Tennessee Insurance Practice Exam (Sample)

Study Guide

Everything you need from our exam experts!

Questions

1. **Which of the following is NOT considered a cost connected with an individual's death?**
   - **A. Funeral expenses**
   - **B. Suit costs**
   - **C. Medical bills**
   - **D. Business expenses**

2. **What happens to the cash value of a reduced paid-up policy?**
   - **A. It is lost entirely**
   - **B. It remains static forever**
   - **C. It continues to grow**
   - **D. It decreases over time**

3. **What should an agent do regarding changes made on an insurance application?**
   - **A. The agent should sign the application**
   - **B. The agent should have the applicant initial any changes**
   - **C. The agent should not make any changes**
   - **D. The agent should inform the insurance company of changes**

4. **Which requirement must be met for an association to be eligible for a group life plan?**
   - **A. Association must have a minimum of 100 members**
   - **B. Group was formed for a purpose other than acquiring insurance**
   - **C. All members must be employed at the same organization**
   - **D. The group must meet annually**

5. **Which statement is assured to be true in every respect?**
   - **A. Representation**
   - **B. Warranty**
   - **C. Condition**
   - **D. Disclaimer**

6. How does a policy using "accidental bodily injury" differ from one that uses "accidental means"?

- **A. More inclusive in coverage criteria**
- **B. Less restrictive in defining accidents**
- **C. Includes intentional injuries**
- **D. Focuses exclusively on workplace injuries**

7. What does the MIB stand for?

- **A. Mass Insurance Board**
- **B. Medical Insurance Bureau**
- **C. Medical Information Bureau**
- **D. Monetary Insurance Bureau**

8. If an agent submits a life insurance application and the check is unsigned, when does coverage become effective if the application is approved?

- **A. The day the application is submitted**
- **B. The date the agent delivers the policy and collects the initial premium**
- **C. When the application is reviewed by the underwriter**
- **D. The moment the application is filed**

9. An insurance applicant MUST be informed of investigations regarding their reputation and character according to which regulation?

- **A. Fair Credit Reporting Act**
- **B. Insurance Information Institute**
- **C. National Association of Insurance Commissioners**
- **D. Consumer Financial Protection Bureau**

10. Which statement does NOT accurately describe the tax treatment of individual Accident and Health insurance premiums and benefits?

- **A. Premiums are generally tax-deductible**
- **B. Disability income policy premiums are tax-deductible**
- **C. Benefits received are tax-free**
- **D. Premiums for health insurance are often tax-deductible**

Answers

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

Explanations

1. Which of the following is NOT considered a cost connected with an individual's death?

A. Funeral expenses

B. Suit costs

C. Medical bills

D. Business expenses

In the context of costs associated with an individual's death, funeral expenses, suit costs, and medical bills are all directly related to the aftermath of a person passing away. Funeral expenses encompass the costs incurred for burial or cremation services, which are a necessary part of laying someone to rest. Suit costs may refer to the expenses associated with burying or dressing the deceased, falling under the category of funeral arrangements or services. Medical bills often accumulate from healthcare services leading up to the individual's death, making them directly relevant to end-of-life costs. Business expenses, however, are not tied directly to the consequences of an individual's death for their immediate family or estate. While the death of an individual may indirectly impact a business (for example, if the deceased was a business owner or critical employee), these expenses do not pertain to the costs incurred specifically as a result of the death itself. Thus, business expenses do not fit into the same category and are considered the least related to the direct costs of an individual's death.

2. What happens to the cash value of a reduced paid-up policy?

A. It is lost entirely

B. It remains static forever

C. It continues to grow

D. It decreases over time

In a reduced paid-up policy, the cash value continues to grow over time. This type of policy is created when a policyholder decides to stop making premium payments but chooses to use the policy's accumulated cash value to purchase a reduced paid-up life insurance policy. Although the face amount of the coverage is reduced, the policy will still have a cash value that typically continues to accumulate interest, making it grow over time. This option emphasizes the nature of the cash value in a whole life insurance policy, which is designed to provide both a death benefit and a cash accumulation feature. The cash value growth is generally consistent with the insurer's policy structure, which is meant to protect the policyholder's investment and offer accessible funds if needed in the future.

3. What should an agent do regarding changes made on an insurance application?

A. The agent should sign the application

B. The agent should have the applicant initial any changes

C. The agent should not make any changes

D. The agent should inform the insurance company of changes

Having the applicant initial any changes made on an insurance application serves several important purposes in the insurance process. First, it ensures that the applicant acknowledges and agrees to the modifications, which adds a layer of transparency and consent to the application. This action helps protect both the insurer and the applicant by documenting that any adjustments were not made unilaterally by the agent but rather with the applicant's awareness and approval. Additionally, initialing changes can prevent misunderstandings or disputes in the future about what information was provided at the time of application. It creates a clear record that can be referenced if questions arise later, which is crucial in maintaining the integrity of the application and understanding the mutual agreements made during the application process. While it is important for an agent to be uniform and accurate in the application process, merely signing the application does not provide the same level of assurance about the changes. Not making any changes or informing the insurance company without proper documentation could lead to miscommunication and potential issues during the underwriting process or claims handling. Therefore, having the applicant initial any changes is the best practice to ensure clarity and agreement.

4. Which requirement must be met for an association to be eligible for a group life plan?

A. Association must have a minimum of 100 members

B. Group was formed for a purpose other than acquiring insurance

C. All members must be employed at the same organization

D. The group must meet annually

For an association to qualify for a group life plan, it is essential that the group was formed for purposes other than merely acquiring insurance. This requirement ensures that the group has a legitimate reason for its existence, such as promoting a common interest or providing support to its members, which is a key feature in distinguishing it from a mere insurance scheme. By necessitating a legitimate organizational purpose, insurance providers can maintain the integrity of group plans and ensure that the coverage is provided to members who share a common bond rather than to an arbitrary collection of individuals. The other options do not align with the fundamental criteria set forth for group life insurance eligibility. For instance, having a minimum of 100 members is not a universal requirement, as different insurers may have varying standards for group size. Additionally, it is not a requirement that all members be employed at the same organization, as groups can consist of individuals from various employers. Lastly, although some groups may hold annual meetings, this is not a foundational criterion for eligibility in obtaining a group life plan. Thus, the emphasis on the group being formed for a purpose beyond insurance acquisition is crucial in understanding the eligibility for such plans.

5. Which statement is assured to be true in every respect?

A. Representation

B. Warranty

C. Condition

D. Disclaimer

A warranty is a statement or assurance made by one party to another, which guarantees that certain facts or conditions are true as part of an agreement. In the context of insurance, a warranty is a promise that is absolutely guaranteed to be true, and if it is found to be false, it can lead to the voiding of the policy. This is a critical distinction, as warranties are often considered to hold more legal weight than representations or conditions. In contrast, a representation is a statement made by one party that induces another party to enter into a contract. These statements are not guaranteed to be true; rather, they are made in good faith. A condition is a stipulation in a contract that must be met for the contract to remain valid, but it does not guarantee truth in the same way a warranty does. Lastly, a disclaimer is a statement that limits or denies responsibility or liability, and it is not an assertion of truth regarding facts. These distinctions clarify why a warranty is the option that is assured to be true in every respect.

6. How does a policy using "accidental bodily injury" differ from one that uses "accidental means"?

A. More inclusive in coverage criteria

B. Less restrictive in defining accidents

C. Includes intentional injuries

D. Focuses exclusively on workplace injuries

A policy utilizing "accidental bodily injury" is characterized by its broader interpretation of what constitutes an accident. This term focuses on the result of an accident rather than the specific mechanism or means that caused the injury. Therefore, if an individual suffers an injury that occurs unexpectedly and unintentionally, it will likely be covered under this type of policy. In contrast, a policy based on "accidental means" imposes a more restrictive framework. It requires that the injury must result from an accident that arises out of a distinct and unexpected cause, which can often limit coverage to situations where the means of injury was itself accidental. As a result, policies using "accidental bodily injury" can capture a wider array of incidents and provide more comprehensive coverage compared to those that rely strictly on the concept of "accidental means." This approach to defining accidents allows for a broader application of coverage, more effectively encompassing a variety of scenarios where injuries arise unexpectedly, as opposed to being strictly governed by the means of how the injury occurred.

7. What does the MIB stand for?

A. Mass Insurance Board

B. Medical Insurance Bureau

C. Medical Information Bureau

D. Monetary Insurance Bureau

The MIB stands for Medical Information Bureau. This organization serves as a valuable resource within the insurance industry by compiling and maintaining data regarding individuals' medical histories and various personal health records. Insurance companies utilize the information collected by the MIB to assess risk and make informed underwriting decisions when individuals apply for life, health, and disability insurance. The MIB operates under strict confidentiality and complies with privacy regulations, ensuring that the information it holds is accurate and used properly in the insurance context. This not only aids insurers in determining the insurability of applicants but also helps in preventing fraud. Understanding the role and function of the MIB is crucial for insurance professionals, as it directly impacts the underwriting process and overall risk management within the industry.

8. If an agent submits a life insurance application and the check is unsigned, when does coverage become effective if the application is approved?

A. The day the application is submitted

B. The date the agent delivers the policy and collects the initial premium

C. When the application is reviewed by the underwriter

D. The moment the application is filed

The correct answer is that coverage becomes effective on the date the agent delivers the policy and collects the initial premium. In this scenario, the unsigned check indicates that the initial premium has not been paid at the time of application submission. For life insurance contracts, coverage typically does not begin until the insured pays the initial premium and the policy is delivered, assuming the application is approved. Without the premium payment, there is no binding agreement in place for coverage, even if the application is approved. Therefore, the effective date of coverage hinges on the delivery of the policy combined with the payment of the initial premium, ensuring that all necessary steps are complete before the insurance coverage takes effect.

9. An insurance applicant MUST be informed of investigations regarding their reputation and character according to which regulation?

A. Fair Credit Reporting Act

B. Insurance Information Institute

C. National Association of Insurance Commissioners

D. Consumer Financial Protection Bureau

The Fair Credit Reporting Act (FCRA) is the regulation that mandates insurance applicants must be informed about investigations concerning their reputation and character, particularly if these investigations involve consumer reporting agencies. The FCRA was established to promote the accuracy, fairness, and privacy of information in the files of consumer reporting agencies, and it requires that consumers be notified when a report is used against them, such as in the application for insurance. Under the FCRA, insurers and other entities utilizing credit reports or background checks must provide clear disclosures to the individual being investigated. This ensures that applicants are aware of potential data that might affect their insurance applications and gives them the opportunity to review and dispute inaccurate information. Other options listed, while relevant in the context of insurance and consumer rights, do not specifically address the requirement for informing applicants about investigations related to their character or reputation. The Insurance Information Institute and the National Association of Insurance Commissioners primarily serve informational and regulatory guidance roles within the insurance industry but do not have enforcement power regarding consumer notification requirements. The Consumer Financial Protection Bureau, although focused on consumer protection in financial services, does not specifically govern the notification requirements outlined in the context of the FCRA.

10. Which statement does NOT accurately describe the tax treatment of individual Accident and Health insurance premiums and benefits?

A. Premiums are generally tax-deductible

B. Disability income policy premiums are tax-deductible

C. Benefits received are tax-free

D. Premiums for health insurance are often tax-deductible

The statement regarding the tax treatment of health insurance premiums is essential to understand the specifics of how different types of insurance policies are taxed. Disability income policy premiums are not typically tax-deductible for the individual policyholder. This is because, in most cases, if an individual pays for their own disability insurance premiums with after-tax dollars, the benefits they receive from that policy will be tax-free. Thus, the tax strategy around disability insurance often does not allow the premiums to be deducted, preserving the tax-free status of benefits when received. On the other hand, premiums for health insurance can often be tax-deductible under certain circumstances, such as when an individual itemizes deductions on their tax return, or when they are self-employed. The benefits received from accident and health insurance policies are typically tax-free, and this applies to most kinds of health insurance, which adheres to the non-taxable status of benefits generally provided by those policies. Understanding the tax treatment of these insurance benefits and premiums is crucial for individuals to make informed decisions regarding their insurance needs and financial planning.