

VARIABLE LIFE

MOCK EXAM



PRU LIFE U.K.

Listening. Understanding. Delivering.



PRU AGENT ACADEMY

INSTRUCTION: Encircle the letter of the correct answer (150 items).

1. People generally invest their money to provide:
 - I. An improvement in their financial position
 - II. A less comfortable standard of living
 - III. Retirement income
 - IV. Funds for paying necessary expenses and taxes when the person dies
 - A. I, II and III
 - B. I, III and IV
 - C. I, II and IV
 - D. II, III and IV

2. Which of the following funds is comprised of a higher proportion of equity and a lower proportion of fixed-income instruments?
 - A. Bond Funds
 - B. Managed Funds
 - C. Cash Funds
 - D. Mixed Funds

3. Which of the following are the main characteristics of Variable Life insurance policies?
 - I. The policies can be used for investments, as a source of regular savings and protection.
 - II. The withdrawal and protection benefit are determined by the investment performance of the underlying assets.
 - III. The net withdrawal values of the policies are the gross withdrawal values shown in the policy which includes cash dividends up to the date of surrender, less all indebtedness and includes interests.
 - A. I only
 - B. III only
 - C. I and II only
 - D. I, II and III

4. Which of the following statements are FALSE?
 - I. The policyowners may request a partial withdrawal of the policy and the amount will be met by cashing the units at the offer price.
 - II. Some Variable Life policies grant loans to policyowners which is limited to a percentage of the cash value.
 - III. The structure of charges and the investment content of a Variable Life policy are specified in the policy document and the policy statement.
 - IV. Commissions and office expenses are met by a variety of implicit charges, some of which are variable.
 - A. I and II only
 - B. I and III only
 - C. II and III only
 - D. All of the above

5. Which of the following statements about the feature of Regular Premium Variable Life Policy are TRUE?
 - I. Top-ups are usually allowed.
 - II. Premium holidays are usually allowed.
 - III. The level of coverage can be varied.

- A. I and II only
- B. I and III only

- C. II and III only
- D. I, II and III

6. Which one of the following statements is NOT TRUE about the benefits of investing in a Variable Life insurance policy?

- A. The fund provides a highly diversified portfolio, thus, lowering the risk of investment.
- B. The fund ensures definite high yield for an investor since it is managed by professionals who are well-versed in the management of risk of the investment portfolio.
- C. The fund relieves the investor from the hassles of administering his/her investment.
- D. The fund enables small investors to participate in a pool of diversified portfolios on which he/she is unlikely to have access to with low investment capital.

7. Which of the following statements describes the difference between Variable Life insurance products and Traditional participating products?

- I. Variable Life insurance products allow policyowners to change the premium payments but Traditional Participating Life products do not.
- II. Variable Life insurance products can take the form of Whole Life or Endowment policies but Traditional Life policies cannot.
- III. Variable Life insurance products allow the policyowners to pay future single premiums from time to time to add more units to his account but Traditional Life participating products do not.

- A. I only
- B. I and III only

- C. II and III only
- D. I, II and III

8. Which of the following are some of the flexibility features of Variable Life insurance policies?

- I. Guaranteed withdrawal values
- II. Variation in sum assured
- III. Partial Withdrawal

- A. II only
- B. III only

- C. II and III only
- D. I, II and III

9. Which of the following statements about Single Premium Variable Life policies are TRUE?

- I. There is no fixed term in a Single Premium Variable Life policy and therefore, it is technically Whole Life insurance.
- II. Top-ups or single premium injections are allowed
- III. Policyowners have the flexibility of varying the life coverage.

- A. I and II only
- B. III only

- C. II and III only
- D. I, II and III

10. The benefits of investing in Variable Life fund include:

- I. Policyowners have access to pooled and diversified portfolio of investment.
- II. The policyowner can easily change the level of premium payments as the product design of Variable Life insurance policies have clear structures which cater separately for investment and insurance protection.
- III. Policyowners can gain access to Variable Life funds managed by professional investment managers.
- IV. The policyowner is relieved of the day-to-day administration of his investment.

- A. I, II and III
- B. I, II and IV

- C. I, III and IV
- D. All of the above

11. The flexibility benefits of investing in Variable Life funds include:

- I. Policyowners can easily change the level of sum insured and switch their investments between funds.
- II. Policyowners can easily take premium holidays and add single premium top-ups.
- III. Variable Life insurance products have simple product design with a clear structure which caters separately for investment and insurance protection.
- IV. Policyowners can easily change the level of their premium payment.

A. I, II and III

B. I, II and IV

C. I, III and IV

D. I, II, III and IV

12. Which of the following statements describes the difference between Variable Life products and Traditional Participating Life products?

- I. Variable Life products allow policyowners to pay top-up premiums from time to time to buy more units for his account unlike Traditional Participating Life policies.
- II. Variable Life products allow policyowners to take premium holiday unlike Traditional Participating Life products.
- III. Variable Life products can take the form of Whole Life or Endowment policies unlike Traditional Participating Life products.

A. I only

B. I and II only

C. III only

D. I, II and III

13. Your client is a 35-year-old male, earning P35,000.00 a month, has savings, and with a moderate risk tolerance. What product will you recommend?

- A. Participating Whole Life
- B. Term
- C. Endowment
- D. Variable Life

14. In a Unit Trust Investment, the duties of a Trustee include all of these EXCEPT:

- A. Selects and manages the investments of the Trust.
- B. Holds the pool of money and assets in trust on behalf of the investors.
- C. Protects the interests of the unit holders.
- D. Ensures that the fund managers adhere to the provisions of the trust deed.

15. To the policyowners, administration benefits under Variable Life include:

- A. Engaging independent professional fund managers personally to manage the complicated transaction.
- B. Constructing their own diversified portfolio.
- C. Exercising investment expertise by selecting funds that will give higher returns.
- D. Keeping track of their investment through the statements provided regularly by the insurance company.

16. Which statement best describes Variable Life?

- A. Fixed premium with returns that will vary.
- B. Fixed premium with returns that will vary.
- C. Flexible premium with returns that will not vary.
- D. Flexible premium with returns that will not vary.

17. With Traditional Participating Life insurance products, the allocations to policyowners of dividends:

- I. Are not directly linked to the investments of the life company.
- II. Are not fixed
- III. Do not have the highs and lows of investment returns in good times
- IV. Are smoothened

- A. I and II only
- B. I, II and III

- C. I, II and IV
- D. II and IV

18. Offer Price	=P16.00	
Bid-Offer Spread	=4.5%	
Units	=25,000	
Policy Fee	=P1,800.00	
Admin and Mortality Charges	=P8,750.00	
Top-up Fee	=P700.00	
Admin Top-up	=2,000.00	

Presuming all charges are deducted by canceling units and that the bid price increases by 8%, what is the withdrawal value after a year?

- A. 432,000.00
- B. 420,069.02
- C. 401,107.58
- D. 412,500.00

19. Which statements are FALSE regarding the difference between Endowment policies and Variable Life policies?

- I. The benefits and risks of Endowment and Variable Life policies directly accrue to the policyowners.
- II. The premiums and benefits of the Endowment policies are stated at its inception while those of Variable Life policies are flexible as they are account driven.
- III. Their policy values directly reflect the performance of the fund of the life company.

- A. I and III only
- B. I and II only

- C. II and III only
- D. I, II and III

20. Which statement about cash is TRUE?

- A. Investment in cash increases when there is a bull run in the stock market.
- B. Amount invested in cash is dependent on the size of the cash flow requirement.
- C. Investment in cash decreases when there is a rise in interest rates.
- D. Its yield potential is high.

21. These statements are true EXCEPT:

- A. No regular income may be gained from investing in commodities.
- B. People invest money to provide funds for the higher education of their children.
- C. Investing in fixed deposits gives high guaranteed returns.
- D. People invest money to enhance a comfortable standard of living.

22. For Variable Life policies, the definition of selling price is;

- A. The price at which units under the policy is offered for sale by the life company.
- B. It is also known as the bid price.
- C. The price at which units under the policy are bought back by the life company.
- D. It is a fixed amount throughout the life of the policy.

23. Which statement regarding the risk of investment in Variable Life is TRUE?

- A. Policyowners who are risk averse should not purchase a life insurance policy with high protection and guaranteed cash and maturity values.
- B. Investments in Variable Life funds which are fully invested in units of equity funds are not suitable for policyowners who can tolerate the risks of short-term fluctuation in their cash values.
- C. Policyowners who invest in Variable Life funds with high equity investment face greater risk but can expect to achieve higher return than Traditional Life insurance policies with high equity investment.
- D. Policyowners who are risk averse should buy Variable Life policies with high equity investment.

24. The statements below are true about the top-up option of a Variable Life insurance product EXCEPT:

- A. Policyowners may buy additional units of Variable Life fund and these units will be allocated to new Variable Life insurance policies.
- B. Policyowners are allowed to make top-up on their policies at any time subject to a minimum amount.
- C. The policyowner pays further single premium to make a top-up.
- D. Further premiums at the time of top-up will be used in full after deducting charges to purchase additional units of the Variable Life funds.

25. If the current offer price = P2.50 and the bid-offer spread = 4%, what is the bid price?

- A. P2.40
- B. P2.50
- C. P2.60
- D. P3.70

26. Which of the following statements are FALSE?

- I. The bid-offer spread is used to provide a death benefit for the Variable Life insurance policy.
- II. The bid price is always higher than the offer price.
- III. The bid-offer spread is usually about 5%.
- IV. There are two types of death benefits under the Variable Life insurance product. They may offer either/or both types depending on its product design and on the discretion of the policyowner.

- | | |
|--------------------|----------------------|
| A. I and II only | C. All of the above |
| B. II and III only | D. None of the above |

27. Which is NOT a characteristic of a Variable Life policy?

- A. It is used solely for investment purposes.
- B. The commission and office expenses are met by explicit charges.
- C. It has generally, though not necessarily, more exposure to equity investments.
- D. Its cash value is usually the value of the units allocated to the policy calculated at the prevailing bid price.

28. Which of the following statements about investment returns under a Variable Life insurance policy is NOT TRUE?

- A. It is assured.
- B. It fluctuates based on the rise and fall of market prices.
- C. It is not guaranteed.
- D. It is linked to the performance of the investment fund managed by the life company.

29. Which statements are FALSE regarding the difference between Endowment policies and Variable Life policies?

- I. The benefits and risks of Endowment and Variable Life policies directly accrue to the policyowners.
- II. The premiums and benefits of the Endowment policies are stated at its inception while those of Variable Life policies are flexible as they are account driven.
- III. Their policy values directly reflect the performance of the fund of the life company.

- | | |
|--------------|------------------|
| A. I and II | C. II and III |
| B. I and III | D. I, II and III |

30. What are the ADVANTAGES in investing in preferred shares?

- I. It has priority on company assets during dissolution.
- II. It has a benefit of capital appreciation.
- III. The shareholder has the right to a fixed dividend.

- | | |
|-------------------|-----------------------|
| A. I and II only | C. II and III only |
| B. I and III only | D. I, II and III only |

31. Which of the following information is NOT required to be disclosed to policyowners to Variable Life policies?

- A. The premiums received and charges levied during the period.
- B. The number and value of units held at the beginning of the period, bought and sold during the period, and held at the end of the period.
- C. The net withdrawal as of the statement date.
- D. The basis and frequency of valuing the assets.

32. The investment returns under Variable Life insurance policy

- I. Are insured
- II. Are not guaranteed
- III. Are linked to the performance of the investment fund managed by the life office
- IV. Fluctuate according to the rise and fall of market prices

- | | |
|------------------|-------------------|
| A. I, II and III | C. I, III and IV |
| B. I, II and IV | D. II, III and IV |

33. Which of the following are fixed income securities?

- I. Corporate Stocks
- II. Government Bonds
- III. Preferred Shares
- IV. Money Market Instruments
- V. Properties

- | | |
|----------------------|---------------------|
| A. I, II, III and IV | C. I, II and V only |
| B. I and III only | D. All of the above |

34. Which of the following investment options entitle the holder ownership and share of profits in the form of dividend appreciation?

- A. Cash
- B. Bonds
- C. Futures
- D. Ordinary Shares

35. Which of the following statements are FALSE?

- I. Higher capital gain is normally associated with lower risk.
- II. One way to lower risk in investment is to diversify.
- III. One method of measuring risk is to determine the average return and its standard deviation from future data.
- IV. Diversification can be achieved by investing in different countries and/or types of assets.
- V. An investor can always choose an investment that is risk free.

- A. I, II and III only
- B. II, III and IV only
- C. I, III and V only
- D. All of the above

36. The difference between the offer price and the bid price is?

- A. Bid-offer spread
- B. Offer price spread
- C. Bid price spread
- D. None of the above

37. Which of the following information must NOT be conveyed to the client in the sale of Variable Life insurance policies?

- A. Rate of return
- B. Time horizon of the product
- C. Benefits illustrations using the 10% as the gross
- D. Guaranteed interest rate

38. Term insurance _____.

- A. Provides for payment of the sum insured when the life insured survives a specific period.
- B. Provides protection for a specific period and has no savings element.
- C. Is the most complex and expensive of all life insurance products.
- D. Provides for surrender of cash values on early termination of the insurance.

39. What are the disadvantages of investing in cash and deposits?

- I. There is reinvestment risk.
- II. They provide the lowest return.
- III. It is the safest type of investment.

- A. I only
- B. I and II only
- C. II and III only
- D. I, II and III

40. Which of the following are types of corporate stocks?

- I. Debenture stocks
- II. Government stocks
- III. Loan stocks
- IV. Money Market Instruments
- V. Convertible Stocks

- A. I, II and III only
- B. I, II, III and IV only
- C. I, III and V only
- D. All of the above

41. Factors to consider in buying Properties:

- I. Quality of land
- II. The Location of land

- III. The value of building on land
- IV. The investment
- V. Place of work

- A. I, II and III only
- B. II, III and IV only

- C. I, III and V only
- D. All of the above

42. What are the basic types of real estate investment?

- I. Rural Property
- II. Domestic Property
- III. Agricultural Property
- IV. Commercial/Industrial Property
- V. Foreign Property

- A. I, II and III only
- B. II, III and IV only

- C. I, III and V only
- D. All of the above

43. The amount of risk a person can take depends on:

- I. Age
- II. Investment Objectives
- III. Financial conditions
- IV. Personality

- A. I and II only
- B. II, III and IV only

- C. None of the above
- D. All of the above

44. All of these are mandatory provisions in Variable Life policy contract EXCEPT:

- A. Incontestability Provisions
- B. The Entire Insurance Contract Provision
- C. Misstatement of Age or Sex Provision
- D. None of the above

45. What is the "Net Amount at Risk"?

- A. The minimum death benefit.
- B. The excess between the minimum death benefit and the value of the policyowner's separate variable account.
- C. The sum insured.
- D. The difference between the minimum death benefit and the sum assured.

46. If a policyowner fails to pay the premium on time and there are no withdrawal values in the account, the policy will:

- A. Continue in full force for a specific period of grace.
- B. Continue at a reduced sum assured.
- C. Terminate immediately on the day premium is due.
- D. Continue at the same sum assured for the same basic benefits.

47. If a policyowner returns the Variable Life insurance contract within the cooling off period, he will receive:

- A. Nothing.
- B. All premiums paid.
- C. A refund equal to the market value of the units only.
- D. A refund equal to the market value of the units plus initial charges.

48. Which of the following statements about investment objective is FALSE?

- A. People invest money to enhance a comfortable standard of living.
- B. People invest money to provide funds for the higher education of their children.
- C. Investments in commodities produce no regular income.
- D. People invest money in equities to produce high and guaranteed income.

49. The disadvantage of fixed income securities include...

- I. The coupon rate is fixed and cannot respond to inflation.
- II. The investors are exposed to market specific risks.
- III. Fluctuations in bond prices may lead to capital losses.

- A. II and III only
- B. I and II only
- C. I, II and III
- D. I and III only

50. Which of the following statements about rebating are TRUE?

- I. Rebating is prohibited under the Insurance Code.
- II. Rebating deals with offering the prospect a special inducement to purchase a policy.
- III. Rebating will enhance the sales performance and uphold the prestige of an advisor.

- A. I and II
- B. III only
- C. II and III
- D. None of the Above

51. Variable life insurance policy owners may make withdrawals in terms of _____.

- A. Number of units or fixed monetary amount through cancellation of units.
- B. Number of units or fixed monetary amount through reduction of the life cover sum assured.
- C. Fixed monetary amount only through reduction of the life cover sum assured.
- D. Number of units through cancellation of units.

52. Which one of the following statements about the flexibility features of variable life policies is FALSE?

- A. Policyholders may request for a partial withdrawal of the policy and the withdrawal amount will be met by cashing the units at bid price.
- B. Policyholders can take loans against their variable life policies up to the entire withdrawal value of their policies.
- C. Policyholders have the flexibility of switching from one fund to another provided it satisfies the company's switching criteria.
- D. Policyholders have the flexibility of increasing or decreasing their premiums for regular premiums variables life policies.

53. The investment returns under variable life insurance policy _____.

- I. Are not guaranteed.
- II. Fluctuate according to the rise and fall of the market price.
- III. Are linked to the performance of the investment fund management by the life company.
- IV. Are assured.

- A. I, II and III
- B. I, II and IV

- C. I, III and IV
- D. II, III and IV

54. Which of the following statements are TRUE?

- I. The policy value of variable life policies is determined by the offer price at the time of valuation.
- II. The policy value of endowment policies is the cash value plus any accumulated dividends less any outstanding loans due at time of surrender.
- III. The life company needs to maintain a separate account for variable life policies distinct from the general account.

- A. I, and II
- B. I, II and III

- C. I and III
- D. II and III

55. Which of the following statement is FALSE?

- A. Switching is a facility allowing policyholders to switch to another variable life funds offered by company.
- B. Twisting is a specific form of misrepresentation.
- C. Misrepresentation is a specific form of twisting.
- D. Rebating is to offer a prospect a special inducement to purchase a policy

56. Which of the following statements about variable life policies are TRUE?

- I. Offer price is used to determine the numbers of units to be cancelled to the account.
- II. The margin between the bid and offer price is used to cover the management cost of the policy.
- III. The policy value is calculated based on the bid price of units allocated into the policy.

- A. I, II and III
- B. III only

- C. I and III
- D. II and III

57. What is the most suitable investment instrument for an investor who is interested in protecting his principal and receiving a steady stream of income?

- A. Equities
- B. Derivatives

- C. Variable life policies
- D. Fixed income securities

58. What are the disadvantages of investing in common shares?

- I. Dividends are paid not more than fixed rates
- II. Investors are exposed to market and specific risks
- III. Shares can become worthless if company becomes insolvent

- A. I, II
- B. I, III

- C. II, III
- D. I, II and III

59. Which of the following statement about the differences between variable life policies and endowment policies are FALSE?

- I. The policy values of variable life and endowment policies directly reflect the performance of the fund of the life company
- II. The premiums and benefits of the endowment policies are described at inception of the policy whereas variable life policies are flexible as they are account driven
- III. The benefits and risks variable life and endowment policies directly accrue to the policyholders

- A. I and II
- B. I, II and III

- C. I and III
- D. II and III

60. Which of the following statements about twisting is FALSE?

- A. It refers to an agent offering a prospect a special inducement to purchase a policy.

- B. It refers to an agent inducing a policyholder to discontinue policy with another company without disclosing the disadvantage of doing so
- C. It includes misleading or incomplete comparison of policies
- D. Twisting is a special form of misrepresentation

61. Mr. Juan dela Cruz is currently earning Ps, 30,000/month. He is 35 years old and has a reasonable amount of savings. He has a moderate level for risks tolerance. What kind of policy would you recommend for him to buy?

- A. Participating endowment
- B. Variable life policies
- C. Participating whole life
- D. Annuities

62. What are the benefits available when investing in variable life funds?

- I. The variable life funds offer policyholders an access to a pooled or diversified portfolio.
 - II. The variable life policyholder can vary his premium payments, take premium holidays, add single premium top-ups and change the level of sum assured easily.
 - III. The variable life policyholder can have access to a pool of qualified and trained professional fund managers.
- A. I and II
 - B. I and III
 - C. I, II and III
 - D. none of the above

63. Rank the following in terms of their liquidity, from the least liquid to the most liquid:

- I. Short Term Securities
 - II. Property
 - III. Cash
 - IV. Equities
- A. IV, II, III, I
 - B. III, I, IV, II
 - C. II, I, IV, III
 - D. II, IV, I, III

64. A UNIT TRUST is _____:

- A. Established by a trust deed which enables a trustee to hold the pool of money and assets in trust on behalf of the investor.
- B. A close-end fund which does not have to dispose off its assets if large number of investors sell their shares
- C. One whereby an investor buys units in the trust itself and not shares in the company.
- D. An organization registered under the SECURITY AND EXCHANGE COMMISSION (SEC) which usually invests in a wide range of equities and other investment.

65. Under variable life insurance policies _____

- I. There is no guaranteed minimum sum assured for the purpose of declaring dividends.
 - II. There is not guaranteed minimum sum assured as a level of life insurance protection.
 - III. Each of the policy owner's premium will be used to purchase units the number of which is dependent on the selling price of each unit.
 - IV. Purchase of units can only be made from the variable life fund itself, which will then create new units and add the investment monies to the value of the fund.
- A. I and IV
 - B. II and IV
 - C. III and IV
 - D. all of the above

66. The benefits of investing in variable life funds include _____.

- I. Policy owners have access to pooled or diversified portfolios of investment.

- II. Policy owners can easily change the level of the premium payments as the product design of variable life insurance policies have clear structures which cater separately for investment and insurance protection.
- III. Policy owners can gain access to variable life funds managed by professional investment managers with proven track records.
- IV. Policy owners can buy a variable life insurance policy only with a high initial investment.

- A. I, II and IV
- B. I, III and IV

- C. I, II and III
- D. II, III and IV

67. Which of the following BEST describes the policy benefits of variable life policies?

- A. The policy benefits are payable only on death or disability.
- B. The policy benefits will depend on the long-term performance of the life company
- C. The policy benefits are directly linked to the investment performance of the underlying assets.
- D. The policy benefits are guaranteed.

68. Why is it important that the customer must understand the sales proposal in full?

- A. Because the insurer does not guarantee any return
- B. Because the impact of changes in investment condition on variable life policy borne solely by the customer
- C. Because the agent may give the wrong recommendations
- D. Because the policyholders expect higher returns

69. Which of the following statements about rebating are TRUE?

- I. Rebating is prohibited under the Insurance Code.
- II. Rebating deals with offering the prospect a special inducement to purchase a policy.
- III. Rebating will enhance the sales performance and uphold the prestige of an agent

- A. I and II
- B. I and III

- C. II and III
- D. All of the above

70. Which one of the following statements is FALSE?

- A. Variable life insurance policies offer investors policies with values and indirectly linked to the investment performance of the life company.
- B. Life company will carry out a valuation of its funds yearly and any surplus may be allocated to participating policyholders as cash dividends.
- C. Both Whole life and Endowment policies can be used as an investment media with benefits that become payable at a future date.
- D. The investment element of variable life policies varies according to underlying assets of portfolio.

71. Which of the following statements about option to top-up under variable life insurance products is FALSE?

- A. Policy owners may buy additional units of the variable life fund and these units will be allocated to new variable life insurance policies.
- B. Further premiums at time of top-up will be used in full, after deducting charges for top-ups, to purchase additional units of the variable life funds.
- C. To top-up a policy, the policy owner pays further single premium at the time of top-up
- D. Policy owners are normally allowed to top-up their policies at any time, subject to a minimum amount

72. The characteristics of a variable life insurance policy include _____

- I. Its withdrawal value and protection benefits are determined by the investment performance of the underlying assets.

- II. Its protection cost is generally met by implicit charges.
- III. Its commission and company expenses are met by a variety of implicit charges with normally a 6-month notice given by the life companies prior to any change.
- IV. Its withdrawal value is normally the value of units allocated to the policy owner calculated at the bid price.

- | | |
|-------------------|------------------|
| A. I, II and III | C. I, II and IV |
| B. II, III and IV | D. I, III and IV |

73. Which of the following statements about single premium variable life policies are TRUE?

- I. There is no fixed term in a single premium variable life policy and therefore, they are technically whole life insurance.
- II. Top-ups single premium injections are allowed in these plans.
- III. Policyholders have the flexibility of varying the level cover.

- | | |
|------------------|--------------|
| A. I, II and III | C. I and II |
| B. II and III | D. I and III |

74. Investing in bonds offer the following advantages EXCEPT:

- A. It offers protection to the principal and guaranteed steady stream of income.
- B. It is a place of temporary refuge when the investor foresees that the market outlook is uncertain.
- C. It allows the investor a chance for capital preservations.
- D. It enables the investors an opportunity for capital appreciation.

75. Which of the following statements about variable life policies are TRUE?

- I. The withdrawal value is not guaranteed.
- II. The volatility of the returns depends on the investment strategy of the fund.
- III. The variable life policyholder has direct control over the investment decisions of the variable life fund.

- | | |
|------------------|---------------|
| A. I, II and III | C. I and III |
| B. I and II | D. II and III |

76. Single premium variable life insurance policy:

- A. Must be issued with a minimum death benefit
- B. Must be issued with a maximum withdrawal value
- C. Has no death benefit
- D. Has no withdrawal value

77. Which of the following statements about characteristics of variable life policies are TRUE?

- I. Variable life policies generally have a larger exposure to equity investment than with participating and other traditional policies.
- II. The protection costs are generally met by implicit charges, which vary with age and level of coverage.
- III. Commissions and company expenses are met by a variety of explicit charges, some of which are variable.

- | | |
|------------------|---------------|
| A. I, II and III | C. II and III |
| B. I and II | D. I and III |

78. Which of the following statements about benefits in variable life fund is FALSE?

- A. The fund provides a highly diversified portfolio, thus, lowering the risk of investment.

- B. The fund ensures definite high yield of an investor, since it is managed by professional who are well-versed in the management of risks of investment portfolios.
- C. The fund relieves investor from the hassle of administering his/her investment.
- D. The fund enables a small investor to participate in a pool of diversified portfolio in which he/she with low investment capital, is likely to have acceded to

79. The flexibility benefits of investing in variable life funds include _____:

- I. Policy owners can easily change the level of sum assured and switch their investment between funds.
- II. Policy owners can easily take premium holidays and add single premium to top-ups.
- III. Variable life insurance products have a simple product design with a clear structure which caters separately for investment and insurance protection.
- IV. Policy owners can easily change the level of their premium payment.

- | | |
|---------------------|------------------|
| A. All of the above | C. I, II and IV |
| B. I, II and III | D. I and II only |

80. The fundamental differences between traditional participating life insurance policies and variable life insurance policies include _____.

- I. Variable life insurance policies are less likely to offer more choices in terms of the type of investment funds
- II. The investment elements of variable life insurance policy are made known to the policy owner at the outset and is invested in a separately identifiable fund which is made up of units of investment.
- III. Variable life insurance policies offer the potential for higher returns.
- IV. Traditional participating policies aim to produce a steady return by smoothing out market fluctuation.

- | | |
|-------------------|------------------|
| A. I, III and IV | C. I, II and III |
| B. II, III and IV | D. I, II and IV |

81. The switching facility under variable life insurance policies is very useful _____.

- A. For the purpose of profit planning by the life policies
- B. For the purpose of assets planning by the trustee
- C. For the purpose of financial planning by the policy owners
- D. For the purpose of sales planning by the fund managers

82. The following statement about surrender value under traditional participating life insurance products is TRUE?

- A. Cash value is paid when a yearly renewable term insurance policy is surrendered.
- B. When a participating insurance policy is surrendered, the surrender value is calculated by multiplying the bid price with the number of units.
- C. In the case of participating policies, the net cash surrender value includes the surrender value of the paid-up addition up to the date of surrender.
- D. The amount of surrender value is usually higher than the amount under the non-participating policies. It varies with the age of the assured, being lower at older ages.

83. Which of the following statement about risk of investing in variable life funds is TRUE?

- A. Policy owners who are risk averse should buy variable life insurance policies with high equity investment.
- B. Investment in variable life funds which are fully invested in units of equity bonds are not suitable for policy owners who can tolerate the risks of short-term fluctuation in their cash value.
- C. Policy owners who invest in variable life funds with high equity investment, face greater risk but can expect to achieve higher return than the traditional life insurance product over the long term.

D. Policy owner who are risk averse should not purchase life insurance policies with high protection and guaranteed cash and maturity values.

84. What would be the withdrawal value after a year?

Offer Price	=	Php16.00
Bid-offer spread	=	4.5%
Number of Units bought	=	25,000
Policy Fee	=	1,800
Admin and Mortality charge	=	8,750
Top-up Fee	=	700
Admin for Top-up	=	2,000

Sum assured is 190% of single premium or the value of the units, or whichever is higher.

ASSUMPTIONS:

1. Charges and Fees are deducted after the single premium has been invested into the account.
2. The growth rate of the unit price and the bid-offer spread is maintained at 8% and 4.5% respectively.

- | | | | | | |
|----|-----|------------|----|-----|------------|
| A. | Ps. | 432,000.00 | C. | Ps. | 401,107.58 |
| B. | Ps. | 420,069.02 | D. | Ps. | 412,500.00 |

85. The protection costs under a variable life insurance policy _____:

- I. Are met by flat initial charges for regular premiums plans
- II. Are generally covered by cancellation of units in the fund
- III. Are generally met by explicit charges stipulated openly in the policy terms
- IV. Vary with age of policy owner and level of cover

- | | |
|------------------|-------------------|
| A. I, II and III | C. I, III and IV |
| B. I, II and IV | D. II, III and IV |

86. Which one of the following statements about diversification in portfolio management is FALSE?

- A. A diversified portfolio provides greater security to an investor having to sacrifice the return for the portfolio
- B. Diversified can completely eliminate the risk of investing in stocks in a portfolio.
- C. Diversified can involve purchasing different types of stocks and investing in stocks of different countries
- D. Diversified helps to spread the portfolio risk by investing in different categories of investment in a portfolio

87. What are the advantages of investing in preferred shares?

- I. It gives shareholders the right to a fixed dividend
- II. Has the priority over company assets during dissolution
- III. They enjoy benefit of capital appreciation

- | | |
|------------------|--------------|
| A. I, II and III | C. I and III |
| B. I and II | D. II only |

88. With traditional participating life insurance products, the allocations to policy owners in the form of dividends _____:

- I. Are not directly linked to the life company's investment performance
- II. Have already been smoothened by the life company
- III. Do not have the highs and lows of investment returns as in good investment years of life company

IV. Are not fixed at the inception of the policy, but are greatly dependent on the investment performance of the life company

- A. I, II and III
- B. I, II and IV

- C. I, III and IV
- D. II, III and IV

89. The objective of satisfying customers need profitably can be achieved by an agent through

- I. The giving of freebies to the customers
- II. Extensive investment training by the company
- III. The use of sales plan, where sales goals, strategic and objectives are coordinated with market analysis, segmentation and targeting
- IV. The giving of monetary assistance and discount to the customers

- A. I and III
- B. II and III

- C. I, II and IV
- D. II, III and IV

90. Which of the following statement is true about CASH?

- A. Amount invested in cash depends on the size of the cash flow requirement.
- B. It has high yield potential.
- C. Investment in cash increase when there is a bull run in the stock market.
- D. Investment in cash decreases when interest rates rise.

91. Under a regular premium variable whole life insurance plan: _____

- I. Premium top-ups and holidays, subject to the life company's administrative rules are usually allowed.
- II. Life protection is the main objective of the plan with investment as a nominal purpose.
- III. Withdrawals after the payment of a few years' premium are usually allowed.
- IV. A single premium contribution is made to the policy which uses the premium to purchase units in variable life fund and to provide certain level of life cover.

- A. II, III and IV
- B. I, III and IV

- C. I, II and IV
- D. I, II and III

92. Which of the following statements about investment objective is FALSE?

- A. People invest money in fixed deposits to produce high and guaranteed returns.
- B. Investment in commodities has no regular income.
- C. People invest money to provide funds for higher education for their children.
- D. People invest money to enhance a comfortable standard living.

93. Which of the following is/are the main characteristic(s) of variable life policies?

- I. The policies can be used for investment, as a source of regular savings and protection.
- II. The withdrawal values and protection benefits are determined by the investment performance of the underlying assets.
- III. The net cash values of the policies are the gross cash values shown in the policy that includes dividends up to the date of surrender, less any indebtedness including interest.

- A. II
- B. I

- C. I, II and III
- D. I and II

94. Risk can be classified into two particular categories in relation to investment. They include _____:

- I. The risk of not losing some or all of a person's initial investment

- II. The risk of rate of return on the investment not matching up to the individual's expectation
- III. The risk of rate of return on the investment matching up to the individual's expectation
- IV. The risk of losing some or all of a person's initial investment

- | | | | |
|----|-----------|----|------------|
| A. | I and III | C. | III and IV |
| B. | I and II | D. | II and IV |

95. The duties of the trustees of unit trust do not include:

- A. Managing the portfolio of investment and administering the buying and selling of shares in the unit trust itself
- B. Ensuring that the fund manager adhere to the provision of the trust's deeds
- C. Acting generally to protect the unit-holders
- D. Holding the pool of money and assets in trust in behalf of the investors.

96. Policy fee payable by variable life insurance policy owner is to cover _____:

- A. The handling charges by professional investment managers
- B. The price for each unit bought under the variable life insurance policy
- C. The mortality costs of the variable life insurance policy
- D. The administrative expenses of setting up the variable life insurance policy

97. The selling price under a variable life insurance policy is:

- A. The price at which units under the policy are bought back by the life company
- B. The price at which units under the policy are offered for the sale by the life company
- C. A fixed amount throughout
- D. Also known as the bid price

98. In risk-return profile of cash funds, bond funds, balanced funds, managed funds and equity funds, a risk-return graph will show that _____

- I. Higher return normally comes with lower risk
- II. Higher return normally comes with higher risk
- III. At the top end of the graph are the equity funds
- IV. The relatively risk-less cash funds sit at the bottom end of the graph

- | | |
|-------------------|------------------|
| A. I, II and III | C. I, II and IV |
| B. II, III and IV | D. I, III and IV |

99. Diversification in investment involves _____

- A. Putting all the funds under management into one category of investment
- B. Spreading the risks of investment by not putting the fund into several categories of investment
- C. Reducing the risks of investment by putting all one's eggs in one basket.
- D. Reducing the risks of investment by putting one fund under management into several categories of investment

100. Variable life funds can be invested in any financial instruments including cash , bond , equity , property , specialized and diversified funds. Equity funds _____:

- A. Invest in shares of stocks and the magnitude of the change in unit prices will only depend on the quantity of the equities held
- B. Invest in shares of stocks and during market recession, such assets are usually the last to depreciate
- C. Invest in share of stocks which are inherently of lower risk in nature and the prices of stocks are stable
- D. Invest in shares of stocks and investor who buy such assets usually aims for capital appreciation

101. In investment objectives, which of the statements is FALSE?

- A. People invest money to enhance a comfortable standard living.
- B. People invest money to provide funds for higher education for their children.
- C. People invest money in fixed deposits to produce high and guaranteed returns.
- D. Investment in commodities has no regular income.

102. Under a variable life insurance policy, the protection costs_____

- I. Are met by a flat initial charges for regular premium loans
- II. Are generally covered by cancellation of units in the fund
- III. Are generally met by explicit charges stipulated openly in the policy terms
- IV. Vary with age of policy owner and level of coverage

- A. I, II, and III
- B. II, III and IV
- C. I, II, and IV
- D. I, III, and IV

103. The objective of satisfying the needs of the customers can be achieved by an agent through

- I. Giving of freebies to customers
- II. Extensive investment training by the company
- III. The use of sales plan, where sales goals, strategic and objectives are coordinated with market analysis, segmentation and targeting
- IV. The giving of monetary assistance and discount to the customers

- A. I and III
- B. II and III
- C. I, II, and IV
- D. II, III, and IV

104. Variable life insurance policy owners may withdraw in terms of_____.

- A. Number of units or fixed monetary amount through cancellation of units.
- B. Number of units or fixed monetary amount through reduction of the life cover sum assured.
- C. Fixed monetary amount only through reduction of the life cover sum assured.
- D. Number of units through cancellation of units.

105. An investor in variable life funds gets to enjoy these benefits:

- I. Policy owners have access to pooled or diversified portfolios of investment.
- II. Policy owners can easily change the level of the premium payments as the product design of variable life insurance policies have clear structures which cater separately for investment and insurance protection.
- III. Policy owners can gain access to variable life funds managed by professional investment managers with proven track records.
- IV. Policy owners can buy a variable life insurance policy only with a high initial investment.

- A. I, II and III
- B. I, II and IV
- C. I, III and IV
- D. II, III, and IV

106. Which of the following about rebating is FALSE?

- I. Rebating is prohibited under the Insurance Code.
 - II. Rebating deals with offering the prospect a special inducement to purchase a policy.
 - III. Rebating will enhance the sales performance and uphold the prestige of an agent.
- A. I and II
 - B. I and III
 - C. II and III
 - D. III

107. Which of the following statements is TRUE about cash?

- A. It has high yield potential.
- B. Amount invested in cash depends on the size of the cash flow requirement.
- C. Investment in cash increases when there is a bull run in the stock market.
- D. Investment in cash decreases when interest rates rise.

108. Which of the following are main characteristics of variable life policies?

- I. The policies can be used, as a source of regular savings and protection.
 - II. The withdrawal values and protection benefits are determined by the investment performance of the underlying assets.
 - III. The net cash values of the policies are the gross cash values shown in the policy that includes dividends up to the date of surrender, less any indebtedness including interest.
- A. I and II
 - B. II
 - C. I
 - D. All of the above

109. In variable life insurance policies, _____.

- I. There is no guaranteed minimum sum assured for the purpose of declaring dividends.
 - II. There is no guaranteed minimum sum assured as level of life insured protection.
 - III. Each of the policy owner's premium will be used to purchase units, the number of which is dependent on the selling price for each unit.
 - IV. Purchase of units can only be made from the variable life fund itself, which will then create new units and add the investment monies to the value of the fund.
- A. I and IV
 - B. II and IV
 - C. II and III
 - D. III and IV

110. When investing in variable life funds, what are the benefits available?

- I. The variable life funds offer policyholders an access to pooled or diversified portfolios.
 - II. The variable life policyholder can vary his premium payments, take premium holidays, add single premium top-ups, and change the level of sum assured easily.
 - III. The variable life policyholder can have access to a pool of qualified and trained professional fund managers.
- A. I and II

- B. I and III
- C. II and III
- D. All of the above

111. What are the disadvantages when investing in common shares?

- I. Dividends are paid not more than fixed rates.
 - II. Investors are exposed to market and specific risks.
 - III. Shares can become worthless if company becomes insolvent.
- A. I and II
 - B. I and III
 - C. II and III
 - D. I II and II

112. Which of the following statements about the flexibility features of variable life policies is FALSE?

- A. Policyholders may request for a partial withdrawal of the policy and the withdrawal amount will be met by cashing the units at bid price.
- B. Policyholders have the flexibility of switching from one fund to another, provided it satisfies the company's switching criteria.
- C. Policyholders have the flexibility of increasing or decreasing their premiums for regular premiums variable life policies.
- D. Policyholders can take loans against their variable life policies up to the entire withdrawal value of their policies.

113. Which of the following statements about twisting are TRUE?

- I. Twisting is a special form of misrepresentation.
 - II. It refers to an agent inducing a policyholder to discontinue a policy with another company without disclosing the disadvantage of doing so.
 - III. It includes misleading or incomplete comparison of policies.
 - IV. It refers to an agent offering a prospect a special inducement to purchase a policy.
- A. I, II and III
 - B. I and IV
 - C. III and IV
 - D. II, III and IV

114. Rank the following in terms of liquidity, from the least liquid to the most liquid:

- I. Short Term Securities
 - II. Property
 - III. Cash
 - IV. Equities
- A. All the above
 - B. IV, I, III, I
 - C. III, I, IV, II
 - D. II, I, IV, III

115. Which of the following statements about variable life policies are TRUE?

- I. Offer price is used to determine the numbers of units to be cancelled to the account.

- II. The margin between the bid and offer price is used to cover the management cost of the policy.
- III. The policy value is calculated based on the bid price of units allocated into the policy.

- A. I and II
- B. I and III
- C. II and III
- D. All of the above

116. Which of the following best describes the benefits of variable life policies?

- A. The policy benefits are payable only on death or disability.
- B. The policy benefits will depend on the long-term performance of the life company.
- C. The policy benefits are directly linked to the investment performance of the underlying assets.
- D. The policy benefits are guaranteed.

117. The differences between traditional participating life insurance and variable life insurance include:

- I. Variable life insurance policies are less likely to offer more choices in terms of the type of investment funds.
- II. The investment elements of variable life insurance policies are made known to the policy owner at the outset and is invested in a separately identifiable fund which is made up of units of investment.
- III. Variable life insurance policies offer the potential for higher returns.
- IV. Traditional participating policies aim to produce a steady return by smoothing out market fluctuation.

- A. I, II and III
- B. I, III and IV
- C. I, II and IV
- D. II, III and IV

118. Advantages of investing in preferred shares are:

- I. It gives shareholders the right to a fixed dividend.
- II. Has the priority over company assets during dissolution.
- III. They enjoy benefit of capital appreciation.

- A. I and II
- B. I and III
- C. II and III
- D. All of the above

119. In regular premium, variable whole life insurance plan:

- I. Premium top-ups and holidays, subject to the life company's administrative rules are usually allowed
- II. Life protection is the main objective of the plan with investment as a nominal purpose.
- III. Withdrawals after the payment of a few years are usually allowed.
- IV. A single premium contribution is made to the policy which uses the premium to purchase units in variable life fund and to provide certain level of life cover.

- A. I, II and III
- B. I, II and IV
- C. II, III and IV
- D. I, III and IV

120. The selling price under a variable life insurance policy is_____.

- A. The price at which units under the policy are offered for sale by the life company
- B. The price at which units the policy is bought back by the life company
- C. Also known as the bid price
- D. A fixed amount throughout

121. Which of the following statements is FALSE?

- A. A life insurance company will carry out a valuation of its funds yearly and any surplus may be allocated to participating policyholders as cash dividends.
- B. Both Whole Life and Endowment policies can be used as an investment media with benefits that become payable at a future date.
- C. The investment element of variable life policies varies according to underlying assets of portfolio.
- D. Variable life insurance policies offer investors plans with values that are indirectly linked to the investment performance of the life company.

122. Which of the following statements about option to top-up under variable life insurance products is TRUE?

- I. Policy owners may buy additional units of the variable life fund and these units will be allocated to new variable life insurance policies.
 - II. Further premiums at time of top-up will be used in full, after deducting charges for top-ups, to purchase additional units of the variable life funds.
 - III. To top-up a policy, the policy owner pays further single premium at the time of top-up.
 - IV. Policy owners are normally allowed to top-up their policies at any time, subject to a minimum amount
- A. I, II and III
 - B. I, III and IV
 - C. I, II and IV
 - D. II, III and IV

123. What is the most suitable investment instrument for someone who is interested in protecting his principal, while receiving a steady stream of income?

- A. Equities
- B. Warrants
- C. Fixed Income Securities
- D. VUL Policies

124. Which of the following statements are FALSE?

- I. The policy value of variable life policies is determined by the offer price at the time of valuation.
 - II. The policy value of endowment policies is the cash values plus any accumulated dividends less any outstanding loans due at time of surrender.
 - III. The life company needs to maintain a separate account for variable life policies distinct from the general account.
- A. I
 - B. I and II
 - C. II and II
 - D. III and IV

125. The policy fee payable by a variable life insurance policy owner is to cover_____.

- A. The handling charges by professional investment managers
- B. The administrative expenses of setting up the variable life insurance policy
- C. The prices for each unit bought under the variable life insurance policy
- D. The mortality costs of the variable life insurance policy

126. In risk-return profile of bond , cash, managed , balanced, and equity funds, a risk- return graph will show that_____.

- I. Higher return normally comes with lower risk.
- II. Higher return normally comes with higher risk.
- III. At the top end of the graph are the equity funds.
- IV. The relatively risk-less cash funds sit at the bottom end of the graph.

- A. I, II and III
- B. I, II and IV
- C. I, III and IV
- D. II, III and IV

127. Variable life funds can be invested in any financial instruments including bond , property, specialized, and equity funds. Equity funds_____.

- A. Invest in share of stocks and investor who buys such assets usually aims for capital appreciation
- B. Invest in shares of stocks and the magnitude of the change in unit prices will only depend on the quantity of the equities held
- C. Invest in shares of stocks and during market recession, such assets are usually the last to depreciate
- D. Invest in share of stocks which are inherently of lower risk in nature and the prices of stocks are stable

128. The investment returns under variable life insurance_____.

- I. Are not guaranteed
- II. Are assured
- III. Are linked to the performance of the investment fund managed by the life company
- IV. Fluctuate according to the rise and fall of the market prices

- A. I, II and III
- B. I, III and IV
- C. II, III and IV
- D. All of the above

129. Which of the following statements is FALSE?

- A. Rebating is to offer a prospect a special inducement to purchase a policy.
- B. Switching is a facility allowing policyholder to switch to another variable life funds offered by the company.
- C. Twisting is a specific form of misrepresentation.
- D. Misrepresentation is a specific form of twisting.

130. Investment diversification involves_____.

- A. Reducing the risks of investment by putting one fund under management into several categories of investment
- B. Putting all the funds under management into one category of investment
- C. Spreading the risks of investment by not putting the fund into several categories of investment
- D. Reducing the risks of investment by putting all one's eggs in one basket

131. Which of the following statements about surrender value under traditional participating life insurance products is TRUE?

- A. The amount of surrender value is usually higher than the amount under non-participating policies and it varies with the age of the assured, being lower at older ages.
- B. Cash value is paid when a yearly renewable term insurance policy is surrendered.
- C. In the case of participating policies, the net cash surrender value includes the surrender value of the paid-up addition up to the date of surrender.
- D. When a participating insurance policy is surrendered, the surrender value is calculated by multiplying the bid price with number of units.

132. Which of the following statements about benefits in a variable life fund is FALSE?

- A. The fund relieves investor from the hassle of administering his/her investment.
- B. The fund provides a highly diversified portfolio, thus, lowering the risk of investment.
- C. The fund ensures definite high yield for the investor since it is managed by professionals who are well versed in the management of risks of investment portfolios.
- D. The fund enables small investor to participate in a pool of diversified portfolio in which he/she with low investment capital is likely to have acceded to.

133. Which of the following statements about the differences between variable life policies and endowment policies are FALSE?

- I. The policy values of variable life and endowment policies directly reflect the performance of the fund of the life company.
 - II. The premiums and benefits of the endowment policies are described at inception of the policy whereas variable life policies are flexible as they are account-driven.
 - III. The benefits and risks variable life and endowment policies directly accrue to the policyholders.
- A. I and III
 - B. I and II
 - C. II and III
 - D. All of the above

134. Which of the following statements about an investor diversifying his portfolio is FALSE?

- A. A diversified portfolio can involve purchasing different types of stocks and investing in stocks of different countries.
- B. A diversified portfolio can completely eliminate the risk of investing the stocks in a portfolio.
- C. A diversified portfolio provides greater security to an investor having to sacrifice the return for the portfolio.

135. A unit trust is_____.

- A. A close-end fund and does not have to dispose of its assets if a large number of investors sell their shares.
- B. Established by a trust deed, which enables a trustee to hold the pool of money and assets in trust on behalf of the investor.
- C. An organization registered under the Securities and Exchange Commission (SEC) which usually invests in a wide range of equities and other investments.
- D. One whereby an investor buys units in the trust itself and not shares in the company.

136. Which of the following statements about variable life policies are TRUE?

- I. Variable life policies generally have larger exposure to equity investment than with participating and other traditional policies.

- II. The protection costs are generally met by implicit charges, which vary with age and level of cover.
 - III. Commissions and company expenses are met by a variety of explicit charges, some of which are variable.
- A. I and III
 - B. I, II, and III
 - C. I and II
 - D. II and III

137. A single premium variable life insurance policy must be issued with_____.

- A. Without death benefit
- B. Without withdrawal value
- C. A minimum death benefit
- D. A maximum withdrawal value

138. Characteristics of a variable life insurance policy include_____.

- I. Its withdrawal value and protection benefits are determined by the investment performance of the underlying assets.
 - II. Its protection costs are generally met by the explicit charges.
 - III. Its commission and company expenses are met by a variety of implicit charges with normally 6 months' notice given by the life companies prior to any change.
 - IV. Its withdrawal value is normally the value of units allocated to the policy owner calculated at the bid price.
- A. I, II, and III
 - B. I, III and IV
 - C. I, II and IV
 - D. II, III and IV

139. Which of the following statements about single premium variable life policy are TRUE?

- I. There is no fixed term in a single premium variable life policy, and therefore, they are technically whole life insurance.
 - II. Top-up single premium injections are allowed in these plans.
 - III. Policyholders have the flexibility of varying the level cover.
- A. I, II and III
 - B. II and III
 - C. I and III
 - D. I and II

140. Why is it important that the customer has to understand the sales proposal completely?

- A. Because the agent may give the wrong recommendations
- B. Because the insurer does not guarantee any return
- C. Because the impact of changes in investment condition on variable life policy borne solely by the customer
- D. Because the policyholders expect higher returns

141. The facility to do switching under a variable life insurance policy is a very useful_____.

- A. For the purpose of assets planning by the trustee
- B. For the purpose of sales planning by the fund managers

- C. For the purpose of profit planning by the life policies
- D. For the purpose of financial planning by the policy owners

142. The flexibility of investing in variable life funds includes these benefits:

- I. Policy owners can easily change the level of sum assured and switch their investment between funds.
 - II. Policy owners can easily take premium holidays and add single premium to top-ups.
 - III. Variable life insurance products have a single product design with a clear structure which cater separately for investment and insurance protection.
 - IV. Policy owners can easily change the level of their premium payment.
- A. All of the above
 - B. I, III and IV
 - C. I, II and III
 - D. I, II and IV

143. There are two particular risk categories in relation to investment. They include ____.

- I. The risk of not losing some or all of a person's initial investment
 - II. The risk of rate of return on the investment not matching up to the individual's expectation
 - III. The risk of rate of return on the investment matching up to the individual's expectation
 - IV. The risk of losing some or all of a person's initial investment
- A. I and II
 - B. I and III
 - C. II and IV

144. Mr. Cruz is currently earning Ps 30,000 each month. He is 35 years old and has a reasonable amount of savings. He has a moderate level for risk tolerance. What kind of policy would you recommend him to buy?

- A. Annuities
- B. Participating Endowment
- C. Variable Life Policies
- D. Participating Whole Life Annuities

145. Which of the following duties of the trustees are FALSE?

- A. Ensuring that the fund manager adhere to the provision of trusts deeds
- B. Managing the portfolio of investment and administering the buying and selling of shares in the unit trust itself
- C. Holding the pool of money and assets in trust in behalf of the investors
- D. Acting generally to protect the unit-holders

146. In traditional life insurance products, the allocations to policy owners in the form of dividends ____.

- I. Are not directly linked to the life company's investment performance
 - II. Have already been smoothened by the life company
 - III. Do not have the highs and lows of investment returns as in good investment years of the life company
 - IV. Are not fixed at the inception of the policy, but are greatly dependent on the investment performance of the life company.
- A. I, II, and III
 - B. I, II, and IV
 - C. II, III and IV

D. I, III and IV

147. Which of the following statements about variable life policies are TRUE?

- I. The cash withdrawal value is not guaranteed.
- II. The volatility of the returns depends on the investment strategy of the fund.
- III. The variable life policyholder has direct control over the investment decisions of the variable life fund.

- A. I and II
- B. I, II and III
- C. I and III
- D. II and III

148. What would be the withdrawal value after a year?

Offer price	= Ps 16.00
Bid-offer spread	= 4.5%
Number of Units bought	= 25,000 units
Policy Fee	= Ps. 1,800
Admin and Mortality Charge	= Ps. 8,750
Top-Up Fee	= Ps. 700
Admin for Top-Up	= Ps. 2,000

Sum assured is 190% of single premium of the value of the units, whichever is higher. Assumptions:

- 1. Charges and fees are deducted after the single premium has been invested into the account.
- 2. The growth rate of the unit price and the bid-offer spread is maintained at 8% and 4.5% respectively.

- A. Ps. 432,000.00
- B. Ps. 401,107.58
- C. Ps. 412,500.00
- D. Ps. 420,069.00

149. Investing in bonds offer the following advantages with the exception of__.

- A. Offering protection to the principal and guaranteed steady stream of income.
- B. Allowing the investor a chance for capital preservation.
- C. Enabling the investors an opportunity for capital appreciation.
- D. Being a place of temporary refuge when the investor foresees that the market outlook is uncertain.

150. Which of the following statements about risks of investing in variable life funds is TRUE?

- A. Policy owners who are risk averse should buy variable life insurance policies with high equity investment.
- B. Investment in variable life funds, which are fully invested in units of equity bonds, are not suitable for policy owners who can tolerate the risks of short-term fluctuations in their cash value.
- C. Policy owners who invest in variable life funds with high equity investment face greater risk but can expect to achieve higher return than the traditional life insurance product over the long term.
- D. Policy owner who are risk averse should not purchase life insurance policies with high protection and guaranteed cash and maturity values.

VARIABLE LIFE MOCK EXAM

ANSWER KEY

- | | | | |
|-------|-------|--------|--------|
| 1. B | 46. C | 91. D | 136. C |
| 2. B | 47. D | 92. A | 137. C |
| 3. C | 48. D | 93. D | 138. C |
| 4. A | 49. B | 94. D | 139. B |
| 5. D | 50. A | 95. A | 140. C |
| 6. B | 51. A | 96. D | 141. D |
| 7. B | 52. B | 97. B | 142. D |
| 8. C | 53. A | 98. B | 143. C |
| 9. C | 54. D | 99. D | 144. C |
| 10. D | 55. C | 100. D | 145. B |
| 11. B | 56. D | 101. C | 146. C |
| 12. B | 57. D | 102. C | 147. A |
| 13. D | 58. C | 103. B | 148. B |
| 14. A | 59. C | 104. A | 149. C |
| 15. D | 60. A | 105. A | 150. C |
| 16. D | 61. B | 106. D | |
| 17. D | 62. C | 107. B | |
| 18. C | 63. C | 108. A | |
| 19. A | 64. A | 109. D | |
| 20. B | 65. C | 110. D | |
| 21. C | 66. C | 111. C | |
| 22. A | 67. C | 112. D | |
| 23. C | 68. B | 113. A | |
| 24. A | 69. A | 114. D | |
| 25. A | 70. A | 115. C | |
| 26. A | 71. A | 116. C | |
| 27. D | 72. C | 117. D | |
| 28. A | 73. B | 118. D | |
| 29. B | 74. D | 119. A | |
| 30. D | 75. B | 120. A | |
| 31. D | 76. A | 121. D | |
| 32. D | 77. B | 122. D | |
| 33. A | 78. B | 123. C | |
| 34. D | 79. C | 124. A | |
| 35. C | 80. B | 125. B | |
| 36. A | 81. C | 126. D | |
| 37. D | 82. D | 127. A | |
| 38. B | 83. C | 128. B | |
| 39. B | 84. C | 129. D | |
| 40. C | 85. B | 130. A | |
| 41. A | 86. B | 131. A | |
| 42. B | 87. A | 132. C | |
| 43. D | 88. D | 133. A | |
| 44. D | 89. B | 134. B | |
| 45. B | 90. A | 135. B | |

