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39	A	B	C	D	E

PRACTICE QUESTIONS

Utah Insurance

1701

Producers Life Exam

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Utah Insurance **1701**, 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, **1701**
- the question number
- the email address on your order

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

QUESTION 1

MULTIPLE CHOICE

An insured purchases a life insurance policy and dies by suicide three years after the policy is issued. Which of the following statements accurately describe the insurer's obligations under a typical contestable clause? (Choose two.)

- ☐ **A** The insurer may rescind the policy because all life policies are contestable for the full lifetime of the contract
- ☒ **B** The insurer must pay the full face amount of the policy because the contestable period has typically expired
- ☐ **C** The suicide clause always voids a life insurance policy regardless of when suicide occurs
- ☒ **D** The insurer must pay the full face amount because the contestability period (usually two years) and the suicide exclusion period (usually two years) have both passed
- ☐ **E** The insurer is required to refund only the premiums paid if the policy is voided due to suicide within the contestable period

ANSWER B - D

WHY Most life insurance policies contain a contestable clause (typically two years) and a separate suicide exclusion (typically two years). After both periods have passed, the insurer must pay the full face amount of the policy even if suicide is the cause of death. Suicide during the exclusion period generally results in a refund of premiums paid rather than a denial of the full death benefit. The contestable clause does NOT extend for the life of the contract.

QUESTION 2

MULTIPLE CHOICE

Which of the following are valid options typically available to a beneficiary receiving life insurance proceeds? (Choose two.)

- ☐ A Lump-sum payment of the full face amount
- ☐ B Extended term insurance conversion of the face amount into a term policy
- ☒ C Life income option providing payments for as long as the beneficiary lives
- ☐ D Convertible term rider allowing the beneficiary to purchase a new policy without evidence of insurability
- ☒ E Fixed-period installments for a specified number of years

ANSWER C • E

WHY Standard life insurance settlement options include: lump sum, life income (for as long as the beneficiary lives), fixed-period installments (for a specified number of years), and interest-only options. Extended-term insurance is a nonforfeiture option available to the policyowner (not the beneficiary) when a permanent policy lapses. The convertible term rider is a policy provision, not a settlement option for beneficiaries.

QUESTION 3

SINGLE CHOICE

Which type of life insurance policy is characterized by flexible premiums, an adjustable death benefit, and the ability to invest cash value in separate account subaccounts?

- ☐ A Whole life insurance
- ☐ B Term life insurance
- ☒ C Variable universal life insurance
- ☐ D Modified endowment contract (MEC)
- ☐ E Group term life insurance

ANSWER C

WHY Variable universal life insurance combines the flexible premium and adjustable death benefit features of universal life with the investment flexibility of variable life insurance, allowing policyowners to direct cash value into separate account subaccounts. Whole life has fixed premiums, term life has no cash value, and a MEC is a tax classification rather than a policy type.

QUESTION 4

SINGLE CHOICE

A life insurance policy contains a waiver of premium rider. Under what circumstance does this rider typically provide benefits?

- ☐ A If the policyowner voluntarily quits paying premiums for any reason
- ☒ B If the insured becomes totally disabled for a specified period before a certain age
- ☐ C If the beneficiary dies before the insured
- ☐ D If the policyowner loses their job and cannot afford the premiums
- ☐ E Only after the policy has been in force for at least 10 years

ANSWER B

WHY The waiver of premium rider waives future premium payments if the insured becomes totally disabled, typically after a waiting period (often 6 months) and before reaching a specified age (often 60 or 65). It does not waive premiums for voluntary non-payment, job loss, or beneficiary death. The rider is typically available from policy inception without additional waiting periods beyond the disability waiting period.

QUESTION 5

SINGLE CHOICE

In life insurance underwriting, an applicant who smokes cigarettes would most likely be placed in which risk classification?

- ☐ A Preferred
- ☐ B Standard
- ☒ C Substandard (rated)
- ☐ D Guaranteed issue
- ☐ E Preferred plus

ANSWER C

WHY Smokers are typically classified as substandard or rated risks because tobacco use significantly increases mortality risk. Preferred and preferred plus classifications are reserved for individuals with excellent health profiles (no tobacco use). Standard is for average risks, and guaranteed issue policies accept all applicants without underwriting.

QUESTION 6

SINGLE CHOICE

Under Utah regulations, which of the following activities requires a producer license?

- ☐ A Explaining policy provisions to existing policyholders
- ☒ B Soliciting, selling, or negotiating life insurance contracts
- ☐ C Providing general information about insurance products without making recommendations
- ☐ D Collecting premiums on policies already in force
- ☐ E Filing claims on behalf of a friend

ANSWER B

WHY Under Utah insurance law, a producer license is required to solicit, sell, negotiate, or effect life insurance contracts. Service activities such as explaining provisions to existing policyholders, collecting premiums on in-force policies, and general informational activities typically fall under administrative functions and may not require a license. Filing claims on behalf of others may constitute insurance adjusting, which requires a separate license.

QUESTION 7

SINGLE CHOICE

Which of the following statements about the federal income tax treatment of life insurance death benefits is generally correct?

- ☐ **A** Life insurance death benefits are always subject to federal income tax
- ☒ **B** Life insurance death benefits are generally received income tax-free by the beneficiary
- ☐ **C** Death benefits are taxable if the policy was purchased more than 5 years before the insured's death
- ☐ **D** Only the first \$100,000 of death benefits is exempt from federal income tax
- ☐ **E** Death benefits are taxable at the capital gains rate

ANSWER B

WHY Under IRC Section 101(a), life insurance death benefits paid to a beneficiary upon the death of the insured are generally received free from federal income tax. This is one of the primary tax advantages of life insurance. There is no limit on the amount of death benefits that can be received tax-free under normal circumstances, and the timing of when the policy was purchased does not affect this exclusion.

QUESTION 8

SINGLE CHOICE

An insured borrows money from the cash value of their whole life policy. Which of the following statements about policy loans is correct?

- ☒ **A** The insurer is required to disclose all interest rates and loan terms in writing
- ☐ **B** Policy loans are always treated as taxable income at the time of borrowing
- ☐ **C** The interest rate on policy loans is set by federal law and cannot vary
- ☐ **D** A policy loan has no effect on the death benefit paid to beneficiaries
- ☐ **E** Policy loans must be repaid within 1 year or the policy automatically lapses

ANSWER A

WHY Insurers are required to disclose all material terms of policy loans in writing, including interest rates, repayment terms, and the effect on the death benefit. Policy loans are generally NOT taxable income at the time of borrowing (as long as the policy is not a MEC), but unpaid loans plus interest will reduce the death benefit and cash value. Policy loan interest rates are set by the insurer within regulatory guidelines, and there is no statutory 1-year repayment requirement.

QUESTION 9

SINGLE CHOICE

A producer sells a life insurance policy and then replaces an existing policy owned by the same insured with the new policy. Which of the following best describes the producer's duty regarding this transaction?

- ☐ A No special disclosure is required since replacement is common practice
- ☒ B The producer must provide a notice of replacement to the existing insurer and maintain documentation of the suitability of the transaction
- ☐ C The producer only needs to inform the insured if the replacement results in higher commissions
- ☐ D Replacements are prohibited under Utah insurance law
- ☐ E The producer should wait at least 90 days before contacting the existing insurer about the replacement

ANSWER B

WHY Utah has specific regulations regarding life insurance replacements to protect consumers. When a producer replaces an existing policy, they must provide written notice to the existing insurer (and often the proposed insurer), ensure the replacement is suitable for the insured's needs, and maintain documentation demonstrating the appropriateness of the transaction. Replacements are permitted but heavily regulated to prevent churning and unsuitable transactions.