



Insurance Licensing AZ-Insurance-Producer-Life Dumps

Shared by Horn on 19-10-2026

For More Free Questions and Preparation Resources

Check the Links on Last Page



Question 1

Question Type: MultipleChoice

Which of the following dividend options will increase the death benefit?

Options:

- A- Extended term.
- B- Guaranteed insurability.
- C- Accelerated endowment.
- D- Paid-up additions.



Answer:

D

Explanation:

Under the paid-up additions dividend option, dividends from a participating life insurance policy are used to purchase additional increments of fully paid permanent life insurance. Each addition requires no further premium and has its own cash value and death benefit. Consequently, paid-up additions increase both the policy's total death benefit and its accumulated cash value.

Paid-up additions can themselves participate in future dividends when the insurer's contract provides for participation, allowing the additional insurance and policy value potentially to compound over time.

The other choices do not describe the applicable dividend option. Extended term is principally a nonforfeiture option under which cash value is used to purchase term insurance, rather than a dividend option designed to increase the permanent death benefit. Guaranteed insurability is a rider that permits the insured to purchase additional coverage at specified dates or events without new evidence of insurability. Accelerated endowment is not the standard dividend choice that directly purchases additional permanent death-benefit protection.

The standard dividend options include cash, reduction of premium, accumulation at interest, and paid-up additions. Of these, paid-up additions directly purchase additional insurance and therefore increase the amount payable at death.

Study Guide Reference: Life Insurance Policy Provisions, Options, and Riders --- participating-policy dividends; paid-up additions; dividend options; increased death benefits.

Question 2

Question Type: MultipleChoice

Under a Universal Life insurance policy, a corridor represents the

Options:

- A- gap between the total death benefit and the policy's cash value.
- B- time allotted to the insured to convert a group policy to an individual policy.
- C- percentage of benefits paid to each of the policy's beneficiaries.
- D- stipulated time period that a policy may be reinstated after it has lapsed.

Answer:

A

Explanation:

In universal life insurance, the corridor represents the required difference between the policy's cash value and its total death benefit. In practical terms, it maintains a specified amount of net amount at risk between accumulated policy value and the death benefit payable by the insurer.

As cash value increases, the death benefit may need to increase as well so that the contract continues to satisfy the statutory relationship between cash value and death benefit required for treatment as life insurance. The applicable corridor percentage generally varies according to age and the tax-law framework under which the policy qualifies.

The corridor is therefore not related to conversion of group life insurance. Group conversion involves a limited period following termination of eligible group coverage during which an individual contract may be obtained. It is also unrelated to allocation of proceeds among multiple beneficiaries or to the reinstatement period available following lapse.

Universal life questions frequently test the distinction between cash value, death-benefit options, mortality charges, and the net amount at risk. The corridor specifically concerns the relationship between the first two.

Accordingly, the corridor is the gap between the policy's total death benefit and its cash value.

Study Guide Reference: Types of Life Insurance Policies --- universal life; death benefit; cash value; corridor and net amount at risk.

Question 3

Question Type: MultipleChoice

What is the extended term nonforfeiture option in a life insurance policy?

Options:

- A- uses cash value to purchase reduced paid-up insurance
- B- converts policy cash value to term insurance for the same face amount
- C- extends the policy coverage beyond original term
- D- invests the cash value to increase policy benefits

Answer:

B

Explanation:

The extended term nonforfeiture option uses the permanent policy's available cash value as a single premium to purchase term insurance generally equal to the original policy's face amount, after appropriate adjustments for outstanding indebtedness. The amount of available cash value determines how long the term protection can remain in force.

This contrasts with the reduced paid-up insurance option. Reduced paid-up insurance uses the cash value to purchase a smaller amount of permanent insurance that requires no further premiums. Thus, reduced paid-up maintains permanent coverage at a lower face amount, whereas extended term generally preserves the original face amount for a limited period.

Extended term does not simply extend the original policy beyond its stated contractual term. It represents a conversion of accumulated nonforfeiture value into term protection after premium payments on a cash-value policy cease. Nor does the insurer merely invest the cash value to increase benefits.

Nonforfeiture provisions protect the policyowner's accumulated equity and prevent that value from being entirely lost when a permanent policy is surrendered or premiums are discontinued.

Therefore, B precisely states the operation of extended term insurance.

Study Guide Reference: Life Insurance Policy Provisions, Options, and Riders --- nonforfeiture options; extended term; reduced paid-up insurance; cash surrender.

Question 4

Question Type: MultipleChoice

Which of the following is a provision in a universal life policy which allows the policyowner to withdraw the policy's cash value interest free?

Options:

- A- waiver of premium
- B- partial surrender
- C- spendthrift clause
- D- automatic premium loan



Answer:

B

Explanation:

A partial surrender, also called a partial withdrawal, permits the policyowner of a universal life policy to remove part of the accumulated cash value directly from the contract. Because the transaction is a withdrawal rather than a loan, there is no loan interest charged on the amount withdrawn.

A partial surrender generally reduces the policy's cash value and may also reduce the death benefit, depending on the policy design and death-benefit option. Surrender charges or administrative fees may apply, particularly during earlier policy years. Tax consequences must also be considered if distributions exceed the policyowner's basis or the contract is classified as a Modified Endowment Contract.

An automatic premium loan is different because it uses available policy value to fund overdue premiums through a loan and therefore involves loan indebtedness and potentially interest. A waiver-of-premium provision addresses qualifying disability and does not function as a cash-value withdrawal mechanism. A spendthrift clause concerns protection and distribution of proceeds to beneficiaries.

Universal life is specifically noted for flexibility concerning premiums, death benefits, and access to accumulated values. Among the options presented, the interest-free cash-value withdrawal mechanism is therefore partial surrender.

Study Guide Reference: Types of Life Insurance Policies --- universal life; partial withdrawals/surrenders; policy loans; flexible cash-value access.

Question 5

Question Type: MultipleChoice

A policyowner may NOT pay life insurance premiums with which frequency?

Options:

- A- monthly
- B- semi-annually
- C- quarterly
- D- bi-weekly

Answer:

D

Explanation:

Life insurance premium frequency is referred to as the premium mode. Traditional premium modes offered by insurers include annual, semiannual, quarterly, and monthly payments. Among the choices provided, bi-weekly is not a standard life insurance premium mode.

Premium mode also affects total annual policy cost. Annual payment is generally the least expensive because the insurer receives the entire year's premium at one time and incurs fewer billing and processing expenses. When premiums are divided into more frequent installments, insurers may apply modal factors to reflect additional administrative costs and the loss of investment earnings that would otherwise be available if the full annual premium were received at the beginning of the policy year.

Monthly, quarterly, and semiannual frequencies are therefore recognized modes even though their combined annual payments may exceed the single annual premium.

A bi-weekly structure---payment every two weeks---is familiar in certain mortgage, payroll, or debt-payment arrangements but is not one of the conventional life insurance premium modes tested in the examination material.

Accordingly, the frequency the policyowner may not select from the listed standard premium modes is bi-weekly.

Study Guide Reference: Life Insurance Policy Provisions, Options, and Riders --- premium modes; monthly, quarterly, semiannual, and annual payment structures.

Question 6

Question Type: MultipleChoice

The doctrine of reasonable expectations states that the

Options:

- A- insured and the insurance company have conditions to which only the insured must adhere.
- B- policy is contingent upon an uncertain event (a loss).
- C- policy includes coverages that a prudent person would expect it to include.
- D- insured relies on the company's promise to pay all claims.

Answer:

C

Explanation:

The doctrine of reasonable expectations concerns the protection that an ordinary insured may reasonably understand or expect an insurance contract to provide. In appropriate circumstances, insurance-policy language and presentation are evaluated from the perspective of a reasonable insured rather than solely through technical or obscure interpretations that would defeat objectively reasonable expectations regarding coverage.

Therefore, choice C best expresses the doctrine: the policy is interpreted with regard to coverage that a prudent or reasonable person would expect under the circumstances and policy presentation.

Choice A more closely relates to the conditional nature of an insurance contract, where performance depends on compliance with stated contractual conditions. Choice B defines an aleatory contract, in which values exchanged depend on an uncertain event. Choice D is inaccurate because an insurer promises to pay covered claims according to policy terms, not every claim submitted regardless of coverage.

The doctrine does not permit an insured simply to invent coverage that clearly does not exist. Rather, it becomes significant where policy language, exclusions, or insurer conduct create circumstances in which strict technical interpretation would conflict with objectively reasonable expectations generated by the contract.

Study Guide Reference: General Insurance Concepts --- doctrine of reasonable expectations; interpretation of insurance contracts; adhesion and ambiguous provisions.

Question 7

Question Type: MultipleChoice

What is the purpose of the disability income benefit rider in life insurance policies?

Options:

- A- provides lump-sum payment if the insured becomes disabled
- B- pays a monthly income if the insured becomes disabled
- C- waives premiums during disability
- D- allows purchase of additional insurance without proof of insurability

Answer:

B

Explanation:

A disability income benefit rider provides periodic income---commonly a monthly benefit---when the insured becomes disabled as defined by the rider and satisfies the applicable elimination period and other contractual requirements. Its purpose is to replace part of the income that the insured may lose because disability prevents or materially limits work.

The benefit is distinct from a waiver of premium rider. Waiver of premium keeps the life insurance policy in force by relieving the insured of the obligation to pay premiums during qualifying disability; it does not ordinarily provide spendable monthly income. Therefore, C describes a different rider.

Likewise, a guaranteed insurability rider allows the insured to purchase additional life insurance at specified times or events without new evidence of insurability, making D incorrect. A disability income rider is normally structured to provide recurring benefits rather than the single lump-sum payment described in A.

The amount and duration of benefits, definition of disability, waiting period, and maximum benefit period depend on the rider's specific language. The essential examination distinction is nevertheless straightforward: disability income = periodic income replacement; waiver of premium = premiums waived.

Study Guide Reference: Life Insurance Policy Provisions, Options, and Riders --- disability income rider; waiver of premium; disability definitions and benefit periods.

Question 8

Question Type: MultipleChoice

When is it appropriate for an individual to purchase term life insurance?

Options:

- A- An individual needs an income for retirement.
- B- An individual is seeking to build cash value in a policy.
- C- An individual is using the premiums to offer living benefits for themselves.
- D- An individual is seeking temporary protection and lower premiums.

Answer:

D

Explanation:

Term life insurance is most appropriate when the insured needs temporary death-benefit protection at a comparatively low initial premium. It provides coverage for a specified term---such as 10, 20, or 30 years---without the cash-value accumulation normally associated with permanent life insurance.

Typical uses include mortgage protection, income replacement while children remain dependent, funding temporary business obligations, and providing substantial coverage during working years when financial responsibilities are highest. Because the premium primarily funds mortality protection rather than an accumulating cash-value account, term insurance generally permits a greater initial death benefit per premium dollar than permanent insurance.

Term insurance is not designed to generate retirement income, so A is incorrect. It also does not ordinarily build cash value, eliminating B. Choice C incorrectly characterizes term premiums as creating living benefits for the insured; the principal contractual function is payment of a death benefit if the insured dies while the policy is in force.

Thus, when the planning objective is substantial temporary protection combined with lower initial cost, term insurance is the appropriate product.

Study Guide Reference: Types of Life Insurance Policies --- term life insurance; temporary needs; level term; affordability; comparison with permanent insurance.

Question 9

Question Type: MultipleChoice

The director may deny, suspend, revoke, or refuse to renew a license for all of the following actions EXCEPT

Options:

- A- providing incorrect, misleading, or materially untrue information in the license application.
- B- having been arrested on a felony charge.
- C- having admitted or found to have committed fraud.
- D- demonstrating incompetence in the conduct of business.

Answer:

B

Explanation:

Under Arizona law, the Director may deny, suspend, revoke, or refuse to renew an insurance producer license for specified statutory causes. These include providing incorrect, misleading, incomplete, or materially untrue information in a license application; having admitted or been found to have committed an insurance unfair trade practice or fraud; and demonstrating incompetence, untrustworthiness, or financial irresponsibility in conducting insurance business.

Arizona law also identifies having been convicted of a felony as a licensing ground. The question deliberately uses different wording: having been arrested on a felony charge. An arrest is an allegation or procedural event and is not equivalent to a conviction. The statutory licensing-ground language specifically addresses felony conviction rather than merely being arrested.

Therefore, choices A, C, and D correspond directly to statutory grounds contained in A.R.S. 20-295, while B does not accurately state the felony-related ground in that provision.

This distinction is important because licensing examinations frequently test precise regulatory terminology. "Arrested," "charged," and "convicted" are legally distinct statuses and should not be treated as interchangeable.

Study Guide Reference: Insurance Regulation --- grounds for license denial, suspension, revocation, or nonrenewal; A.R.S. 20-295.

Question 10

Question Type: MultipleChoice

Backdating on a life insurance policy is the practice of

Options:

- A- accepting the premium after the expiration of the grace period.
- B- making the policy effective on an earlier date than the present.
- C- reinstating a lapsed policy.
- D- excluding medical coverage for preexisting medical conditions.

Answer:

B

Explanation:

Backdating means assigning a life insurance policy an effective date that precedes the date on which the policy is actually issued or delivered. It is most commonly associated with saving age, where an earlier policy date permits the insured to be treated as a younger insurance age and thereby qualify for a more favorable premium.

Backdating does not mean allowing a premium to be paid after expiration of a grace period. That situation concerns policy lapse and potentially reinstatement. Reinstatement is itself a separate process through which a lapsed policy may be restored after the policyowner satisfies specified conditions. Preexisting-condition exclusions are also unrelated to backdating.

Where lawful and permitted by the insurer, the applicant generally must pay the premiums attributable to the backdated period. Consequently, backdating should be evaluated economically: the premium savings associated with the younger insurance age must justify paying premiums for a period before the policy's actual issuance.

The essential examination definition does not depend on why backdating is used. The defining feature is simply that the contract is assigned an effective date earlier than the present issuance date.

Study Guide Reference: Life Insurance Basics --- policy effective dates; backdating; saving age; premium calculation.

Question 11

Question Type: MultipleChoice

During the policy delivery process, a producer discovers the policy issued has a higher premium than initially quoted due to a rating adjustment. How should the producer proceed at the time of delivery?

Options:

- A- Deliver without explanation
- B- Disregard the premium change
- C- Recommend canceling the policy
- D- Explain the rating adjustment

Answer:

D

Explanation:

When a policy is issued on terms that differ from those originally illustrated or quoted, the producer should clearly explain the rating adjustment when delivering the policy. A higher premium commonly results when underwriting determines that the proposed insured presents a higher mortality risk than initially anticipated.

The producer should explain the revised premium, the underwriting classification reflected in the issued contract, and any material differences between the application-stage proposal and the policy actually delivered. This ensures that the applicant understands what is being accepted and has an opportunity to evaluate the policy on its actual contractual terms.

Delivering the policy without discussing the higher premium would leave a material difference unexplained and could create misunderstanding concerning cost and coverage. The producer also cannot simply disregard the premium adjustment because the premium shown in the issued policy reflects the insurer's underwriting decision. Automatically recommending cancellation is likewise inappropriate; the applicant should first receive an accurate explanation and determine whether the issued coverage remains suitable.

Policy delivery is therefore not merely physical transfer of a document. It is an important point for reviewing material contract features and clarifying changes resulting from underwriting.

Study Guide Reference: Life Insurance Basics --- policy delivery; underwriting classifications; rated policies; producer responsibilities at delivery.

Question 12

Question Type: MultipleChoice

A single parent of young twins takes out a term life insurance policy of fifteen years to provide security for the twins until they complete high school. The parent plans to cash the policy in and use the cash surrender value for the twins' college costs. Is this a sound financial plan?

Options:

- A- Yes, because the premiums for term policies are more affordable than those of other life insurance policies.
- B- No, because the cash surrender value of term policies does not keep up with inflation.
- C- Yes, because insurance premiums typically have better returns on investments than college savings plans.
- D- No, because term insurance policies do not have cash surrender values.

Answer:

D

Explanation:

The plan is not sound for the stated purpose because term life insurance ordinarily does not accumulate cash value. Term insurance provides pure death-benefit protection for a specified period. If the insured survives to the end of the term and the policy expires, there is generally no cash surrender value available to finance another objective.

The parent's use of a 15-year term policy for protection while the children remain financially dependent can be appropriate. If the parent dies during that period, the death benefit can provide substantial financial support for the twins. The problem is the expectation that the policy can later be surrendered for accumulated college funds.

Cash surrender values are generally associated with permanent life insurance, such as whole life and certain forms of universal life. Part of the premium structure in those contracts supports cash-value accumulation.

Choice A identifies a genuine advantage of term insurance---relatively inexpensive death protection---but it does not solve the college-funding problem. Choice B incorrectly assumes that term insurance has a cash surrender value that merely fails to keep pace with inflation.

Therefore, the decisive issue is that term insurance has no ordinary cash surrender value, making D correct.

Study Guide Reference: Types of Life Insurance Policies --- term insurance; temporary protection; absence of cash value; permanent versus term coverage.



To Get Premium Files for AZ-Insurance-Producer-Life Visit

<https://www.p2pexams.com/products/az-insurance-producer-life>

For More Free Questions Visit

<https://www.p2pexams.com/insurance-licensing/pdf/az-insurance-producer-life>

20%
DISCOUNT

P2P
exams