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Virginia Life Insurance Practice Questions

100 sample multiple-choice questions with answers and explanations: national concepts and Virginia state rules.



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For study purposes only. Confirm current rules with the Virginia Bureau of Insurance.

How to use this set: cover the answers, choose your option, then check it. The correct answer is marked with ✓ and followed by a short explanation.

PART 1

National General Insurance Concepts

1 **What type of risk is characterized by a chance of both loss and gain, making it uninsurable?**

A. Pure risk

✓ **B. Speculative risk**

C. Particular risk

D. Fundamental risk

Explanation: *Speculative risks (like gambling or investing) have the potential for gain, so insurance companies will not cover them.*

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2 **Which element of a legal contract is established when an applicant submits an application along with the initial premium?**

✓ **A. Offer and acceptance**

B. Legal purpose

C. Consideration

D. Competent parties

Explanation: *The applicant makes the offer by submitting the application and premium; acceptance occurs when the company issues the policy.*

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3 **What does the concept of "Adhesion" mean in an insurance contract?**

A. Both parties contribute equally to the terms.

B. The contract can be altered by the insured at any time.

✓ **C. The contract is written by the insurer, and the insured must accept it as-is.**

D. The contract is voidable if the insured breaks a rule.

Explanation: *A contract of adhesion is a "take-it-or-leave-it" agreement drafted solely by one party (the insurer).*

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4 **Which of the following term life insurance policies has a death benefit that reduces over time but keeps a level premium?**

A. Level term

✓ **B. Decreasing term**

C. Increasing term

D. Renewable term

Explanation: *Decreasing term features a face amount that goes down (often matching a mortgage balance) while the premium stays flat.*

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5 **What type of permanent life insurance features flexible premiums and an adjustable death benefit?**

A. Ordinary Whole Life

B. Term Life

✓ **C. Universal Life**

D. Variable Life

Explanation: *Universal Life is known for its unbundled nature, offering flexible premiums and adjustable face values.*

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6 **An insurance contract is "aleatory." What does this mean?**

A. It relies on the absolute honesty of both parties.

✓ **B. There is an unequal exchange of values between the parties.**

C. Only one party makes a legally enforceable promise.

D. It cannot be assigned to another party without permission.

Explanation: *An aleatory contract means the performance depends on a chance event, meaning one party may get far more value than they paid in.*

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7 **What happens to the premium and face amount in an Annually Renewable Term (ART) policy?**

A. The premium remains level; the face amount increases.

B. The premium decreases; the face amount remains level.

✓ **C. The premium increases each year; the face amount remains level.**

D. Both premium and face amount increase each year.

Explanation: *ART provides coverage for one year at a time; the premium goes up at each renewal based on the insured's increased age.*

8 **What permanent life policy guarantees a level premium and a level death benefit up to age 100?**

✓ **A. Straight Whole Life**

B. Universal Life

C. Variable Life

D. Term to 65

Explanation: *Straight Whole Life (Ordinary Life) features fixed premiums and fixed protection for the insured's entire life.*

9 **If a policyowner utilizes the equity in a life insurance policy as collateral for a bank loan, what has occurred?**

A. Absolute assignment

✓ **B. Collateral assignment**

C. Policy surrender

D. Viatical settlement

Explanation: *A collateral assignment transfers partial rights to a creditor to secure a loan, returning those rights once the debt is paid.*

10 **The "Free Look" period typically begins on what date?**

A. The date the application is signed

B. The date of the medical examination

C. The date the policy is approved by underwriting

✓ **D. The date the policy is physically delivered to the owner**

Explanation: *The Free Look provision gives the policyowner a set number of days to review the policy starting exactly upon delivery.*

11 **What is the standard duration of the Grace Period in a non-group life insurance policy?**

A. 10 days

B. 20 days

✓ **C. 30 or 31 days**

D. 60 days

Explanation: *Most individual life policies offer a grace period of 31 days past the premium due date to keep the policy active.*

12 **If an insured misstates their age on a life insurance application, what action will the insurer take upon their death?**

A. Deny the claim completely due to fraud.

✓ **B. Adjust the death benefit to what the premium paid would have purchased at the correct age.**

C. Refund all premiums paid and void the contract.

D. Pay the full face value but deduct a standard penalty fee.

Explanation: *The misstatement of age provision allows the insurer to adjust benefits mathematically based on the true age.*

13 **Which beneficiary designation cannot be changed by the policyowner without the beneficiary's written consent?**

A. Revocable beneficiary

✓ **B. Irrevocable beneficiary**

C. Contingent beneficiary

D. Primary beneficiary

Explanation: *An irrevocable beneficiary has a vested interest in the contract; the owner cannot alter the policy without their signature.*

14 **What life insurance rider permits the policyowner to buy additional increments of coverage at specified dates without proof of insurability?**

A. Waiver of Premium

B. Payor Rider

✓ **C. Guaranteed Insurability Rider**

D. Accidental Death Rider

Explanation: *The Guaranteed Insurability Rider lets the insured purchase more insurance at certain ages or life milestones without a medical exam.*

15 **What nonforfeiture option uses the policy's accumulated cash value to buy term insurance with the same face amount as the original policy?**

A. Reduced Paid-Up Insurance

✓ **B. Extended Term Insurance**

C. Cash Surrender Value

D. Automatic Premium Loan

Explanation: *Extended Term uses the cash value as a single premium to buy term coverage matching the original face amount for as long a duration as possible.*

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16 **Which dividend option allows the policyowner to use their dividends to reduce the next year's out-of-pocket premium?**

A. Cash payment

✓ **B. Reduction of premium payments**

C. Paid-up additions

D. Accumulation at interest

Explanation: *The premium reduction option applies the dividend amount directly toward cutting down the upcoming premium cost.*

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17 **How are lump-sum life insurance death benefits treated for federal income tax purposes when paid to a named individual?**

✓ **A. They are completely income tax-free.**

B. They are taxed as capital gains.

C. They are subject to a flat 10% penalty tax.

D. They are fully taxed as ordinary income.

Explanation: *Lump-sum insurance payouts to individuals escape federal income taxation completely.*

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18 **If a life insurance policy fails the IRS 7-pay test, it is classified as what?**

A. An active annuity

B. A Term policy

✓ **C. A Modified Endowment Contract (MEC)**

D. A Variable policy

Explanation: *Overfunding a life insurance policy past certain statutory lines turns it into an MEC, changing its distribution tax rules.*

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19 **What type of annuity begins paying out income within one year of its purchase date?**

✓ **A. Immediate Annuity**

B. Deferred Annuity

C. Flexible Premium Annuity

D. Variable Annuity

Explanation: *Single Premium Immediate Annuities (SPIAs) begin distributing periodic income payouts immediately (within 12 months).*

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20 **During the accumulation phase of a deferred annuity, the interest earned inside the contract is:**

A. Taxed annually as capital gains.

B. Fully taxable as ordinary income each year.

✓ **C. Tax-deferred until distribution.**

D. Permanently exempt from all federal income taxes.

Explanation: *Growth in an annuity is tax-deferred; taxes are due only when funds are withdrawn during the payout or distribution phases.*

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21 **Who bears the investment risk in a Variable Life insurance policy?**

A. The insurance company

✓ **B. The policyowner**

C. The insurance agent

D. The state guarantee fund

Explanation: *Because variable policy funds are invested in stock/bond separate accounts, the policyowner assumes all market risks.*

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22 **What happens to the cash value of a Straight Whole Life policy over time?**

A. It fluctuates with the performance of S&P 500 indices.

B. It decreases as the insured gets older.

✓ **C. It builds according to a guaranteed schedule up to policy maturity.**

D. It remains flat until the policy is completely surrendered.

Explanation: *Whole life guarantees a steady, predictable cash growth path designed to match the face value at maturity.*

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23 **A Payor Benefit rider is typically attached to which type of policy?**

A. Joint Life policies
B. Survivorship Life policies
✓ **C. Juvenile Life policies**
D. Group Term policies

Explanation: *The Payor rider waives premiums on a child's policy if the adult paying the premiums dies or becomes disabled.*

24 **What type of insurance covers two lives and pays out the death benefit only when the first person dies?**

✓ **A. Joint Life**
B. Survivorship Life
C. Family Income Policy
D. Credit Life

Explanation: *Joint Life protects two people but terminates and pays out upon the first death (First-to-Die).*

25 **What type of life insurance policy is also known as "Second-to-Die" insurance?**

A. Joint Life
✓ **B. Survivorship Life**
C. Universal Life
D. Variable Universal Life

Explanation: *Survivorship life covers two individuals but pays out only after both individuals have passed away.*

26 **Which policy settlement option provides income payments for a specified period of time, regardless of how long the beneficiary lives?**

A. Life Income option
B. Interest Only option
✓ **C. Fixed Period option**
D. Fixed Amount option

Explanation: *The fixed-period option pays out principal and interest over a chosen duration (e.g., 10 or 20 years).*

27 **Under which settlement option does the insurance company hold the death benefit principal and simply distribute the earnings to the beneficiary?**

A. Cash Option

✓ **B. Interest Only Option**

C. Fixed Amount Option

D. Joint and Survivor Option

Explanation: *Under the interest-only choice, the principal remains intact with the insurer while the interest is regularly paid out.*

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28 **What constitutes the "Consideration" on the part of an applicant for insurance?**

A. The promise to abide by all future state insurance laws.

✓ **B. The completed application statements and the initial premium payment.**

C. The physical signature of the producing agent.

D. The scheduling of a physical checkup.

Explanation: *Consideration represents the value exchanged; for the buyer, this means the premium and the truthfulness of statements.*

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29 **If an agent states a truth that is mostly correct but omits a material facts to deceive an underwriter, what has occurred?**

A. Warranty breach

✓ **B. Misrepresentation**

C. Concealment

D. Estoppel

Explanation: *A misrepresentation is an untrue or misleading statement given on an application that alters the underwriting choice.*

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30 **Statements made by an applicant on an insurance application are legally considered to be:**

A. Warranties

✓ **B. Representations**

C. Guarantees

D. Affirmationss

Explanation: *Applicant responses are representations (statements believed to be true to the best of their knowledge), not strict absolute warranties.*

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31 **What prevents an insurance company from denying a claim based on statements in the application after a policy has been in force for two years?**

A. The Grace Period Clause

✓ **B. The Incontestability Clause**

C. The Entire Contract Clause

D. The Reinstatement Provision

Explanation: *After 2 years, the incontestability clause bars insurers from fighting a claim based on application misstatements.*

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32 **Which feature allows a policyowner to reinstate a lapsed policy within a certain timeframe?**

A. Ownership provision

B. Insuring clause

✓ **C. Reinstatement provision**

D. Conversion option

Explanation: *The reinstatement provision lets an owner restore a lapsed policy by proving insurability and paying back premiums with interest.*

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33 **What life insurance clause contains the insurer's basic, fundamental promise to pay the death benefit upon proof of loss?**

A. Consideration Clause

✓ **B. Insuring Clause**

C. Owner's Rights Clause

D. Execution Clause

Explanation: *The Insuring Clause is the heart of the policy, declaring the insurer's core promise to pay the death benefit.*

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34 **What happens if an insured commits suicide within the first two years of policy issue?**

A. The full face amount is paid out to prevent beneficiary hardship.

B. Half of the face amount is paid out.

✓ **C. The claim is denied, and the insurer refunds the premiums paid.**

D. The policy proceeds are forfeited to the state.

Explanation: *The suicide clause states that if an insured takes their life within 2 years of issue, premiums are refunded, but no death benefit is paid.*

35 **Who must sign an application for life insurance?**

A. The agent and the underwriter only.

B. The proposed insured and the beneficiary.

✓ **C. The agent, the proposed insured, and the policyowner (if different).**

D. The policyowner and the medical examiner only.

Explanation: *All active parties to the creation of the application (agent, insured, and owner) must formally sign it.*

36 **What type of receipt provides immediate coverage from the date of application, provided the applicant passes the insurer's medical underwriting standards?**

A. Binding receipt

✓ **B. Conditional receipt**

C. Inspection receipt

D. Permanent receipt

Explanation: *A conditional receipt links coverage back to the application date, contingent upon the applicant proving to be insurable.*

37 **Which underwriting source contains general medical information reported by various insurance companies on past applicants?**

A. Credit Bureau Reports

B. Investigative Consumer Report

✓ **C. Medical Information Bureau (MIB)**

D. Attending Physician's Statement

Explanation: *The MIB is a non-profit clearinghouse that tracks medical trends and histories reported by member insurers.*

38 **If an underwriter classifies an applicant as a "Substandard" risk, what does this mean for the policy?**

A. The applicant will receive a discount on premiums.

✓ **B. The applicant will be charged a higher premium due to higher risk exposures.**

C. The policy will be issued with an increased death benefit for free.

D. The policy cannot accumulate any cash value.

Explanation: *Substandard risks present above-average hazards, requiring rated (higher) premiums to offset the exposure.*

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39 **What type of life insurance is typically sold to protect a borrower against death before a loan is repaid?**

A. Universal life

B. Whole life

✓ **C. Credit life**

D. Key person life

Explanation: *Credit life is structured as decreasing term insurance designed to clear a debt balance if the borrower dies.*

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40 **In group life insurance, what document is given to individual employees to prove they have coverage?**

A. The Master Policy

✓ **B. A Certificate of Insurance**

C. A Conditional Receipt

D. An Individual Warranty Contract

Explanation: *The employer receives the master policy, while individual participating employees get a certificate of insurance.*

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41 **Under the standard conversion privilege in a group life policy, an employee can convert to what type of policy?**

A. Term insurance only

✓ **B. Permanent/Whole Life insurance**

C. Variable insurance only

D. An individual annuity contract

Explanation: *Group conversion rights allow an employee to shift group coverage into an individual permanent/whole life policy.*

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42 **What annuity payout option provides income for life but stops immediately upon the annuitant's death, leaving no balance for a beneficiary?**

✓ **A. Life Only / Straight Life**

B. Life with Period Certain

C. Cash Refund

D. Joint and Survivor

Explanation: *Straight Life Only provides the highest payout because it carries no residual guarantees to pay a beneficiary after death.*

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43 **What annuity option guarantees payments for life, but also guarantees payments to a beneficiary for a set number of years if the annuitant dies early?**

A. Straight Life

✓ **B. Life Income with Period Certain**

C. Installment Refund

D. Joint Life

Explanation: *Period certain options guarantee payouts last for the annuitant's lifetime or a set frame (e.g., 10 years), whichever is longer.*

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44 **Equity-indexed annuities track what to determine their interest credits?**

A. The insurer's general real estate investments

✓ **B. A specific stock market index, such as the S&P 500**

C. The consumer price index exclusively

D. The current rate of 10-year US Treasury bonds

Explanation: *Equity-indexed options tie returns to external market indices while preserving a guaranteed minimum principal floor.*

45 **What type of life insurance policy allows the cash value to be invested directly into equities, mutual funds, and variable accounts?**

A. Ordinary Whole Life
B. Modified Whole Life
✓ **C. Variable Life**
D. Adjustable Life

Explanation: *Variable products feature cash components placed into market-driven separate accounts.*

46 **What federal agency regulates variable insurance products alongside state insurance bureaus?**

✓ **A. Securities and Exchange Commission (SEC)**
B. Federal Reserve Board
C. Internal Revenue Service
D. Federal Trade Commission

Explanation: *Because variable insurance involves investment market risk, they are legally treated as securities regulated by the SEC.*

47 **If an individual withdraws cash from their traditional IRA before age 59½, what tax penalty generally applies?**

A. 5% penalty
✓ **B. 10% penalty**
C. 15% penalty
D. 25% penalty

Explanation: *Early distributions from traditional IRAs trigger ordinary income tax plus a 10% federal penalty tax.*

48 **At what age must an individual begin taking Required Minimum Distributions (RMDs) from a traditional IRA under current law?**

A. Age 65
B. Age 59½
C. Age 70½
✓ **D. Age 73**

Explanation: *Modern statutory updates mandate that RMDs from traditional pre-tax retirement accounts must begin by age 73.*

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49 **How are contributions to a Roth IRA treated for federal tax purposes?**

A. They are fully tax-deductible.
✓ **B. They are made with after-tax dollars and are not deductible.**
C. They are partially deductible based on total income.
D. They are tax-deferred up to a limit of 15% of annual income.

Explanation: *Roth IRA deposits consist of after-tax monies; the benefit is that qualified future withdrawals are entirely tax-free.*

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50 **If a company purchases a life insurance policy on a key executive to protect against financial losses from their death, who is the beneficiary?**

A. The executive's family
✓ **B. The corporation / employer**
C. The state insurance department
D. The lending institution

Explanation: *Key person life insurance is owned by, paid for by, and payable to the employer corporation.*

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51 **What tax rule applies to the distribution of cash value withdrawals from a standard life insurance policy that is NOT an MEC?**

✓ **A. FIFO (First-In, First-Out) - withdrawals are tax-free up to cost basis.**
B. LIFO (Last-In, First-Out) - interest is taxed first.
C. All withdrawals are completely flat-taxed at 20%.
D. Withdrawals are always 100% tax-exempt.

Explanation: *Non-MEC policy withdrawals enjoy FIFO treatment, meaning the policyowner takes out their contributions (basis) first without tax.*

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52 **What is the main purpose of an Absolute Assignment?**

A. To temporarily transfer policy cash values as a loan base.

✓ **B. To permanently transfer all rights of ownership in the policy to another party.**

C. To designate a backup beneficiary.

D. To change a term policy into a permanent policy.

Explanation: *An absolute assignment is a complete, permanent handover of all legal title and control options within the insurance policy.*

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53 **If an applicant is a non-smoker, exercises regularly, and has an excellent medical history, they will likely be classified as a:**

A. Standard risk

✓ **B. Preferred risk**

C. Substandard risk

D. Declined risk

Explanation: *Preferred risk tiers are set aside for individuals who display optimal health profiles, qualifying them for lower premiums.*

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54 **What occurs when a policyowner exercises the Automatic Premium Loan (APL) provision?**

A. The insurer cancels the contract and demands immediate loan repayment.

✓ **B. The insurer automatically borrows from the policy's cash value to pay an overdue premium.**

C. The state fund steps in to make payments for the insured.

D. The face amount increases automatically to offset late fees.

Explanation: *The APL rider draws from available cash values to pay a missing premium automatically, preventing an unintended policy lapse.*

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55 **What type of life insurance policy is paid up completely with a single, large initial premium?**

✓ **A. Single Premium Whole Life**

B. Straight Life

C. Adjustable Life

D. Flexible Premium Variable Life

Explanation: *Single Premium Whole Life requires one lump-sum payment at issue to keep the permanent policy active for life.*

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56 **What does the "Estoppel" doctrine prevent an insurer from doing?**

A. Issuing a policy to an individual who lacks insurable interest.

B. Changing premium rates on a fixed whole life contract.

✓ **C. Reasserting a legal right that it previously waived or chose not to enforce.**

D. Collecting interest on outstanding policy loans.

Explanation: *Estoppel legally stops a party from going back on a waiver of rights once the other party has relied on that behavior.*

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57 **Which type of policy features a premium that is lower in the initial years (e.g., 5 years) and then increases to a higher, level amount for the remainder of life?**

A. Universal Life

B. Level Term

✓ **C. Modified Whole Life**

D. Single Premium Whole Life

Explanation: *Modified Whole Life scales premiums up after an initial promotional period, holding them level thereafter.*

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58 **An insurable interest must exist between the applicant and the insured at what specific point?**

✓ **A. At the time of the initial application**

B. At the time of the insured's death

C. Throughout the entire life of the contract

D. Only when a policy loan is requested

Explanation: *For life insurance, insurable interest must be present at the inception of the contract, not necessarily at the time of claim.*

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59 **What happens if a policyowner requests a cash surrender of their whole life policy?**

A. The coverage remains active at half value.

✓ **B. The policy is terminated, and the insurer pays out the accumulated cash value minus any fees.**

C. The money is placed in an escrow account until age 65.

D. The insurer transfers the cash value into a term insurance policy.

Explanation: *Cash surrender cancels the insurance contract completely in exchange for the net cash surrender value.*

60 **What component of an insurance policy lists the specific perils and exclusions that are NOT covered?**

A. Insuring Clause

B. Conditions

✓ **C. Exclusions**

D. Declarations

Explanation: *The exclusions section details situations (like war or aviation hazards) where the policy will not pay out.*

61 **If an insured dies during the grace period of a life insurance policy, how is the claim handled?**

A. The claim is completely denied.

✓ **B. The death benefit is paid, but the overdue premium is deducted from the payout.**

C. The full death benefit is paid with no deductions.

D. The claim is held until the estate pays the outstanding premium balance.

Explanation: *Coverage remains active during the grace period; if death occurs, the insurer pays the benefit minus the overdue premium.*

62 **Which of the following is considered an error or mistake that makes a contract voidable?**

A. An aleatory exchange

✓ **B. A material misrepresentation**

C. A conditional assignment

D. A policy loan request

Explanation: *A material misrepresentation gives the injured party (the insurer) the right to void the contract because it affected the underwriting risk.*

63 **What annuity phase is also known as the "liquidation" or "payout" period?**

A. Accumulation phase

✓ **B. Annuitization phase**

C. Vesting phase

D. Deferral phase

Explanation: *Annuitization turns the accumulated principal into an active stream of income payments.*

64 **What type of policy combines a term insurance element with a tax-deferred savings fund that pays variable market returns based on separate account choices?**

A. Variable Whole Life

✓ **B. Variable Universal Life (VUL)**

C. Interest-Sensitive Whole Life

D. Indexed Term Life

Explanation: *VUL combines the premium flexibility of universal life with the investment variety of separate accounts found in variable life.*

65 **What life insurance option allows a policyowner to receive dividends in the form of a check?**

A. Paid-Up Additions

B. One-Year Term Option

✓ **C. Cash Dividend Option**

D. Accumulate at Interest

Explanation: *The cash option means the insurer cuts a check directly to the policyowner for the dividend amount.*

66 **If a policy loan is outstanding when the insured dies, how does it affect the beneficiary payout?**

A. The payout is canceled.

B. The beneficiary must pay off the loan before receiving any money.

✓ **C. The outstanding loan balance plus interest is deducted from the death benefit.**

D. The loan is forgiven and full benefits are paid out.

Explanation: *Any unpaid policy loans and accrued interest are subtracted from the final death benefit payout.*

67 **Which of the following is an example of a third-party ownership arrangement?**

A. An individual buying insurance on their own life.

✓ **B. A parent purchasing a life insurance policy on their adult child.**

C. An individual setting up a Roth IRA.

D. A policyowner changing their beneficiary designation.

Explanation: *Third-party ownership occurs when the policyowner is someone other than the person insured.*

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68 **What type of risk represents an uninsurable exposure because it involves the possibility of a catastrophic loss to society?**

A. Pure risk

B. Particular risk

✓ **C. Fundamental / Catastrophic Risk**

D. Speculative risk

Explanation: *Fundamental risks affect large segments of society simultaneously (like war or nuclear events), making them uninsurable by standard carriers.*

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69 **What type of premium funding is most common in a Group Term Life insurance plan provided by an employer where employees pay nothing?**

A. Contributory plan

✓ **B. Noncontributory plan**

C. Flexible premium plan

D. Single premium plan

Explanation: *In a noncontributory plan, the employer pays 100% of the premium, and 100% of eligible employees must be enrolled.*

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70 **What basic consumer report contains information on an applicant's character, general reputation, and lifestyle gathered via personal interviews?**

A. Medical Information Bureau report

B. Attending Physician Statement

✓ **C. Investigative Consumer Report**

D. Comprehensive Credit Bureau Report

Explanation: *Investigative consumer reports gather subjective background data on lifestyle and character through interviews with neighbors or associates.*

PART 2

Virginia State-Specific Rules & Regulations

71 **In Virginia, who manages the Bureau of Insurance and holds the authority to enforce state insurance laws?**

A. The Governor directly
B. The Attorney General
✓ **C. The State Corporation Commission (SCC)**
D. The Insurance Commissioner of the NAIC

Explanation: *In Virginia, the State Corporation Commission (SCC) regulates insurance through the Bureau of Insurance.*

72 **How often must the SCC examine the financial books and records of domestic insurance companies in Virginia?**

A. Every year
B. Every 3 years
✓ **C. At least once every 5 years**
D. Every 10 years

Explanation: *Virginia law requires the SCC to audit and review domestic insurers at least once every 5 years to verify their solvency.*

73 **If the SCC issues a Cease and Desist order to an agent, what must the agent do?**

A. File an appeal within 90 days before stopping operations.
✓ **B. Immediately stop the prohibited practice or trade activity.**
C. Pay a mandatory $50,000 bond to continue working.
D. Transfer all client records to a competing agency.

Explanation: *A Cease and Desist order legally compels an individual to stop a specific illegal practice immediately.*

74 What is the maximum monetary penalty per violation that the SCC can impose for an unintentional breach of Virginia insurance law?

A. $500
✓ **B. $1,000**
C. $5,000
D. $10,000

Explanation: *Unintentional violations carry a statutory maximum fine of $1,000 per violation in Virginia.*

75 If an agent knowingly and willfully violates a Virginia insurance rule, what is the maximum fine per violation?

A. $1,000
B. $2,500
✓ **C. $5,000**
D. $25,000

Explanation: *Intentional or willful violations carry an increased statutory fine of up to $5,000 per occurrence.*

76 To qualify for a resident producer license in Virginia, an applicant must be at least how old?

A. 16 years old
✓ **B. 18 years old**
C. 21 years old
D. 25 years old

Explanation: *Candidates must be at least 18 years old to apply for an insurance license in Virginia.*

77 A temporary insurance agent license issued in Virginia due to the death or disability of a producer is valid for up to how many days?

A. 30 days
B. 90 days
✓ **C. 180 days**
D. 365 days

Explanation: *The SCC can issue a temporary license for up to 180 days to a surviving spouse or business associate to wind down an agency.*

78 **Resident producers in Virginia must complete how many hours of Continuing Education (CE) every two years for a single line of authority?**

A. 12 hours
✓ **B. 16 hours**
C. 24 hours
D. 30 hours

Explanation: *Virginia requires 16 hours of CE biennially (every 2 years) if you hold a single major line of license authority.*

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79 **If a resident producer in Virginia holds multiple lines of authority (e.g., Life/Annuities and Property/Casualty), how many total CE hours are required every biennium?**

A. 16 hours
✓ **B. 24 hours**
C. 32 hours
D. 48 hours

Explanation: *Multi-line licensed producers in Virginia must complete a total of 24 CE hours every 2-year compliance period.*

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80 **Out of the total CE hours required in Virginia, how many hours must cover Ethics and/or state insurance regulations?**

A. 1 hour
B. 2 hours
✓ **C. 3 hours**
D. 5 hours

Explanation: *Virginia mandates that at least 3 CE hours per compliance cycle must focus on Ethics.*

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81 **A licensed producer must notify the SCC of a change in residential or business address within how many days?**

A. 10 days
B. 15 days
✓ **C. 30 days**
D. 45 days

Explanation: *Changes to contact info, names, or addresses must be reported to the SCC within 30 calendar days.*

82 **An agent who offers a prospective client a share of their commission or an expensive gift as an inducement to buy insurance is guilty of:**

A. Twisting
B. Coercion
✓ **C. Rebating**
D. Churning

Explanation: *Rebating is the illegal practice of sharing commissions or offering financial favors outside the explicit policy terms.*

83 **Defamation occurs when an agent makes false or malicious statements regarding:**

A. The terms of a policy they are trying to sell.
B. Their own educational background.
✓ **C. The financial condition or reputation of a competing insurance company or agent.**
D. The underwriting choices of their own company.

Explanation: *Defamation involves spreading false, derogatory statements designed to harm a competitor's business.*

84 **What unfair trade practice involves using misrepresentations to trick a client into dropping their current life insurance policy to buy a new one?**

✓ **A. Twisting**
B. Rebating
C. Boycott
D. Defamation

Explanation: *Twisting is using misleading comparisons to convince a consumer to drop an existing policy for a replacement.*

85 **If a producer signs a blank application form without taking statements from the client, they have committed an illegal act known as:**

A. Forgery

✓ **B. False or fraudulent signature facilitation**

C. Rebating

D. Misappropriation

Explanation: *Signing blank forms or facilitating unverified documentation is a violation of Virginia regulations.*

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86 **How long must an insurance company or producer retain records of insurance transactions in Virginia?**

A. 1 year

B. 2 years

✓ **C. 3 years**

D. 5 years

Explanation: *Under Virginia regulations, transactional and policy service records must be kept accessible for at least 3 years.*

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87 **What is the standard statutory "Free Look" period for a non-replacement life insurance policy in Virginia?**

✓ **A. 10 days**

B. 20 days

C. 30 days

D. 45 days

Explanation: *Virginia's standard free look period for a regular individual life insurance contract is 10 days from delivery.*

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88 **If a life insurance policy is being issued as a replacement for an existing policy, the buyer enjoys a Free Look period of how many days in Virginia?**

A. 10 days
B. 15 days
✓ **C. 20 days**
D. 30 days

Explanation: *Replacement regulations expand the free look timeframe to 20 days to give consumers extra protection.*

89 **Under Virginia Rules, a replacement situation occurs when a new policy is purchased and an existing policy is:**

A. Lapsed, forfeited, or surrendered.
B. Reassigned or borrowed against for more than 25% of its value.
C. Converted into paid-up or extended term insurance.
✓ **D. Any of the above.**

Explanation: *The legal definition of replacement applies anytime an old policy is dropped, reduced, or significantly altered to make room for a new one.*

90 **When an agent meets with an applicant where replacement may occur, the agent must immediately provide the client with which document?**

A. An absolute assignment form
✓ **B. "Important Notice Regarding Replacement of Life Insurance"**
C. A conditional binder agreement
D. An MIB notification letter

Explanation: *Agents must deliver the formal written replacement notice, signed by both the agent and the applicant, during the application process.*

91 **What entity protects Virginia policyowners if an insurance company becomes insolvent and cannot pay its claims?**

A. The Federal Insurance Guarantee Board

✓ **B. The Virginia Life, Accident and Sickness Insurance Guaranty Association**

C. The Bureau of Solvency Recovery

D. The SCC Emergency Liquidation Reserve

Explanation: *The Guaranty Association steps in to pay benefits up to state caps if a member insurance company fails financially.*

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92 **It is illegal for a producer to advertise that their policies are backed by the Virginia Guaranty Association. This unfair practice is called:**

A. Unfair Discrimination

B. Twisting

✓ **C. Prohibited use of the Guaranty Association in sales**

D. False advertising

Explanation: *Using the Guaranty Association's existence as a selling point or safety guarantee in marketing is strictly forbidden.*

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93 **What is the minimum grace period required by law for an individual life insurance policy sold in Virginia?**

A. 10 days

B. 15 days

✓ **C. 31 days**

D. 45 days

Explanation: *Virginia statute mandates a minimum grace period of 31 days to keep a policy from lapsing for nonpayment.*

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94 **Within how many days must an insurance company pay a clean death benefit claim before interest begins to accrue under Virginia law?**

A. 15 days

✓ **B. 30 days**

C. 60 days

D. 90 days

Explanation: *Insurers must settle death claims within 30 days of receiving proof of loss, or interest will apply to the payout.*

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95 **An insurance company that charges different premium rates to individuals of the exact same risk classification and life expectancy is guilty of:**

A. Coercion

B. Misrepresentation

✓ **C. Unfair Discrimination**

D. Rebating

Explanation: *Charging different rates to individuals within the same risk class without statistical justification is illegal discrimination.*

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96 **What must an agent do to maintain their insurance license if they move from Virginia to another state?**

A. Nothing, the resident license automatically stays active for 10 years.

✓ **B. Notify the SCC within 30 days and clear the transition to a non-resident license.**

C. Retake the Virginia licensing exam immediately.

D. Pay a fine to retain double residency status.

Explanation: *Moving requires updating your license file with the SCC within 30 days to transfer to non-resident status.*

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97 **If an insurer appoints an agent to represent them in Virginia, the insurer must file a notice of appointment with the SCC within how many days?**

A. 10 days
✓ **B. 30 days**
C. 45 days
D. 60 days

Explanation: *The insurance carrier must file an official agent appointment notice with the SCC within 30 days of the contract or initial application submission.*

98 **An agent's license in Virginia will be automatically terminated if they fail to:**

A. Submit at least five new applications every month.
✓ **B. Complete their required Continuing Education hours by the biennial deadline.**
C. Maintain an active physical retail office space.
D. Attend the annual state insurance convention.

Explanation: *Missing the biennial CE deadline leads to the suspension or termination of an agent's license.*

99 **The Virginia Life, Accident and Sickness Insurance Guaranty Association covers individual death benefit claims up to what maximum amount?**

A. $100,000
B. $250,000
✓ **C. $300,000**
D. $500,000

Explanation: *The standard limit of protection provided by the Virginia Guaranty Association for life insurance death benefits is $300,000 per individual.*

100 **Who pays the assessments that fund the Virginia Life, Accident and Sickness Insurance Guaranty Association?**

A. The Virginia taxpayers
B. The State Corporation Commission
✓ **C. All insurance companies authorized to sell health and life lines in Virginia**
D. Licensed insurance agents through their renewal fees

Explanation: *The association is funded through assessments levied on member insurance companies operating in the state.*