

ILLINOIS LIFE & HEALTH EXAM QUESTIONS

1. Jim gets married and wants to add his new spouse to his existing Life insurance policy. Which rider should he add:
 - A. Term rider
 - B. Payor rider
 - C. Guaranteed Insurability rider
 - D. Other Insured rider

2. A customer buys a \$25,000 Life insurance policy with a \$25,000 Accidental Death Benefit rider attached. If he dies of cancer, how much will his policy pay:
 - A. Nothing
 - B. \$25,000
 - C. \$50,000
 - D. \$75,000

3. What Life insurance policy provision applies if a policy lapsed last year and the insured wants it back:
 - A. Assignment
 - B. Non-forfeiture
 - C. Reinstatement
 - D. Grace period

4. A client buys a Life insurance policy on July 1st and dies by suicide 6 months later. The insurance company will:
 - A. Pay the claim in full
 - B. Deny the claim
 - C. Pay half of the claim
 - D. Deny the claim, but refund the premium

5. A rider that keeps a policy from lapsing due to non-payment of premium by borrowing from the cash value is:
 - A. Automatic Premium Loan
 - B. Mode of Payment
 - C. Extended Term Option
 - D. Reduced Paid-Up Option



6. If the insured dies 5 years after he bought a Life insurance policy and the insurer determines that there was material misrepresentation on his application, they will:
 - A. Deny the claim
 - B. Pay the claim
 - C. Deny the claim but refund the premium
 - D. Pay only a portion of the claim

7. The Life insurance policy provision that prevents the insurer from modifying a policy after it has been issued is the:
 - A. Insuring clause
 - B. Consideration clause
 - C. Entire contract clause
 - D. Incontestability clause

8. A beneficiary designation that prevents the policy owner from making certain changes in the policy is:
 - A. Revocable
 - B. Contingent
 - C. Primary
 - D. Irrevocable

9. Which of the following is true about the Misstatement of Age provision:
 - A. It allows the insurer to change the premium
 - B. It allows the insurer to contest a claim during the first 2 years
 - C. It allows the insurer to adjust benefits
 - D. It allows the insurer to void the contract

10. Which of the following is true about the Insuring Clause:
 - A. It contains the insurer's enforceable promise to pay covered claims
 - B. It states that the insurer may contest a claim for material misrepresentation
 - C. It requires that the application be attached to the policy
 - D. It states the policy owner's rights

11. All of the following are considered to be Owner's rights under a Life insurance policy EXCEPT:
 - A. Taking a policy loan
 - B. Changing an irrevocable beneficiary
 - C. Selecting a settlement option prior to death
 - D. Changing a dividend option

12. A client applied for Life insurance on October 1st. The application was approved and the policy was issued on October 10th and delivered to the customer on October 18th. When did the Free Look start:
- A. October 1st
 - B. October 10th
 - C. October 18th
 - D. October 31st
13. The contingent beneficiary will receive policy proceeds when:
- A. The insured pre-deceases the primary beneficiary
 - B. No beneficiary has been designated
 - C. The primary beneficiary pre-deceases the insured
 - D. The insured pre-deceases all designated beneficiaries
14. Dividend projections may be included in a proposal for Life insurance:
- A. Only upon the request of the applicant
 - B. When there is a clear statement that they are not guaranteed
 - C. When past results are used as the basis for future projections
 - D. When they are required to be applied to future premiums due
15. The Life insurance rider that will pay the insured's premium after a period of disability due to accident or sickness is:
- A. Waiver of Premium
 - B. Automatic Premium Loan
 - C. Guaranteed Insurability
 - D. Accidental Death and Dismemberment
16. If the insured understated his age and the error is discovered after the insured's death, the insurance company will:
- A. Deny the claim under the Incontestability clause
 - B. Refund all premiums paid plus accumulated interest
 - C. Pay the claim, less a deduction for the amount of the underpaid premium
 - D. Pay the amount that the premium paid would have purchased at the correct age
17. The purpose of the Grace Period is to:
- A. Protect the insurer against adverse selection
 - B. Give the insurer time to determine the cause of death
 - C. Protect the policy owner against unintentional lapse
 - D. Give the beneficiary time to prove that insurable interest exists



18. On Life insurance, the purpose of the Entire Contract clause is to:
- A. Spell out the rights of the beneficiary
 - B. Require that the insurer attach the application to the policy at issue
 - C. Spell out the rights of the policy owner
 - D. Limit the policy to the contract plus the application, if attached
19. The clause that states the insurer's promise to pay the policy benefits in accordance with the contract's provisions is the:
- A. Consideration clause
 - B. Insuring clause
 - C. Incontestability clause
 - D. Beneficiary clause
20. A client buys a \$50,000 Whole Life policy on him self and wants to add \$25,000 in Term coverage for his spouse. He should add which of the following riders to his policy:
- A. Other Insured rider
 - B. Spousal rider
 - C. Family rider
 - D. Additional Insured rider
21. If an insured designates an irrevocable beneficiary on their Life insurance policy, they could do which of the following without the consent of that beneficiary:
- A. Take a policy loan
 - B. Change a dividend option
 - C. Take cash surrender
 - D. Appoint a new primary beneficiary
22. Automatic Premium Loan is not available on which of the following types of Life insurance policies:
- A. Life Paid-Up at age 65
 - B. 5 year Level Term
 - C. 20 Pay Life
 - D. Traditional Whole Life
23. All of the following are Non-Forfeiture Options on a cash value Life insurance policy EXCEPT:
- A. Cash Surrender
 - B. Extended Term
 - C. Automatic Premium Loan
 - D. Reduced Paid-Up

24. Which Life insurance Mode of Payment would result in the lowest cost:
- A. Annual
 - B. Monthly
 - C. Quarterly
 - D. Semi-annual
25. Jim names his spouse Mary as primary beneficiary and his two children, Scott and Suzy, as contingent beneficiaries. If Jim and Mary both die as a result of the same auto accident, the proceeds of Jim's Life insurance policy will be paid to:
- A. Jim's estate
 - B. Mary's heirs
 - C. Scott only
 - D. Scott and Suzy equally



ANSWERS & EXPLANATIONS

1. **D** The Other Insured Rider may be added to your Whole Life insurance policy at any time in order to provide Term Life coverage for a relative, such as a new spouse or child. Of course, the 'other' person would have to pass a physical exam and your premium would increase. This rider is often used to provide Family coverage.
2. **B** Accidental Death Benefits (also known as Double Indemnity) are actually a type of Health insurance that may be added to a Life insurance policy for an additional premium. This rider covers accidents only and death must result within a specified period of time after the accident, usually within 90 days. Cancer is a sickness, not an accident.
3. **C** If your policy lapses, most insurers will allow you to apply for reinstatement for up to 5 years. Reinstatement is subject to proof of insurability and the payment of all overdue premiums. It is better to reinstate rather than buy a new policy, since the premium on your reinstated policy will be based on your original age.
4. **D** In most states, suicide is excluded for the first 2 years of a new policy due to adverse selection. Although there is no coverage, the insurer will refund the premiums paid to the beneficiary. After 2 years, suicide is covered.
5. **A** You can add a rider called Automatic Premium Loan (APL) to any cash value Life insurance policy to keep the policy from lapsing due to non-payment of premium. The policy will automatically borrow from itself, which creates an interest bearing loan, which will be subtracted from proceeds upon your death. APL cannot be added to a Term Life policy, since there is no cash value.
6. **B** Under state law, Life insurance policies are only 'contestable' for the first two years. After 2 years, the policy is 'incontestable', which means that the insurer must pay all claims, even if there was material misrepresentation on the original application.
7. **C** The Entire Contract Clause prevents the insurer from modifying a policy once it has been issued. The Entire Contract, which consists of the policy and the application, if attached, is the only document that is admissible in court.
8. **D** Most beneficiaries are 'revocable', which means that the policy owner can change it at any time. However, if a person is listed as 'irrevocable' beneficiary, the beneficiary cannot be changed without their consent, nor can the policy be changed in any way that would affect the interest of the irrevocable beneficiary. Irrevocable beneficiary designations are rare, but may be used in connection with Life insurance sold for a business purpose, or as part of a property settlement in a divorce.
9. **C** A Life insurance claim may not be 'contested' for misstatement of age. However, if the insured understates his age in order to obtain a lower premium, at his death the insurer



- will adjust his benefits according to what the incorrect premium would have purchased at his correct age. The Misstatement of Age clause applies indefinitely.
10. **A** The Insuring Clause states that coverage is provided in accordance with the terms of the policy. It includes the insurer's promise to pay covered claims and is located on the first page of the policy
 11. **B** The policy owner has all the rights of ownership, which includes paying the premium, designating the beneficiary, taking a policy loan and making an absolute or collateral assignment. Remember, the policy owner is not necessarily the person insured.
 12. **C** The Free Look is usually 10 days, starting at the time of policy delivery. During the Free Look, the policy owner may return the policy for any reason and receive a full refund. Of course, once the policy is returned, no coverage will apply.
 13. **C** A 'contingent' beneficiary is also known as a 'secondary' beneficiary, since they will only receive the policy proceeds if the primary beneficiary dies before the insured and no new primary beneficiary is named.
 14. **B** Mutual insurers issue 'participating policies' which might pay dividends to the policy holders, since they own the company. However, dividends may never be guaranteed. Dividends are not taxable.
 15. **A** Waiver of Premium is a type of Health (or disability) insurance that may be added to a Life policy for an additional premium. If the policy owner becomes totally disabled for a period of at least 6 months, the insurer will waive future premiums due until the policy owner recovers.
 16. **D** Please refer to the rationale for question # 9 above.
 17. **C** A Life insurance policy will lapse (terminate) at the end of the grace period, which may be as long as 31 days. During the grace period, the insured is still covered, and death claims will be paid, less the overdue premium.
 18. **D** Please refer to the rationale for question # 7 above.
 19. **B** Please refer to the rationale for question # 10 above.
 20. **A** Please refer to the rationale for question # 1 above.
 21. **B** Dividends have no effect on an irrevocable beneficiary's vested interest in a Life insurance contract, so the policy owner may change a dividend option at any time.
 22. **B** Since Term Life has no cash value, loans may not be taken.
 23. **C** Automatic Premium Loan is a rider, not a Non-Forfeiture option. Non-Forfeiture options protect the policy owner's cash value when a Life insurance policy lapses. The policy owner may select cash surrender, reduced paid-up, or the extended term non-forfeiture option. Term Life policies have no Non-Forfeiture options, since they have no cash value.

24. **A** Policy owners may select any 'mode of premium' they want, either monthly, quarterly, semi-annual or annual. Due to service fees, the monthly mode would be the most expensive, while the annual mode would have the lowest cost.
25. **D** Under the Common Disaster clause, whenever the insured and their primary beneficiary die as a result of the same accident, it is assumed that the insured died last, so the proceeds would go to the contingent beneficiaries equally if more than one is listed.