan with no PCP and no referrals of any kind
- D. a plan whose providers are all salaried plan employees

76. A person missed the Initial Enrollment Period and has no special enrollment right. When is the annual General Enrollment Period for Part B?

- A. October 15 through December 7
- B. January 1 through March 31
- C. The 7 months around the person's birthday
- D. Any 3 months the person chooses each year

77. Every standardized Medigap plan, from A through N, includes as part of its core benefits:

- A. Coverage for the first 3 pints of blood each year
- B. Payment of the Part B deductible
- C. Foreign travel emergency coverage
- D. Skilled nursing facility coinsurance

78. An AD&D policy's schedule pays the full principal sum for accidental death and 50% of the principal sum for the loss of one hand. That 50% amount is called the:

- A. Residual benefit
- B. Capital sum
- C. Corridor deductible
- D. Stop-loss amount

79. What does it mean that an employer retirement plan is “qualified”?

- A. It is guaranteed by the federal government against investment loss
- B. It may cover only the business owner and exclude all other employees
- C. Employer contributions are never deductible, but benefits are tax-free
- D. It meets Internal Revenue Code requirements, so employer contributions are deductible when made, earnings grow tax-deferred, and employees are taxed when benefits are received

80. After 2 years in force, a claim that begins after that point may be reduced or denied for a preexisting condition only in which situation?

- A. Whenever the insurer discovers the condition
- B. Whenever the condition was serious
- C. Whenever premiums were paid monthly
- D. When the condition was specifically excluded by name in the policy

81. A new HMO member needs to see a cardiologist for a non-emergency concern. Under a typical HMO, the member must first:

- A. Pay the full cost and file for reimbursement
- B. Prove the visit is not for a preexisting condition
- C. Obtain a referral from her primary care physician
- D. Enroll during an open enrollment period

82. Who may change an individual health policy under the entire contract provision?

- A. The selling agent, verbally
- B. The insured, by written request alone
- C. An executive officer of the insurer, in writing attached to the policy
- D. A general agent, by endorsement

83. An employee leaves a job after one year. Regarding her own salary deferrals in the employer's qualified plan, she is:

- A. Vested only after five years of service
- B. Always 100% vested in her own contributions and their earnings
- C. Vested on the same schedule as employer contributions
- D. Entitled to her contributions but never to their earnings

84. In a juvenile life policy, who is typically the insured, and who owns and pays for the policy?

- A. The parent is the insured; the child owns the policy
- B. The child is both insured and owner from birth
- C. The lender is the owner until the child is grown
- D. The child is the insured; a parent or grandparent is the owner and premium payor, and face amounts are modest

85. Why may life insurance premiums reflect an applicant's sex where state law permits?

- A. Mortality experience differs by sex, so premiums may reflect that difference in expected claims
- B. Sex determines whether an applicant has an insurable interest
- C. Insurers may charge either sex more for any reason they choose
- D. Sex replaces health as the main rating factor

86. Under time of payment of claims, indemnities payable periodically, such as disability income, are paid how?

- A. In a lump sum at the end of disability
- B. Quarterly
- C. Only after 60 days
- D. Monthly, as they accrue, subject to proof

87. A policyowner pledges his life policy to a bank as security for a business loan, intending the assignment to end when the loan is repaid. Which type of assignment is this?

- A. Absolute assignment
- B. Irrevocable beneficiary designation
- C. A viatical settlement
- D. Collateral assignment

88. Backdating may be used for saving age, but it may NOT be used to

- A. Capture a younger insurance age before a birthday
- B. Lower the premium for the life of the policy
- C. Start the contestable period earlier
- D. Make an otherwise ineligible applicant eligible or defeat another rule

89. An employee wants the freedom to see out-of-network doctors without referrals, and accepts higher cost-sharing when she does. The plan design that fits best is a:

- A. Preferred provider organization
- B. Exclusive provider organization
- C. Point-of-service plan
- D. Health maintenance organization

90. Which benefit can be paid based on currently insured status alone?

- A. Full retirement benefits for the worker
- B. Disability benefits for the worker
- C. The $255 lump-sum death benefit, along with limited survivors benefits for a spouse caring for young children and for the children
- D. Full survivors benefits for all family members at any age

91. An insurer mails a policy to its producer with the intent that it take effect for the policyowner, and gives up control of it. Legally, this is an example of

- A. Personal delivery
- B. Conditional delivery
- C. Constructive delivery
- D. Delivery by acceptance only

92. What distinguishes fixed-amount from fixed-period settlement?

- A. There is no difference; the terms are interchangeable by state
- B. Fixed-period payments end at the beneficiary's death; fixed-amount payments never end
- C. Fixed-amount pays only interest; fixed-period pays only principal
- D. Fixed-amount fixes the payment and lets the money determine how long payments last; fixed-period fixes the time and lets the insurer calculate the payment

93. Under the intoxicants and narcotics provision, the insurer is not liable for a loss sustained while the insured is under the influence of which substances?

- A. Caffeine or prescribed antibiotics
- B. Any prescribed medication taken as directed
- C. An intoxicant or a narcotic, unless the narcotic was administered on a physician's advice
- D. Over-the-counter vitamins

94. In a cross-purchase buy-sell agreement, how are the funding life insurance policies owned?

- A. Each owner personally owns, pays for, and is beneficiary of a policy on each other owner's life
- B. The business entity owns one policy on each owner's life
- C. The deceased owner's estate owns policies on the survivors
- D. Each owner owns a policy only on his or her own life

95. Dividends on a participating policy are best described for type-sorting purposes as:

- A. A feature of term policies kept long enough
- B. Guaranteed earnings that turn a fixed policy into a variable policy
- C. Interest paid on a universal life cash value

- D. A return of excess premium on a participating permanent policy, never guaranteed

96. What is the maximum premium a plan may charge a COBRA qualified beneficiary?

- A. 100% of the employee's former share only
- B. 150% of the full cost in all months
- C. 85% of the full cost of coverage
- D. 102% of the full cost of coverage

97. The purpose of the statement of continued good health collected at delivery is to confirm that

- A. The beneficiary still agrees to be named
- B. The insured's health has not changed since the application — no new diagnosis, treatment, or doctor visit the underwriter has not seen
- C. The owner has read every page of the policy aloud
- D. Premiums will never increase in the future

98. A marketing firm asks a producer for client names, phone numbers, and policy types for a mailing. Without client authorization and compliance with privacy-notice rules, giving the list is:

- A. Standard networking
- B. Required by GLB
- C. A privacy violation; the producer's convenience does not override customer rights
- D. Permitted if the firm promises to be careful

99. Why is annually renewable term very cheap when the insured is young and increasingly expensive at older ages?

- A. Each year's premium pays for that year's risk only
- B. The insurer invests the cash value in a separate account
- C. The face amount decreases every year
- D. Premiums are waived after age 40

100. Life insurance premiums are generally payable how?

- A. In arrears, after each coverage period ends
- B. In advance, at the insurer's home office or to an authorized agent
- C. Only at the insurer's home office, never through an agent
- D. Only by payroll deduction

Answer Key (with explanations)

1. **A** — First-to-die pays at the first death; second-to-die waits for the second. Survivorship life insures two lives and pays only at the second death, which matches a liability that arises at the second death. Joint life would pay at the first death — too early for this need — and then coverage would end. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; combination/specialty policy types)
2. **B** — She cannot do her own job but can do suitable other work, so only own-occupation pays a total benefit. Own job, Any job: Own pays if you can't do YOUR job; Any pays only if you can't do ANY job. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; disability income policy definitions (standard DI contract pattern))
3. **B** — Option B provides an increasing death benefit equal to the face amount plus the cash value, so the total grows as cash value grows. Option A stays Level, Option B Builds: A = level death benefit, B = face plus cash value. The level face amount alone is tempting, but that is Option A. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)
4. **D** — Limited-pay compresses premiums into a shorter period, after which no more premiums are due while coverage continues for life. Limited-pay: pay it off early, covered for life. Coverage ending after 20 years is tempting, but only the paying period is limited, never the coverage. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)
5. **C** — A worker can earn at most 4 credits per year, which is why reaching 40 credits takes about ten years of covered work. The exam tests the count of credits, not the dollar amount of earnings needed for one credit, because that dollar figure is adjusted over time. (Domain: VII. Social Insurance; source: Pearson VUE L&H outline VII; Social Security Administration)
6. **D** — Funding a life policy too fast can make it a modified endowment contract, or MEC, which changes the tax treatment of loans and withdrawals; the MEC test is the 7-pay test. A 1035 exchange is tempting, but that is a tax-free exchange of one contract for another, not a funding-speed problem. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; brief canonical numbers — MEC fails the 7-pay test)
7. **A** — If the policy has not lapsed yet, it is grace — automatic, no application. If it already lapsed, it is reinstatement, which requires an application and may require evidence of insurability. (Domain: VI. Health — Policy Provisions, Clauses &

Riders; source: Pearson VUE L&H outline VI; NAIC model mandatory provisions — grace period and reinstatement)

8. **B** — The hospital bands run as a staircase: days 1-60, the beneficiary pays the benefit-period deductible only; days 61-90 bring daily coinsurance; days 91-150 draw on lifetime reserve days. The 20% figure belongs to Part B, not Part A hospital care. (Domain: VII. Social Insurance; source: Pearson VUE L&H outline VII; Medicare & You / CMS)
9. **D** — Part 2 is the medical section and holds doctors visited, diagnoses, treatments, medications, and family history. Part 1 is tempting because it comes first, but it covers identity, occupation, and the plan requested — not health history. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; standard life application structure)
10. **C** — A binding receipt (temporary insurance agreement) binds the insurer for a stated period from the receipt date when premium was paid. A conditional receipt makes coverage depend on proving insurable as applied for. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; NAIC-model receipt practice)
11. **A** — A 401(k) defines what goes in, not what comes out: deferrals plus any employer money in an individual account whose value rides on contributions and investments. A promised formula benefit describes a defined benefit plan instead. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; IRC §401(k))
12. **B** — Hospital income pays a flat per-day indemnity to the insured, in addition to medical coverage, regardless of charges. Paying a percentage of the bill to the hospital describes reimbursement, not this indemnity rider. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC-model health rider standard)
13. **B** — Reinstatement restarts contestability for the new statements in the reinstatement application — a fresh 2-year period applies to those statements. The 3-year figure is how long the owner has to reinstate, not how long the new statements can be contested. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model standard provision)
14. **D** — Medigap fills Medicare's cost-sharing gaps only; it does not cover long-term care, vision, dental, hearing aids, or prescription drugs. Hospital, medical, and hospice coinsurance are exactly the gaps Medigap is built to pay. Long-term custodial care is the job of long-term care insurance. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; Medicare & You / CMS Medigap guidance)
15. **B** — Preferred pricing follows expected claims: superior health, build, and habits mean the insurer expects to pay fewer and later death claims, so the premium is

lower. A required uniform discount is tempting, but no such mandate exists — the lower price comes from the risk itself. Preferred pays less, Standard pays list, Substandard pays more, Declined pays nothing — there is no policy. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; life underwriting risk classification (standard industry practice))

16. **B** — A dependent care FSA pays work-related care for a dependent so the employee (and spouse, if married) can work. It does not pay medical bills — that is the health FSA's job. (Domain: VIII. Other Health Concepts; source: Pearson VUE L&H outline VIII; dependent care FSA rules, IRS)
17. **B** — Interest-only parks the death proceeds with the insurer and pays the interest to the beneficiary, leaving the principal intact for a later choice. Do not confuse it with the dividend option accumulate at interest, which parks dividends and pays interest to the owner — same parking idea, different money and different person. Fixed-amount is the other distractor family: it would pay principal out in set-size checks until exhausted. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; settlement options (interest-only))
18. **B** — A family policy packages whole life on the breadwinner with term riders on the spouse and children in one contract. Separate policies would be independent contracts, and a juvenile policy covers only a child. Joint life is the trap from the same combination family — it covers two lives and pays at the first death, with no built-in children's term package. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; combination policies (family policy))
19. **A** — GLB requires a clear privacy notice at the start of the customer relationship and annually while it continues, describing what nonpublic personal information is collected and shared, and with whom. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; Gramm-Leach-Bliley Act)
20. **B** — Private pilots are commonly handled one of those three ways: exclusion, extra premium, or a policy without the exclusion. Concealing the flying would hand the insurer a material misrepresentation — the opposite of a route to coverage. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; standard aviation exclusion)
21. **C** — The entire contract is the policy plus the attached application — nothing outside those pages counts. A tempting wrong answer adds the agent's sales talk, but an agent's promises do not change the written contract. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model standard provision)
22. **B** — The provision gives the insurer the right to examine the claimant at the insurer's expense and to perform an autopsy where state law does not forbid it. It is a claim-verification tool, not a re-underwriting tool and not a claimant expense.

(Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model mandatory provision — physical examination and autopsy)

23. **D** — Constructive delivery occurs when the insurer gives up control of the policy with intent to deliver, even without the applicant's physical receipt. Personal delivery — handing the policy to the owner — is the more familiar route, which is why option A tempts, but the law recognizes delivery once the insurer relinquishes control. The delivery date matters because the free-look period runs from delivery. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; policy delivery (constructive delivery))
24. **B** — A needs analysis comes before the recommendation, not after it. Suitability asks: does it fit this person, this need, this time? A premium that never fit the budget produces a year-two lapse that helps no one. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; NAIC model suitability practice)
25. **B** — PHI is individually identifiable health information — about health, care provided, or payment for care — held or transmitted by a covered entity or business associate. De-identified information and information outside covered entities do not fit the definition. (Domain: VIII. Other Health Concepts; source: Pearson VUE L&H outline VIII; HIPAA privacy rule / PHI definition, HHS)
26. **B** — The pool is the real limit; the stated years are just the pool expressed at full daily use. Spending less per day stretches the same pool over more days. Nothing about a slower draw forfeits benefits or pays dividends. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; NAIC Long-Term Care Insurance Model)
27. **A** — The family deductible pools family expenses toward a family amount commonly set at two or three times the individual amount — that pooling is the aggregate, non-embedded design this stem specifies. Under an embedded design, by contrast, one member's expenses can satisfy that member's own individual deductible first. Requiring every member to fully pay separately ignores the family relief the provision gives. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC-model major medical cost-sharing standard)
28. **B** — A material misrepresentation — a false statement that would have changed the insurer's decision if known — is a contest defense during the 2-year incontestable period, and 18 months is inside it. After 2 years in force in the insured's lifetime, the door closes: Two years shuts the contest door — after two, no contest, no more. Option C confuses this with misstatement of age, which is handled by benefit adjustment, not contest. (Domain: III. Life — Application,

Underwriting & Delivery; source: Pearson VUE L&H outline III; application statements and material misrepresentation; incontestable clause)

29. **C** — Long-term care and Medicare supplement carry strong guaranteed renewable protection in practice, and cancelable forms are effectively off the table. Cancelable is the opposite end of the ranking. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC-model renewability standard)
30. **C** — Regulators require a bona fide association with a real, independent purpose, because an insurance-buying club formed only for group rates invites adverse selection and destroys the risk pool. An association invented purely to buy insurance is exactly what the rule excludes. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; NAIC group health insurance model concepts)
31. **A** — The rebate rule is the enforcement teeth of the MLR: spend too little of the premium on care and quality, and the difference goes back to policyholders or employers. It is not fixed by changing tiers or deductibles. (Domain: VIII. Other Health Concepts; source: Pearson VUE L&H outline VIII; ACA medical loss ratio rule, CMS)
32. **D** — First-to-die pays at the first death; second-to-die waits for the second. The partners' need is triggered by the first death and disappears afterward, which is exactly how joint life works. Survivorship life is the mirror-image trap: it would pay nothing at the first death, when the survivor actually needs the money. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; combination policies (joint vs survivorship))
33. **C** — A benefit built into the premium is not free; the buyer is paying for it. Labeling it free misrepresents the cost of the policy. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; NAIC model advertising rule)
34. **B** — During pay-in, premiums buy accumulation units whose value rises and falls with the separate account; units times unit value equals account value. Annuity units belong to the pay-out phase, after annuitization, so that option uses the wrong phase's unit. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; variable annuity mechanics)
35. **C** — CRAPO: Cash, Reduce, Accumulate, Paid-up additions, One-year term. Paid-up additions use each dividend to buy a small piece of fully paid-up permanent insurance, and no evidence of insurability is ever required. One-year term is the near trap — it also buys coverage with the dividend, but only temporary coverage, not the permanent additions she asked for. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; dividend options (participating policies))

36. **A** — CRAPO: Cash, Reduce, Accumulate, Paid-up additions, One-year term. Watch for lists that swap in settlement options (interest-only, life income) or nonforfeiture options (reduced paid-up, extended term) — all three lists have five-ish members and the exam mixes them deliberately. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model dividend option provision)
37. **D** — FINRA is the Financial Industry Regulatory Authority, overseeing broker-dealers and registered representatives. Similar-sounding insurance bodies are tempting, but FINRA is a securities regulator, not an insurance one. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; SEC and FINRA regulation of variable insurance products)
38. **C** — An annuity flips the job: life insurance pays when you die too soon, an annuity pays so you don't outlive your money. Dying too soon is tempting, but that is the risk life insurance covers — the annuity's risk runs the other way. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model annuity concepts)
39. **C** — A flat extra premium adds fixed dollars per thousand for extra risk that is expected to shrink or end, such as a temporary hazardous hobby. A table rating adds a percentage for lasting extra risk, so it is the wrong tool for a pilot who plans to stop flying. Postponing or declining is unnecessary because the risk is insurable at a higher premium. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; standard underwriting rating methods)
40. **C** — An advance premium tax credit is paid directly to the insurer each month and is reconciled when the household files taxes. If income was higher than estimated, some of the advance may have to be repaid; the credit is not a final, unreviewed grant. (Domain: VIII. Other Health Concepts; source: Pearson VUE L&H outline VIII; ACA premium tax credit reconciliation, IRS)
41. **A** — The participation rate scales the index gain before the cap is applied. Group participation is tempting because it uses the same word, but in IUL the term is purely a crediting term. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; indexed universal life contract crediting terms (floor, cap, participation rate))
42. **B** — For life insurance, the grace period is 30 or 31 days, depending on the policy and state pattern. Grace is a month: 30 or 31 days to pay before the policy falls. The 7- and 10-day figures belong to health insurance grace periods by premium mode — do not import them into a life question. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model standard provision)

43. **B** — Custodial care is help with the activities of daily living that does not require medical skill and can be given by family, aides, or trained nonmedical staff. Remember: Skilled needs a license, Intermediate needs some skill, Custodial needs a hand. It is also the level Medicare will not pay for long-term. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; NAIC Long-Term Care Insurance Model)
44. **A** — The beneficiary's right vests at death, and proceeds payable to a named beneficiary generally pass outside the insured's estate and its debts (state details vary). Naming the estate as beneficiary is what exposes proceeds to creditors — the contrast matters. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; standard beneficiary designation rules)
45. **B** — The fit must be tied to the consumer's actual circumstances and to features the annuity really offers that consumer. Suitability asks: does it fit this person, this need, this time? (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; NAIC model annuity suitability / best-interest regulation)
46. **D** — The illegal occupation optional provision addresses losses connected to committing or attempting a felony or illegal work. Intoxicants and narcotics is the neighboring provision about being drunk or using non-prescribed narcotics — close in the list, different trigger. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model optional provisions)
47. **D** — Guaranteed renewable means the insurer must renew but may adjust premiums by class — never individually based on one person's claims. The premium freeze the owner is picturing belongs to noncancellable policies. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; renewability classifications)
48. **A** — Variable means the owner rides the market — value can go up or down. Because variable products invest cash value in a separate account of securities, the seller must hold the appropriate FINRA/SEC securities registration in addition to the state life license, and the buyer must receive a prospectus. Option D ignores that variable products are regulated as securities as well as insurance. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; SEC/FINRA regulation of variable products)
49. **D** — Field underwriting means reporting the risk as the producer saw it, including observed tobacco use, hazardous hobbies, or waved-past conditions. Omitting material facts the producer observed is misrepresentation. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; insurer field underwriting procedure)
50. **D** — LIFO Last In, First Out — annuity earnings come out first and get taxed first. Non-annuitized annuity withdrawals are taxed earnings-first as ordinary income, and because Priya is under 59½, the 10% penalty applies to the taxable part.

Option A describes FIFO, which applies to withdrawals from a non-MEC life policy, not an annuity; the exclusion ratio applies only once payments are annuitized. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; IRC §72 (annuity taxation, LIFO; early-withdrawal penalty))

51. **B** — Each line waits for the one before it: primary first, contingent only if no primary survives, and tertiary only if no contingent survives either. Tertiary does not share alongside the primary. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; standard beneficiary designation rules)
52. **B** — An extension continues care payments beyond the exhausted death benefit, up to the rider's stated total pool. It does not change the grace period or the 2-year suicide window — those numbers belong to other provisions. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; standard long-term care rider)
53. **A** — Forty credits, about ten years of covered work, makes a worker fully insured and unlocks retirement benefits. Remember the hook: 40-67-62-70: credits done, full age, early door, delayed max. Earning more than 40 credits does not change eligibility, though higher lifetime earnings can raise the benefit amount. (Domain: VII. Social Insurance; source: Pearson VUE L&H outline VII; Social Security Administration)
54. **C** — SNF coverage: days 1–20 paid in full, days 21–100 with coinsurance, and nothing from day 101 onward. The hospital day ranges (61–90, 91–150) are the tempting swaps — SNF days run on their own 1–100 scale. (Domain: VII. Social Insurance; source: Pearson VUE L&H outline VII; Medicare & You / CMS — SNF coverage)
55. **B** — No insurable interest at the start means no valid policy at all — that's STOLI. Stranger-originated arrangements are originated by investors with no insurable interest in the insured, which violates the inception rule. A life settlement is the lawful contrast: the later sale of a policy that was originally bought for a genuine insurance need. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; STOLI/IOLI and insurable interest)
56. **D** — Guaranteed renewable permits class premium changes but no change to provisions and no refusal of renewal. A one-person increase for sickness violates the class-only rule. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC-model renewability standard)
57. **C** — Juvenile coverage is bought for future insurability, a locked-in low premium, possible small cash value, and final expenses. Income replacement is the tempting trap — children normally have no income the family depends on. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)

58. **D** — Medigap open enrollment is the 6 months starting the month the person is 65 or older AND enrolled in Part B; during it, insurers cannot deny coverage or price on health. Outside that window, medical underwriting generally applies — which is why the window matters so much. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; Medicare supplement open enrollment (CMS))
59. **C** — In health policies the provision is named time limit on certain defenses; students also call it the incontestable provision. Legal actions is the lawsuit-window provision — a name swap the exam loves. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model mandatory provision — time limit on certain defenses)
60. **A** — The insurer's differently-priced issue is a counteroffer, not an acceptance — it changes the terms, so no contract exists until the applicant accepts and pays. Issue as applied for is the contrast: that accepts the applicant's offer exactly and completes the contract. Until acceptance of the counteroffer, the applicant may reject it and owe nothing beyond any receipt terms. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; policy issue (counteroffer vs issue as applied for))
61. **C** — A permanent disability paid to age 65 is the insurer's most expensive outcome, so capping payments at two years cuts premium. Premium does not depend only on the monthly benefit — the two clocks drive it heavily. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; disability income policy definitions (standard DI contract pattern))
62. **A** — Three mechanisms, three jobs: deductible opens the door, coinsurance shares the middle, stop-loss closes the insured's wallet at the cap. The elimination period is the DI waiting period in days, not a dollar cap. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; medical expense policy design (basic/major medical standard pattern))
63. **C** — Roth: Taxed going in, Free coming out — if 5 years and 59½ line up. Roth contributions are never deductible, but a qualified distribution — account open at least 5 years and the owner at least 59½ — comes out entirely tax-free, earnings included. Option A describes a traditional IRA, where deductible money going in means taxable money coming out. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; IRC §408A (Roth IRA qualified distributions))
64. **B** — Holding premiums endangers the applicant: the policy may not issue and receipt conditions may not be met. Prompt remittance is the standard; using the float is a fiduciary breach. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; NAIC model premium-handling pattern (state insurance code model pattern))

65. **D** — Flexible premium does not mean the owner can pay nothing forever; a UL policy with too little cash value to cover its monthly deductions will enter its grace period and lapse. The other statements correctly describe paying more, skipping when funded, and deductions that continue regardless. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)
66. **A** — Impairment, exclusion rider, and waiver of condition are names for the same carve-out. Hospital income is a separate rider paying a daily benefit. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC-model health rider standard)
67. **D** — A large deductible and a million-dollar-style maximum mean major medical. Basic plans announce themselves with schedules, daily maximums, and first-dollar benefits instead. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; medical expense policy design (basic/major medical standard pattern))
68. **B** — COLA grows a benefit already being paid, commonly tied to a price index or stated percentage. Buying more coverage while healthy is the guaranteed purchase option, which works before a claim. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC-model health rider standard)
69. **C** — Reinstate within three — premiums back, plus interest, plus proof to see. The 2-year figure is the incontestable and suicide period; the reinstatement window is 3 years from the lapse. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model standard provision)
70. **B** — Residual disability follows lost INCOME and pays proportionally — a 40% income loss pays roughly 40% of the benefit. Partial disability is the flat-share design tied to duties and hours, which is the classic confusion here. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; disability income provisions)
71. **C** — Grace is a month: 30 or 31 days to pay before the policy falls. Coverage continues during the grace period, so a death inside it is a valid claim, but the insurer deducts the overdue premium from the proceeds. Option A would be correct only if death occurred after the grace period expired unpaid and the policy had lapsed. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model standard provision (grace period))
72. **A** — The signed statement uses knowledge-and-belief wording, which is why application statements are representations, not warranties. The warranty wording is tempting, but insurance law does not hold applicants to exact truth in every detail. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; representations and application statements)

73. **B** — A PPO steers with money instead of rules: in-network care pays more, out-of-network care pays less, and no referral is required. Remember: PPO lets you wander, POS lets you wander for a price, EPO never pays outside. Receiving nothing outside the network describes an EPO or HMO, not a PPO. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; NAIC managed care model concepts)
74. **A** — 31 to Convert — 31 days to swap group for individual with no health questions. The group conversion privilege lets a departing employee move to an individual permanent policy inside the 31-day window without proving insurability. Option C grafts the reinstatement window and a medical exam onto conversion — both wrong; the whole point of the privilege is that no exam is required. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; group life conversion privilege)
75. **A** — A POS plan is an HMO at its core — PCP, gatekeeper, network — with a PPO-style escape hatch priced at the point of service. Remember: PPO lets you wander, POS lets you wander for a price, EPO never pays outside. A plan that pays nothing outside is an EPO, not a POS. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; NAIC managed care model concepts)
76. **B** — The General Enrollment Period runs every year from January 1 through March 31 and fixes the 'I never signed up' problem for people who missed the IEP. It does not erase the Part B late penalty, which is calculated from how long the person was eligible but not enrolled. (Domain: VII. Social Insurance; source: Pearson VUE L&H outline VII; Medicare & You / CMS)
77. **A** — The standardized core benefits in every plan include Part A coinsurance plus 365 additional hospital days after Medicare ends, hospice coinsurance, and the first 3 pints of blood per year. The Part B deductible was a Plan C/F extra — and those plans are closed to people eligible after 2019. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; standardized Medigap core benefits (CMS))
78. **B** — The capital sum is the scheduled amount for dismemberment losses — typically 50% of the principal sum for one hand, one foot, or sight in one eye. The principal sum itself is reserved for death or the most severe losses, which is the confusion the schedule tests. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; accidental death and dismemberment)
79. **D** — Qualified follows one pattern: pre-tax (deductible) contributions in, tax-deferred growth, taxable benefits out — earned by following coverage and nondiscrimination rules. A plan covering only the owner fails qualification, which kills that distractor. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; IRC qualified plan requirements)

80. **D** — After 2 years, an unnamed preexisting condition cannot be used against the insured. Only a condition specifically excluded by name remains usable — mere discovery is not enough. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model mandatory provision — time limit on certain defenses)
81. **C** — The HMO primary care physician is the gatekeeper who coordinates care and refers members to specialists. Skipping the PCP and self-referring, as in the reimbursement option, is how indemnity and PPO plans lean — not the closed-panel HMO model. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; managed care plans)
82. **C** — A valid change must be in writing, attached to the policy, and signed by an executive officer of the insurer. A producer or general agent cannot waive or alter provisions, which makes the agent options tempting but wrong. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model mandatory provision — entire contract)
83. **B** — Your own money is always fully yours, earnings included; vesting schedules apply only to employer contributions. Putting employee deferrals on a vesting schedule is the error this question guards against. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; ERISA vesting rules)
84. **D** — Juvenile insurance is written on a child's life, bought and paid for by a parent or grandparent, in modest amounts. Making the parent the insured is tempting, but then it would simply be an adult policy, not juvenile insurance. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)
85. **A** — Where state law permits, sex is used because mortality tables show different expected claims, and premium differences must rest on differences in expected risk. Charging either sex more for any reason is tempting, but rating must be based on sound risk differences, never on grounds unrelated to risk. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; life underwriting rating factors (standard industry practice))
86. **D** — Periodic indemnities are paid monthly as they accrue, subject to proof. Non-periodic indemnities, by contrast, are paid immediately upon due proof — do not swap the two tracks. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model mandatory provision — time of payment of claims)
87. **D** — Collateral assignment pledges policy rights as security for a debt and ends when the debt is repaid — a temporary, partial transfer matched to the loan. Absolute assignment is the trap pairing: it transfers all ownership permanently, with no automatic end when a loan is paid. The bank here takes only the rights needed to secure its loan. (Domain: II. Life — Provisions, Riders, Options &

Exclusions; source: Pearson VUE L&H outline II; policy assignments (absolute vs collateral))

88. **D** — Backdating is for saving age only — never to defeat a rule, create eligibility, or date a policy before the insurer was licensed or the product existed. Starting the contestable period earlier is tempting as a trick answer, but that is a real, lawful consequence of the earlier effective date, not a prohibited use. Backdate to save age, never more than 6 months back. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; backdating to save age (standard industry practice))
89. **A** — A PPO contracts with a network but lets members go out of network at higher cost, with no gatekeeper referral. An EPO also uses a network but generally pays nothing out of network, and an HMO requires referrals — neither matches the freedom described. (Domain: V. Health — Types of Policies; source: Pearson VUE L&H outline V; managed care plans)
90. **C** — Currently insured status supports only a short menu: the $255 lump-sum death benefit and limited survivors benefits for children and a spouse caring for them. It does not support retirement benefits; retirement demands fully insured status, full stop. (Domain: VII. Social Insurance; source: Pearson VUE L&H outline VII; Social Security Administration)
91. **C** — Constructive delivery occurs when the insurer gives up control of the policy with intent to deliver, even if the owner has not yet physically received it. Personal delivery is tempting, but that means handing the policy to the owner in person, which has not happened here. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; policy delivery (standard industry practice))
92. **D** — Ask what is fixed — the check or the calendar. Fixed-amount: the beneficiary picks $1,000 a month and the period is whatever the money lasts. Fixed-period: the beneficiary picks 15 years and the insurer computes the check. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model settlement option provision)
93. **C** — The exclusion targets intoxicants and narcotics, with one exception — a narcotic administered on the advice of a physician. Prescribed medication taken as directed does not trigger it merely because the drug is a narcotic. (Domain: VI. Health — Policy Provisions, Clauses & Riders; source: Pearson VUE L&H outline VI; NAIC model optional provision — intoxicants and narcotics)
94. **A** — Cross-purchase means partners buy on each other: at a death, surviving owners collect personally and buy the deceased owner's interest from the estate. Entity ownership of the policies is the entity purchase design instead. Cross-Purchase: Partners buy each other; Entity Purchase: The business buys the

shares. (Domain: IV. Life — Retirement & Other Concepts; source: Pearson VUE L&H outline IV; buy-sell agreements)

95. **D** — Dividends belong to participating policies, most often mutual-company whole life, and are a return of excess premium, never guaranteed. Term paying dividends is tempting, but term does not pay dividends, and a participating description signals a permanent policy. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)
96. **D** — The plan may charge up to 102% of the full cost — the employer's share plus the employee's share, plus a 2% administrative charge. The higher 150% figure applies only during the disability extension months. (Domain: VIII. Other Health Concepts; source: Pearson VUE L&H outline VIII; COBRA premium rule, DOL)
97. **B** — The statement bridges the gap between application and delivery: the insurer priced the risk on the health picture in the application, so any change must be reported before delivery. Reading the policy aloud is tempting, but explanation is the producer's delivery duty — the health statement is the insured's signed confirmation about health, not reading. Delivery is not done until it's explained, signed for, and in good health. (Domain: III. Life — Application, Underwriting & Delivery; source: Pearson VUE L&H outline III; policy delivery and statement of good health (standard industry practice))
98. **C** — Client lists and details may not be sold or handed to an outside marketer without the required authorization and privacy-notice compliance. The marketer's promise does not cure the violation. (Domain: IX. Field Underwriting Procedures; source: Pearson VUE L&H outline IX; Gramm-Leach-Bliley Act)
99. **A** — ART is the purest form of term: each year's premium pays for that year's risk only, so the price tracks the rising risk of death with age. A separate account is tempting, but that is a variable-product feature; ART has no cash value to invest. (Domain: I. Life — Types of Policies; source: Pearson VUE L&H outline I; NAIC-model life policy types)
100. **B** — Premiums are paid in advance — each premium buys the coverage period that follows it. That 'in advance' idea is what makes the grace period and lapse rules work the way they do. (Domain: II. Life — Provisions, Riders, Options & Exclusions; source: Pearson VUE L&H outline II; NAIC-model standard provision)