# WebCE Continuing Education (CE) Practice Test (Sample)

## Study Guide

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# Questions

1. **Which statement is correct regarding Nolan and Ned's health insurance plans?**
   - **A. Nolan pays less for coverage than Ned**
   - **B. Nolan has more benefit options than Ned**
   - **C. Ned's plan costs less than Nolan's plan**
   - **D. Both plans cost the same**

2. **Which of the following best describes an annuity's tax advantages?**
   - **A. Taxable upon investment**
   - **B. No tax until withdrawal is made**
   - **C. Fully taxable at death**
   - **D. Tax-free during accumulation**

3. **After how long does a life insurance policy typically become eligible for policy loans?**
   - **A. 6 months**
   - **B. 1 year**
   - **C. 3 years**
   - **D. 5 years**

4. **Which of the following activities can qualify for CE credits?**
   - **A. Social gatherings and networking events**
   - **B. Workshops, seminars, conferences, online courses, and self-study programs**
   - **C. Only formal college degrees**
   - **D. Informal discussions with peers**

5. **When calculating the surviving family's ongoing cash needs at the death of the prospective customer, which expense is NOT considered a cash need?**
   - **A. Utilities**
   - **B. Transportation expenses**
   - **C. Family medical expenses**
   - **D. The insured's funeral expenses**

**6. Which Medicare supplement benefit covers the cost of the first three pints of blood annually?**

**A. Part A coinsurance**

**B. Part B coinsurance**

**C. Blood coverage**

**D. Hospital stay coverage**

**7. What part of the law defines pure risk as only being insurable?**

**A. It may result in a gain**

**B. It only results in a loss**

**C. It is a forced assumption**

**D. It is a calculated risk**

**8. Which statement is universally true across all types of life insurance policies?**

**A. Premiums are invested in the insurer's general account, allowing policy values to be contractually guaranteed**

**B. Insurers return excess premiums in the form of policy dividends**

**C. Life insurance policies are noncancellable by the insurer except for non-payment of premium**

**D. Life insurance policies feature a cash value that can be accessed while the insured is alive**

**9. What is correct regarding the income tax consequences for premiums paid by Alpha Co for its insurance plans?**

**A. The premiums are taxable income to the employees**

**B. The premiums are deductible expenses for the employees**

**C. Alpha can take income tax deductions for all the premiums it pays**

**D. Alpha can only deduct premiums for its medical plans**

**10. What term describes the potential loss that an individual faces when investing in insurance coverage?**

**A. Assumed Risk**

**B. Calculated Risk**

**C. Potential Liability**

**D. Risk Exposure**

# Answers

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

# Explanations

## 1. Which statement is correct regarding Nolan and Ned's health insurance plans?

**A. Nolan pays less for coverage than Ned**

**B. Nolan has more benefit options than Ned**

**C. Ned's plan costs less than Nolan's plan**

**D. Both plans cost the same**

**The selected answer indicates that Nolan pays less for coverage than Ned, which implies a comparison of the overall costs associated with their respective health insurance plans. In health insurance, the cost of coverage can vary significantly based on factors such as the type of policy chosen, the coverage limits, and the specific benefits included. If Nolan's plan is indeed cheaper than Ned's, it may suggest that he has chosen a plan with a lower premium, which could be due to less comprehensive coverage or a higher deductible. This option highlights the financial aspect of their insurance choices, which is a critical consideration for individuals when selecting a health plan. In contrast, other options imply varied scenarios that may not hold true based on the context provided. For instance, if Nolan has more benefit options, it could suggest he selected a more comprehensive plan, which might typically come with a higher cost. Similarly, if Ned's plan costs less or both plans cost the same, that would contradict the choice that Nolan pays less. Understanding the nuances of each health insurance plan allows individuals to make informed decisions based on their specific needs and financial situations.**

## 2. Which of the following best describes an annuity's tax advantages?

**A. Taxable upon investment**

**B. No tax until withdrawal is made**

**C. Fully taxable at death**

**D. Tax-free during accumulation**

**Annuities offer significant tax advantages primarily because the investment grows on a tax-deferred basis. This means that any earnings, such as interest or dividends, are not taxed as long as they remain in the annuity. Tax is only applied when the funds are withdrawn from the annuity, which typically occurs during retirement when the individual may be in a lower tax bracket. This feature allows individuals to accumulate more wealth over time compared to other taxable investments, where earnings are taxed annually. This structure generally helps in effective retirement planning as it provides tax benefits during the accumulation phase and offers flexibility regarding when to incur tax liabilities. This is why the option indicating "no tax until withdrawal is made" accurately captures the key benefit of an annuity’s tax treatment.**

### 3. After how long does a life insurance policy typically become eligible for policy loans?

**A. 6 months**

**B. 1 year**

**C. 3 years**

**D. 5 years**

**A life insurance policy typically becomes eligible for policy loans after a period known as the "loanability period," which is generally set at three years. This timeframe allows the policyholder to build sufficient cash value within a permanent life insurance policy, such as whole life or universal life, which are the types that accumulate cash value over time. Once the cash value reaches a certain threshold, the policyholder can borrow against it. The cash value is an integral feature of permanent life insurance policies, and it allows for these loans to be taken out without needing to undergo a credit check or loan approval process as one would with a traditional bank loan. This timeframe of three years is commonly found in many life insurance policies, though it may vary by the insurance company or specific policies. Many policies explicitly state this eligibility period in their terms, which can further clarify when a policyholder can access loans against their policy. Thus, knowing this typical period assists policyholders in making informed decisions regarding their financial planning and accessing funds when needed.**

### 4. Which of the following activities can qualify for CE credits?

**A. Social gatherings and networking events**

**B. Workshops, seminars, conferences, online courses, and self-study programs**

**C. Only formal college degrees**

**D. Informal discussions with peers**

**Workshops, seminars, conferences, online courses, and self-study programs are all structured and organized activities specifically designed for professional development, making them eligible for Continuing Education (CE) credits. These types of learning opportunities not only provide valuable information and skills pertinent to one's field but typically include assessments, learning objectives, and a clear instructional framework that are key components required to earn CE credits. In contrast, activities such as social gatherings, networking events, and informal discussions with peers lack the formal educational structure and may not provide the necessary content depth or learning outcomes that CE requirements entail. While these activities can contribute to professional development in a more informal manner, they do not meet the standardized criteria for CE credits. Formal college degrees may contribute to professional growth and may provide CE credits in specific instances, they are not categorized as CE activities unless they directly relate to designated CE courses.**

## 5. When calculating the surviving family's ongoing cash needs at the death of the prospective customer, which expense is NOT considered a cash need?

**A. Utilities**

**B. Transportation expenses**

**C. Family medical expenses**

**D. The insured's funeral expenses**

**In determining the ongoing cash needs of a surviving family after the death of the insured, funeral expenses are generally categorized differently from the surviving family's recurring cash needs. While the bereaved family does indeed have to pay for the funeral, these expenses are typically considered one-time costs associated with the death rather than ongoing cash needs that the family will face regularly. On the other hand, utilities, transportation expenses, and family medical expenses represent ongoing, necessary expenditures that the family will continue to incur after the death of the insured. These costs need to be covered over time, significantly impacting the family's financial situation. Hence, funeral expenses, being a singular event cost, do not fall into the category of ongoing cash needs.**

## 6. Which Medicare supplement benefit covers the cost of the first three pints of blood annually?

**A. Part A coinsurance**

**B. Part B coinsurance**

**C. Blood coverage**

**D. Hospital stay coverage**

**The Medicare supplement benefit that specifically covers the cost of the first three pints of blood annually is blood coverage. Under Medicare, original coverage typically does not include the cost of the first three pints of blood that a beneficiary may need during a medical procedure or hospitalization. Instead, this coverage is provided through Medicare Supplement Plans (Medigap), which help cover some of the out-of-pocket costs not included in the original Medicare program. Blood coverage is important because transfusions can be a common and necessary part of treatment for many conditions, and without this coverage, beneficiaries would be responsible for the costs associated with blood they receive. Thus, having this benefit is crucial for those who might need blood transfusions, as it alleviates the financial burden for the initial pints of blood received each year.**

## 7. What part of the law defines pure risk as only being insurable?

A. It may result in a gain

B. It only results in a loss

C. It is a forced assumption

D. It is a calculated risk

**Pure risk is defined as a situation where there is only the possibility of loss, with no opportunity for gain. This concept is essential in the insurance field because insurance is designed to protect against uncertainties that lead to potential losses. In the context of insurance, pure risks are considered insurable since they present a scenario where financial loss is the only outcome. By focusing solely on losses, insurers can evaluate the likelihood of certain events occurring (like theft, fire, or natural disasters) and set premiums accordingly. This allows them to create a risk pool, where the losses of a few are covered by the premiums collected from many, ensuring that the losses do not financially devastate the insured individuals. The other options do not accurately capture the essence of pure risk. For instance, a scenario that may result in a gain does not fit the definition of pure risk, as it introduces the element of opportunity or benefit, which is characteristic of speculative risks rather than pure risks. Similarly, the notion that it is a forced assumption lacks relevance to the insurability aspect of pure risk, while calculated risks involve a potential for both loss and gain, fundamentally diverging from the definition of pure risk.**

## 8. Which statement is universally true across all types of life insurance policies?

A. Premiums are invested in the insurer's general account, allowing policy values to be contractually guaranteed

B. Insurers return excess premiums in the form of policy dividends

C. Life insurance policies are noncancellable by the insurer except for non-payment of premium

D. Life insurance policies feature a cash value that can be accessed while the insured is alive

**The correct statement is that life insurance policies are noncancellable by the insurer except for non-payment of premium. This means that once a policy is issued, the insurer cannot unilaterally cancel the policy provided that the policyholder continues to pay their premiums on time. This feature provides stability and peace of mind for the policyholder, as they can rely on the coverage being in force for the duration specified in the policy, assuming premium payments are up to date. In contrast, not all types of life insurance policies involve policy dividends, as dividends are typically associated with participating whole life insurance policies and are not universally applicable to all life insurance products. Additionally, while many life insurance policies do allow for cash value accumulation, this feature is primarily found in permanent life insurance products (such as whole life and universal life), and not in term life insurance policies, which do not build cash value. The statement regarding premiums being invested in the insurer's general account may apply to some policies but does not universally guarantee the values associated with different types of life insurance products. Therefore, the specific structure surrounding the cancellation of policies offers a clear, universal truth applicable across all life insurance types.**

## 9. What is correct regarding the income tax consequences for premiums paid by Alpha Co for its insurance plans?

A. The premiums are taxable income to the employees

B. The premiums are deductible expenses for the employees

C. Alpha can take income tax deductions for all the premiums it pays

D. Alpha can only deduct premiums for its medical plans

**When considering the income tax consequences of premiums paid by Alpha Co for its insurance plans, it is important to understand the nature of employer-sponsored insurance benefits. Generally, premiums that an employer pays for group health insurance plans are considered business expenses. This allows the company to deduct these costs as ordinary and necessary expenses related to the operation of the business. The deduction for premiums paid includes various types of insurance, such as medical, dental, and sometimes even vision insurance. Therefore, companies like Alpha Co can effectively lower their taxable income by deducting the full range of premiums they pay for employee insurance plans, which supports their ability to provide competitive benefits, attract, and retain employees. Other answers may not accurately capture the full extent of allowable deductions or may misinterpret the treatment of these premiums from a tax perspective. Thus, the assertion that Alpha can take income tax deductions for all the premiums it pays reflects the general tax rule for employer-provided insurance benefits.**

## 10. What term describes the potential loss that an individual faces when investing in insurance coverage?

A. Assumed Risk

B. Calculated Risk

C. Potential Liability

D. Risk Exposure

**Risk exposure refers to the potential loss an individual may face regarding their insurance coverage. It encompasses all the risks that an individual is subject to that could lead to financial loss. When someone invests in insurance, they are generally aiming to protect themselves from these potential losses. Risk exposure involves assessing and identifying the various factors that could lead to a claim or a need for compensation, making it a fundamental concept in insurance and risk management. This term is crucial in understanding how insurance works, as it highlights the importance of evaluating what risks one is willing to bear and which ones they want to transfer to an insurance company. By accurately identifying their risk exposure, individuals can opt for insurance policies that appropriately cover their specific needs and vulnerabilities.**