1. All of the following statements about variable life insurance are true EXCEPT:
   a. The premium is level and guaranteed not to increase
   b. The death benefit varies according to the investment experience of the insurer
   c. The policyowner generally has the option of investing the cash value in a variety of Investments
   d. Cash surrender values are subject to minimum guarantees

2. When must an insurable interest legally exist in life insurance?
   a. Only at the time of death
   b. Only at the inception of the policy
   c. Only at the time the beneficiary has paid a premium
   d. Both at the time of death and at the inception of the policy
   e. At the time when the policy proceeds are paid to the beneficiary

3. Which of the following types of families is likely to have the least need for large amounts of life insurance?
   a. The blended family
   b. The single person family
   c. The traditional family
   d. The sandwich family

4. Human Life Value is defined as the:
   a. Present value of a deceased breadwinner’s future gross income
   b. Future value of a deceased breadwinner’s past earnings
   c. Present value of the family’s share of a deceased breadwinner’s future earnings
   d. Future value of the family’s share of a deceased breadwinner’s future earnings

5. The purpose of an estate clearance fund is to pay all of the following EXCEPT:
   a. Burial expenses
   b. Estate administration expenses
   c. Education costs
   d. Installment debts
6. When is the dependency period of a surviving spouse assumed to end?
   a. 1 or 2 years after the breadwinner’s death
   b. When the youngest child reaches age 18
   c. When the surviving spouse reaches age 65
   d. When the surviving spouse dies
   e. When the oldest child reaches age 18

7. The period when the surviving spouse is ineligible for Social Security benefits is referred to as the:
   a. Emergency period
   b. Readjustment period
   c. Dependency period
   d. Blackout period
   e. Co-payment period

8. How do premiums for yearly renewable term insurance change as an insured gets older?
   a. They increase at an increasing rate
   b. They increase at a decreasing rate
   c. They decrease
   d. They remain level
   e. They increase and then decrease after age 55

9. Which of the following statements about the level premium method of life insurance is(are) true?
   I. Premiums paid during the early policy years are higher than needed to pay death claims
   II. Premiums increase at 5-year intervals beginning at age 65
   a. I only
   b. II only
   c. Both I and II
   d. Neither I nor II

10. Which of the following statements about a decreasing term insurance policy is true?
    a. The face amount of the policy decreases during the policy period, and the premium increases
    b. The face amount of the policy decreases during the policy period, but the premium remains level
    c. The premium decreases during the policy period, but the face amount remains level
    d. Both the premium and face amount of the policy decrease during the policy period
11. All of the following statements about the conversion of a term insurance policy are true EXCEPT:
   a. Under an attained age conversion, the premium is based on the insured’s attained age at
      the time of conversion
   b. Under an original age conversion, the policyowner must pay a financial adjustment
      in addition to the premium for the new policy
   c. Evidence of insurability is required before a conversion is allowed
   d. Most insurers require original age conversion to take place within 5 years of the issue
      of the term policy

12. Which of the following statements about endowment insurance policies is(are) true?
   I. The face amount of a policy doubles if the insured is alive at the end of the
      endowment period.
   II. Their use has increased in recent years due to the lowering of estate tax rates at
      the state and federal level.
   a. I only     b. II only       c. Both I and II     d. Neither I nor II

13. The following statements about an ordinary life insurance policy are true EXCEPT:
   a. Premiums are level through the policy period
   b. The face amount of the policy is paid up if the insured lives to age 65
   c. There is a buildup of cash value that can be borrowed by the policyholder
   d. It offers a policyowner the flexibility to meet a wide variety of financial objectives

14. A whole life insurance policy in which premiums are reduced for the first 5 years and then
    premiums are higher thereafter is an example of a(n):
    a. Jumping juvenile policy
    b. Modified life insurance policy
    c. Increasing premium policy
    d. Family income policy
    e. Economic policy

15. Which of the following statements about second-to-die life insurance is(are) true?
   I. The insurance is a form of endowment.
   II. The premium is lower than if individual policies were purchased on each insured.
   a. I only
   b. II only
   c. Both I and II
   d. Neither I nor II
16. Sources of annuity payments include all of the following EXCEPT:
   a. Premium payments
   b. Interest earnings
   c. The unliquidated principal of annuitants who die early
   d. Assessments on annuitants who live longer than expected

17. Which of the following annuities provides an annuitant with the largest amount of income for a given dollar outlay?
   a. A life annuity with no refund
   b. A life annuity with guaranteed payments
   c. An installment refund annuity
   d. A joint-and-survivor annuity

18. Under which of the following annuities does the annuitant’s beneficiary receive a lump sum payment if the annuitant dies before receiving total payments equal to the cost of the annuity?
   a. A life annuity with no refund
   b. A joint-and-survivor annuity
   c. A cash refund annuity
   d. An installment refund annuity

19. Which of the following statements about universal life insurance is(are) true?
   I. There is a guaranteed minimum interest rate return on a policy’s cash value, but no guaranteed maximum return.
   II. A monthly deduction is made from a policy’s cash value for the cost of insurance protection.
   a. I only
   b. II only
   c. Both I and II
   d. Neither I nor II

20. Bernie purchased a life insurance policy four years ago. He inadvertently stated that he was three years younger than his actual age. If Bernie dies today, how much will the insurance company pay his beneficiaries?
   a. Nothing
   b. Less than the policy face
   c. The policy face amount
   d. More than the policy face amount
21. A contingent beneficiary in a life insurance policy has the right to:
   a. Receive the policy proceeds if the primary beneficiary dies before the insured
   b. Share the policy proceeds with the primary beneficiary
   c. Change the beneficiary designed under specified circumstances
   d. Exercise policy rights if the insured is incapacitated
   e. Take out a policy loan on the cash value of the life insurance contract

22. The incontestable clause states that:
   a. The insured may not contest the policy after one or two years
   b. The policy cannot be contested after it is issued
   c. The life insurance contract may not be contested at any time
   d. The insurer may not contest the policy after it has been in force one or two years
during the lifetime of the insured

23. The provision that provides for the elimination of collection of premiums on the life
insurance policy if the insured becomes permanently disabled is called:
   a. The “payola” clause
   b. The waiver of premium clause
   c. The double indemnity clause
   d. The disability income option

24. A clause which is NOT one of the standard provisions in a life insurance contract in the U.S.
is the:
   a. Grace period clause
   b. Incontestable clause
   c. Immediate notice of loss provision
   d. Nonforfeiture provision (cash value contracts)

25. The automatic premium loan is designed to:
   a. Pay the face amount to the terminally ill
   b. Pay the premium out of the cash value when the policy owner forgets to do so
   c. Provide spendable cash to the terminally ill out of the cash value
   d. Provide disability income payments as a loan from the cash value when the definition
of disability is met