

FLORIDA

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50 Sample Questions with Explanations

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1. The coordination of benefits (COB) provision in a health insurance policy is designed to:
 - A. Ensure that one plan pays for all services.
 - B. Prevent overinsurance and duplication of benefits when a person is covered by more than one plan.
 - C. Determine which provider an insured must see.
 - D. Coordinate care between a PCP and a specialist.
 2. Under Social Security, the retirement earnings test applies to beneficiaries who:
 - A. Are over Full Retirement Age and still working
 - B. Are under Full Retirement Age and have earnings that exceed a specified annual limit
 - C. Have never worked and are collecting spousal benefits
 - D. Are collecting both SSDI and retirement benefits simultaneously
 3. In most group life insurance plans, an employee becomes eligible for coverage after completing a:
 - A. Medical examination
 - B. Waiting or probationary period
 - C. Financial background check
 - D. Series of training courses
 4. A 'first-to-die' or joint life policy pays the death benefit when:
 - A. The first insured dies.
 - B. The second insured dies.
 - C. Both insureds die simultaneously.
 - D. The policyowner dies.
 5. In a group plan, experience rating is based on:
 - A. The demographics of the geographic area.
 - B. The claims history of the specific group.
 - C. The overall claims history of the insurance company.
 - D. The age and gender of the company's CEO.
 6. Under COBRA, the employer must notify the group health plan administrator of a qualifying event (such as termination or reduction in hours) within how many days?
 - A. 14 days
 - B. 30 days
 - C. 45 days
 - D. 60 days
 7. During field underwriting, which of the following is the agent NOT authorized to do?
 - A. Complete the application with the applicant
 - B. Collect the initial premium
 - C. Make underwriting decisions to approve or decline the application
 - D. Provide the applicant with a conditional receipt
 8. An agent recommending an annuity to a client must have a reasonable basis for believing the recommendation is:
 - A. Profitable for the agent
 - B. The highest-yielding product available
 - C. Suitable for the client's financial situation and needs
 - D. Approved by the insurer's CEO
 9. A 'nonforfeiture benefit' in an LTC policy ensures that:
 - A. The policy can never be cancelled.
 - B. The premium will never increase.
 - C. If the policy lapses, the policyowner will receive some value back, such as a shortened benefit period or reduced paid-up coverage.
 - D. The benefits will be paid for life.
 10. The 'probationary period' in a disability income policy refers to the:
 - A. Time between when the policy is issued and when sickness coverage goes into effect.
 - B. Time an insured must be disabled before benefits are paid.
 - C. Maximum time benefits will be paid.
 - D. Time an employee must wait to be eligible for group coverage.
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11. A collateral assignment of a life insurance policy is used when the policyowner:
- A. Wants to permanently give the policy to another person
 - B. Pledges the policy as security for a loan while retaining ownership
 - C. Assigns the policy to a charity as a tax-deductible gift
 - D. Transfers the policy to a trust for estate planning
12. In an AD&D policy, the 'capital sum' (typically 50% of the principal sum) is paid for:
- A. Loss of life
 - B. Loss of one hand, one foot, or sight in one eye
 - C. Temporary disability
 - D. Loss of both hands
13. An accidental death and dismemberment (AD&D) policy pays the 'principal sum' for:
- A. Loss of one hand
 - B. Loss of sight in one eye
 - C. Loss of life
 - D. Loss of hearing in one ear
14. A 1035 exchange allows a policyowner to:
- A. Exchange a life insurance policy for an annuity contract without triggering taxes.
 - B. Exchange a life insurance policy for stocks and bonds tax-free.
 - C. Transfer policy ownership to a family member without gift tax.
 - D. Receive the cash value of a policy tax-free.
15. What is another name for Medicare Part C?
- A. Medicare Supplement (Medigap)
 - B. Prescription Drug Plan
 - C. Medicare Advantage
 - D. Original Medicare
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16. The Primary Insurance Amount (PIA) under Social Security is based on:
- A. The worker's final salary before retirement
 - B. The worker's average indexed monthly earnings (AIME)
 - C. The total amount of FICA taxes paid
 - D. The number of dependents the worker has
17. What is the main source of information used by an underwriter to evaluate a risk?
- A. The agent's report
 - B. The Medical Information Bureau (MIB) report
 - C. The application
 - D. A credit report
18. The part of the policy that outlines the duties and responsibilities of both the insurer and the insured is the:
- A. Declarations
 - B. Insuring Clause
 - C. Conditions
 - D. Exclusions
19. In Florida, the incontestability clause prevents the insurer from voiding a life insurance policy after it has been in force for:
- A. 1 year
 - B. 2 years
 - C. 3 years
 - D. 5 years
20. A 'class designation' for a beneficiary would be:
- A. 'My wife, Jane Doe'
 - B. 'The trustee of my family trust'
 - C. 'My children'
 - D. 'My business partner, John Smith'
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21. The ACA requires most health plans to cover a set of 'Essential Health Benefits' (EHBs). Which of the following is NOT typically considered an EHB?
- A. Maternity and newborn care
 - B. Prescription drugs
 - C. Cosmetic surgery
 - D. Mental health services
22. What is a flexible premium deferred annuity (FPDA)?
- A. An annuity funded with a single premium for a flexible payout.
 - B. An annuity that allows the owner to make multiple premium payments over time, with payouts deferred to the future.
 - C. An annuity that can be converted from fixed to variable.
 - D. An annuity with a flexible interest rate.
23. How are benefits received from a Business Overhead Expense (BOE) policy taxed?
- A. They are tax-free to the business.
 - B. They are fully taxable as income to the business.
 - C. They are taxable to the business owner.
 - D. They are partially tax-free.
24. Florida Medicaid's 'Share of Cost' (SOC) program is for individuals who:
- A. Are eligible for Florida Medicaid with no costs.
 - B. Have income above the limit for free Florida Medicaid and must pay a certain amount of their medical bills each month before Florida Medicaid begins to pay.
 - C. Are eligible for both Medicare and Florida Medicaid.
 - D. Receive a share of their employer's health care costs.
25. The voluntary relinquishment of a known legal right is called a:
- A. Estoppel
 - B. Waiver
 - C. Consideration
 - D. Concealment
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26. Which ACA metal level plan is the only one eligible for cost-sharing reductions (CSRs)?
- A. Bronze
 - B. Silver
 - C. Gold
 - D. Platinum
27. When is the initial enrollment period for Medicare?
- A. The 3 months before, the month of, and the 3 months after an individual's 65th birthday.
 - B. The 6 months immediately following an individual's 65th birthday.
 - C. Anytime after an individual turns 65.
 - D. From January 1st to March 31st each year.
28. What is the purpose of stop-loss insurance for a self-funded employer?
- A. To provide health insurance to employees.
 - B. To limit the employer's liability for large or catastrophic claims.
 - C. To cover administrative costs.
 - D. To insure against employee lawsuits.
29. 'Incidents of ownership' in a life insurance policy include all of the following EXCEPT:
- A. The right to change the beneficiary
 - B. The right to borrow against the policy
 - C. The right to assign the policy
 - D. The right to receive the death benefit as a named beneficiary
30. A policy's Cost of Living (COLA) rider is designed to:
- A. Waive premiums in the event of disability.
 - B. Allow for the purchase of additional insurance without evidence of insurability.
 - C. Automatically increase the death benefit to align with inflation, typically tied to the Consumer Price Index (CPI).
 - D. Provide a source of income during retirement.

31. Which type of life insurance offers pure death benefit protection with no cash value?
- A. Whole Life
 - B. Universal Life
 - C. Term Life
 - D. Endowment
32. When delivering a life insurance policy in Florida, the agent must provide:
- A. A Buyer's Guide and Policy Summary
 - B. The agent's personal financial statement
 - C. A list of all policyholders of the same type
 - D. The insurer's stock price history
33. A 'per capita' beneficiary designation means that:
- A. The death benefit is distributed by bloodline.
 - B. The death benefit is divided equally among only the surviving named beneficiaries.
 - C. The death benefit is passed down to the beneficiaries' heirs.
 - D. The death benefit is paid to the insured's estate.
34. The length of time that disability income benefits will be paid is called the:
- A. Elimination period
 - B. Benefit period
 - C. Coverage period
 - D. Payment period
35. Which section of an insurance policy lists the perils, property, or persons not covered by the contract?
- A. Declarations
 - B. Insuring Clause
 - C. Conditions
 - D. Exclusions
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36. Original Medicare (Parts A and B) does NOT have a yearly limit on:
- A. The Part A deductible.
 - B. The Part B premium.
 - C. The number of hospital days covered.
 - D. Out-of-pocket expenses.
37. The 'installment refund' life annuity option guarantees that if the annuitant dies before receiving payments equal to the principal:
- A. A lump-sum cash refund is paid to the beneficiary.
 - B. All payments cease.
 - C. The beneficiary will continue to receive the same payments until the total amount paid equals the principal.
 - D. The beneficiary can choose a new payout option.
38. An insurer incorporated in Georgia but conducting business in Florida is considered a(n):
- A. Alien insurer
 - B. Foreign insurer
 - C. Domestic insurer
 - D. Non-admitted insurer
39. Florida has adopted enhanced annuity transaction standards that require a producer to act in the consumer's 'best interest' when making a recommendation. This standard requires the producer to:
- A. Recommend only the lowest-cost product available
 - B. Place the consumer's interest ahead of the producer's financial interest at the time of the recommendation
 - C. Guarantee that the annuity will perform as projected
 - D. Only recommend fixed annuities to all consumers
40. Under what circumstances are life insurance premiums paid by a business deductible as a business expense?
- A. When the business is the beneficiary of the policy.
 - B. When the employee's family is the beneficiary and the premium is treated as a bonus.
 - C. Premiums are never deductible.
 - D. When the policy is a term life policy.

41. Qualified annuities held within a Traditional IRA are subject to Required Minimum Distributions (RMDs). Under current law, RMDs must generally begin by April 1 following the year the owner turns:
- A. Age 59 1/2
 - B. Age 65
 - C. Age 73
 - D. Age 75
42. Long-Term Disability (LTD) insurance typically has a benefit period of:
- A. Less than one year
 - B. At least 2 years, and often to age 65 or longer
 - C. Exactly 5 years
 - D. For the lifetime of the insured
43. A policyowner can borrow from their whole life policy's cash value. What is the effect on the death benefit if the loan is not repaid?
- A. The policy is automatically terminated.
 - B. The death benefit is reduced by the outstanding loan amount plus interest.
 - C. The death benefit remains unchanged.
 - D. The beneficiary becomes responsible for repaying the loan.
44. In Florida, what is the 'Small Business Health Options Program' (SHOP)?
- A. A government agency that regulates small businesses.
 - B. A program that provides loans to small businesses.
 - C. A part of Healthcare.gov that provides a marketplace for small businesses to purchase group health plans.
 - D. A type of self-funded plan for small groups.
45. The mandatory 'Legal Actions' provision states that the insured cannot bring a lawsuit against the insurer:
- A. Until at least 30 days after proof of loss and no later than 5 years
 - B. Until at least 60 days after proof of loss and no later than 3 years
 - C. Until at least 90 days after proof of loss and no later than 2 years
 - D. At any time after the claim is denied
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46. In Florida, the free-look period for life insurance policies is:
- A. 10 days
 - B. 14 days
 - C. 20 days
 - D. 30 days
47. Credit life insurance is designed to:
- A. Build cash value for the borrower
 - B. Pay off the remaining balance of a loan if the borrower dies
 - C. Provide retirement income
 - D. Cover medical expenses during a loan term
48. Can a policyowner name a charity as the beneficiary of a life insurance policy?
- A. No - beneficiaries must be individuals.
 - B. Yes - but only if the charity is a religious organization.
 - C. Yes - any legally recognized charitable organization can be named.
 - D. Yes - but the death benefit is then taxable.
49. What is the Medical Loss Ratio (MLR) requirement for large group health insurance plans under the ACA?
- A. 75%
 - B. 80%
 - C. 85%
 - D. 90%
50. The process of evaluating a risk to determine if it is acceptable to an insurer is called:
- A. Claims adjusting
 - B. Underwriting
 - C. Reinsurance
 - D. Marketing

Answer Key

1. **B** — The COB provision establishes a process to determine which health plan is the 'primary' payer and which is 'secondary' when a person is covered by two or more plans. This ensures that the total benefits paid do not exceed 100% of the medical expenses.
2. **B** — The retirement earnings test reduces Social Security benefits for beneficiaries who have not yet reached Full Retirement Age and whose earned income exceeds an annual limit set by the SSA. For every \$2 earned above the limit, \$1 in benefits is withheld. The test does not apply once the beneficiary reaches FRA, and withheld benefits are recalculated and restored.
3. **B** — Most group plans require new employees to complete a probationary or waiting period (commonly 30 to 90 days) before they become eligible for coverage. This requirement helps reduce administrative costs and ensures that only committed employees are enrolled.
4. **A** — A joint life policy insures two or more lives and pays the death benefit when the first of the insureds dies. The policy then terminates. It is less common than survivorship life.
5. **B** — Experience rating is used for large groups. The insurer analyzes the group's own past claims experience to determine the premium for the upcoming year. A group with low claims will generally receive a lower premium than a group with high claims.
6. **B** — The employer has 30 days to notify the plan administrator of a qualifying event. The plan administrator then has 14 days to send the COBRA election notice to the qualified beneficiary. The beneficiary then has 60 days to elect continuation coverage.
7. **C** — The agent performs field underwriting (gathering info, completing apps, collecting premiums) but does NOT have the authority to approve or decline applications. That decision is made by the insurer's home office underwriting department.
8. **C** — Suitability is a cornerstone of annuity sales. The agent must make a diligent effort to understand the client's financial status, tax status, investment objectives, and other relevant information to ensure the recommended product is appropriate for them.
9. **C** — The nonforfeiture benefit provides a safety net if the policyowner stops paying premiums after a certain number of years. It ensures that the policyowner doesn't lose all the value from the premiums they've paid. Options can include a reduced paid-up policy or a shortened benefit period.
10. **A** — The probationary period is a one-time period that begins on the policy's effective date, typically 15-30 days. It specifies that no benefits will be paid for a sickness that begins during this initial period. This is designed to protect the insurer from adverse selection (people buying a policy because they know they are about to get sick).
11. **B** — A collateral assignment is a temporary, partial transfer of policy rights to a lender as security for a debt. The policyowner retains all ownership rights except those assigned to the lender. When the loan is repaid, the assignment is released. If the insured dies, the lender is paid the outstanding loan balance from the death benefit, and the remainder goes to the named beneficiary.
12. **B** — The capital sum (usually 50% of the principal sum) is paid for the loss of one hand, one foot, or the sight in one eye.
13. **C** — The principal sum (full benefit amount) is paid for loss of life or 'capital' losses (both hands, both feet, sight in both eyes, or combination of two). Single losses pay 50%.
14. **A** — Section 1035 of the tax code permits the tax-free exchange of certain insurance products. A life insurance policy can be exchanged for another life insurance policy, an endowment policy, or an annuity contract without any immediate tax consequences on the accumulated gain.
15. **C** — Medicare Part C is the Medicare Advantage program. These are private health plans (like HMOs or PPOs) that are approved by Medicare and must provide at least the same level of coverage as Original Medicare (Parts A and B), but can offer additional benefits.
16. **B** — The Primary Insurance Amount (PIA) is the benefit amount a worker receives at full retirement age. It is calculated using a formula applied to the worker's Average Indexed Monthly Earnings (AIME), which adjusts past earnings for wage inflation.
17. **C** — The application is the primary source of underwriting information. It contains the applicant's statements about their health, occupation, and other factors relevant to the risk.
18. **C** — The Conditions section sets forth the rules of conduct, duties, and obligations for both the policyholder and the insurer. Examples include the requirement to provide proof of loss and the insurer's obligation to pay claims in a timely manner.
19. **B** — After a life insurance policy has been in force for 2 years, the insurer cannot contest or void the policy based on misstatements in the application (except for nonpayment of premium). This is a standard provision under Florida law.
20. **C** — A class designation names a group of beneficiaries without identifying them individually (e.g., 'my children,' 'my siblings'). This allows for flexibility, as any children born or adopted after the policy is issued are automatically included in the class.
21. **C** — The ten EHBs include services like ambulatory patient services, emergency services, hospitalization, maternity care, mental health, prescription drugs, and preventive care. Elective cosmetic surgery is not an EHB and is generally not covered by health insurance.
22. **B** — An FPDA allows the owner to pay premiums over a period of time, offering flexibility in the amount and frequency of contributions. Payouts are deferred to a future date.
23. **B** — Premiums for a BOE policy are tax-deductible for the business. Therefore, the benefits received by the business are considered taxable income. However, since the benefits are used to pay for deductible business expenses, the net effect is usually a tax wash.
24. **B** — A Share of Cost (SOC) works like a deductible. It is the amount an individual must pay for their medical expenses in a given month before they can become eligible for Florida Medicaid benefits for the remainder of that month. It applies to those whose income is too high for 'no-cost' Florida Medicaid.
25. **A** — A waiver is the intentional and voluntary giving up of a known right. For instance, if an insurer accepts an incomplete application, it may have waived its right to require the missing information later.
26. **B** — Cost-sharing reductions are a form of financial assistance that lowers the amount an individual has to pay for deductibles, coinsurance, and copayments. To qualify, an individual must have a qualifying income and enroll in a Silver plan through the federal health insurance marketplace.

- 27. A** — The Medicare Initial Enrollment Period (IEP) is a 7-month period. It begins 3 months before the month a person turns 65, includes the month they turn 65, and ends 3 months after the month they turn 65.
- 28. B** — An employer with a self-funded plan will purchase stop-loss insurance from a commercial insurer. This policy protects the employer from unexpectedly high claims by reimbursing the employer for claims that exceed a certain dollar amount (either on an individual or aggregate basis).
- 29. D** — Incidents of ownership refer to the economic and legal rights a person holds in a policy, such as the right to change the beneficiary, assign the policy, borrow against it, or surrender it. Simply being the named beneficiary does not constitute an incident of ownership. If the insured retains any incidents of ownership at death, the policy proceeds are included in the taxable estate.
- 30. C** — The Cost of Living rider protects the policy's death benefit from the effects of inflation. It automatically increases the face amount of the policy annually, based on the increase in the CPI. Evidence of insurability is not required, but the premium will increase with the coverage.
- 31. C** — Term Life insurance provides coverage for a specific period (term). It pays a death benefit only if the insured dies during that term. It is the purest form of life insurance and does not build any cash value.
- 32. A** — Florida requires that a Buyer's Guide (explaining how to evaluate life insurance) and a Policy Summary (containing specific policy details and cost indexes) be delivered with every life insurance policy.
- 33. B** — 'Per capita' (by the head) means the death benefit is shared equally among the surviving beneficiaries in a designated class. If one beneficiary in the class has died, their share is redistributed among the other survivors in that class, and their heirs receive nothing.
- 34. B** — The benefit period is the maximum amount of time that benefits will be paid for a single disability. It can range from a few months (for short-term disability) to several years or even to age 65 (for long-term disability).
- 35. D** — The Exclusions section explicitly states what the policy does not cover. This is done to clarify the scope of coverage and eliminate coverage for uninsurable risks.
- 36. D** — A significant risk with Original Medicare is that there is no annual cap on a beneficiary's out-of-pocket costs for deductibles, copayments, and coinsurance. This is a primary reason people buy Medigap policies or enroll in Medicare Advantage plans, which do have annual out-of-pocket maximums.
- 37. C** — Similar to a cash refund, the installment refund option guarantees the return of principal. However, if the annuitant dies early, the beneficiary does not receive a lump sum. Instead, they continue to receive the regular installment payments until the total payout equals the original principal amount.
- 38. B** — A foreign insurer is an insurance company that is incorporated under the laws of another state in the U.S. but is doing business outside of its home state.
- 39. B** — The best interest standard, based on the NAIC's updated Suitability in Annuity Transactions Model Regulation adopted by Florida, goes beyond the traditional suitability standard. It requires that the producer's recommendation reflect the consumer's best interest and that the producer's compensation not be the primary motivating factor in the recommendation.
- 40. B** — If a business pays the premium for an employee's life insurance policy where the employee's family is the beneficiary (e.g., in an executive bonus plan), the premium is considered compensation to the employee. It is deductible for the business and taxable income for the employee.
- 41. C** — Under the SECURE 2.0 Act, the required beginning date for RMDs from qualified retirement accounts (including qualified annuities in IRAs) is age 73 for individuals born between 1951 and 1959, increasing to age 75 for those born in 1960 or later. Failure to take the RMD results in a penalty tax on the amount not distributed.
- 42. B** — Long-Term Disability is designed to cover serious, long-lasting disabilities. Benefit periods are usually a minimum of 2 years and can extend to 5 years, 10 years, or most commonly, to the insured's Social Security retirement age (e.g., 65 or 67).
- 43. B** — If a policy loan is outstanding at the time of the insured's death, the insurer will deduct the loan balance plus any accrued interest from the death benefit before paying the remainder to the beneficiary.
- 44. C** — The SHOP marketplace is the arm of Healthcare.gov designed for small businesses (typically with 1-100 employees). It allows them to compare plans from different insurers and may provide access to tax credits.
- 45. B** — This provision sets a window for legal action. The insured must wait at least 60 days after submitting proof of loss before suing (to give the insurer time to process), and cannot sue more than 3 years after the time proof of loss is required.
- 46. B** — Florida provides a 14-day free-look period for life insurance policies. During this time, the policyholder may return the policy for a full premium refund. This is longer than the 10-day period in many other states.
- 47. B** — Credit life insurance pays off the remaining balance of a debt if the borrower dies before the loan is fully repaid. The lender is typically the beneficiary.
- 48. C** — A policyowner can name a charity as the beneficiary. This is a common way to make a significant philanthropic gift. The death benefit is paid directly to the charity upon the insured's death.
- 49. C** — Large group health insurers must spend at least 85% of premium revenue on medical claims and quality improvement, leaving no more than 15% for administrative costs and profit. This 85/15 standard is stricter than the 80/20 rule applied to individual and small group plans.
- 50. B** — Underwriting is the process of risk selection, classification, and pricing. Underwriters for the insurance company decide whether to accept or reject applications for insurance.