



PRU LIFE U.K.

Listening. Understanding. Delivering.

TRADITIONAL LIFE

MOCK EXAM



PRU AGENT ACADEMY

INSTRUCTION: Encircle the letter of the correct answer (272 items).

1. The fundamental advantage of the use of insurance as a means of meeting economic losses is that through insurance, these losses are:
 - a. Spread over a large number of people
 - b. Deferred for a specified period of time
 - c. Reduced for the group as a whole through the multiplier effect
 - d. Met as they arise through savings accumulated on an assessment basis
2. The official who makes the necessary assumption and calculation in respect of the principal elements in life insurance premium in order to arrive at the premium rates to be charged is the:
 - a. Life agent
 - b. Senior statistician
 - c. Insurance Commissioner
 - d. Actuary
3. Life Insurance is:
 - a. Luxury afforded by the rich
 - b. Only available to a specific group
 - c. A cooperative risk-sharing plan
 - d. A speculative risk
4. A father enters into a life insurance contract on behalf of his child. In this case, the father is the:
 - a. insured
 - b. beneficiary
 - c. insurer
 - d. applicant-owner
5. To calculate premiums for the other modes of premium payment, the annual premium is:
 - a. divided by the desired number of premium payments
 - b. divided by a conversion factor for the mode of payment desired
 - c. multiplied by a conversion factor for the mode of payment desired
 - d. multiplied by a constant conversion factor
6. To be able to calculate the required premiums for a given policy, the agent must know the applicant's:
 - a. age
 - b. choice of plan
 - c. face amount desired
 - d. all of the above
7. A fixed amount added to the premium of a premium given policy regardless of policy size is known as:
 - a. policy fee
 - b. policy reserve
 - c. policy values
 - d. extra premium
8. A single premium policy means a policy:
 - a. requiring only a single premium each year
 - b. under which only one premium payment is required
 - c. only available to single individuals

- d. on which no more than one premium can be paid in advance
9. An agent is filling up the Agent's Confidential Report. What information must he put in his report?
- a. information about insured's standing in the community
 - b. information about insured's finances
 - c. all information he knows which are relevant to the application for insurance
 - d. a & b only
10. Insurance companies have a source of confidential medical information on applicants for life insurance. This is the:
- a. agent's confidential report
 - b. inspection report
 - c. financial standing
 - d. medical information bureau
11. Mr. Roel Reyes has been confined in a hospital for 3 years prior to his application for insurance. He therefore needs to give the following information:
- a. name of attending doctor, diagnosis, and date of confinement
 - b. the bill and medicines
 - c. name of doctor only
 - d. date of confinement only
12. A hazardous occupation could be defined as:
- a. an occupation which exposes the insured to a degree of danger of sustaining injury
 - b. an occupation in unhealthy working conditions exposing the insured to elements which can cause sickness
 - c. an occupation which exposes the insured to social hazards
 - d. all of the above
13. A risk is considered substandard based on any or all of the following criteria:
- a. death, occupation and moral character
 - b. occupation, moral character and family health history
 - c. income, educational attainment and occupation
 - d. death, income and educational background
14. In insurance, risks are classified as:
- a. unacceptable and acceptable
 - b. regular and irregular
 - c. standard, substandard and declined
 - d. complete and incomplete
15. Insurance Companies have various sources of information about the insured. These are:
- a. application form
 - b. medical information bureau
 - c. inspection report
 - d. all of the above
16. In an application, the information that must be disclosed include:
- a. only his date and place of birth
 - b. only his family history
 - c. every fact in his knowledge that is material to the insurance
 - d. only information he wants the agent to know
17. In insurance, risk means:
- a. chances of you being paid by the company

- b. hazard on people's lives
- c. chances of the beneficiary being paid
- d. none of the above

18. Anti-selection occurs:

- a. when an agent thinks only of his own interest and not of his policyowners
- b. when you purchase bad stocks with expectation that they will improve
- c. when the insurance company accepts more than its share of poor risks
- d. when person in poor health wish to buy insurance

19. Which of the following factors would have the least effect on the premium charged for life insurance?

- a. age
- b. occupation
- c. income
- d. all of the above

20. The term "Loading" means:

- a. The difference between the gross and net premiums for the purpose of paying the insurance overhead expenses including commissions and taxes
- b. The amount which the company will lend to the policyholder with the policy as a security
- c. The amount payable in the event of the occurrence of a loss which renders him unfit for insurance
- d. None of the above

21. A man with moderate means can have maximum protection possible through what type of plan?

- a. 20 yr. endowment
- b. Limited pay life
- c. Term insurance
- d. Whole life insurance

22. An insurance plan which offers protection and savings is called:

- a. temporary plan
- b. permanent plan
- c. participating plan
- d. term plan

23. Life Insurance contributes directly to the welfare and progress of the country by:

- a. Accumulating capital for investment in commerce and industry
- b. Partially relieving the community of the care of dependents
- c. Encouraging provisions for the future
- d. All of the above

24. The three elements that make up a life insurance premium are:

- a. Mortality experience, investment earnings, and operating expenses
- b. Cash values, dividends, and paid up values
- c. Cash values, loan values, and paid up values
- d. Past dividend experience, present dividend, and projected interest

25. Life Insurance can provide money when income stops because of:

- a. Disability
- b. Death
- c. Retirement
- d. All of the above

26. The convertible feature of a term insurance policy provides that the policy may be:

- a. changed to a permanent insurance policy without evidence of insurability
 - b. changed to another life
 - c. cashed for a guaranteed sum
 - d. changed to permanent insurance with evidence of insurability
27. When explaining dividends, the following information must be supplied:
- a. that they are not guaranteed
 - b. the dividends paid up in the previous years
 - c. the anticipated dividends
 - d. the relation to the cost of the policy
28. A term insurance which allows the policyowners to convert it to a permanent insurance within a specified period without evidence of insurability contains _____ feature:
- a. convertibility
 - b. renewability
 - c. dividend option
 - d. both a & b
29. Two attractive features of a term insurance are:
- a. convertibility and cash values
 - b. cash values and dividends
 - c. protection and dividends
 - d. convertibility and renewability
30. Mrs. Rose Cortez owns a policy which does not provide for the build up of cash values and whose premiums remain level. Mrs. Cortez owns:
- a. ordinary life
 - b. limited pay life
 - c. decreasing term
 - d. level term
31. A participating plan entitles the policyowner to receive a return of excess premiums. Such is termed as:
- a. endowments
 - b. dividends
 - c. cash values
 - d. cash surrender value
32. In a 20-life policy:
- a. protection is until age 100, payment of premiums is for 20 years
 - b. protection is until age 100, payment of premiums until age 100
 - c. protection is for 20 years, payment of premium is for 20 years
 - d. protection is for 20 years, payment of premiums until age 100
33. Mr. Juan Valdez wants a policy which will entitle him to receive dividends yearly. What will you recommend to Mr. Valdez?
- a. participating plans
 - b. non-participating plans
 - c. term insurance
 - d. none of the above
34. Which of the following can give the longest protection?
- a. 20 yr. endowment
 - b. Endowment at 65
 - c. Ordinary life

- d. 20 yr. term
35. An individual at age 35 purchases a policy which in 20 year she will receive the face amount of the policy himself, if he is still alive at that date. This policy is obviously a:
- a. 20 yr. endowment
 - b. 20 pay life
 - c. 20 yr. term
 - d. None of the above
36. Since the purchase of life insurance is a voluntary choice, the individual must meet:
- a. comprehensive inspection report
 - b. certain standards of health and occupation
 - c. minimum income requirement
 - d. all of the above
37. Life insurance policies wherein premium rates are higher compared to the standard premium rates payable are said to be:
- a. rated policies
 - b. contingent policies
 - c. non-participating policies
 - d. conditional policies
38. A policy with a minor as the proposed insured is called:
- a. rated policy
 - b. juvenile policy
 - c. regular policy
 - d. substandard policy
39. A person wanting a greater coverage for the least amount of premium has an option of attaching what rider in his permanent life policy?
- a. a waiver of premium
 - b. term insurance rider
 - c. guaranteed insurability rider
 - d. accidental death rider
40. If an insured became disabled and his life insurance policy is still in force through the waiver of premium, the dividends of the policy would
- a. cease
 - b. continue at reduced rate
 - c. continue as if the owner is paying the premium
 - d. continue but they would be applied toward premium being waived
41. One supplementary benefit offered is a payor's benefit which is intended:
- a. to provide for the return of premiums to an adult payor in the event that a minor insured dies
 - b. to provide a waiver of premium benefit in the event of death or disability of the person paying the premiums
 - c. to allow the insurance company to pay the policy's proceeds to the person who seems equitably entitled to the proceeds
 - d. to assure that the adult payor will retain a vested interest in the policy when the insured reaches the age of majority
42. Mr. Pedro Cruz became paralyzed as a result of jumping out of the window in an attempt to commit suicide. Under the usual provisions of a disability income policy, he would be entitled to:
- a. receive the total disability income benefit and the waiver of premiums

- b. receive partial disability benefits
 - c. be granted the waiver of premiums
 - d. receive neither disability income nor waiver of premiums
43. Disability benefits are not paid:
- a. for self-inflicted injuries
 - b. if there is a loan against the policy
 - c. if all the policy dividends have been withdrawn
 - d. if disability resulted from sickness only
44. If a policy with the accidental death rider becomes paid-up:
- a. the accidental death rider ceases
 - b. the face amount of the policy is reduced
 - c. premiums on the basic policy stop but the rider premium continues
 - d. none of the above
45. For the waiver of premium to be effective:
- a. disability must be total
 - b. disability must be permanent
 - c. both a & b
 - d. either a or b
46. An optional rider which can be attached to a policy stopping further premium payments in the event of disability is called:
- a. policyholder protection clause
 - b. accidental death and dismemberment
 - c. waiver of premium
 - d. total disability monthly income
47. A term rider is:
- a. a term policy with a waiver of premium
 - b. another name for a convertible term policy
 - c. a renewable term policy
 - d. a term insurance added to a permanent plan
48. The savings element of permanent plans allows for the buildup of:
- a. dividends
 - b. cash values
 - c. maturity benefits
 - d. death benefits
49. The main difference between a term plan and a permanent plan is:
- a. permanent plans provide both protection and savings while term plans offer protection only
 - b. permanent plans provide savings and dividends while term plans provide savings only
 - c. permanent plans can be converted and renewed while term plans cannot
 - d. all of the above
50. A term policy only offers:
- a. cash values
 - b. protection
 - c. savings
 - d. dividends
51. Anybody can be designated as a beneficiary except:
- a. a creditor

- b. minors
- c. those expressly prohibited by law to receive donations
- d. all of the above

52. A person has insurable interest in the life of:

- a. his child or grandchild
- b. any person upon whom he is wholly or in part dependent on, or from whom he is receiving support or education
- c. any person in whom he has pecuniary interest
- d. all of the above

53. Under the law pertaining to life insurance:

- a. only minor children can be named irrevocable beneficiaries
- b. only the wife can be named irrevocable beneficiary
- c. only the wife and the children can be named irrevocable beneficiaries
- d. any person with insurable interest can be named irrevocable beneficiaries

54. All of the following would be practicable to become beneficiaries except:

- a. children by former marriage
- b. brothers and sisters
- c. someone who owes you money

55. The insurance code specifies that a contract does not take effect unless:

- a. the policy is delivered to an insured, his assignee or agent, or to a beneficiary
- b. payment of the first premium is made to the insurer or its authorized agent
- c. no change has taken place in the insurability of the life to be insured between the time of the application was completed and the time the policy was delivered
- d. the insured has named in the policy no fewer than two beneficiaries

56. For life insurance coverage to be valid, insurable interest must exist:

- a. only at the inception of the policy
- b. only at the time of the loan
- c. throughout the entire lifetime of the policy
- d. both at the time of the policy issuance and at the time of the loan but not necessarily throughout the lifetime of the policy

57. For a contract to be legal and binding,

- a. parties to the contract must be members of the bar
- b. parties to the contract must be legally competent
- c. parties to the contract must be above 21
- d. parties to the contract must possess blood relationship

58. Inducing an insured to lapse or forfeit his insurance:

- a. is not allowed by the conditions of the contract
- b. is always to the advantage of the policyholder
- c. is an offense in the great majority of cases
- d. is a matter left entirely to the discretion of the agent

59. An agent is prohibited from doing all the following except:

- a. alter an application without the applicant's prior written approval
- b. convince a prospective client to cancel his policy in one insurance company in order to buy a policy in the insurance company represented by the agent
- c. refund some of his commission to his client
- d. make complete comparisons of policies he sells and those offered by competing insurance companies

60. Selling a person more insurance than what is warranted by his sources is called:
- a. overloading
 - b. twisting
 - c. rebating
 - d. knocking
61. The misstatement of facts by either of the parties of insurance to the other whether in writing or orally preliminary and in reference to making the insurance contract is:
- a. knocking
 - b. overloading
 - c. misrepresentation
 - d. twisting
62. Twisting is:
- a. paying the premium on one policy by surrendering the dividends of another policy
 - b. the replacement of a policy in one company with another policy in another company
 - c. an attempt made by an insurance company to secure the services of an agent from another company
 - d. an offense which does not apply to variable concepts
63. The following are unethical practices in the solicitation and procurement of insurance except:
- a. misleading estimates of the dividends or shares of surplus to be received thereon
 - b. inducing a policyholder to lapse, forfeit or surrender a policy he holds for another company
 - c. misrepresenting the terms of any policy issued by any insurance company or the benefits or advantages promised thereon
 - d. obtaining or attempting to obtain a license by fraud or misrepresentation
64. If the insured dies during the grace period of an unpaid life insurance policy, the amount payable to the beneficiary is usually the:
- a. total premiums paid plus interest
 - b. cash surrender value of the policy minus the unpaid premiums
 - c. face amount of the policy minus the unpaid premiums
65. When you bought an insurance policy on your wife's life, you were 27 and she was 26, but you stated that you were 26 and she was 27. Five years later your wife died. The insurance company will pay:
- a. the face amount
 - b. the face amount adjusted for misstatement of age
 - c. the sum of the premium paid
 - d. slightly less than the face amount
66. A policyholder may obtain money from the insurance company and remain insured by:
- a. surrendering the policy for its cash value
 - b. discontinuing payment of premium for some period
 - c. taking a policy loan
 - d. taking the extended insurance option
67. Within two years of buying a life insurance policy, you are accidentally killed when your car hits a tree. In these circumstances, the insurance company will:
- a. refund premiums because it is suicide
 - b. pay double the face amount
 - c. pay the face amount
 - d. pay nothing

68. Which one of the following provisions in a permanent life insurance policy may lapse for non-payment of premium?
- a. Guaranteed Insurability
 - b. Automatic Premium Loan
 - c. Settlement Options
 - d. Reinstatement Provision
69. According to the insurance law, a common-law spouse cannot be designated a beneficiary:
- a. since there is no benefit of marriage in the relationship
 - b. if his/her legal partner is still living and the previous marriage has not been legally dissolved
 - c. since the common-law relationship is an immoral relationship
 - d. all of the above
70. The parties involved in a life insurance contract are the:
- a. insurance company and agent
 - b. insurance company and insured
 - c. agent and insured
 - d. insured and beneficiary
71. The common practice of most life insurers is that the life insurance goes into force:
- a. when the application is received by the branch office
 - b. when the policy is delivered to the applicant
 - c. in accordance with the legal stipulation of the Insurance Code
 - d. when the agent gives a binding receipt
72. The term knocking means:
- a. promising to pay to two annuitants a fixed annual income as long as both survive
 - b. making derogatory remarks about competing underwriters or companies
 - c. the number of years that persons at a given age will live on the average as shown by the mortality table
 - d. none of the above
73. One example covered under the ethical practices and procedures is:
- a. keep all policyholders information confidential
 - b. always recommend a will
 - c. never drink in front of a client
 - d. always pick up the first premium with the application for insurance
74. An insurance agent's license can be revoked for:
- a. fraudulent practices
 - b. violation of any provision of the Insurance code
 - c. misrepresentation in the application for license
 - d. any or all of the above
75. Rebating is:
- a. dating the policy a month in advance
 - b. giving false information
 - c. twisting
 - d. premium discrimination against policyholders
76. Persuading a policy-owner, directly or indirectly, to surrender or lapse a policy in one company and replacing it with a policy in another company is:
- a. rebating
 - b. twisting
 - c. knocking

d. discounting

77. Which one of the following statements is correct?

- a. rebating of premiums can only be authorized by the head office of the insurer
- b. a life insurance agent is not allowed to identify on his letterhead the name of the insurer he represents
- c. life insurance agents are allowed to act for two insurers at the same time under the same license
- d. rebating of premiums by an insurance agent is prohibited

78. Which one of the following statements is correct?

- a. an agent is allowed to share commissions when selling a whole life policy but not when selling a term policy
- b. an agent is allowed to share commissions with another licensed agent or agents but with no one else
- c. sharing the commission with any other person is called twisting
- d. an agent is not allowed to share commissions with any person

79. The insurance industry is under government regulations because:

- a. it is required to account for money spent in company operations
- b. it pays high taxes
- c. it affects public interest
- d. it is a charitable institution

80. The typical grace period provision in a life insurance policy obliges the life insurance company to:

- a. establish a policy loan without interest to cover any premium which the policyowners fails to pay by due date
- b. keep the policy in force for a duration of any major disability suffered by the policyowner
- c. allow the policyowner a three-month extension beyond the due date to make the late premium payment without penalty
- d. none of the above

81. When a policy is assigned absolutely:

- a. the assignee acquires all the rights and interests of the original policyholder
- b. the original policyholder still can exercise some of the rights
- c. the original beneficiary is not changed
- d. none of the above

82. A premium loan differs from the other policy loans in that a premium loan:

- a. need not be repaid by the policyowner
- b. must be repaid during the policy year in which it is granted
- c. goes into effect requiring no separate action from the policyowner
- d. involves higher interest payments because of the greater cost of administration

83. If a policyowner whose wife is the irrevocable beneficiary wishes to cash in his policy, he must:

- a. tell his wife what he is going to do
- b. first take a loan on the policy
- c. have the check issued in the name of his wife
- d. have the wife's consent

84. If a policy did not contain the name of a beneficiary, the beneficiary will be:

- a. the wife
- b. the children
- c. the insured's brothers and sisters
- d. the insured's estate

85. If a policyowner does not pay a premium on the due date, the policy will immediately:
- lapse
 - be converted to a paid up policy for a lesser amount
 - go into automatic premium loan
 - continue in full force for a period of grace
86. If a loan is taken on a participating policy, dividends for that policy while there is a loan against the policy will be
- suspended
 - paid a reduced rate
 - unaffected
87. Choose the incorrect statement.
The entire contract between the policyowner and the insurance company include:
- the application and the policy
 - any verbal statement made by the agent to the applicant
 - any document attached to the policy when issued
 - any subsequent written amendments to the contract
88. Interest is charged on policy loans
- for registered policies only
 - if the loans are outstanding for more than a year, a loan repaid within a year is interest free
 - to replace investment income the insurer cannot earn since a loan has been granted
 - for participating policies only
89. Why is it important that the application be the basis of the policy?
- because the completed application shall be the basis of the policy contract and the company may accept or reject an application based on the information given in the application
 - for the agent to have available data of his prospect in connection with future sales
 - to avoid the necessity of the insurer putting all relevant details in the contract
 - none of the above
90. The suicide clause is in effect for:
- the first 6 months
 - the first year
 - the first 2 years
 - the first 18 months
91. Which of the following is a settlement option?
- policy loan
 - cash surrender value
 - extended term insurance option
 - interest on insurance proceeds
92. In case of misstatement of age:
- the policy is cancelled and a new one is issued for the correct age
 - the insured can be changed
 - the amount of insurance is adjusted to the amount which the premium paid at the correct age would have purchased
 - the policy remains in force and the company cannot contest it
93. What are the basic settlement options?
- cash surrender value, automatic premium loan
 - fixed amount, fixed period, interest, fixed period and for life

- c. double indemnity, total disability waiver of premium
 - d. policy loans, assignment, beneficiary designation
94. In the event that a policy elects the paid up insurance option:
- a. the premiums stop and the policy continues for the full face amount until age 65
 - b. the premium cease and protection continues with a reduced amount of coverage
 - c. the insurance continues at a reduced amount and with a reduced premium
 - d. the policy will automatically terminate
95. The three non-forfeiture values in a permanent policy are:
- a. cash dividends, bonus additions and extended term insurance
 - b. cash surrender value, loan value, assignment
 - c. waiver of premium, reinstatement and the policy loan
 - d. cash surrender value, paid value, extended term insurance
96. Which one of the following statements is correct?
- a. an insurance agent's license will be renewed when the commissioner is satisfied that the information in the application is accurate and all requirements are met
 - b. an insurance agent's license is valid only for one month
 - c. an insurance agent's license is valid during the lifetime of the agent
 - d. an insurance agent's license will be renewed when the corresponding application and fee are received by the Insurance Commissioner
97. The IC has the power to adjudicate insurance claims against insurance companies for any single claim not exceeding:
- a. P1,000,000
 - b. P250,000
 - c. P100,000
 - d. P500,000
98. Prior to granting a license, the IC requires proof of:
- a. a clean record of employment
 - b. a reasonable educational background
 - c. a prospective agent's character and reputation
 - d. all of the above
99. Policy reserves are future obligations on the part of:
- a. the Insurance Commission
 - b. the Insurance Company
 - c. the beneficiary
 - d. the policy-owner
100. Stock companies are owned by:
- a. policy-owners
 - b. stockholders
 - c. creditors
 - d. government
101. Which of the following statements is correct?
- a. advertising by life insurance agents is prohibited
 - b. all information about a client or a prospective client has to be treated as confidential
 - c. the agents should always recommend the amount and type of policy to a prospective client which would be profitable for the company
 - d. when an agent advertises his services in the press, he is not allowed to state the name of his company

102. All of the following statements regarding a life insurance application are correct except:
- it must be signed by the applicant
 - it will be made a part of the policy contract
 - misstatements of material facts could void the policy during the contestable period
 - statements made on the applications are warranties
103. Name the provision in a permanent life insurance policy under which if the premiums are discontinued full insurance coverage will be maintained for a specified period.
- extended term insurance
 - paid up insurance
 - paid up additions
 - life income option
104. With employer-employee groups, an employee does not fill out a personal application for insurance. Instead, he merely fills out:
- an enrollment card
 - a registration card
 - a certificate of insurance coverage
 - a salary deduction form
105. Benefits payable under health insurance policies cover:
- accidental death and dismemberment benefits
 - expense reimbursement benefits
 - disability income benefits
 - all of the above
106. In the event an employee leaves the company in which he is a member of its group insurance policy, his group coverage can be changed to an individual policy using the:
- policy exchange facility
 - conversion privilege
 - change of plan provision
 - policy change form
107. A life insurance company earns income from two main sources:
- premium income and investment income
 - mortgage income and premium income
 - dividend income and interest income
 - mortgage income and dividend income
108. An annuity plan:
- offers life insurance protection
 - offers the waiver of premium benefit
 - is the same as an endowment plan
 - is a purchase of income
109. The person who purchases the annuity plan is called the:
- assignor
 - owner
 - insured
 - annuitant
110. Disability benefits are not paid:
- For self-inflicted injuries
 - If there is a loan against the policy

- c. If all the policy dividends have been withdrawn
 - d. If disability resulted from sickness only
111. In life insurance, which of the following does the term "substandard rates" generally refer to?
- a. Premiums charged to persons who are considered to have higher-than-average risk categories
 - b. Premiums charged for policies with low amounts
 - c. Mortality rates that are lower than those expected by the company according to its mortality
 - d. Mortality rates that are lower than the rates suggested by the regulatory authorities
112. What are the basic settlement options if the policy owner will avail a claim?
- a. Policy loan, guaranteed insurability
 - b. Cash surrender value, automatic premium loan
 - c. Double indemnity, total, and permanent disability waiver
 - d. Fixed amount, fixed period, life income, interest on deposit
113. Which of the following does a limited pay life policy provides?
- a. Low-cost protection only for a limited term of years with savings
 - b. Protection for the life of the policyholder with premiums payable for a limited term of years
 - c. Protection with premiums payable for life and a low level of savings as an alternative to continued protection in old age
 - d. The highest level of savings for the insured within a specified term of years
114. Your client tells you that when his father died, he received P500,000 free of Estate Tax, and that he had not even known that his policy existed. Which of the following classifications did your client fall under?
- a. Irrevocable primary beneficiary
 - b. Revocable primary beneficiary
 - c. Absolute assignee
 - d. Collateral assignee
115. Which of the following statements is FALSE?
- a. The job of an agent is to squeeze as much money as possible out of making a new sale.
 - b. The primary job of an agent is to get people happily involved with the ownership of his policy.
 - c. When an agent meets a prospect for the first, he has to sell confidence in himself.
 - d. When an agent makes a sales presentation, he has to sell confidence in the product.
116. In which circumstance does an insurance company have the right to rescind a policy?
- a. Company discovers during the contestable period that the application contains a material statement
 - b. Company discovers at any time that the policy owner was actually a minor at the time of application
 - c. Insured person is killed in military action during the contestable period of the policy
 - d. Insured person intentionally kills himself during the suicide exclusion period specified in the policy
117. The following statements are FALSE with respect to the description of a person's "human economic value" EXCEPT _____.
- a. Total value of his physical assets
 - b. Total value of the individual's tax contribution to the national economy
 - c. Total value of the assets and any future earnings derived therefrom
 - d. The amount of capital required to replace family income needs

118. What happens to a policy when an irrevocable beneficiary has been designated and the policy owner needs to loan against his policy for a specific reason?
- Any transactions or changes in the policy would need the endorsement of the irrevocable beneficiary
 - Alter the dividend option now in effect
 - Borrow minimal cash loan Avail of a non-forfeiture option
 - Avail of a non-forfeiture option
119. Which of the following is TRUE about the importance of risk appraisal?
- To project dividend rates for participating policies
 - To prevent anti-selection
 - To calculate the mortality rate for a given policy
 - To collate mortality statistics
120. Which of the following is FALSE with respect to reinstatement process?
- Payment of back premiums with interest
 - An application for reinstatement
 - Assumption or repayment of any indebtedness
 - Written assurance of intent to keep the policy in force
121. Chloe wants to elect the paid-up insurance option, what will happen to her policy if she does?
- The insurance continues at a reduced amount and with a reduced premium. The
 - The policy will automatically terminate.
 - The premiums will cease, and protection continues with a reduced amount of coverage.
 - The premiums will stop, and the policy continues for the full face amount until age 65.
122. If there has been a change in occupation from the policy owner without notifying the company, would that affect the benefits of the policy?
- No, benefits agreed upon at the inception of the policy may not be changed.
 - Yes, because such transaction is considered a major amendment.
 - No, benefits and premiums may only be changed at the renewal date of the policy.
 - Yes, unless the policy specified otherwise. If he engaged in a more hazardous occupation, his benefits may be pro-rated.
123. The following statements are true about the consequence of borrowing cash from your policy, EXCEPT?
- Dividend will be reduced by the amount of the current interest.
 - If a large loan is taken after the policy has been in force for some years, the interest cost may exceed the premium.
 - The proceeds of the policy will be reduced by the amount of unpaid loan plus interest, if the insured dies.
 - The policy will lapse if, after reasonable notice, the indebtedness exceeds the cash value.
124. A client tells you that his bank wants him to use his insurance policy so that his bank loan will be paid off if he dies. Which of the following will you recommend?
- He makes a collateral assignment
 - He makes an absolute assignment
 - He appoints an irrevocable beneficiary
 - He appoints a primary irrevocable beneficiary
125. An applicant wants to have a participating policy wherein the death benefit will be maximized. Which of the following will you recommend?
- Accumulated dividend

- b. Paid-up additions
- c. Paid-up insurance (reduced insurance)
- d. Extended term

126. The following statements are TRUE, except:

- a. Agents with persistent business seldom stay long with one company.
- b. When a policy lapses, the agent loses all future commissions on renewal premiums.
- c. When a policy lapses, the agent loses a valuable source of prospect.
- d. Too many lapsed policies can cause an agent's agreement to be cancelled.

127. Life insurance application usually carry large amount of information that ____.

- a. Describes the desired benefits and mode of payment
- b. Describes the type of insurance applied for
- c. Relates to the insurability of the applicant
- d. Identifies the applicant

128. A life insurance agent is permitted to

- a. Prepare routine proposals for life insurance coverage
- b. Waive any of the requirement of the company
- c. Guarantee dividends on participating policies
- d. Fill out a blank application form for insurance on behalf of his/her clients.

129. The fundamental advantage of the use of life insurance as a means of meeting economic losses is that through life insurance, these losses are

- a. Deferred for a specified period of time
- b. Reduced for the group as a whole through the multiplier effect
- c. Spread over a large number of people

130. The basic purposes of a conditional premium receipt are to acknowledge payment of initial premium for life insurance and to ____.

- a. Guarantee that a policy will be issued as applied for
- b. Backdate the policy to save age
- c. Eliminate the need for acceptance of the offer in forming the contract
- d. Provide insurance coverage earlier than the policy delivery date if certain requirements are met

131. Mr. Sy walked out of his house one night and was never heard from since. His wife wanted to make a claim on his insurance policy, as she believes that he is dead. In this case, which of the following statements is correct?

- a. The company will pay immediately.
- b. It will require 6 months before the court could declare him dead.
- c. It will take four years before the court could declare him legally dead.
- d. It will take seven years before the court could declare him legally dead.

132. In practice, most claims for the death benefits of life insurance policies are ____.

- a. Paid on the first policy anniversary after the death of the insured
- b. Investigated thoroughly for evidence of misrepresentation or fraud before payment is
- c. Paid promptly as soon as properly completed claim forms are received by the company
- d. Settled by interpleader proceedings

133. Which of the following is a FALSE statement about "Disability Waiver of Premium Rider"?

- a. Disability must occur before a stated date
- b. There is a waiting period
- c. It has to be attached to a life insurance policy

- d. The insured has to die while disabled
134. The life insured died within the grace period and the premium is not yet paid. Which of the following will the insurance company pay to the beneficiary?
- a. Total premiums paid up to the date of birth plus interest
 - b. Face amount of the policy minus the unpaid premium
 - c. Cash surrender value of the policy minus the unpaid premium
 - d. Full face amount of the policy
135. Which of the following statements concerning the insurable interest is FALSE?
- a. Everyone has an insurable interest in his own life
 - b. It is important for purposes of underwriting the risk
 - c. It is deemed to exist by virtue of a relationship by blood or by marriage
 - d. It is deemed to exist if economic loss would occur at the death of the insured
136. Which of the following is a settlement option?
- a. Policy loan
 - b. Interest on insurance proceeds
 - c. Cash surrender value
 - d. Extended term insurance option
137. Pepito wants to update his yearly renewable term life insurance policy. Which of the following is TRUE about a yearly renewable term life insurance?
- a. Evidence of insurability shall be required every renewal.
 - b. The policy owner may renew the policy only once.
 - c. Premiums shall increase every time the policy is renewed
 - d. Cash values will increase for as long as the policy is in force.
138. Which of the following is a living benefit in an insurance policy?
- a. Waiver of premium for disability
 - b. Cash surrender value
 - c. Guaranteed insurability benefit
 - d. Right to change beneficiaries
139. Group life insurance covers ____.
- a. Death of the employee regardless of cause except suicide during the first year (sometimes two years)
 - b. Death provided it is during working hours and in the place of employment
 - c. Only death by heart attack, pneumonia or cancer
 - d. Accidental death only
140. A businessman has arranged for a development loan that will be available 1 year from now. Because he is unable to wait until then he has arranged an interim loan with his bank. The only problem is that the bank wants loan secured against the risk of his death. What is the best economic arrangement that you recommend?
- a. Interim term
 - b. Decreasing term
 - c. Yearly renewable term
 - d. Extended term
141. When you bought an insurance policy on your wife's life, you were 27 and she was 26, but you stated that you were 26 and she was 27. Five years later, your wife died. Which of the following will the insurer pay?
- a. The face amount

- b. The sum of the premium paid
- c. Slightly less than the face amount
- d. The face amount adjusted for misstatement of age less any policy debts

142. Life insurance policy loans are limited to an amount wherein the interest should not exceed the ____.

- a. Present value of future premiums
- b. Cash value of the policy
- c. Total premiums paid
- d. Net amount of risk

143. Which of the following will an applicant select if he/she wants participating policy that comes with maximum cash available for emergencies?

- a. Loan value
- b. Paid-up addition
- c. Accumulated dividends
- d. Extended term insurance

144. What will happen if the insured fails to pay the interest on a policy loan during its policy anniversary?

- a. Increase the present loan by the interest
- b. Demand full settlement of the loan
- c. Terminate the contract
- d. Demand full settlement of the loan Refuse to grant future additional loan

145. If premiums are being waived under a waiver of premiums benefit and the insured dies, the beneficiary claims ____?

- a. Face amount plus all charges paid
- b. The Face amount
- c. Cash surrender values plus dividends (if any)
- d. Face amount less unpaid premiums

146. Your client George wants to apply for a life insurance policy. As his advisor, you would advise him to do all of the following, EXCEPT which one?

- a. To convey to the company the desire of the applicant to obtain insurance
- b. To furnish information on which the contract of life insurance may be written
- c. Furnish initial information as to insurability
- d. Give details pertaining to non-forfeiture options

147. Which of the following will you offer to a 65 year-old prospect who wants to be insured but does not want to pay more than the minimum possible level of premiums?

- a. Whole life policy
- b. A life at age 65 policy
- c. Endowment policy
- d. Term policy

148. The company usually allows a decrease in premium if the insured ____.

- a. Obtains written consent from his or her spouse
- b. Presents satisfactory evidence of insurability
- c. Buys a new plan altogether
- d. Momentarily assigns the policy to the company

149. Insurable interest is necessary when a person insures another ____.

- a. Because interest on premiums must be entered
 - b. To establish that there is a genuine risk
 - c. So that the person being insured may be properly appraised
 - d. To have a faster application process
150. Claire is considering purchasing either an endowment or term life policy. What do these policies have in common?
- a. No cash value is available to the policy owner during the term of the policy
 - b. A benefit will be paid at the end of the period of coverage if the person is then alive
 - c. Insurance protection will be limited to a specified period
 - d. Renewal and conversion privileges are available
151. How does life insurance directly contribute to the welfare and progress of the country?
- I. By reducing mortality rate of a certain country
 - II. By accumulating capital for investment in commerce and industry
 - III. By encouraging provision for the future
 - IV. By partially relieving the community of the care of the dependents
- a. I and II only
 - b. II and III only
 - c. I, II and III only
 - d. II, III and IV only
152. A whole life policy provides _____?
- a. Protection with premiums payable for life and low level of savings as an alternative to continued protection in old age
 - b. The highest level of savings for the insured within a specific term of years
 - c. Low cost protection only for a limited term of years with no savings
 - d. Protection for the life of the policyholder with premiums payable for a limited term of years
153. Which of the following statements best describes a Pure Endowment policy?
- a. It is actually a combination of endowment insurance and term insurance.
 - b. It pays proceeds only if the insured will die within the coverage period.
 - c. It pays proceeds to the insured only if he lives to the end of a specified period
 - d. It pays proceeds to the insured if he lives to the end of endowment period, or pays the face amount to named beneficiary if the insured dies before the end of the endowment period.
154. Which of the following considerations is required by the life insurance company to make the insurance coverage effective?
- a. Applicant's promise to act in good faith
 - b. Payment of each renewal premium before the end of applicable period
 - c. Beneficiary's continuing insurable interest in the life of the insured
 - d. Payment of the initial premium
155. Which policy permits the policyholder to vary the level of premiums, the sum insured, and has its cash values dependent on the investment performance, and the level of premiums paid?
- a. Participating endowment
 - b. Participating whole life policy
 - c. Universal life
 - d. None of the above
156. An agent's license may be revoked by the Insurance Commissioner_____.
- I. When an agent influences the applicant's choice of plan to be purchased
 - II. When the agent has diverted any premium collection for his personal use
 - III. When the applicant for license has intentionally withheld information concerning his conviction of a crime involving moral turpitude

IV. None of the above

- a. I only
- b. I and II only

- c. IV only
- d. I, II, and III only

157. Which of the following statement best describes a limited payment life policy?

- a. Limit the number of beneficiaries, thereby, minimizing the problems of paying too many people
- b. Limit the conditions under which the policies are payable
- c. Limit the period during which the premiums are payable
- d. Shorten the period when the benefits may be paid

158. When will the waiver of premium take effect?

- I. Disability must be permanent
 - II. Disability must be total
 - III. Disability must be irrevocable
 - IV. Disablement should only consider the loss of bodily parts
- a. I only
 - b. I and II only
 - c. I and IV only
 - d. None of the above

159. Under an endowment policy, if the person whose life is insured survives to the end of the period stated in the policy, the ____.

- a. Policy will automatically be converted to paid-up whole policy
- b. The extended term insurance will be brought into effect
- c. Policy will terminate without value
- d. Face amount of the policy shall be paid

160. "Critical years" in the programming of life insurance means:

- a. Period during which the children are small, and cannot provide for themselves
- b. Years immediately following the insured's death
- c. Years between the time the youngest child is 15 years old and the mother is 62 years old
- d. Retirement years

161. Which of the following sales practices determines a prospect's complete financial requirement before offering a policy?

- a. Multiple products selling
- b. Total needs selling
- c. Planned selling
- d. Counselor selling

162. Jane wants to enhance her existing policy by purchasing a separate provision coverage for a different nature. What would you recommend to her?

- a. Riders
- b. Assignment
- c. Deposit privileges
- d. Dividends

163. Most life insurance agents are expressly authorized to perform the following functions:

- a. Accept initial premium, and waive the insurable interest requirement
- b. Appraise applicants, and decide on a standard or sub-standard rating
- c. Solicit application for insurance, accept the initial premium, and issue a receipt on behalf of the insurance company
- d. Solicit and approve the application of the proposed insured

164. Applicants for life insurance with moderate physical impairments are called sub-standard risks and ____.
- Are issued policies without any non-forfeiture values
 - Are required to pay premiums on an annual basis
 - Therefore cannot obtain life insurance in any company
 - May be insured at increased rates to compensate for the extra hazard
165. A risk is considered substandard based on any or all of the following criteria
- Occupation, character, and family health history
 - Income, educational attainment, occupation
 - Death, income, and educational attainment
 - Death, occupation, and moral character
166. Which of the following statements satisfies the requirement that the beneficiary should have an insurable interest?
- The insured belongs to the same club as the beneficiary
 - The insured and the beneficiary are engaged in a similar occupation
 - The insured and the beneficiary regularly travel to and from work in a car pool arrangement
 - The insured is financially indebted to the beneficiary
167. Which of the following statements best describes a hazardous occupation?
- An occupation in unhealthy working conditions exposing the insured to elements which can cause sickness
 - An occupation in which the duties expose the insured to a degree of sustaining injury
 - An occupation that requires a life insurance coverage
 - An occupation which exposes the insured to social hazards
- None of the above
 - I, II, and IV only
 - I, III, and IV only
 - I, II, and III only
168. What source of information will an insurance company not consider from a client pertaining to insurability?
- Government tax records
 - Medical examination report
 - The applicant's personal appearance
 - Agent's inspection report
169. What is the legal consideration for the promise made by the insurance company in a life insurance contract?
- Approval by the underwriters
 - Payment of renewal premium
 - Payment of the initial premium
 - Establishment of the reserve
170. Which of the following describes the convertible features of a term insurance policy?
- It may be changed to another whole life policy.
 - It may be changed to permanent insurance without evidence of insurability.
 - It may be changed to another term insurance policy without evidence of insurability.
 - It may be changed for a guaranteed sum.
171. Which of the following is TRUE about Participating Life Insurance policies?
- Develop profit which must be paid to stockholders

- b. Permit beneficiaries to exercise certain ownership rights during the lifetime of the insured
 - c. Allow variation in the wording of certain provisions
 - d. Provide for the distribution of dividends to the policy owner
172. Which of the following does the savings element of permanent plans build up?
- a. Maturity benefits
 - b. Death benefits
 - c. Dividends
 - d. Cash value
173. Insurance provides protection against economic loss by enabling the policy owner to ____.
- a. Take speculative risk to compensate for the loss
 - b. Transfer responsibility for the loss to others
 - c. Share the loss with others exposed to similar risk
 - d. Reduce the possibility of the occurrence of the event causing the loss
174. A prospect tells you that he wants the maximum possible provision for his retirement with no life coverage. Which of the following would you offer him?
- a. Limited-whole life policy
 - b. A 20-pay life policy
 - c. A life paid-up at age 65 policy
 - d. None of the above
175. What is the commuted value of an insurance policy?
- a. The single sum of money which is equal in value to the discounted future payments
 - b. The cash value of basic addition
 - c. The paid-up value of the policy
 - d. The cash value of the policy after the loan has been deducted
176. The grace period provision in life insurance policies is the defined amount of time after the premium is due in which a policyholder can still settle his/her premium payment without any charge or lapsation of coverage. What is the purpose of such provision?
- a. To permit the company to extra charges
 - b. To compel the insured to pay premiums more promptly
 - c. To terminate the contract of insurance automatically
 - d. To give the insured more time to pay the premium while coverage remains in-force
177. Olive owns a policy that is kept in force by paying the premiums on a semi-annual basis. If she elected the non-forfeiture option. This means she ____.
- a. Renews a term life policy
 - b. Converts a term policy to a whole life policy
 - c. Discontinues premium payments for a whole life or endowment policy
 - d. Chooses a mode of settlement for the life proceeds
178. If Phoebe wants to continue her renewable term insurance, which of the following she may do?
- a. Renew providing the insurance company agrees to continue coverage
 - b. Renew the coverage based on a higher premium
 - c. Change the life insured at renewable date
 - d. Renew at the same premium for further period of years
179. The following statements about Orphan policy owners are FALSE, except:
- a. Orphan policy owners are good sources of prospect and new sales
 - b. New agents should stay away from orphan policy owners

- c. Orphan policy owners will only deal with their original agents
 - d. Orphan policy owners hardly need an agent's services
180. Which of the following statement does not describe a legitimate insurable interest?
- a. An individual on the life of his mistress
 - b. A finance company on the life of its borrower
 - c. An individual on the life of his spouse
 - d. An individual on his own life
181. A life insurance company will not pay a disability benefit if ____.
- a. There is a loan against the policy
 - b. Self-inflicted injuries
 - c. Disability resulted from sickness only
 - d. All policy dividends have been withdrawn
182. At the end of 25 years, which statement is true for a 25-year Life policy and is not for a 25-year endowment?
- a. The contract is terminated
 - b. No further premiums are paid
 - c. The insurance remains in-force
 - d. The sum insured is paid
183. Which rider could greatly increase the total life coverage of a permanent basic policy?
- a. A supplemental term rider
 - b. An interim term rider
 - c. An accidental death benefit rider
 - d. None of the above
184. Some life insurance companies sell life insurance policies with cheaper premiums to females than men. Which of the following justifies the practice?
- a. Women have a longer life expectancy (after age 54) than men
 - b. Generally, women buy the higher premium rate policies, such as an endowment policy or retirement income policy
 - c. Women are less likely to lapse the policies
 - d. Generally, women have less hazardous jobs
185. What is a policy that affords coverage for two or more persons simultaneously with the face amount of the policy payable when any of the insured dies at which time the policy terminates automatically?
- a. Split Pesos Insurance Plan
 - b. Joint Life Policy
 - c. Double Duty Pesos Insurance
 - d. Joint and Survivor Annuity
186. A Family Income rider is specifically designed to ____.
- a. Provide a retirement income for the insured and his spouse.
 - b. Provide an income for the adjustment period immediately following death
 - c. Provide a monthly income from the date of death of the insured to some future date specified in the contract
 - d. Pay twice the face amount of the policy in the event of death.
187. The life insurance business relies on the following, except:
- a. Pressure selling

- b. The level of first year commission
- c. Agent's service-oriented attitude
- d. The use of effective needs selling

188. In most cases, what will happen to a policy loan that has not been repaid at the time of the insured's death?
- a. It will be deducted from the proceeds of the policy when the death claim is paid.
 - b. It will be written off against the insurance company under the terms of the premium loan repayment option.
 - c. It will be collected from the life insurance company's reserve.
 - d. It will be charged to the person responsible for paying the debts of the insured.
189. Eric chose a straight-premium whole life policy over a limited payment whole life policy. What is the advantage of such purchase?
- a. More insurance protection for the same annual premiums outlay
 - b. More rapid accumulations cash values
 - c. Concentration of premium payments during the period of highest earnings
 - d. Liberal risk selection procedures
190. What is the purpose of the incontestability clause?
- a. Prevents the company from denying a claim after the policy has been in force for two (2) years
 - b. Makes it necessary for the beneficiary to present proof of death in the event of a death
 - c. Permits that company to pay claims within two (2) years
 - d. Gives the company the right to rescind a policy at any time
191. When is the only instance a life insurance contract is treated primarily as an indemnity agreement?
- a. Person insures the life of his or her spouse to protect against the loss of income earned by the spouse
 - b. Person in a partnership insures the life of his partner to protect the firm against loss due to the death of that partner
 - c. A person insures the life of a friend
 - d. Creditor insures the life of his debtor to protect himself
192. Which of the following are requirements in reinstating a policy after it has lapsed for non-payment of premiums?
- a. Application for reinstatement within the specified time
 - b. Payment of all overdue premiums
 - c. Proof of insurability and payment of interest on overdue premiums
 - d. All of the above
193. Which of the following is not true about insurance premiums?
- a. Cash is required for all premiums paid in the grace period
 - b. Premiums which are paid quarterly or semi-annually are higher than those paid annually
 - c. A premium is the legal consideration needed to effectuate a life insurance policy
 - d. The grace period is usually 31 days.
194. All of the following statements about a life insurance guaranteed cash benefit are correct, except:
- a. Family dependency period income
 - b. Clean-up fund
 - c. Mortgage
 - d. Educational fund

195. Lance applied for a Ps. 20,000 whole life policy, and paid the full initial premium to his agent, who issued a binding receipt. Under such scenario, what does the insurance company do?
- Immediately provides interim insurance that remains in effect until the policy is issued or the application is declined
 - Promise that the insurance coverage will become effective as of the date of the application is approved
 - Guarantee the policy will be issued as applied for
 - Offer permanent insurance coverage effective as of the date of the application
196. How does the law of probability help life insurance companies?
- Determine the experienced death rate among the insured persons
 - Develop statistics of past deaths among the general population
 - Predict when an individual insured will die
 - Estimate future death rates among members of a given
197. In life insurance, there is always "agency" relationship between the ____.
- Insured and the insurance company
 - Beneficiary and the insurance company
 - Policyowner and the soliciting agent
 - Soliciting agent and insurance company
198. To waive life insurance premiums under a typical waiver of premium for disability clause, the disability of the insured person must be total, and which other condition?
- It has been caused by illness of a chronic nature, not accident
 - It has been caused by accident, not by illness of a chronic
 - It was expected to continue until death
 - It has continued for a specified period, such as six months
199. What is a provision in the permanent life insurance policy that grants full coverage for specified period even if premiums are discontinued?
- Reduced paid-up insurance
 - Extended term insurance
 - Paid-up insurance additions
 - Life income option pension
200. A widow of your policyholder refuses to receive a lump sum payment and would like to receive monthly allowance for the rest of her natural life instead. Which option do you recommend?
- Fixed income option
 - Fixed period option
 - Life annuity option
 - Periodic annuity option
201. Setting aside possible legal impediments, which option would you recommend if an endowment policy owner, at age 65, tells you that he wants to provide his church with a monthly donation for as long as the church exists?
- Life annuity option
 - Interest option
 - Periodic annuity option
 - Fixed income option
202. What makes endowment life insurance and term life insurance similar with each other?
- Provide life insurance protection for only the period of time specified in the policy contract
 - Contain provisions for automatic continuation of the insurance protection at the end of a specified period
 - Provide for payment of the face amount if the insured is alive at the end of specified period
 - Build up cash value rapidly in the early policy years

203. Life insurance companies practice risk selection primarily to ____.
- Determine policy reserve amount
 - Gather and test mortality statistics
 - Guard against anti-selection
 - Establish dividend rates on participating policies
204. Which of the following determines the extent of medical evidence required?
- Date of the last medical examination
 - Financial condition of the applicant
 - Occupation of the applicant
 - The age of the applicant and the proposed sum to be insured
205. Mr. Barrio has been insured under the employee group life insurance plan for several years. Which of the following will happen to Mr. Barrios' group life insurance if he leaves this job?
- Continue to provide coverage of the same amount for a period of 31 days during which Mr. Barrio can convert to an individual policy
 - Changed, upon the employer's notice to the insurance company, to a permanent plan of insurance for the same amount
 - Coverage will stop at once
 - Cover him for a reduced amount of paid-up term insurance until the end of the current policy year
206. Mr. Lorenzo and his primary beneficiary died in a common accident. It was established that the primary beneficiary died before Mr. Lorenzo, and there are no contingent beneficiaries named. To whom will the proceeds of Mr. Lorenzo's life insurance policy be paid?
- Both the estates of the insured and primary beneficiary on a 50/50 percent basis
 - A court of law
 - The estate of the primary beneficiary
 - The estate of the insured
207. A whole life policy with an initial premium rate that applies to the first five (5) years of the policy and a higher premium rate that applies to the remainder of the premium-payment period is known as ____.
- An experience-premium policy
 - A guaranteed renewable policy
 - An extended life policy
 - A modified life policy
208. When does an interpleader come into play?
- To determine if the cause of the insured's death was an excluded risk
 - To decide conflicting claims on the same insurance proceeds
 - To resolve the question of insurable interest
 - To recommend the best settlement options for the beneficiary if the interest on a policy loan is not paid at the policy anniversary of the insurance
209. In order for an assignment of a life insurance policy to be binding upon the company, ____.
- It must be of the limited type
 - It must be made in writing and filed with the company
 - The company must certify to its validity
 - The company must be satisfied that it is justified
210. When does insurable interest must exist?
- Until the maturity date of the policy

- b. For as long as the insurance policy remains in force
 - c. At the inception of the policy
 - d. Throughout the premium paying period
211. Paid-up addition option is one of the following features available in a participating policy. Which of the following is true about paid-up additions?
- a. Don't affect the loan or cash value of the policy
 - b. Don't affect the cash value of the policy
 - c. Only affect the cash value of the policy
 - d. Affect both cash and loan value of the policy
212. When the beneficiary of a life insurance policy has been designated irrevocably, the policy owner must obtain the consent of the beneficiary in order to:
- I. Surrender the policy for its cash value
 - II. Obtain a loan under the policy
 - III. Name a different person to receive policy benefits
 - IV. Elects the extended term non-forfeiture option
- a. All of these
 - b. I, II, and IV
 - c. I, II, and III
 - d. I, III, and IV
213. Mr. Pascual has been with his partner for more 20 years, since he and his wife separated. Though he and his wife had remained friends, they agreed that they would no longer have interest in each other's assets after the separation. With this, Mr. Sanchez wishes to name his long-time partner to be his beneficiary. Can he do this?
- a. No, because common-law spouse may not be nominated as beneficiary as per Philippine Law
 - b. No, because they don't have children
 - c. Yes, because he has been together for so long.
 - d. Yes, because Mr. Pascual and his wife has already agreed not to make any claim should anything happen
214. This statement is FALSE about a life insurance application:
- a. Statements made on the application are warranties
 - b. Usually, it will be made a part of the policy
 - c. It must be signed by the applicant
 - d. Misstatement of material facts could void the policy during the contestable period
215. The Insurance Code specifies that a contract does not take effect unless:
- a. Payment of the first premium is made to the insurer or its authorized agent
 - b. The policy is delivered to an insured, his assignee, agent, or beneficiary
 - c. The insured has named no fewer than two beneficiaries in the policy
 - d. No change has taken place in the insurability of the life to be insured between the time the application was completed and the time the policy was delivered
216. Carlito and his wife have a whole life and endowment policies respectively, that is why they are both assured that certain minimum policy benefits will remain with them even under certain changed conditions. Which non-forfeiture provision holds true with the given situation?
- a. The face amount of the policy will remain the same even if the insured's health becomes impaired
 - b. The premium on the policy will remain the same even when another beneficiary is added to the policy
 - c. No death claim will be denied for any misstatement on the application

- d. Any guaranteed policy values will belong to the policy owner even if premium payments are discontinued
217. In a case where the premium has not been paid and the cash value has been exhausted, which of the following can the policy still avail of?
- a. Reinstatement provision
 - b. Automatic premium loan provision
 - c. Grace period
 - d. Extended term insurance
218. What does a person have when he, the beneficiary, suffers financial loss caused by the death of the insured?
- a. Insurable Interest
 - b. Qualification
 - c. Anti-selection
 - d. Speculation
219. Greg bought a policy on the life of his wife and was not able to clarify to the insurance company that his wife was a year older when they bought their life insurance policy. What will the insurance company pay in case his wife dies?
- a. The face amount
 - b. The sum of the premium paid
 - c. Slightly less than the face amount
 - d. The face amount adjusted for misstatement of age
220. The premium on a participating life insurance policy is ____.
- a. Lower than a non-participating policy
 - b. Higher than a non-participating policy
 - c. The same as a non-participating policy
 - d. Greater at younger ages
221. In personal accident and/or sickness contracts, what does "blanket policies" refer to?
- a. Insurance for all types of hospital and health care
 - b. An insurance without contestability period
 - c. Group insurance covering loss from specific hazards, incidental to or related to particular activities
 - d. Insurance covering all hazards
222. As a Life Insurance Agent, we are NOT prohibited to:
- a. Convince a prospect to cancel his policy in one insurance company to buy a policy from the insurance company represented by the agent
 - b. Alter an application without the applicant's prior written approval
 - c. Make complete comparison of the policies he sells and those offered by competing insurance companies
 - d. Refund some of his commission to his client
223. Mr. Tenorio's participating whole life insurance policy includes a waiver of premium for disability benefit. During the period when premium payments are being waived under this provision, the cash value of this policy will ____.
- a. Stop increasing for the term of the rider
 - b. Increase, and Mr. Tenorio will continue to receive policy dividends
 - c. Remain the same, and Mr. Tenorio will continue to receive policy dividends
 - d. Decrease, but Mr. Tenorio will continue to receive policy dividends

224. An applicant's birthday, occupation, and vocation are just some of the pieces of information being used by an insurer during application for what purpose?
- Assigning the risk
 - Appraising the risk
 - Determining a suitable plan of insurance
 - Determining the insurable interest
225. Pia is the beneficiary of her dad's insurance policy. When it was time for her to make a claim, she was offered different options, which of these settlement options does not apply to her?
- Proceeds held by the company, with interest payable to the beneficiary on request
 - Payment of the proceeds in fixed amounts until exhausted
 - Payment of the proceeds for the life of the insured
 - Payment of the proceeds over a fixed period
226. Mark failed to disclose that he is already a high-risk candidate for high blood pressure during the initial years of the policy. How will his contract be affected by such information?
- Valid if the insurer issues a policy which is delivered to the applicant
 - Voidable by the insurer if it has been in force for less than 2 years
 - Voidable by the insurer if it has been in force for less than 1 year
 - Valid unless the insurer can prove fraud
227. What is the restriction when the death benefit of a policy is restricted in amount during the early years of the policy?
- A lien
 - A subtractive clause
 - Rate adjustment
 - An increasing death benefit
228. Charlotte, a housewife without gainful employment, applies for \$500,000 life coverage. Which of the following should the agent do?
- Tell her she has no need for it
 - Suggest she doubles the amount
 - Examine the adequacy of the husband's insurance coverage
 - Be grateful
229. A policy is approved with this rating when the insured has a higher than average chance of dying prematurely due to varying degrees of impairments.
- Substandard Rate
 - Standard Rate
 - Postpone
 - Decline
230. Which of the following increases yearly is based on the insured's attained age?
- Death Benefit
 - Living Benefit
 - Natural Premium
 - Level Premium
231. Edi and Jay have been business partners for 5 years. Last year, they decided to set up a convenience store together. Can Edi nominate Jay as his beneficiary when he applies for a policy?
- Yes, because they are business partners, but Jay should also have a cross-insurance naming Edi as his beneficiary.
 - Yes, because they are living together. They are common-law partners.

- c. No, because they are not technically related.
- d. No, because Philippine law does not recognize same-sex relationships and marriages.

232. In theory, endowment insurance is a combination of what?

- a. Level term and pure endowment
- b. Level term and whole life
- c. Increasing term and decreasing whole life
- d. Increasing term and whole insurance

233. When does the insured person receive the full face amount himself?

- a. When he becomes 65 years old in the case of limited pay life
- b. Only if he lives to 100 years old in the case of an endowment
- c. On the date of maturity in the case of endowment policy
- d. When he becomes 65 years old in the case of a whole life policy

234. If an agent is not productive, it can affect the company's:

- a. Expense
- b. Profit allowance
- c. Investment yield
- d. Risk sharing

235. All of the following are Standard Provision of a life insurance policy, except:

- a. An automatic premium loan clause
- b. An entire contract clause
- c. A misstatement of age clause
- d. A grace period clause

236. This type of life insurance provides lifetime protection with premiums payable in limited number of years, with cash values, and dividends. The face amount is paid when the insured dies, or reaches the age of 100, whichever comes first.

- a. Regular Whole Life Plan
- b. Level Term Plan
- c. Regular Endowment Plan
- d. Limited Pay Life Plan

237. Victor is young professional who loves sports. He engages in combat sports such as Kickboxing and MMA on his leisure time as his fitness routine. He tries to keep himself fit and does not take on any vices except for occasional drinks with friends. What could be his rating should he apply for a life insurance?

- a. Substandard Rate
- b. Standard Rate
- c. Postponed
- d. Decline

238. Most binding receipts have the following provision, except:

- a. A minimum amount of coverage
- b. An acknowledgement of the receipt of the initial contractual premium
- c. There is a confirmation of payment
- d. The right of the company to terminate the initial coverage if the application is disapproved by the company

239. Ben has a policy with you for Ps 1,000,000, which is payable to his estate, and he tells you that he wants his wife to receive the money free from Estate Tax. What would you recommend?

- a. Make an absolute assignment
 - b. Make a collateral assignment
 - c. Appoint an irrevocable beneficiary
 - d. Take a new policy with the bank as a third party
240. One supplementary benefit offered is a payor's benefit, which is intended to ____.
- a. Provide for the returns of premiums to an adult payer in the event that a minor insured dies
 - b. Provide a waiver of premium benefit in the event of death or disability of the person paying the premiums
 - c. Allow the insurance company to pay the policy's proceeds to the person who seems equitably entitled to the proceeds
 - d. Assure that the adult payor will retain a vested interest in the policy when the insured reaches the age of majority
241. In the event of an insured death, his common-law spouse filed for claim to his insurance. Since they were never married because of the insured's previous marriage, the common-law spouse's claim was denied. His parents were nominated as his beneficiary, but the insured outlived them. Where will the insured's insurance proceeds go?
- a. To the insured's estate
 - b. To the state
 - c. To his siblings
 - d. To his legal wife
242. The basic coverage provided by life insurance policies may be supplemented by separate provisions that provide coverage for additional amounts or of a different nature. Collectively, these provisions are known as ____.
- a. Dividends
 - b. Riders
 - c. Deposit privileges
 - d. Assignment
243. Henry has recently retired and now wants to pass his present life insurance policy which is payable to his estate to his son who will assume the premium payments. Which of the following will he have to appoint his son to achieve his desire and protect him from Estate Tax Liability?
- a. Revocable primary beneficiary
 - b. Irrevocable secondary beneficiary
 - c. Absolute Assignee
 - d. Irrevocable primary beneficiary
244. Enrico, at age 35, purchases a policy under which he, in 20 years, will receive the face amount of the policy himself, if he is alive at that date. This policy is obviously a ____.
- a. 20-year endowment
 - b. 20-pay life
 - c. 20-year limited pay endowment
 - d. 20-year term
245. Which of the following provides protection in a specified period, and pays only the face amount in the event of death.
- a. Term Plan
 - b. Limited Pay Life Plan
 - c. Endowment Plan
 - d. Whole Life Plan
246. Anti-Selection refers to a general tendency on the part of ____.

- a. Persons with impaired insurability to be more keen in obtaining insurance coverage than those persons who are in good health
 - b. Agents to call those prospects who state no obligations to life insurance
 - c. Agency managers to discriminate between loyal agents and disloyal agents
 - d. Applicants for life insurance to opt for inexpensive plans of insurance
247. If a policyholder wants to get the maximum immediate value from non-participating policy by surrendering it, which of the following would he get?
- a. Extended term insurance
 - b. Accumulated dividend
 - c. Cash value
 - d. Loan value
248. In developing a life insurance policy, the company must accumulate from premium payments a fund required to meet the contract obligations. What is this fund?
- a. Policy reserve
 - b. Dividend fund
 - c. Contingency fund
 - d. Accrued discount
249. Edward tells you that he wants to be insured for life at the least annual cost until he dies. What would you offer him?
- a. A whole life policy
 - b. A 20-pay life policy
 - c. Endowment policy
 - d. A term policy
250. A man is about to retire. He has Ps. 100,000, which he wishes to use to provide income for himself as long as he lives, and which would continue to his wife, as long as she lives after his death. Which of the following will you sell him?
- a. Joint and survivorship annuity
 - b. Cash refund policy
 - c. Straight life annuity
 - d. Retirement income endowment
251. William made a policy loan to pay for the tuition fees of his children. After a year, he is still unable to pay for the loan. What will the insurance company do?
- a. Refuse to grant future additional loan
 - b. Terminate the contract
 - c. Increase the present loan by the interest
 - d. Demand full settlement of the loan
252. Which of the following statements best describes Retirement Annuity?
- a. A one-time payment for a pension to start as a predetermined date
 - b. A kind of regular annual savings arrangement to provide a pension for life with no life coverage
 - c. A special kind of medical examination that has to be repeated every year
 - d. An arrangement where a person can pay a Life Insurance Company a sum of money in return for pension for life
253. Which of the following statements best describes the Automatic Premium Loan Provision?
- a. A provision whereby one life insurance company will guarantee payment of the premium to another life insurance company
 - b. A provision whereby the company automatically pays the premium out of the loan value and charges it as a loan to the insured, if said premium due is not paid within the grace period

- c. A provision whereby the company lends the insured the amount of a premium to assure that the non-forfeiture options will be paid
- d. A provision whereby a loan up to the amount of the annual premium is automatic

254. Which of the following statements about group insurance is FALSE?

- a. A covered employee who terminates his employment continues to be covered for 31 days after termination date
- b. A covered employee who terminates his employment continues to be covered for 31 days after termination date. Each covered employee receives a policy.
- c. Most group policies pay dividends to employer.
- d. In a non-contributory plan, 100% of the group members must be included.

255. John named his mother as primary beneficiary and his brother as secondary revocable beneficiary for his Ps. 20,000 policy. Which of the following applies to this situation?

- a. The designation of a contingent beneficiary is subject to the primary beneficiary's approval
- b. Upon the insured's death, the primary and secondary beneficiaries shall each receive Ps. 10,000
- c. The insured can add a third beneficiary at any time
- d. Any policy loan assignment will require the primary beneficiary's approval

256. What insurance company is owned and controlled by the policy owners who also share in the earnings of the insurance company in the form of dividends?

- a. Domestic company
- b. Mutual company
- c. Stock company
- d. Foreign company

257. In determining the number of people dying or living at a particular age within a given period, which principle do we use?

- a. Insurable Interest
- b. Probability
- c. Law of Large Numbers
- d. Mortality Table

258. You visit a prospect who tells you that he does not believe in life insurance because, when his mother died, he was the beneficiary under her life policy. Most of the money went to pay Estate Taxes because her agent made a mistake. Only this man and his sister were named in the policy. Which of the following did they fall under?

- a. Revocable secondary beneficiary
- b. Revocable primary beneficiary
- c. Absolute assignee
- d. Irrevocable primary beneficiary

259. A misrepresentation in the application form is considered to be material if ____.

- a. The insured died during the contestable period.
- b. The misrepresentation is subsequently discovered by the insurance company.
- c. The insurance company would have altered its risk appraisal decision had the truth been known.
- d. The Insurance Commission disregards the misrepresentation

260. All of the following apply under the beneficiary provision, except:

- a. The beneficiary can only receive the policy proceeds if he is alive at the time of the insured's death
- b. The interest of a contingent beneficiary remains inoperative during the lifetime of the insured
- c. An irrevocable beneficiary's interest is very similar to that of an absolute assignee

- d. The beneficiary must notify the company of the insured's death within 24 hours
261. Because the renewal of a term life insurance policy presents an increased possibility of anti-selection, it is customary for the insurance company to ____.
- a. Restrict the policy owner's right to change the beneficiary of a renewable term policy
 - b. Define insurable interest more strictly for term policies than for other policies
 - c. Require some evidence of insurability each time that policy is renewed
 - d. Charge higher premium rates for term policies that are renewable than those that are not renewable
262. What is a policy that is in force for less than the original sum assured with no indebtedness has availed of?
- a. Grace Period
 - b. The Reinstatement Provision
 - c. Cancellation
 - d. Paid-Up Insurance Option

Direction: Write T if the statement is TRUE and F if the statement is FALSE.

263. A participating endowment is a policy that provides non-guaranteed cash values plus extra annual distributions and pays the insured after a specified time.

264. A misstatement of the assured's age makes the policy a void contract.

265. In the case of misstatement of age, the amount of insurance will be adjusted to the amount which the premium paid at the correct age would have purchased.

266. In a group insurance it is assumed that every member of the group is insurable, provided that every member of the group is working a minimum number of (usually 60 hours) each week.

267. In most life insurance applications, the largest amount of information requested is the data which identifies the applicant

268. If the premium has not been paid and the cash values have been exhausted, the grace period provision will no longer apply.

269. Anti-selection occurs when persons with impaired insurability wish to purchase insurance.

270. If policy is still in force for the full face amount and will remain in force for a further period of four years and 117 days, without the payment of any premiums, this implies that the owner has availed of the paid-up insurance option.

271. According to the law of large numbers, events which happen seemingly by chance will actually be bound to follow a predictable pattern, if enough such happenings are observed.

272. An endowment at age 66 policy with premium payable for a limited period of 20 years pays the full amount after 20 year

1. A	47. D	93. B	139. A	185. B
2. D	48. B	94. B	140. C	186. C
3. C	49. A	95. D	141. D	187. A
4. D	50. B	96. A	142. B	188. A
5. C	51. C	97. C	143. C	189. A
6. D	52. D	98. D	144. A	190. A
7. A	53. D	99. B	145. B	191. D
8. B	54. C	100. B	146. A	192. D
9. C	55. B	101. B	147. D	193. A
10. D	56. A	102. D	148. B	194. A
11. A	57. B	103. A	149. B	195. A
12. D	58. C	104. A	150. C	196. D
13. B	59. D	105. D	151. D	197. D
14. C	60. A	106. B	152. A	198. D
15. D	61. C	107. A	153. C	199. B
16. C	62. B	108. D	154. D	200. C
17. B	63. D	109. D	155. C	201. B
18. D	64. C	110. A	156. D	202. A
19. C	65. B	111. A	157. C	203. C
20. A	66. C	112. D	158. B	204. D
21. C	67. C	113. B	159. D	205. A
22. B	68. B	114. A	160. A	206. D
23. D	69. B	115. A	161. B	207. D
24. A	70. B	116. B	162. A	208. B
25. D	71. D	117. C	163. C	209. B
26. A	72. B	118. A	164. D	210. C
27. A	73. A	119. B	165. A	211. D
28. A	74. D	120. D	166. D	212. A
29. D	75. D	121. C	167. B	213. A
30. D	76. B	122. A	168. A	214. A
31. B	77. D	123. A	169. C	215. A
32. A	78. B	124. A	170. B	216. D
33. A	79. C	125. B	171. D	217. A
34. C	80. A	126. A	172. D	218. A
35. A	81. A	127. C	173. C	219. C
36. B	82. C	128. A	174. D	220. B
37. A	83. D	129. C	175. A	221. D
38. B	84. D	130. D	176. D	222. C
39. B	85. D	131. D	177. C	223. C
40. C	86. C	132. C	178. B	224. B
41. B	87. B	133. D	179. A	225. A
42. D	88. C	134. B	180. A	226. B
43. A	89. A	135. B	181. B	227. C
44. A	90. C	136. B	182. C	228. C
45. C	91. D	137. C	183. A	229. A
46. C	92. C	138. B	184. A	230. C

231. A
232. A
233. C
234. A
235. B
236. D
237. A
238. A
239. C
240. B
241. A
242. B
243. C
244. A
245. A
246. A
247. C
248. A
249. A
250. A
251. C
252. B
253. B
254. B
255. C
256. B
257. B
258. A
259. C
260. D
261. D
262. D

TRUE OR FALSE

263. F
264. F
265. T
266. F
267. F
268. T
269. T
270. F
271. T
272. F