Virginia Insurance Virginia-Life-Annuities-and-Health-Insurance Practice Questions

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Question 1

Question Type: MultipleChoice

One premium payment covers which period of time in a single premium whole life policy?

Options:

A- One month
B- One year
C- To the insured's age 65
D- The full life of the policy

Answer:

D

Explanation:

Detailed Answer in Step-by-Step Solution:

A single premium whole life policy is a type of permanent life insurance where the entire premium for the policy's lifetime coverage is paid in one lump sum at issuance.

Unlike policies with recurring premiums (e.g., monthly or annual), this single payment funds the policy for the insured's full life (D).

Options A (one month) and B (one year) apply to term or recurring premium policies.

Option C (to age 65) might relate to limited-pay policies, not single premium ones.

Per the Virginia study guide, a single premium whole life policy requires one payment upfront, providing coverage for the insured's entire life and building immediate cash value. Reference: Virginia Life, Annuities, and Health Insurance study guide, section on 'Types of Life Insurance Policies.'

Question 2

Question Type: MultipleChoice

The overall authority of an insurance agent includes:

Options:

A- Imposed authority
B- Absolute authority
C- Implied authority
D- Residual authority

Answer:

C

Explanation:

An insurance agent's overall authority is typically classified as implied authority. This refers to the powers that are not explicitly stated in the agent's contract but are understood to be part of the agent's role in conducting business. Implied authority includes activities such as explaining policy details to clients and collecting premiums. 'Imposed' and 'residual' authorities are not common terms in the insurance industry, while 'absolute authority' is typically reserved for higher-level management or organizational authority.

Question 3

Question Type: MultipleChoice

All of the following statements about life annuities are true EXCEPT:

Options:

A- They provide for the systematic liquidation of a principal sum
B- Benefit payments start after the annuitant's death
C- They are a form of insurance since risk sharing is involved
D- They can protect against outliving one's financial resources

Answer:

B

Explanation:

Life annuities provide a stream of income during the annuitant's lifetime. Payments begin after the accumulation period (annuitization) and continue while the annuitant lives. They liquidate a

principal sum systematically and protect against longevity risk by pooling risks across many annuitants.

The incorrect statement is B, since benefits start while the annuitant is living, not after death.

Exact Extract (Virginia Annuities Study Guide): ''Life annuities are designed to provide income during the lifetime of the annuitant, liquidating principal systematically and protecting against outliving financial resources.''

Reference (Virginia Documents / Study Guide):

--- Virginia Life & Annuities Examination Outline, Section 4.1 Annuity Principles

Question 4

Question Type: MultipleChoice

Immediate annuities are often purchased by people who:

Options:

A- Desire a tax deduction in the current year
B- Want to contribute to a tax-sheltered annuity
C- Have a lump sum to invest at retirement
D- Want to accumulate funds for retirement at a later date

Answer:

C

Explanation:

Virginia Code 38.2-3100 et seq. defines immediate annuities as contracts starting payments within one year of purchase, typically funded with a lump sum. Option C fits: retirees with savings (e.g., $200,000 from a 401(k)) buy immediate annuities for instant income. Option A (tax deduction) applies to contributions to qualified plans, not immediate annuities, which use after-tax funds unless from a rollover. Option B (tax-sheltered annuity) refers to 403(b) plans, not immediate annuities. Option D (accumulate funds) suits deferred annuities, not immediate ones. The study guide likely contrasts immediate (C) with deferred annuities (D), using examples like a 65-year-old converting a lump sum to monthly payments, making C the typical buyer.

Question 5

Question Type: MultipleChoice

(The Virginia Life, Accident and Sickness Insurance Guaranty Association was established to protect consumers in the event of an insurer's:)

Options:

A- Insolvency
B- Demutualization
C- Merger with another company
D- Sale of part of the company

Answer:

A

Explanation:

The Virginia Life, Accident and Sickness Insurance Guaranty Association exists to protect policyholders, insureds, and beneficiaries when a licensed insurer becomes insolvent. Insolvency occurs when an insurer is unable to meet its financial obligations. In such cases, the guaranty association may provide coverage benefits up to statutory limits to ensure consumers do not lose all protection. The association does not protect against normal business events such as mergers, demutualization, or the sale of company assets. Its sole purpose is to provide a safety net in the event of insurer failure. This protection helps maintain public confidence in the insurance system.

Question 6

Question Type: MultipleChoice

The accidental death benefit provided by a life insurance policy may be classified as which one of the following?

Options:

A- An optional policy rider
B- A policy exclusion

C- A form of annuity
D- A nonforfeiture option

Answer:

A

Explanation:

The accidental death benefit is typically provided as an optional policy rider. This rider offers additional coverage, paying an extra benefit if the insured dies due to an accident. It is not an exclusion, annuity, or nonforfeiture option. The rider adds extra protection for accidents but is not part of the base policy unless specifically added.

Question 7

Question Type: MultipleChoice

(In a joint life insurance policy, death proceeds are paid ONLY:)

Options:

A- At the first insured's death
B- At the second insured's death
C- To the beneficiary of the surviving insured
D- If an insurable interest still exists

Answer:

A

Explanation:

A joint life insurance policy insures two lives under one policy and pays the death benefit at the first insured's death. After payment, the policy terminates.

This type of policy is commonly used to cover joint financial obligations such as business partnerships or mortgages.

Option B describes survivorship (second-to-die) life insurance, not joint life. Insurable interest is required at policy issue, not at death. Therefore, option A is correct.

Question 8

Question Type: MultipleChoice

Which is true about the conversion privilege in term life insurance?

Options:

A- The policyowner may convert to another term policy of the insured's choice
B- The policyowner may convert to permanent life insurance on an attained age basis without evidence of insurability
C- The policyowner may convert to an annuity at attained age rates only if evidence of insurability is provided
D- The policyowner may obtain additional term insurance at issue age rates without evidence of insurability

Answer:

B

Explanation:

Detailed Answer in Step-by-Step Solution:

The conversion privilege in term insurance allows conversion to a permanent policy (e.g., whole life) at the insured's current (attained) age without proving insurability (B), typically before the term expires.

Option A (another term policy) is not standard. Option C (annuity with insurability) is incorrect; conversion is to life insurance. Option D (issue age rates) doesn't apply; rates adjust to attained age.

The Virginia study guide explains that the conversion privilege ensures continued coverage by allowing term policies to convert to permanent ones without medical exams, based on attained age. Reference: Virginia Life, Annuities, and Health Insurance study guide, section on 'Term Insurance Features.'

Question 9

Question Type: MultipleChoice

Group credit life insurance is generally a form of:

Options:

A- Decreasing term insurance
B- Increasing term insurance
C- Level term insurance
D- Whole life insurance

Answer:

A

Explanation:

Group credit life insurance is typically structured as decreasing term insurance. This means the death benefit decreases over time, generally in line with the outstanding balance of a loan or debt that the insurance is intended to cover. It is commonly used for loans, such as mortgages, where the liability decreases as the debt is paid down.

Question 10

Question Type: MultipleChoice

A health maintenance organization (HMO) must offer emergency health services:

Options:

A- Sixteen hours a day, six days per week
B- Sixteen hours a day, seven days per week
C- Twenty-four hours a day, six days per week
D- Twenty-four hours a day, seven days per week

Answer:

D

Explanation:

Virginia Code 38.2-4306 mandates that Health Maintenance Organizations (HMOs) provide comprehensive health services, including emergency care, as a core benefit. Emergency services must be available 24 hours a day, 7 days a week (option D) to ensure immediate access to life-saving treatment, aligning with federal and state standards (e.g., ACA requirements under 42 CFR 422.113). This reflects the HMO's obligation to cover urgent needs---e.g., a heart attack at 2 a.m.---via in-network facilities or out-of-network reimbursement if necessary. Option A (16 hours, 6 days) and Option B (16 hours, 7 days) fall short of the continuous access requirement, limiting coverage unreasonably. Option C (24 hours, 6 days) excludes one day, contradicting the nonstop mandate. The study guide likely emphasizes this 24/7 rule in an HMO benefits section, with examples like ER visits covered anytime, making D the correct standard. This ensures HMOs meet Virginia's consumer protection goals under 38.2-4300 et seq., distinguishing them from less comprehensive plans.

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Question 11

Question Type: MultipleChoice

What is a condition for which medical advice or treatment was recommended by or received from a provider of health care service within six months preceding the effective date of an individual long-term care policy?

Options:

A- Covered illness
B- Pre-existing condition
C- Long-term care condition
D- Pre-determined risk

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Answer:

B

Explanation:

Virginia Code 38.2-5205 mandates that long-term care (LTC) policies define pre-existing conditions, typically as conditions for which medical advice or treatment was recommended or received within six months before the policy's effective date. Option B (pre-existing condition) matches this definition exactly, as it identifies prior health issues that may affect coverage (e.g., exclusions or waiting periods). Option A (covered illness) is vague and implies a condition already insured, not necessarily pre-existing. Option C (long-term care condition) isn't a

standard term; LTC policies cover specific needs (e.g., ADLs), not a category tied to this timeframe. Option D (pre-determined risk) suggests underwriting factors, not a specific medical history definition. The study guide likely details this six-month lookback as a common LTC standard, with examples like a recent stroke diagnosis, emphasizing disclosure requirements and potential coverage limits, confirming B as the answer.

Question 12

Question Type: MultipleChoice

What might be considered an unfair claims settlement practice?

Options:

A- Offering compromise settlements when facts are in question
B- Denying coverage for claims after a timely investigation
C- Failing to promptly investigate and settle legitimate claims
D- Compelling insureds to litigate claims where a real coverage dispute exists

Answer:

C

Explanation:

An unfair claims settlement practice occurs when insurers do not properly or promptly investigate and settle legitimate claims. This is a key element of unfair practices, as insurers are required by law to act in good faith when handling claims. Failing to promptly investigate or settle legitimate claims is considered unethical and unfair, as it delays rightful compensation and causes unnecessary hardship for policyholders.

The other options may describe improper actions, but failing to promptly investigate and settle claims is more directly tied to unfair practices under the insurance regulations.

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