

Arkansas Life and Health Insurance Practice Exam (Sample)

Study Guide



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Questions

- 1. Which of the following terms best describes a contract provision allowing for periodic increases in benefits?**
 - A. Automatic Increase Clause**
 - B. Benefit Accumulation Rider**
 - C. Cost of Living Adjustment Rider**
 - D. Inflation Protection Rider**
- 2. In Arkansas, which entity is primarily responsible for licensing and regulating insurance providers?**
 - A. Arkansas Insurance Department**
 - B. Federal Insurance Office**
 - C. National Association of Insurance Commissioners**
 - D. State Department of Commerce**
- 3. A blanket accident and health insurance policy would most likely offer coverage for which group?**
 - A. Construction workers**
 - B. Employees of a company**
 - C. Participants in a Little League sporting event**
 - D. Travelers on a cruise**
- 4. Which provision requires the application, the contract itself and any riders to be attached to establish a complete contract?**
 - A. Entire Contract Provision**
 - B. Incontestable Clause**
 - C. Misstatement of Age Provision**
 - D. Policy Reinstatement Provision**
- 5. Producers must promptly notify the Commissioner in writing of any change of address within ____ days of that change of address.**
 - A. 10**
 - B. 15**
 - C. 30**
 - D. 60**

- 6. All of the following are requirements of testimonials, except:**
- A. A testimonial must be credible**
 - B. A testimonial must not be exchanged for compensation**
 - C. A testimonial must be applicable to the product**
 - D. A testimonial must be genuine**
- 7. A contract that is drafted by an insurer with no input or alteration from the insured is known as a(n):**
- A. Contract of Adhesion**
 - B. Contract of Mutual Consent**
 - C. Contract of Negotiation**
 - D. Contract of Warranty**
- 8. Failure to repay a loan or loan interest will void a life insurance policy:**
- A. If the total amount due exceeds the policy's death benefit**
 - B. If the total amount due equals or exceeds the policy's cash values**
 - C. If the total amount due is below the policy's cash values**
 - D. If the total amount due is less than the premiums paid**
- 9. Which of the following would have the highest first-year annual premium for a 30-year-old, all other factors being equal?**
- A. Term to age 70**
 - B. Term to age 90**
 - C. Whole Life**
 - D. Universal Life**
- 10. A partial withdrawal is permitted on which of the following policies?**
- A. Group Life**
 - B. Term Life**
 - C. Universal Life**
 - D. Whole Life**

Answers

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1. A
2. A
3. A
4. A
5. A
6. B
7. A
8. A
9. A
10. A

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Explanations

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1. Which of the following terms best describes a contract provision allowing for periodic increases in benefits?

- A. Automatic Increase Clause**
- B. Benefit Accumulation Rider**
- C. Cost of Living Adjustment Rider**
- D. Inflation Protection Rider**

An automatic increase clause is the appropriate term because it specifically refers to a contract provision that allows for periodic increases in benefits. Option B, a benefit accumulation rider, may not necessarily pertain to increasing benefits and is more general in nature. Option C, a cost of living adjustment rider, may also not pertain to increasing benefits and is more specific to adjusting benefits based on changes in the cost of living. Option D, an inflation protection rider, is similar to a cost of living adjustment rider and may not specifically refer to increasing benefits. Overall, option A is the most accurate and appropriate term for describing a contract provision allowing for periodic increases in benefits.

2. In Arkansas, which entity is primarily responsible for licensing and regulating insurance providers?

- A. Arkansas Insurance Department**
- B. Federal Insurance Office**
- C. National Association of Insurance Commissioners**
- D. State Department of Commerce**

In Arkansas, the entity primarily responsible for licensing and regulating insurance providers is the Arkansas Insurance Department. This department oversees insurance activities within the state, including licensing insurance providers, ensuring compliance with regulations, and protecting policyholders. The other options mentioned are not the primary regulatory bodies for insurance activities in the state of Arkansas.

3. A blanket accident and health insurance policy would most likely offer coverage for which group?

- A. Construction workers**
- B. Employees of a company**
- C. Participants in a Little League sporting event**
- D. Travelers on a cruise**

A blanket accident and health insurance policy would most likely offer coverage for a group like construction workers because they typically work in high-risk environments where accidents are more likely to occur. This type of policy provides coverage for a specific group of individuals, such as employees of a company or members of a specific organization, offering them protection in case of accidents or health-related issues while engaged in their activities. Participants in a Little League sporting event or travelers on a cruise are specific groups that may require different types of insurance coverage tailored to their respective activities, which differ from those typically covered under a blanket accident and health insurance policy designed for high-risk occupations like construction work.

4. Which provision requires the application, the contract itself and any riders to be attached to establish a complete contract?

A. Entire Contract Provision

B. Incontestable Clause

C. Misstatement of Age Provision

D. Policy Reinstatement Provision

In order for a contract to be considered complete, the entire contract provision requires that the application, the contract itself, and any riders be attached. This provision ensures that all documents are considered together and there are no missing pieces that may affect the terms of the contract. Option B, the incontestable clause, pertains to the contestability period of a life insurance policy and has no relevance to this question. Option C, the misstatement of age provision, addresses the consequences of a misstatement of age on a policy. Option D, the policy reinstatement provision, outlines the procedures for reinstating a lapsed policy, and has no relevance to the contract being considered complete.

5. Producers must promptly notify the Commissioner in writing of any change of address within ____ days of that change of address.

A. 10

B. 15

C. 30

D. 60

Producers in Arkansas are required to promptly notify the Commissioner in writing of any change of address within 10 days of the change. This notification is crucial to ensure that the producer's licensing information is up to date and accurate in the state records. It enables the Commissioner to communicate important regulatory updates and ensures the producer receives essential information concerning their license status and any relevant industry developments. Therefore, timely notification of an address change within 10 days is a regulatory requirement for producers in Arkansas.

6. All of the following are requirements of testimonials, except:

A. A testimonial must be credible

B. A testimonial must not be exchanged for compensation

C. A testimonial must be applicable to the product

D. A testimonial must be genuine

In the insurance industry, testimonials are used to showcase positive experiences from clients who have used the product or service. It is important for testimonials to be credible, genuine, and applicable to the product being promoted. However, the option stating that "A testimonial must not be exchanged for compensation" is not a requirement. In some cases, individuals providing testimonials may receive compensation or rewards for their endorsement. This compensation should be transparent and disclosed to maintain credibility, but it does not necessarily make the testimonial invalid.

7. A contract that is drafted by an insurer with no input or alteration from the insured is known as a(n):

- A. Contract of Adhesion**
- B. Contract of Mutual Consent**
- C. Contract of Negotiation**
- D. Contract of Warranty**

A contract that is drafted by an insurer with no input or alteration from the insured is known as a Contract of Adhesion. In such contracts, the insured is in a position of less power compared to the insurer, leading to terms that are typically more favorable to the insurer. This type of contract is offered on a "take it or leave it" basis, with the insured having little to no ability to negotiate or modify the terms. "Contract of Mutual Consent" refers to a contract where both parties have reached an agreement on its terms. "Contract of Negotiation" refers to a contract where parties engage in negotiations to reach mutually agreeable terms. "Contract of Warranty" relates to a type of contract wherein the insurer guarantees the truth of certain statements or promises made by the insured.

8. Failure to repay a loan or loan interest will void a life insurance policy:

- A. If the total amount due exceeds the policy's death benefit**
- B. If the total amount due equals or exceeds the policy's cash values**
- C. If the total amount due is below the policy's cash values**
- D. If the total amount due is less than the premiums paid**

Failure to repay a loan or loan interest can void a life insurance policy when the total amount due exceeds the policy's death benefit. In this scenario, the outstanding loan amount is higher than the amount that would be paid out upon the insured's death, thus jeopardizing the insurer's ability to fulfill the policy obligations. Therefore, it is important to monitor loan repayments to prevent the policy from being voided due to financial discrepancies. Options B, C, and D are not correct because they do not accurately reflect the conditions under which failure to repay a loan or loan interest would void a life insurance policy.

9. Which of the following would have the highest first-year annual premium for a 30-year-old, all other factors being equal?

- A. Term to age 70**
- B. Term to age 90**
- C. Whole Life**
- D. Universal Life**

Term to age 70 would have the highest first-year annual premium for a 30-year-old because the premium amount is influenced by the age of the insured. Term to age 70 would cover the insured until they reach the age of 70, which is a shorter period compared to Term to age 90, Whole Life, and Universal Life policies. Therefore, since the coverage period is shorter, the risk of the insurance company having to pay out a death benefit during the term is higher, resulting in a higher premium cost for the insured.

10. A partial withdrawal is permitted on which of the following policies?

A. Group Life

B. Term Life

C. Universal Life

D. Whole Life

A partial withdrawal is permitted on Group Life policies. Group Life insurance is typically provided through an employer or an organization for its members or employees. Policyholders of Group Life insurance policies are often permitted to make partial withdrawals from the policy under certain circumstances. Term Life insurance usually does not have a cash value and does not allow for partial withdrawals. Universal Life and Whole Life insurance policies may allow for policy loans or withdrawals, but the specific terms can vary. However, Group Life insurance is the most likely option where partial withdrawals are permitted.