

Connecticut Life & Health Insurance Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

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- 1. In the context of health insurance, what does the term 'deductible' refer to?**
 - A. The amount the insurer pays for each claim**
 - B. The amount the insured pays before coverage begins**
 - C. The total payment for premium and coverage**
 - D. The maximum limit of insurance coverage**
- 2. What happens when a policyowner borrows against the cash value of a life insurance policy?**
 - A. The policy proceeds are doubled**
 - B. The loan is not deductible from policy value**
 - C. The policy proceeds are reduced by the loan balance**
 - D. No impact on policy proceeds**
- 3. Who has the power to examine the records of authorized insurers?**
 - A. The Governor**
 - B. The Commissioners**
 - C. The Treasurer**
 - D. The Attorney General**
- 4. What must be disclosed in a television advertisement featuring a health insurance product endorsed by a specific group?**
 - A. The benefits of the product**
 - B. The cost of the insurance**
 - C. Any control by the insurer over this group**
 - D. The size of the insurance company**
- 5. Which of the following is NOT an act performed by the Commissioner of Insurance?**
 - A. Monitor insurer solvency**
 - B. Make rules and regulations consistent with CT laws**
 - C. Monitor insurer premium rates**
 - D. Make rules that are consistent with those of neighboring states**

- 6. Which of the following is a nonforfeiture option?**
- A. Term insurance**
 - B. Health insurance**
 - C. Cash surrender**
 - D. Liability insurance**
- 7. What documentation is necessary to continue coverage for a handicapped child beyond the policy's age limit?**
- A. Proof of financial stability**
 - B. Proof of incapacity and dependency**
 - C. Evidence of ongoing treatment**
 - D. Certification from a healthcare provider**
- 8. In a life insurance policy loan, what is considered the collateral?**
- A. The policy's face value**
 - B. The policy's cash value**
 - C. The policyholder's credit score**
 - D. The policy's premium amount**
- 9. Under which condition would a life insurance policy typically be contestable?**
- A. If the policyholder misses premium payments**
 - B. If the insured commits fraud**
 - C. If the policyholder is under 18**
 - D. If the policyholder changes beneficiaries**
- 10. What typically happens to the death benefit in a variable universal life policy when the variable death benefit option is chosen?**
- A. Remains fixed over the policy term**
 - B. Fluctuates with changes in the cash account**
 - C. Increases with the cash value**
 - D. Decreases with market losses**

Answers

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

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Explanations

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1. In the context of health insurance, what does the term 'deductible' refer to?

- A. The amount the insurer pays for each claim**
- C. The amount the insured pays before coverage begins**
- B. The total payment for premium and coverage**
- D. The maximum limit of insurance coverage**

The term 'deductible' in health insurance refers to the amount an insured individual must pay out-of-pocket for healthcare services before the insurance coverage kicks in. This means that before the insurer will start covering expenses for claims, the insured needs to have incurred costs that meet the deductible level. For example, if a health insurance policy has a deductible of \$1,000, the individual must pay the first \$1,000 of their medical bills before the insurance company pays its share of the costs. The role of a deductible is significant as it helps to lower insurance premiums and encourages insured individuals to be more mindful of their healthcare spending, knowing they will be responsible for costs up to the deductible amount. It represents an investment in one's health coverage, as the insured commits to covering certain costs initially before the insurer contributes. In contrast, the choices that describe the insurer's payment process, the total payment for premiums, or the maximum limit of coverage do not accurately depict what a deductible is. They address other aspects of health insurance such as the claim process, overall costs, or policy limits, which are separate concepts from the deductible. Understanding the deductible is fundamental for individuals navigating their health insurance plans and budgeting for medical expenses.

2. What happens when a policyowner borrows against the cash value of a life insurance policy?

- A. The policy proceeds are doubled**
- B. The loan is not deductible from policy value**
- C. The policy proceeds are reduced by the loan balance**
- D. No impact on policy proceeds**

When a policyowner borrows against the cash value of a life insurance policy, the loan creates a liability that must be considered when determining the policy's death benefit. Specifically, the amount borrowed is subtracted from the policy's total death benefit, which means that the policy proceeds will be reduced by the outstanding loan balance at the time of the insured's death. This reduction occurs because the insurer has the right to recover the loan amount from the death benefit before paying out the remainder to the beneficiaries. Therefore, if a policyowner has taken out a loan and has a remaining balance at the time of death, the beneficiaries will receive the policy's face value minus the loan amount, effectively decreasing the total amount they would otherwise receive. Understanding this concept is crucial for policyowners as it affects both the immediate financial options available to them (through accessing cash value) and the future financial security of their beneficiaries.

3. Who has the power to examine the records of authorized insurers?

- A. The Governor**
- B. The Commissioners**
- C. The Treasurer**
- D. The Attorney General**

The power to examine the records of authorized insurers is vested in the Commissioners. This role typically refers to the state insurance commissioner, who is responsible for overseeing the insurance industry within their jurisdiction. The commissioner ensures that insurers are in compliance with state regulations, maintains financial solvency, and protects consumer interests. This examination process can include a review of financial records, practices, and overall compliance with the law. State insurance commissioners are empowered by law to conduct these examinations periodically or in response to specific concerns, promoting transparency and accountability within the insurance market. This function is vital for maintaining the integrity of the insurance system and ensuring that insurers meet their obligations to policyholders. The other positions listed—Governor, Treasurer, and Attorney General—do not have the specific authority to conduct insurance examinations unless they are acting in conjunction with or invoking powers assigned to the insurance regulator. The examinations fall firmly under the purview of the insurance commissioner, underscoring the importance of their role in regulating the insurance industry.

4. What must be disclosed in a television advertisement featuring a health insurance product endorsed by a specific group?

- A. The benefits of the product**
- B. The cost of the insurance**
- C. Any control by the insurer over this group**
- D. The size of the insurance company**

In a television advertisement featuring a health insurance product that is endorsed by a specific group, it is essential to disclose any control that the insurer has over that group. This is important for transparency and consumer protection because it helps individuals understand the relationship between the insurer and the endorsing group. Such disclosure indicates whether the group is simply endorsing the product without any financial or operational ties or if their endorsement might be influenced by the insurance company. By revealing this control, consumers can make a more informed decision about the reliability and independence of the endorsement they are receiving. The other factors such as benefits, costs, and company size may be relevant to the advertisement and factor into a consumer's decision-making process, but disclosing control over the endorsing group is particularly critical in revealing potential conflicts of interest or biases that could influence the endorsement's credibility. This aligns with regulations promoting fair advertising practices, ensuring that consumers receive complete and truthful information when evaluating insurance products.

5. Which of the following is NOT an act performed by the Commissioner of Insurance?
- A. Monitor insurer solvency
 - B. Make rules and regulations consistent with CT laws
 - C. Monitor insurer premium rates
 - D. Make rules that are consistent with those of neighboring states**

The role of the Commissioner of Insurance primarily focuses on regulatory oversight and ensuring that insurance practices and policies comply with state laws. One important aspect of this role is monitoring the solvency of insurers, which ensures that companies have the financial resources to meet their obligations to policyholders. Additionally, the Commissioner makes rules and regulations that align specifically with Connecticut's laws to maintain a robust and fair insurance market. This includes overseeing premium rates to ensure they are fair and justified within the context of the state's regulations. The option regarding the creation of rules that are consistent with those of neighboring states, while potentially beneficial, is not a standard function included in the typical responsibilities of the Commissioner. Insurance regulations are often formulated to address the unique characteristics and needs of each state. Therefore, while coordinating with neighboring states might occur, it is not a defined duty of the Commissioner and does not directly pertain to the regulation and administration of insurance within Connecticut.

6. Which of the following is a nonforfeiture option?
- A. Term insurance
 - B. Health insurance
 - C. Cash surrender**
 - D. Liability insurance

A nonforfeiture option refers to a provision in life insurance policies that allows policyholders to receive a benefit if they stop making premium payments. When a policyholder decides to discontinue their policy, nonforfeiture options ensure that they do not lose all the benefits they have paid for. Cash surrender, as a nonforfeiture option, allows the policyholder to receive the accumulated cash value of their policy if they choose to terminate it. This option is crucial for whole life insurance policies, which build cash value over time. Instead of forfeiting their investment, policyholders can opt to receive this cash value, which reflects the premiums they have paid and any interest earned. In contrast, term insurance typically does not have any cash value, and therefore does not offer nonforfeiture options. Health insurance and liability insurance similarly do not provide nonforfeiture options as they are structured differently, focusing rather on coverage for medical expenses and protection against legal liability, respectively. Thus, among the provided choices, cash surrender is the correct option representing a nonforfeiture provision.

7. What documentation is necessary to continue coverage for a handicapped child beyond the policy's age limit?

- A. Proof of financial stability**
- B. Proof of incapacity and dependency**
- C. Evidence of ongoing treatment**
- D. Certification from a healthcare provider**

To continue coverage for a handicapped child beyond the policy's age limit, it is necessary to provide proof of incapacity and dependency. This documentation verifies that the child is still considered handicapped and is dependent on the policyholder for support. Insurance policies often define the conditions under which coverage may extend past the standard age, usually involving the child's inability to live independently due to a disability. Demonstrating both incapacity (the child's condition affecting their ability to function) and dependency (the requirement for support and care from the policyholder) is crucial for the insurance company to affirm the continued eligibility for benefits. This requirement helps ensure that the policy's terms are adhered to while providing necessary support for the family and the dependent.

8. In a life insurance policy loan, what is considered the collateral?

- A. The policy's face value**
- B. The policy's cash value**
- C. The policyholder's credit score**
- D. The policy's premium amount**

In a life insurance policy loan, the collateral is the policy's cash value. This is the amount that the policyholder can borrow against based on the accumulated savings component of a permanent life insurance policy, such as whole life or universal life. The cash value serves as security for the loan; if the policyholder fails to repay the loan, the insurance company can deduct the outstanding amount from the death benefit paid to beneficiaries when the insured passes away. Choosing the policy's cash value as collateral allows the policyholder to utilize the funds while still maintaining the life insurance coverage. The other options, such as the policy's face value, the policyholder's credit score, or the premium amount, do not function as collateral in this context. The face value refers to the amount payable upon death, the credit score pertains to the policyholder's overall creditworthiness but does not directly relate to the loan itself, and the premium amount is the cost of maintaining the policy rather than an asset used as collateral.

9. Under which condition would a life insurance policy typically be contestable?

- A. If the policyholder misses premium payments**
- B. If the insured commits fraud**
- C. If the policyholder is under 18**
- D. If the policyholder changes beneficiaries**

A life insurance policy is typically contestable under the condition that fraud is suspected. This means that if the insured has provided false information on their application or concealed relevant details that could affect the insurer's decision to grant coverage, the insurer has the right to investigate the circumstances surrounding the claim. Fraud is taken very seriously in the insurance industry, as it can undermine the foundation of trust and fairness that insurance is built upon. In the context of the other options, missing premium payments usually leads to a policy lapse rather than making the policy contestable. While being under 18 years old might affect the ability to enter into a contract, it does not inherently make a policy contestable. Changing beneficiaries is a standard part of managing a life insurance policy and does not warrant contesting the policy itself. Therefore, the presence of fraud is a legitimate reason for a life insurance policy to be contested.

10. What typically happens to the death benefit in a variable universal life policy when the variable death benefit option is chosen?

- A. Remains fixed over the policy term**
- B. Fluctuates with changes in the cash account**
- C. Increases with the cash value**
- D. Decreases with market losses**

In a variable universal life policy, selecting the variable death benefit option allows the death benefit to fluctuate based on the performance of the underlying investment account. This option is tied directly to the value of the investments within the policy, which means that as the value of these investments changes—whether increasing or decreasing—the death benefit will also change correspondingly. When the investment performance is favorable and the cash account value grows, the death benefit may increase. Conversely, if the investments perform poorly, the death benefit can decrease. This feature provides the policyholder with the potential for growth in the death benefit tied to market performance, offering more flexibility compared to a fixed death benefit option that remains constant throughout the policy's life. Choosing this option gives policyholders exposure to the market's volatility, thereby allowing their death benefit to adapt to the economic environment. This characteristic makes variable universal life policies unique compared to more traditional insurance products where the death benefits typically remain stagnant.