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39	A	B	C	D	E

PRACTICE QUESTIONS

CALIFORNIA DEPARTMENT OF INSURANCE

SBFGKGYQ

CA PSI Site - Life Examination - Vietnamese

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for CALIFORNIA DEPARTMENT OF INSURANCE SBFGKGYQ , each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, SBFGKGYQ
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1

MULTIPLE CHOICE

A policyowner wants to ensure that the face amount of a whole life policy will be paid to the beneficiary regardless of when the insured dies, even if the policy lapses temporarily due to non-payment of premium. Which two policy provisions or riders address this concern? (Choose two.)

- ☐ A Payor Benefit Rider
- ☐ B Waiver of Premium Rider
- ☒ C Extended Term Insurance option (Nonforfeiture Option)
- ☐ D Grace Period provision
- ☒ E Automatic Premium Loan provision

ANSWER C - E

WHY The Nonforfeiture Option (Extended Term Insurance) allows the policyowner to use the cash value to purchase a term policy for the full face amount, while the Automatic Premium Loan provision uses the cash value to pay overdue premiums so the policy does not lapse. Together, these ensure the full death benefit remains payable. The Payor Benefit Rider and Waiver of Premium Rider cover specific premium scenarios but do not guarantee the full face amount if the policy lapses. The Grace Period only delays lapse, not prevent it from affecting the policy if the premium is not paid.

QUESTION 2

MULTIPLE CHOICE

Under California insurance regulations, which two of the following are required disclosures or practices that must be provided to a life insurance applicant at the time of policy delivery? (Choose two.)

- ☒ **A** A copy of the Notice Regarding Replacement of Life Insurance if replacement is involved
- ☐ **B** A free-look period of at least 14 days during which the policy may be returned for a refund
- ☐ **C** A complete schedule of all participating policy dividends for the next 20 years
- ☒ **D** A copy of the California Department of Insurance Life Insurance Buyer's Guide
- ☐ **E** A signed statement from the beneficiary acknowledging the policy

ANSWER A • D

WHY California requires that the Life Insurance Buyer's Guide be delivered with the policy, and when a replacement is involved, the Notice Regarding Replacement of Life Insurance must be provided. California's free-look period is generally 10 days (not 14), so option B is incorrect. Future dividend projections are not guaranteed and are not required. Beneficiary acknowledgment is not a required delivery disclosure.

QUESTION 3

SINGLE CHOICE

Which type of life insurance policy typically offers the lowest initial premium for a given face amount during the early policy years?

- ☐ **A** Whole life insurance
- ☐ **B** Universal life insurance
- ☒ **C** 20-year level term insurance
- ☐ **D** Variable life insurance

ANSWER C

WHY Term insurance provides coverage for a specified period without a cash value component, so the premiums reflect only the cost of protection, making initial premiums the lowest among the options listed. Whole life and universal life have cash value components, increasing the premium. Variable life has cash value plus investment risk, also resulting in higher premiums.

QUESTION 4

SINGLE CHOICE

In life insurance underwriting, an insured who is classified as a preferred risk generally receives which of the following outcomes compared to a standard risk?

- ☐ A A higher premium rate
- ☒ B A lower premium rate
- ☐ C A reduced face amount
- ☐ D A graded death benefit

ANSWER B

WHY Preferred risks are individuals considered to have a better-than-average mortality outlook based on health, lifestyle, and other factors, so they are charged a lower premium rate than standard risks. Higher premiums are charged for substandard (rated) risks. Reduced face amounts and graded death benefits apply to other classifications, not preferred.

QUESTION 5

SINGLE CHOICE

An immediate annuity is best described as:

- ☐ A A contract that begins paying income a specified number of years after purchase
- ☐ B A contract in which the annuitant makes periodic premium payments that accumulate before annuitization
- ☒ C A contract that begins paying income within one year (or one payment interval) of purchase
- ☐ D A contract that pays a death benefit only, with no living benefits

ANSWER C

WHY An immediate annuity begins paying income almost immediately after the contract is purchased, typically within one year or one payment interval. A deferred annuity, in contrast, has an accumulation phase before income payments begin. Option D describes a life insurance policy, not an annuity.

QUESTION 6

SINGLE CHOICE

Which designation gives the named beneficiary the unrestricted right to choose how the death benefit will be received, including taking a lump sum?

- ☒ **A** Optional settlement
- ☐ **B** Revocable beneficiary
- ☐ **C** Irrevocable beneficiary
- ☐ **D** Primary beneficiary

ANSWER A

WHY An optional (or unrestricted) settlement gives the beneficiary the right to elect the form of settlement, including a lump sum, at the time the death benefit becomes payable. Revocable and irrevocable describe whether the policyowner can change the beneficiary, not the settlement options available. Primary/secondary designation determines order, not settlement flexibility.

QUESTION 7

SINGLE CHOICE

Under California law, a life insurance policy must include a contestability period during which the insurer may void the policy for misrepresentation. The maximum length of this contestability period is:

- ☐ **A** 1 year
- ☒ **B** 2 years
- ☐ **C** 3 years
- ☐ **D** 5 years

ANSWER B

WHY California law, like most state laws and standard industry practice, limits the contestability period to a maximum of two years from the date the policy is issued. After this period, the policy is generally noncontestable except for nonpayment of premium.

QUESTION 8

SINGLE CHOICE

The provision that guarantees an insured will be issued additional coverage in the future without evidence of insurability, up to specified limits and within certain time frames, is called:

- ☐ A Reinstatement provision
- ☒ B **Guaranteed insurability option**
- ☐ C Conversion privilege
- ☐ D Automatic premium loan

ANSWER B

WHY The Guaranteed Insurability Option (GIO) gives the insured the right to purchase additional amounts of life insurance at specific future dates without proving insurability. Reinstatement restores a lapsed policy. The conversion privilege allows term insurance to be exchanged for permanent insurance. Automatic premium loan prevents lapse using cash value.

QUESTION 9

SINGLE CHOICE

Which of the following best describes the cash value growth in a traditional whole life insurance policy?

- ☒ A **It is guaranteed by the insurer and may also receive non-guaranteed dividends**
- ☐ B It fluctuates based on the performance of a separate account
- ☐ C It is determined entirely by market interest rates set monthly by the insurer
- ☐ D It accumulates only if the policyowner pays dividends in cash

ANSWER A

WHY Traditional whole life insurance provides a guaranteed cash value growth schedule stated in the policy. Participating policies may also pay non-guaranteed dividends from the insurer's surplus. Variable life, not whole life, ties cash value to a separate account. Universal life, not whole life, has flexible interest crediting. Dividends do not have to be paid in cash to build cash value.