AIA Licensing Course for Life Insurance Agent

Paper 3: Long Term Insurance

Mock Questions and Answers

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Reference	No.	Question	
1.1	1	The original, basic intention of life insurance is to protect for:	
		A	Savings
		B	Death
		C	Retirement
		D	Threats
1.2.3(a)	2	Which two of the following statements are correct?	
		(i)	A benefit policy is the same as an indemnity policy.
		(ii)	Most life policies are subject to indemnity, but some are not.
		(iii)	Life insurance contracts are not normally subject to indemnity.
		(iv)	Indemnity does not normally apply to life insurance, where benefit policies are prevalent.
		A	(i), (ii)
		B	(i), (iii)
		C	(ii), (iii)
		D	(iii), (iv)
1.2.3(c)	3	Which of the following is not important to “proximate cause”?	
		A	Double Indemnity Benefit
		B	Accident
		C	Fire Insurance
		D	Term Insurance that comes to maturity
1.2.1	4	Which of the following relationship does insurable interest exist?	
		A	Debts
		B	Contractual Relationships
		C	Key Employee Life Insurance
		D	All of the above
1.2.1 Note	5	Which of the following statement is about a third party policy?	
		A	Insurance policy with policyowner that is the same as insured
		B	Insurance policy with policyowner that is different from insured
		C	The primary beneficiary is Bank
		D	Insurance policy that has been assigned to a third party
2.2.1a(b)	6	Which of the following are examples of decreasing term insurance?	
		(i)	Credit life insurance
		(ii)	Family income insurance
		(iii)	Mortgage indemnity insurance
		(iv)	Mortgage redemption insurance
		A	(i), (ii), (iii)
		B	(i), (ii), (iv)
		C	(ii), (iii), (iv)
		D	All of the above

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Reference	No.	Question	
2.1.1a(b)(iii)	7	Which of the following statements best describes Mortgage Redemption Insurance?	
		(i)	The form of cover is the same as mortgage indemnity insurance
		(ii)	Husband & wife may be on a joint-life basis
		(iii)	To provide an amount of death benefit which corresponds to the decreasing balance of a mortgage loan
		(iv)	Protection increases monthly
		A	(i)
		B	(i), (ii)
		C	(i), (iii)
		D	(ii), (iii)
2.1.1(b)	8	Anti-selection is a possibility with convertible term insurance. Which of the following are intended to discourage or counteract anti-selection?	
		(i)	Conversion not allowed after say age 55
		(ii)	The permanent insurance face amount must be more than the original face amount
		(iii)	Conversion not possible after the policy has been in force for certain years.
		(iv)	The permanent insurance face amount must not be more than this policy.
		A	(i), (ii)
		B	(i), (ii), (iii)
		C	(i), (iii), (iv)
		D	(ii), (iii), (iv)
2.1.1a	9	What is an increasing term insurance?	
		(i)	Premium increases periodically
		(ii)	Face amount increases periodically
		(iii)	Premium & face amount remains unchanged and the protection period is increased
		(iv)	The basic idea is to offset the inflation
		A	(i), (ii), (iii)
		B	(i), (ii), (iv)
		C	(i), (iii), (iv)
		D	(ii), (iii), (iv)
2.1.3	10	In relation to Whole Life Insurance, which of the following statements are incorrect?	
		(i)	Face amount reduces annually
		(ii)	Face amount is paid upon death
		(iii)	Face amount is paid after a fixed period
		(iv)	Face amount is paid upon death or after a fixed period
		A	(i), (ii), (iii)
		B	(i), (ii), (iv)
		C	(i), (iii), (iv)
		D	(ii), (iii), (iv)
2.2.1	11	Which of the following statements are the features of Universal Life?	
		A	Flexible premium
		B	Adjustable benefit
		C	“Unbundled” pricing
		D	All of the above

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Reference	No.	Question	
2.3(a)	12	A person who receives annuity on a monthly basis is called:	
		A	Annuity beneficiary
		B	Payee
		C	Policyowner
		D	Beneficiary
2.3.1(d)	13	Which of the following are correct statement that relates to “annuities” and “life insurance” underwriting?	
		A	The underwriting for annuity and life insurance are the same
		B	The underwriting for annuity and underwriting are completely different
		C	Same for female and different for male
		D	Same for male & different for female
2.4(c)	14	Which of the following statement is correct in relation to group insurance plans?	
		A	Employee does not have to contribute on premium
		B	Employer does not have to contribute on premium
		C	Both the employer and the employee do not have to contribute on premium
		D	Both the employer and the employee both have to contribute on premium
2.4(e)	15	Which types of policy doe not usually require detailed individual information for underwriting?	
		A	Term insurance
		B	Group insurance
		C	Whole life insurance
		D	Endowment insurance
3.1.1& 3.1.2	16	The difference between Waiver of Premium and Disability Income Benefit are?	
		A	WP: provides income when the insured is totally disabled DI: waives the premium when the insured is totally disabled
		B	WP: waives the premium when the insured is totally disabled DI: provides income when the insured is totally disabled
		C	WP: waives the premium when the insured is ill DI: provides income when the insured is ill
		D	WP: provides income when the insured is ill DI: waives the premium when the insured is ill
3.2.1(a)	17	For Accident Benefits, disability and death must follow within which of the following specified periods of an injury?	
		A	30 days
		B	6 months
		C	90 days
		D	2 years
3.2.1(b)	18	In Accidental Death and Dismemberment (AD&D) Rider, “Dismemberment” is related to:	
		A	Loss of one or more limbs
		B	Accidental death
		C	Loss of limbs and sight
		D	Lesser injuries

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Reference	No.	Question	
3.2.1(a)	19	Which of the following are not the exclusion of the personal accident insurance?	
		A	Intentional self-inflicted injuries
		B	War related injuries
		C	Injuries caused by a bank robbery
		D	Injuries during illegal activities
3.1	20	Providing some additional benefits or making certain stipulations are guiding principles referring to:	
		A	Life insurance
		B	Riders
		C	Waiting periods
		D	Specified actions
3.2.2	21	The claim paid amount for other accident benefits rider are usually:	
		(i)	A loss of one eye, entitled to 50% of sum insured
		(ii)	A loss of one eye and an arm, entitled 100% of sum insured
		(iii)	Death, entitled to 100% sum insured
		(iv)	The claim paid for death and the loss of limbs are equal
		A	(i), (ii), (iii)
		B	(i), (ii), (iv)
		C	(i), (iii), (iv)
		D	(ii), (iii), (iv)
3.3.1	22	Which of the following statements describes the features of Terminal illness benefit?	
		A	It is also known as TI
		B	A charge is made when the policyowner-insured elected to exercise the benefit
		C	The charge that is made is called the administrative charge
		D	All of the above
3.4(c)	23	Which of the following are exclusions of the medical benefit?	
		(i)	Pre-existing conditions
		(ii)	Childbirth related expenses
		(iii)	Road accident medical expenses
		(iv)	AIDS or HIV related conditions
		A	(i), (ii), (iii)
		B	(i), (ii), (iv)
		C	(i), (iii), (iv)
		D	(ii), (iii), (iv)
3.6.1	24	The cost of living adjustment (COLA) is a policy provision that provides periodic increases in the disability income benefits being paid to disabled policyowner-insured. The amount increased is equal to:	
		A	5% annually
		B	Same as inflation
		C	The consumer price index
		D	In line with the salary increment of the insured
3.3	25	Accelerated death benefits is also called	
		A	Living benefit
		B	Death benefit
		C	Immediate benefit
		D	Guaranteed benefit

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Reference	No.	Question
3.3.1b(b)	26	The insurable events of Dread disease includes:
		(i) Stroke
		(ii) Heart attack (myocardial infraction)
		(iii) Life-threatening cancer
		(iv) End-stage kidney (renal) failure
		A (i), (ii), (iii)
		B (ii), (iii), (iv)
		C (i), (ii), (iv)
		D (i), (ii), (iii), (iv)
3.6	27	Which of the following is the correct description of inflation:
		A It is not a problem
		B It is not a question that insurance intermediaries are not particularly interested in
		C It can be ignore as the salary increase continuously
		D It is a question that insurance intermediaries and policyowner-insured will pay attention to
4	28	In Hong Kong, which of the following insurance markets tend to use policy wordings commonly found in the United States and North America?
		A General Insurance Market
		B Life Insurance Market
		C General and Life Insurance Market
		D None of the above
4.9	29	The collateral assignment of the policy offers the assignee to receive:
		A All of the face amount
		B The net policy proceeds
		C The premium
		D Half of the face amount
4.10	30	When is the dividend payable to the participating policyowner?
		A Immediately
		B It is decided by the insurer
		C Participating policyowner has to apply in writing
		D When he/she receives policy proceeds
4.5	31	What is Non-forfeiture Benefit?
		A When the policy is in force for more than 2 years, insurer have no rights to cancel the policy
		B When the renewal premium are still outstanding, the cash value can be used to maintain the validity of the policy
		C Policy owner will not be able to cancel the policy without the consent of the insurer
		D The policy still remain in force even though the policy proceed is claimed
4.1(a)	32	Besides the policy, the entire contract should consist of:
		A A copy of the body check up report
		B A copy of the identification card
		C A copy of the application
		D All of the above

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Reference	No.	Question	
4.2	33	Which of the following is the correct statement concerns incontestability provision?	
		A	In Hong Kong, policies would become contestable in the event of fraud
		B	The insure cannot dispute the validity of the contract after it has been in force for 2 years
		C	That period of 2 years must be during the lifetime of the life insured
		D	All of the above
4.3	34	If the premium is paid by the insured within the grace period, this means that:	
		A	The payment of premium within the grace period is deemed to be paid on time
		B	The insured must pay the overdue premium with interest
		C	There will be no protection until the premium is paid
		D	All outstanding premium will be collected at the time of renewal
4.7	35	When the policy has lapsed, clients can apply for “Policy Revival” – which of the following conditions is incorrect?	
		A	Surrendered policy will be reinstated automatically
		B	Evidence of insurability is required
		C	Payments of any outstanding loan, plus interest
		D	Conditions may apply to policy revival
4.8(a)	36	If error on policy were discovered after a claim has arisen – misstatement of age or sex, what could the insurer do?	
		A	Adjust (up or down) the amount of the benefit
		B	Will not adjust or change anything
		C	Refund all the paid premium
		D	Immediately terminate the policy and sue the insured
4.12	37	If the insurers’ death is because of suicide, how much of the benefit can the beneficiary claim?	
		A	50% of the benefit
		B	Cannot claim any benefit
		C	Depending on how long the policy has been effective
		D	All the paid premium
4.5(a)	38	Some of the insurers specify certain policy provisions (APL). As so, if the due premium is not paid after the grace period, the cash value of the policy is used to pay premiums. The word APL means:	
		A	Assisted Policy Loan
		B	Automatic Policy Loan
		C	Assisted Premium Loan
		D	Automatic Premium Loan
4.3(d)(ii)	39	If the premium is not paid during the grace period (if there is no non-forfeiture benefits), when will be the policy lapse date?	
		A	At the end of the grace period
		B	5 days after the grace period
		C	5 days after the premium due date
		D	At the premium due date

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Reference	No.	Question	
5.2.1(c)	40	During the application process, besides from filling in the application forms, it is occasionally also require supplementary requirements which include:	
		A	Mode of premium payment
		B	Underwriting forms
		C	Evidence of insurability
		D	All of the above
5.2.2(a)	41	An insurance agent authorizes a conditional premium receipt for his/her applicant, however, the insurance company finds out later that the applicant is not qualified to be insured, this means that:	
		A	The contract was never in effect
		B	If the insurance face amount is under 300 thousand dollars, then the contract is in effect
		C	Benefit would be 50% of the face amount
		D	None of the above
5.2.4	42	When a policy is approved, clients may consider to ask the insurance company to refund their premium, this period is called:	
		A	The cooling-off period
		B	Premium free period
		C	Waiting period
		D	Grace period
5.3.1(a)	43	Which of the following is physical hazard rather than moral hazardous?	
		A	Smoking
		B	Obesity
		C	Family member who has heart problems
		D	All of the above
5.4.1(b)	44	Which of the following insurance plans would provide a certificate and an enrolment card?	
		A	Group policy
		B	Endowment insurance
		C	Whole life insurance
		D	Term life insurance
5.3.3	45	When dealing with sub-standard life and underwriting measures, which of the following is a possible underwriting reaction?	
		A	Refuse to insure
		B	Load the premium
		C	Exclusions
		D	All of the above
5.6	46	Which of the following insurance product is inevitable to claim?	
		(i)	Term insurance
		(ii)	Endowment insurance
		(iii)	Whole life insurance
		A	(i), (ii)
		B	(ii), (iii)
		C	(i), (iii)
		D	All of the above

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Reference	No.	Question	
5.3.1(a)	47	Underwriting is separated into two categories, one is to identify the degree of risk and the other:	
		A	Classifying proposed risks into appropriate categories
		B	Providing appropriate plan
		C	Arranging sufficient reinsurance
		D	Advising reactions for sub-standard risks
5.4.1(a)	48	Which of the following is the common method for policy delivery?	
		A	Delivery made by normal mail
		B	Delivery made by registered mail
		C	Delivery made by the marketer
		D	Pick up at the insurer's office
5.5	49	After sales service is a crucial factor and it is responsible from the client service or which of the following department?	
		A	POS (Policyowner Service)
		B	ASS (After-sales Service)
		C	BCS (Better Customer Service)
		D	ICO (Improve Customer Service
5.6.3	50	Which three of the following are important to surrender?	
		(i)	Proof of title
		(ii)	The original copy of the death certificate
		(iii)	Enclose a relevant form of release
		(iv)	Adjustment will be made on any outstanding premiums, loans and interests
		A	(i), (ii), (iii)
		B	(i), (ii), (iv)
		C	(ii), (iii), (iv)
		D	(i), (iii), (iv)

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Question	Answer	Question	Answer
1	B	26	D
2	D	27	D
3	D	28	B
4	D	29	B
5	B	30	A
6	B	31	B
7	D	32	C
8	C	33	D
9	B	34	A
10	C	35	A
11	D	36	A
12	A	37	C
13	B	38	D
14	D	39	A
15	B	40	D
16	B	41	A
17	C	42	A
18	C	43	D
19	C	44	A
20	B	45	D
21	A	46	B
22	D	47	A
23	B	48	C
24	C	49	A
25	A	50	D

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