

PSI PRACTICE EXAM - LIFE INSURANCE QUESTIONS AND ANSWERS

Which of the following is common in an increasing term life policy?

1. Insurance protection decreases over time.
2. The premium increases over time.
3. It begins with little or no insurance protection.
4. It is used as mortgage credit insurance

Correct Answer:

It begins with little or no insurance protection.

All of the following are classifications of risk EXCEPT

1. substandard
2. preferred
3. declined
4. non-nicotine

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Correct Answer:

non-nicotine.

In a level term life policy, which ALWAYS remains constant?

1. premium
2. beneficiary
3. death benefit
4. maximum age of the insured

Correct Answer:

death benefit

All of the following are features of the spendthrift clause EXCEPT

1. proceeds are paid in some other way than a single lump sum
2. proceeds are protected by the insurer from the beneficiary's creditors.
3. transfer of proceeds to creditors is prohibited.
4. the beneficiary may encumber the proceeds.

Correct Answer:

the beneficiary may encumber the proceeds.

Which one of the following is particularly important for an insurance producer to explain to a client upon delivery of a life insurance policy?

1. the effective date
2. any exclusions
3. premium due dates
4. loan interest rates

Correct Answer:

any exclusions

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How does the per capita rule apply to proceeds from a life insurance policy?

1. The proceeds are divided equally among living primary beneficiaries.
2. The secondary beneficiary receives the proceeds if the primary beneficiary is no longer living.
3. The proceeds go to the policyholder's estate when no beneficiary is living.
4. The proceeds go to the descendants of the primary beneficiaries

Correct Answer:

The proceeds are divided equally among living primary beneficiaries.

Why is the accidental death benefit referred to as double indemnity? 1. It provides for both the actual death as well as other losses from the accident

2. It provides twice the face value in the policy for death due to accident.
3. The beneficiaries have twice the amount of time to provide proof of loss.
4. The beneficiaries must provide proof of death due to multiple causes.

Correct Answer:

It provides twice the face value in the policy for death due to accident.

The right to change the beneficiary or dispose of the policy or its benefits in any manner one chooses is reserved to the policyowner UNLESS which of the following is true?

1. The policyowner has named an irrevocable beneficiary.
2. The policyowner has named a revocable beneficiary.
3. The policyowner deems the beneficiary unfit.
4. The insurer prohibits changes to beneficiaries.

Correct Answer:

The policyowner has named an irrevocable beneficiary.

Which part of an insurance contract contains the promise to pay losses covered by the policy in exchange for the insured's premium and compliance with policy terms?

1. conditions
2. policy title page
3. insuring clause
4. definitions

Correct Answer:

insuring clause