

# California Life, Accident, and Health Insurance

## Practice Test

March 30, 2026

Time limit: 195 minutes

Online practice: [californiacerts.com/exams/ca-life-health-insurance/practice](https://californiacerts.com/exams/ca-life-health-insurance/practice)

Exam overview: [californiacerts.com/exams/ca-life-health-insurance](https://californiacerts.com/exams/ca-life-health-insurance)

Solution key: <https://californiacerts.com/resources/pdfs/ca-life-health-insurance/ca-life-health-insurance-practice-solution.pdf>

1. Under a group health plan, the continuation of coverage provision known as Cal-COBRA extends COBRA coverage in California for small employers for a total maximum continuation period of:
  - A. 36 months
  - B. 60 months
  - C. 18 months
  - D. 12 months
  
2. What is the primary difference between a preferred provider organization (PPO) and an exclusive provider organization (EPO)?
  - A. PPOs require a referral; EPOs do not
  - B. EPOs are only available to large employers; PPOs are available to individuals
  - C. There is no difference; PPO and EPO are interchangeable terms
  - D. PPOs cover out-of-network care at reduced rates; EPOs provide no out-of-network coverage except emergencies
  
3. What key feature of universal life insurance provides the policyowner with significant flexibility?
  - A. A rigid payment schedule that cannot be altered
  - B. Flexible premiums and an adjustable death benefit
  - C. A fixed, guaranteed rate of return
  - D. The requirement to invest in mutual funds
  
4. Under a universal life insurance policy, the flexible premium feature allows the policyowner to:
  - A. Vary premium amounts and timing as long as cash value covers the monthly cost of insurance
  - B. Pay a fixed premium amount every month without variation
  - C. Skip all premium payments indefinitely without any consequences
  - D. Invest premiums directly in the stock market
  
5. Because an insurance contract is drafted by the insurer and the insured must accept it as written, it is called a:
  - A. Aleatory contract
  - B. Unilateral contract
  - C. Contract of adhesion
  - D. Conditional contract

6. What is the purpose of the grace period in a life insurance policy?
- A. To give the policyowner time to return the policy for a full refund
  - B. To prevent the policy from lapsing immediately if a premium is late
  - C. To allow the insurer time to investigate a suspicious claim
  - D. To delay the effective date of the policy's coverage
7. An insurer cancels a policy mid-term without a valid reason. Under California law, the insurer must:
- A. Keep the full premium earned through the cancellation date
  - B. Provide advance written notice and a pro-rata refund of unearned premium
  - C. Only notify the insured after the cancellation takes effect
  - D. No notice is required if the insurer returns the premium
8. A fraternal benefit society differs from a traditional insurer in that it:
- A. It provides insurance benefits to members sharing a common bond and operates as a nonprofit
  - B. It only provides property and casualty insurance
  - C. It operates for profit and distributes earnings to shareholders
  - D. It is not subject to any state regulation
9. During the accumulation phase of a non-qualified annuity, how are the earnings taxed?
- A. They are entirely tax-free.
  - B. They grow tax-deferred until withdrawn.
  - C. They are taxed annually as ordinary income.
  - D. They are subject to capital gains taxes each year.
10. Under the ACA, which of the following is considered an "Essential Health Benefit" that all individual and small group health plans sold in California must cover?
- A. Long-term custodial care
  - B. Gym membership and fitness programs
  - C. Elective cosmetic surgery
  - D. Mental health and substance use disorder services
11. Which nonforfeiture option uses the policy's cash value to purchase a new policy with the same face amount as the original policy?
- A. Extended Term
  - B. Paid-Up Additions
  - C. Cash Surrender Value
  - D. Reduced Paid-Up
12. Under a Point-of-Service (POS) plan, members may seek care outside the network if they:
- A. Are denied care by the in-network provider
  - B. Get prior approval from the CDI
  - C. Accept higher cost-sharing and typically obtain a PCP referral
  - D. Enroll in Medicare first
13. An insurance contract is considered aleatory because:
- A. It relies on the absolute honesty of both parties
  - B. It is drafted by one party and accepted as-is by the other
  - C. There is an unequal exchange of value between the parties
  - D. Only one party is legally bound to perform under the contract

- 14.** The amount an insured must pay out-of-pocket before the insurance company begins paying benefits under a major medical policy is called the:
- A. Premium
  - B. Deductible
  - C. Out-of-pocket maximum
  - D. Copayment
- 15.** An accidental death benefit rider doubles the face amount if death occurs due to an accident. This feature is also known as:
- A. Guaranteed insurability rider
  - B. Cost-of-living rider
  - C. Double indemnity
  - D. Return-of-premium rider
- 16.** According to the California Insurance Code, anyone who acts as an insurance agent without a valid license is guilty of a:
- A. Infraction
  - B. Felony
  - C. Federal offense
  - D. Misdemeanor
- 17.** An insurer that routinely delays settlement of claims without a reasonable basis for doing so is engaging in:
- A. A licensing violation only
  - B. Twisting
  - C. An unfair claims settlement practice
  - D. Insurance fraud
- 18.** Medicare Part D provides coverage for:
- A. Dental and vision care
  - B. Long-term care
  - C. Prescription drug benefits
  - D. Inpatient hospital care
- 19.** A homeowner whose house burns down collects the exact replacement cost from the insurer, with no profit. This reflects which insurance principle?
- A. Principle of subrogation
  - B. Principle of utmost good faith
  - C. Principle of indemnity
  - D. Principle of insurable interest
- 20.** Which section of an insurance policy specifically defines covered perils and the insurer's promise to pay?
- A. Insuring agreement
  - B. Conditions section
  - C. Exclusions section
  - D. Declarations page
- 21.** Under the California Insurance Code, a producer is required to disclose to an applicant all of the following EXCEPT:
- A. The insurer(s) they represent
  - B. Whether they are acting as an agent or a broker
  - C. Any material conflict of interest in the transaction

D. Their total annual income from all sources unrelated to the transaction

**22.** Which of the following best describes 'churning' as it applies to a California life insurance producer?

- A. Replacing a client's policy with a policy from a different insurer using misrepresentation
- B. Offering a rebate to the client equal to the first year's premium
- C. Using a policy's existing cash value to fund an unnecessary replacement policy with the same insurer to generate new commissions
- D. Selling multiple policies to the same client from different insurers

**23.** Which of the following scenarios would most likely be considered uninsurable due to a lack of insurable interest?

- A. A creditor insuring the life of a debtor to the extent of the debt
- B. A spouse insuring the life of their partner
- C. A business owner insuring key employees
- D. Purchasing a life insurance policy on a complete stranger with no financial relationship

**24.** If an insured misstates their age on a life insurance application, what action will the insurer take upon the insured's death?

- A. Pay the full original face amount with a penalty fee deducted
- B. Adjust the death benefit to match what the premium would have purchased at the correct age
- C. Deny the claim entirely due to material misrepresentation
- D. Cancel the policy entirely and refund all premiums paid

**25.** The primary purpose of reinsurance is to:

- A. Transfer a portion of risk from the primary insurer to another company
- B. Allow policyholders to share premiums with each other
- C. Guarantee that all claims will be paid by the government
- D. Sell insurance directly to consumers at lower rates

**26.** The waiver of premium rider provides that if the insured becomes totally disabled, the insurer will:

- A. Increase the death benefit by 50%
- B. The insurer will pay the insured a monthly disability benefit
- C. Cancel the policy and refund all premiums paid
- D. Waive future premium payments, keeping the policy in force

**27.** A 45-year-old annuity owner withdraws \$15,000 from a deferred annuity that has \$10,000 in accumulated earnings and \$5,000 in cost basis. Under IRS rules, which portion is subject to ordinary income tax AND the 10% early withdrawal penalty?

- A. \$15,000 taxable, \$15,000 subject to penalty
- B. \$10,000 taxable, no penalty applies
- C. \$5,000 taxable, \$5,000 subject to penalty
- D. \$10,000 taxable, \$10,000 subject to penalty

**28.** In California, how long is the "free look" period for an individual life insurance policy purchased by a person who is 60 years of age or older?

- A. 30 days
- B. 60 days
- C. 10 days
- D. 20 days

- 29.** A Health Maintenance Organization (HMO) that employs physicians directly and provides services at its own facilities is called a:
- 30.** A surrender charge on a deferred annuity is BEST described as:
- A. The annual mortality and expense charge inside a variable annuity
  - B. A fee for early full or partial surrender during the surrender period
  - C. A one-time administrative fee charged at contract issue
  - D. A penalty for not annuitizing the contract at retirement
- 31.** Which of the following best describes "adverse selection" in insurance?
- A. Higher-risk individuals being more likely to seek insurance than lower-risk individuals
  - B. The insurer selecting only low-risk applicants
  - C. An insurer refusing to cover certain geographic areas
  - D. The tendency to take greater risks because one is insured
- 32.** What is the primary purpose of a Medicare Supplement policy (Medigap)?
- A. To solely provide prescription drug coverage (Part D).
  - B. To provide coverage for long-term custodial care in a nursing facility.
  - C. To replace Original Medicare and provide all benefits through a private network.
  - D. To cover gaps in Original Medicare coverage, such as deductibles and coinsurance.
- 33.** A Preferred Provider Organization (PPO) differs from an HMO primarily in that a PPO:
- A. Allows members to see out-of-network providers, though at higher out-of-pocket cost
  - B. Only covers in-network providers at no cost-share to the member
  - C. Has no annual deductible
  - D. Requires referrals from a primary care physician for all specialist visits
- 34.** The guaranteed insurability rider allows the policyowner to:
- A. Receive cash value tax-free at retirement
  - B. Guarantee the policy will never lapse
  - C. Purchase additional coverage at specified events without evidence of insurability
  - D. Convert term insurance to permanent without any premium increase
- 35.** Which type of insurer is owned by its policyholders, who may receive dividends based on company performance?
- A. Stock insurer
  - B. Lloyd's of London syndicate
  - C. Mutual insurer
  - D. Reciprocal exchange
- 36.** The extended term nonforfeiture option uses the policy's cash value to purchase:
- A. Term insurance for the original face amount for a period funded by the cash value
  - B. Paid-up whole life at a reduced face amount
  - C. A new universal life policy with no further premiums
  - D. An annuity that provides lifetime income
- 37.** Traditional whole life insurance policies are designed to mature or endow at what age?
- A. Age 100
  - B. Age 120
  - C. Age 65
  - D. Age 80

- 38.** The standard Medicare enrollment period for Part B begins when an individual:
- A. Retires from employment
  - B. Turns 62
  - C. Turns 65 (with a 7-month Initial Enrollment Period)
  - D. Applies for Social Security disability benefits
- 39.** A term life insurance policy with the option to convert to a permanent policy without evidence of insurability is described as:
- A. Renewable term
  - B. Convertible term
  - C. Level term
  - D. Decreasing term
- 40.** The exclusion ratio for an annuity is used to determine:
- A. The surrender charge percentage in the early years of the contract
  - B. The percentage of premium invested in equity subaccounts
  - C. The insurer's profit margin on the annuity contract
  - D. The portion of each annuity payment that is a tax-free return of cost basis
- 41.** An immediate annuity differs from a deferred annuity primarily in that an immediate annuity:
- A. Can only be purchased inside a qualified retirement plan
  - B. Has a longer surrender charge period than a deferred annuity
  - C. Begins making income payments almost immediately after purchase
  - D. Always earns a higher interest rate than a deferred annuity
- 42.** What penalty generally applies to early withdrawals from an annuity prior to age 59 ½?
- A. A 50% excise tax on the total withdrawal amount.
  - B. A 10% IRS penalty on the taxable interest or earnings withdrawn.
  - C. Complete forfeiture of all accumulated interest.
  - D. A 20% mandatory withholding by the insurance company.
- 43.** The ACA's essential health benefits requirement mandates that qualified health plans cover all of the following EXCEPT:
- A. Maternity and newborn care
  - B. Mental health and substance abuse treatment
  - C. Emergency services
  - D. Elective cosmetic surgery
- 44.** An insured's annual deductible under a major medical policy resets:
- A. After each claim is paid
  - B. Once the lifetime maximum is reached
  - C. At the beginning of each policy year
  - D. When the insured changes their plan
- 45.** When a beneficiary receives the death benefit from a life insurance policy in a lump sum, what is the income tax consequence?
- A. It is fully taxable as ordinary income.
  - B. It is generally received income tax-free.
  - C. It is taxed at capital gains rates.
  - D. Only the death benefit amount exceeding premiums paid is taxable.

- 46.** The out-of-pocket maximum under a major medical policy is the point at which:
- A. The insurer pays 100% of covered expenses for the remainder of the benefit period
  - B. The insurer stops paying benefits
  - C. The policy automatically renews
  - D. The insured must find alternative coverage
- 47.** Which type of term life insurance has a death benefit that decreases over the policy period, often used to cover a mortgage?
- A. Decreasing term insurance
  - B. Increasing term insurance
  - C. Level term insurance
  - D. Return-of-premium term insurance
- 48.** Which of the following annuity features provides a guaranteed minimum death benefit equal to at least the total premiums paid, regardless of investment performance?
- A. Annuitization privilege
  - B. Guaranteed minimum death benefit (GMDB)
  - C. Free withdrawal provision
  - D. Cost of living adjustment (COLA) rider
- 49.** The incontestability clause in a life insurance policy prevents the insurer from voiding the policy due to misrepresentation after:
- A. 5 years from policy issue
  - B. 10 years from policy issue
  - C. 2 years from policy issue
  - D. 6 months
- 50.** Which of the following BEST describes a Health Maintenance Organization (HMO)?
- A. Has no deductibles or copayments for any service
  - B. Allows members to see any specialist without a referral
  - C. Provides the most flexibility of all managed care plans
  - D. Requires members to use network providers and typically requires PCP referrals for specialist visits
- 51.** An insurance company's responsibility to pay legitimate claims promptly and fairly is known as:
- A. The duty of good faith and fair dealing
  - B. The principle of indemnity
  - C. The doctrine of subrogation
  - D. The parol evidence rule
- 52.** Which legal doctrine requires an insurance applicant to disclose all material facts that might influence the insurer's decision to issue a policy?
- A. Doctrine of utmost good faith
  - B. Doctrine of waiver and estoppel
  - C. Principle of insurable interest
  - D. Principle of indemnity
- 53.** The difference between a Health Savings Account (HSA) and a Flexible Spending Account (FSA) is that an HSA:
- A. Is funded exclusively by the employer
  - B. Is only available to retirees on Medicare
  - C. Rolls over year to year and requires enrollment in an HDHP
  - D. Must be used by year-end or the funds are forfeited

54. Which type of authority is NOT expressly stated in the agent's contract but is reasonably necessary to carry out express authority?
- A. Implied authority
  - B. Fiduciary authority
  - C. Apparent authority
  - D. Expressed authority
55. Which of the following BEST describes the tax treatment of the inside buildup in a deferred annuity during the accumulation phase?
- A. Earnings are taxed as capital gains each year
  - B. Earnings are taxed as ordinary income each year
  - C. Earnings are permanently tax-exempt
  - D. Earnings accumulate tax-deferred until withdrawal
56. A variable annuity's subaccounts most closely resemble which financial instrument?
- A. Certificates of deposit
  - B. Mutual funds
  - C. Treasury bonds
  - D. Fixed annuities
57. A copayment in health insurance is best described as:
- A. A fixed dollar amount paid by the insured for a covered service at the time of service
  - B. The monthly premium for health insurance
  - C. A percentage of the covered expense paid by the insured
  - D. The annual amount paid before insurance begins covering expenses
58. Vision insurance typically covers which of the following as a core benefit?
- A. Annual routine eye exam plus allowance for eyewear
  - B. Unlimited eye exams at any ophthalmologist nationwide
  - C. Coverage for LASIK surgery at no additional cost
  - D. Coverage for treatment of glaucoma and diabetic retinopathy
59. The intentional withholding of a material fact from the insurer by an applicant is known as:
- A. Fraud
  - B. Estoppel
  - C. Concealment
  - D. Misrepresentation
60. In California, the period during which a policyowner can return a newly issued life insurance policy for a full refund is called the:
- A. Elimination period
  - B. Free look period
  - C. Incontestability period
  - D. Grace period
61. The concept of "reasonable expectations" in insurance contract interpretation holds that:
- A. Courts honor the objectively reasonable expectations of policyholders even when strict policy language might support a different result
  - B. Ambiguous policy language is always interpreted in favor of the insurer
  - C. Insurance contracts must be interpreted literally with no exceptions
  - D. Policyholders can demand any coverage they expect regardless of policy terms

- 62.** Under the spendthrift clause in a life insurance policy, the beneficiary:
- A. Forfeits the right to name a contingent beneficiary
  - B. Must receive all proceeds in a single lump sum
  - C. Can assign their interest in the proceeds to creditors
  - D. Cannot assign or pledge the proceeds before receiving them, protecting the funds from creditors
- 63.** What feature of a PPO makes it distinct from an HMO?
- A. PPOs provide coverage for out-of-network services, though usually at a higher cost to the insured.
  - B. PPOs only offer coverage for hospital stays and surgical procedures.
  - C. PPOs operate exclusively on a capitation basis for provider compensation.
  - D. PPOs strictly require a referral from a primary care physician for all specialist visits.
- 64.** Under the IRS 72(t) rule, an annuity owner under age 59½ can avoid the 10% early withdrawal penalty by taking:
- A. Substantially equal periodic payments based on life expectancy
  - B. Any distribution taken after a 5-year holding period
  - C. Annual withdrawals of up to 10% of the account value
  - D. A single lump-sum distribution equal to the account value
- 65.** Under the per stirpes beneficiary designation, if a primary beneficiary predeceases the insured:
- A. The share is divided equally among surviving primary beneficiaries only
  - B. The proceeds revert to the insured's estate
  - C. The deceased beneficiary's share passes to their descendants
  - D. The contingent beneficiary receives 100% of the proceeds
- 66.** COBRA continuation coverage allows a qualified beneficiary to continue group health coverage after a qualifying event for up to:
- A. 18 months (36 months for some qualifying events)
  - B. 12 months
  - C. 6 months
  - D. 5 years
- 67.** A producer who represents multiple insurers and legally acts as an agent of the applicant/insured is called a(n):
- A. An insurance broker
  - B. A captive agent
  - C. A surplus lines agent
  - D. A managing general agent
- 68.** Which risk management technique involves purchasing an insurance policy?
- A. Reduction
  - B. Retention
  - C. Transfer
  - D. Avoidance
- 69.** The Coordination of Benefits (COB) provision in health insurance prevents:
- A. The insured from collecting more than 100% of actual covered expenses
  - B. Insurers from denying pre-existing conditions
  - C. Employers from offering more than one health plan
  - D. Providers from billing both plans simultaneously

- 70.** Under California law, an insurance agent who willfully makes a false statement in an application for insurance on behalf of a client may be subject to which of the following penalties?
- A. Mandatory continuing education with no further penalties
  - B. A written warning from the CDI for a first offense
  - C. Criminal prosecution, fines, and license revocation
  - D. Only policy rescission — the insurer's remedy is limited to voiding the contract
- 71.** After meeting the deductible, the insured pays 20% and the insurer pays 80% of covered expenses. This cost-sharing arrangement is called:
- 72.** A variable life insurance policy differs from whole life in that the death benefit and cash value:
- A. Are determined by the CDI each year
  - B. Are guaranteed and fixed for the life of the policy
  - C. Fluctuate based on the performance of separate account investments
  - D. Are based on a fixed interest rate set by the insurer
- 73.** Under California replacement regulations, when a life insurance agent proposes replacing an existing policy, the agent must provide the applicant with a Notice Regarding Replacement at least:
- A. Within 10 days after the policy is delivered
  - B. 30 days before the policy is issued
  - C. At the time of application
  - D. Only if the applicant requests it
- 74.** Which nonforfeiture option converts the whole life policy to a paid-up policy with a reduced face amount?
- A. Cash surrender option
  - B. Reduced paid-up option
  - C. Extended term option
  - D. Automatic premium loan
- 75.** The cash value in a whole life insurance policy can be accessed in all of the following ways EXCEPT:
- A. Surrendering the policy for its cash surrender value
  - B. Receiving a tax-free lump sum while keeping the full death benefit
  - C. Taking a policy loan against the cash value
  - D. Making a partial withdrawal from the cash value
- 76.** The California Insurance Guarantee Association (CIGA) protects policyholders when a member insurer:
- A. Becomes insolvent and cannot pay claims
  - B. Withdraws from the California market voluntarily
  - C. Raises premiums beyond regulatory limits
  - D. Denies a claim the policyholder believes is valid
- 77.** An indexed universal life (IUL) policy credits interest based on:
- A. The performance of a market index subject to a floor and cap
  - B. Direct investment in mutual funds held in separate accounts
  - C. The federal prime interest rate
  - D. A fixed rate guaranteed by the insurer annually
- 78.** A reciprocal insurance exchange differs from a stock or mutual company in that:
- A. It only insures commercial properties
  - B. It is owned by an attorney-in-fact who bears all financial risk
  - C. Premiums are tax-deductible for all members

D. Policyholders exchange promises of insurance with each other through an attorney-in-fact

**79.** A policy that provides a specified daily, weekly, or monthly benefit amount if the insured is confined to a hospital, regardless of actual medical expenses incurred, is called a:

- A. Major Medical policy
- B. Accidental Death and Dismemberment (AD&D) policy
- C. Critical Illness policy
- D. Hospital Indemnity policy

**80.** In order to qualify for a Long-Term Care (LTC) policy benefit, an individual must typically be unable to perform a certain number of Activities of Daily Living (ADLs). Which of the following is considered a standard ADL?

- A. Cooking meals
- B. Driving a vehicle
- C. Bathing
- D. Managing personal finances

**81.** Which settlement option pays a guaranteed income for the life of the beneficiary, with payments ceasing at death regardless of how much has been paid out?

- A. Life with period certain option
- B. Fixed-amount option
- C. Straight life (life-only) annuity option
- D. Fixed-period option

**82.** What is the primary purpose of insurance?

- A. To prevent physical losses from occurring
- B. To provide an investment vehicle with high returns
- C. To transfer risk from an individual to an insurer
- D. To eliminate all risks completely

**83.** An agent who binds coverage beyond the scope of her written agency agreement may still create insurer liability under which doctrine?

- A. Expressed authority
- B. Fiduciary authority
- C. Apparent authority
- D. Implied authority

**84.** Medicare Part A primarily covers:

- A. Outpatient physician visits
- B. Inpatient hospital stays, skilled nursing facility care, and hospice
- C. Dental and vision care
- D. Prescription drugs

**85.** A pure risk is characterized by:

- A. A guaranteed return on investment
- B. The combination of hazard and peril
- C. The possibility of loss or no loss, but no chance of gain
- D. The chance of gaining a significant profit

**86.** An agent tells a prospective client that a competitor's policy has a higher lapse rate and weaker financial ratings than is actually true. This conduct is best classified as:

- A. Twisting

- B. Rebating
- C. Churning
- D. Defamation / misrepresentation of a competitor

**87.** The law of large numbers supports insurance operations by:

- A. Eliminating the need for underwriting
- B. Guaranteeing that no insurer will ever have a loss
- C. Requiring all insurers to charge the same premium
- D. Making actual losses more predictable as the number of exposure units increases

**88.** Under COBRA, the maximum premium the plan may charge a qualified beneficiary is:

- A. The same as active employees pay
- B. 110% of the group premium
- C. 102% of the full group premium cost
- D. 50% of the group premium

**89.** A 20-pay whole life policy differs from a straight whole life policy in that:

- A. The cash value stops accumulating after 20 years
- B. Coverage ends after 20 years
- C. Premiums are paid for only 20 years; then the policy is paid-up for life
- D. The death benefit decreases each year after 20 years

**90.** An accident-only policy would cover which of the following losses?

- A. A heart attack requiring emergency surgery
- B. A cancer diagnosis resulting in chemotherapy costs
- C. A broken arm sustained in a slip-and-fall accident
- D. A viral illness requiring hospitalization

**91.** Which type of life insurance provides temporary coverage for a specified period and does not build cash value?

- A. Universal life insurance
- B. Term life insurance
- C. Variable life insurance
- D. Whole life insurance

**92.** Who has the legal right to name or change the beneficiary of a life insurance policy?

- A. The policyowner
- B. The insurance company
- C. The insured
- D. The primary beneficiary

**93.** Which annuity payout option guarantees income for the annuitant's lifetime but also ensures a minimum number of payments will be made to a beneficiary if the annuitant dies early?

- A. Straight life annuity
- B. Joint and survivor annuity
- C. Life with period certain annuity
- D. Cash refund annuity

**94.** Under a PPO, if an insured chooses to receive care from an out-of-network provider, the insured will typically:

- A. Receive the same benefits as in-network care
- B. Be denied all coverage for that visit
- C. Need approval from the state insurance commissioner

D. Pay higher out-of-pocket costs with lower insurer reimbursement

**95.** If a life insurance policy is surrendered for its cash value, the policyowner will receive:

- A. The cash surrender value minus surrender charges and outstanding loans
- B. Nothing, as surrendering forfeits all value
- C. Only the premiums paid into the policy
- D. The full face amount of the policy

**96.** California's Medi-Cal program is the state's implementation of the federal:

- A. Veterans Affairs health benefits
- B. Medicaid
- C. CHIP (Children's Health Insurance Program)
- D. Medicare

**97.** A life insurance policy that allows the policyowner to skip premium payments if the cash value is sufficient to cover the cost of insurance is called:

- A. Flexible premium provision
- B. Extended term option
- C. Premium waiver clause
- D. Automatic premium loan provision

**98.** Which of the following is NOT a required element of a legal insurance contract?

- A. Competent parties
- B. Equal consideration
- C. Legal purpose
- D. Offer and acceptance

**99.** Which of the following statements about group life insurance is CORRECT?

- A. A master contract is issued to the employer; employees receive certificates of coverage
- B. Each insured receives an individual policy from the insurer
- C. Premiums are always paid entirely by the employer
- D. All group life policies require individual evidence of insurability

**100.** Which California Insurance Code section broadly prohibits unfair methods of competition and unfair or deceptive acts in the business of insurance?

- A. Cal. Ins. Code § 1749
- B. Cal. Ins. Code § 750
- C. Cal. Ins. Code § 790
- D. Cal. Ins. Code § 780

**101.** In an HMO, the primary care physician (PCP) who manages and coordinates all of a member's care is called the:

- A. Gatekeeper
- B. Case manager
- C. Utilization reviewer
- D. Specialist physician

**102.** An irrevocable beneficiary designation means:

- A. The beneficiary is automatically the insured's estate
- B. The policy cannot be surrendered under any circumstances
- C. The policyowner can change the beneficiary at any time for any reason
- D. The policyowner cannot change the beneficiary without the beneficiary's written

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**103.** In California, which entity has primary regulatory authority over the business of insurance and the licensing of insurance producers?

- A. The Federal Insurance Office (FIO)
- B. The National Association of Insurance Commissioners (NAIC)
- C. The California Department of Insurance (CDI)
- D. The California Department of Financial Protection and Innovation (DFPI)

**104.** After paying a health insurance claim, the insurer pursues the negligent third party who caused the insured's injury. This right is called:

- A. Subrogation
- B. Contribution
- C. Reinsurance
- D. Indemnity

**105.** The suicide clause in a life insurance policy typically provides that if the insured commits suicide within the first two years of the policy:

- A. The full death benefit is paid to the beneficiary
- B. The policy is voided and no refund is given
- C. The cash value is paid but not the death benefit
- D. Only the premiums paid are returned; the death benefit is denied

**106.** A qualified annuity held inside an IRA differs from a non-qualified annuity primarily in that:

- A. Only the earnings portion is taxable, since basis exists
- B. Distributions are tax-free after age 70½
- C. Capital gains rates apply to the investment gains
- D. The entire distribution is taxable as ordinary income

**107.** A dental plan that allows insureds to see any licensed dentist but pays higher benefits when an in-network dentist is used is BEST classified as a:

- A. Dental PPO
- B. Dental Indemnity plan
- C. Dental HMO (DHMO)
- D. Dental direct reimbursement plan

**108.** A waiver in insurance is best defined as:

- A. An endorsement that removes a covered peril from the policy
- B. The insurer refusing to pay a claim
- C. A court order preventing a party from asserting a right
- D. The voluntary relinquishment of a known right by one party

**109.** An insurer that is formed and licensed in another state but authorized to do business in California is called a(n):

- A. Foreign insurer
- B. Surplus lines carrier
- C. Domestic insurer
- D. Alien insurer

**110.** In insurance terms, a hazard is defined as:

- A. The actual cause of a loss
- B. A condition that increases the chance of a loss
- C. The uncertainty or chance of a loss

D. A guarantee against potential financial ruin

**111.** Under a fixed-period settlement option, the insurance proceeds are paid:

- A. Only for the life of the beneficiary
- B. In a single lump sum at the beneficiary's request
- C. In a lump sum after a waiting period
- D. In equal installments over a specified number of years

**112.** Which of the following would be classified as a hazard rather than a peril?

- A. A lightning strike that starts a fire
- B. Defective wiring in a building
- C. A theft of personal property
- D. A flood that destroys a home

**113.** An insurance policy is considered a contract of adhesion because:

- A. Both parties negotiate all terms equally
- B. It is drafted by the insurer and offered on a take-it-or-leave-it basis
- C. It requires a large financial premium from the insured
- D. It must be witnessed by a notary to be valid

**114.** Under California law, a newly licensed life insurance agent must complete how many hours of continuing education every two years to maintain their license?

- A. 24 hours
- B. 12 hours
- C. 20 hours
- D. 30 hours

**115.** Which of the following statements about stock insurers is CORRECT?

- A. Shareholders own the company and receive dividends; policyholders are customers
- B. Policyholders are co-owners and share in profits
- C. Stock insurers cannot operate in California without a mutual charter
- D. Stock insurers are nonprofit organizations

**116.** Which ACA provision requires health plans to cover children up to age 26 on a parent's plan?

- A. Pre-existing condition exclusion provision
- B. HIPAA portability provision
- C. COBRA continuation provision
- D. Dependent coverage extension to age 26

**117.** A Medicare Supplement (Medigap) policy sold in California is PRIMARILY designed to:

- A. Cover dental and vision benefits not included in Medicare
- B. Replace Original Medicare Parts A and B entirely
- C. Cover the deductibles, copayments, and coinsurance gaps in Original Medicare
- D. Provide prescription drug (Part D) coverage

**118.** Which of the following is NOT one of the four basic requirements for a risk to be insurable?

- A. The risk must be capable of generating profit for the insurer
- B. The loss must be accidental from the insured's perspective
- C. The premium must be affordable
- D. The loss must be definite and measurable

**119.** Moral hazard is best described as:

- A. The risk of physical loss due to the nature of the insured property
- B. Carelessness resulting from indifference to loss
- C. The chance that the insurer will become insolvent
- D. Increased recklessness or dishonesty because one is protected by insurance

**120.** Under California Insurance Code § 10127.13, an individual health insurance policy delivered in California must provide a free-look period of at least:

- A. 10 days
- B. 30 days
- C. 20 days
- D. 5 days

**121.** The principle of indemnity is best described as:

- A. Replacing a lost item with a brand new, upgraded version
- B. Paying the maximum face value of the policy for any loss
- C. Providing a financial reward for experiencing a loss
- D. Restoring the insured to their original financial position

**122.** Critical illness insurance provides a benefit in which of the following ways?

- A. Reimburses the insured's physicians and hospitals directly for covered services
- B. Pays a fixed daily benefit for each day spent in the hospital
- C. Covers only the portion of medical bills not paid by primary insurance
- D. Pays a lump-sum cash benefit directly to the insured upon diagnosis of a covered condition

**123.** Under the California Insurance Code, which of the following acts by a licensed agent constitutes 'twisting'?

- A. Advising a client to increase their life insurance coverage as their income grows
- B. Recommending a new policy after a client moves to a different state
- C. Using misrepresentations about an existing policy to induce a policyholder to replace it
- D. Selling a client two different policies from the same insurer

**124.** According to the California Insurance Code, a representation in an insurance contract qualifies as:

- A. A binding policy exclusion
- B. An absolute guarantee of truth
- C. An implied warranty
- D. A non-binding statement of opinion

**125.** A California insurance license applicant has been convicted of a felony involving dishonesty. Under the California Insurance Code, the Commissioner:

- A. Has no authority to consider criminal history in licensing decisions
- B. Must automatically grant the license if 10 years have passed since conviction
- C. May deny the license application based on the conviction
- D. Must grant a provisional license subject to supervision

**126.** Under the California Insurance Code, a Medicare Supplement insurer MUST offer a standardized open enrollment period to individuals who are at least age 65 and first enrolled in Medicare Part B. During this 6-month window, the insurer:

- A. May charge higher premiums based on the applicant's health history
- B. Cannot deny coverage, charge extra, or impose waiting periods based on health status
- C. May deny coverage based on pre-existing conditions

D. Is required to provide coverage only if the applicant has no pre-existing conditions

**127.** Which of the following is an example of risk transfer?

- A. Refusing to drive to avoid a car accident
- B. Purchasing insurance to shift financial risk to an insurer
- C. Setting aside funds to cover potential losses
- D. Installing a sprinkler system to reduce fire damage

**128.** A California life insurance producer acting in a fiduciary capacity receives premium funds from a client. These funds must be:

- A. Deposited into the producer's business operating account until forwarded
- B. Invested in short-term instruments to earn interest for the producer
- C. Promptly remitted to the insurer and not commingled with personal funds
- D. Held for 30 days before forwarding to allow for policy cancellations

**129.** Under the California Insurance Code, making misleading representations or fraudulent comparisons to induce a person to lapse, forfeit, or surrender their insurance policy is known as what?

- A. Twisting
- B. Churning
- C. Rebating
- D. Coercion

**130.** An individual's California life insurance producer license automatically expires if the producer fails to complete continuing education requirements by the license expiration date. To reinstate the license within one year of expiration, the producer must:

- A. Complete the outstanding CE requirements and pay a reinstatement fee
- B. Pay a reinstatement fee only — no CE is required retroactively
- C. Retake and pass the state licensing examination
- D. Apply for a new license from scratch with a new background check

**131.** The pre-existing condition exclusion provision was eliminated for most health plans under the:

- A. The Affordable Care Act (ACA)
- B. HIPAA
- C. COBRA
- D. Medicare Modernization Act

**132.** Under a major medical health insurance policy, the "stop-loss" or "out-of-pocket maximum" provision means that:

- A. The insurer stops paying benefits once the annual benefit maximum is reached
- B. The insured pays 100% of costs above the stop-loss limit
- C. After reaching the out-of-pocket maximum, the insurer pays 100% of covered expenses
- D. Premiums are waived for the remainder of the policy year

**133.** For an insurance contract to be valid, which of the following elements is NOT required?

- A. Offer and acceptance
- B. Legal purpose
- C. A written document signed by both parties
- D. Consideration

**134.** Which of the following qualifies as a Special Enrollment Period (SEP) under the ACA?

- A. Turning 30 years old
- B. Moving to a higher-income tax bracket
- C. Choosing to voluntarily cancel your current plan

D. Losing employer-sponsored coverage, getting married, or having a child

**135.** A California insurance producer who offers a client a portion of their commission as an incentive to purchase a policy is guilty of:

- A. Churning
- B. Rebating
- C. Misrepresentation
- D. Twisting

**136.** A "limited benefit" health plan that provides a fixed dollar amount per day of hospital confinement, regardless of actual charges, is known as a:

- A. Disability income policy
- B. Critical illness policy
- C. Major medical policy
- D. Hospital indemnity policy

**137.** Which type of health plan generally requires the use of a primary care physician (PCP) to coordinate care and provide referrals to specialists?

- A. Preferred Provider Organization (PPO)
- B. Point of Service (POS) plan only
- C. Health Maintenance Organization (HMO)
- D. Fee-For-Service Plan

**138.** Under a Major Medical Expense policy, what is the purpose of the stop-loss provision?

- A. To prevent the insured from seeking care from out-of-network providers.
- B. To stop the accumulation of deductibles during a hospital stay.
- C. To limit the insured's maximum out-of-pocket expenses for the year.
- D. To cap the total lifetime benefits the insurer will pay.

**139.** A fixed annuity owner annuitizes using the straight life option. The owner receives payments for 14 years and then dies. Which of the following is true?

- A. Payments continue to a named beneficiary for 10 years
- B. The insurer must refund the remaining premium to the estate
- C. A lump-sum death benefit equal to the original premium is paid
- D. Payments stop and no further benefits are paid

**140.** An indexed annuity credits interest based on which of the following?

- A. The prime lending rate published by the Federal Reserve
- B. The policyholder's choice of mutual fund subaccounts
- C. A fixed interest rate declared annually by the insurer
- D. The performance of an external market index, subject to caps and floors

**141.** The Medicare Advantage program (Medicare Part C) differs from Original Medicare in that:

- A. Beneficiaries can use any provider in the country
- B. It is administered directly by the federal government
- C. It only covers hospital inpatient stays
- D. It is offered by private insurers and often includes extra benefits like dental and vision

**142.** The incontestability clause generally prevents the insurer from denying a claim due to material misstatements on the application after the policy has been in force for:

- A. 1 year
- B. 30 days

- C. 5 years
- D. 2 years

**143.** When an applicant provides false information on an insurance application that increases the risk, this is called:

- A. Misrepresentation
- B. Concealment
- C. Twisting
- D. Estoppel

**144.** Field underwriting refers to the role of:

- A. The producer screening applicants and submitting accurate applications
- B. The CDI auditing insurer underwriting practices
- C. The claims adjuster verifying policy coverage at the time of loss
- D. The home office actuary setting premium rates

**145.** When must an insurable interest exist in a life insurance policy?

- A. Only at the time of death
- B. Only at the time of application
- C. Both at the time of application and at death
- D. Continuously throughout the policy term

**146.** The method by which HMOs pay physicians a fixed monthly amount per enrolled member, regardless of services actually provided, is called:

- A. Fee-for-service
- B. Indemnity payment
- C. Capitation
- D. Coinsurance

**147.** Which of the following is an example of a pure risk, as opposed to a speculative risk?

- A. A fire destroying a warehouse
- B. Starting a new business venture
- C. Buying cryptocurrency
- D. Investing in the stock market

**148.** Premium in an insurance contract represents the insured's:

- A. Subrogation right
- B. Consideration
- C. Policy declarations
- D. Insuring agreement

**149.** Which document is used to modify or add to the terms of an existing insurance policy?

- A. Endorsement
- B. Binder
- C. Certificate of insurance
- D. Declarations page

**150.** A term life insurance policy that can be renewed at the end of the term without evidence of insurability is called:

- A. Level term
- B. Group term
- C. Convertible term
- D. Renewable term

