Insurance Test Practice

Kansas Insurance Practice Test

Free Life & Health Insurance Practice Questions with Answers

- 50 carefully curated practice questions
- Real exam format and difficulty
- Updated for 2026 regulations
- Print-ready professional design

Ready to pass your exam? Practice with our interactive exam simulator:

Start Free Simulator at insurancetestpractice.com

Premium Access: Full Question Bank • Real Mock Tests • Smart Dashboard

Practice Questions Begin on Next Page

1. A shared care rider on an LTC policy for a couple allows:

A) The couple to share one premium payment.
B) The premium to be waived if one spouse enters a nursing home.
✔ C) One spouse to use the benefits from the other spouse's policy if their own benefits are exhausted.
D) The policy to pay for care for both spouses simultaneously.

Explanation: A shared care or shared benefit rider is a feature on two separate LTC policies for a couple. It allows them to pool their benefits. If one spouse uses up all of their policy's benefits, they can then start drawing from the benefits available under their spouse's policy.

2. The difference between UL Option A (Level Death Benefit) and Option B (Increasing Death Benefit) is:

A) Both A and B are correct
B) Option A is cheaper than Option B for the same initial face amount
C) Option A has a level cash value; Option B has increasing cash value
✔ D) Under Option B the death benefit equals the face amount PLUS the cash value; under Option A it equals only the face amount

Explanation: Under UL Option A (Level Death Benefit), total death benefit = face amount (net amount at risk + cash value = face amount). Under Option B (Increasing Death Benefit), total death benefit = specified amount PLUS the accumulated cash value. Option B provides a higher total death benefit but costs more because the net amount at risk remains level.

3. A disability that is presumed to be total and permanent, such as the loss of sight in both eyes or the loss of two limbs, is called a:

A) Recurrent disability
B) Residual disability
C) Partial disability
✔ D) Presumptive disability

Explanation: Under a presumptive disability provision, the insured is automatically considered totally disabled, and benefits are paid, even if they can still work. It waives the usual requirements for proving disability for certain severe conditions like total blindness, deafness, or loss of limb.

4. In universal life insurance, the 'corridor' test ensures that:

A) Premium payments remain within a corridor of the target premium
B) The policy's cash value corridor never decreases
✔ C) The policy maintains a sufficient net amount at risk (corridor between face amount and cash value) to qualify as life insurance under IRS guidelines
D) The surrender charge corridor remains constant throughout the policy period

Explanation: The IRS corridor test (also called the guideline premium test and cash value accumulation test) ensures that life insurance policies maintain sufficient death benefit protection relative to cash value to qualify as life insurance under IRC Section 7702. If cash value grows too close to the death benefit, the insurer must increase the face amount or the policy loses its tax-favored status.

5. Under Social Security disability benefits, the 'waiting period' before benefits begin is:

A) 12 months
✔ B) 5 months
C) 3 months
D) 6 months

Explanation: Social Security disability benefits have a 5-month waiting period before benefits begin. The disability must be expected to last at least 12 months or result in death. Benefits begin with the 6th full month of disability. This waiting period is an important gap that private disability income insurance is designed to address — short-term and long-term disability policies can provide income replacement during the Social Security waiting period.

---

6. Group carve-out plans allow employers to:

A) Carve out the life insurance component from a group health plan
B) Exclude certain employees from group coverage to lower premiums
C) Carve out high-earning executives from ERISA requirements
✔ D) Provide selected executives with individual permanent life insurance as an alternative to or in addition to group term life

Explanation: A group carve-out plan replaces an executive's group term life insurance (above $50,000 face amount) with an individual permanent policy. This avoids the imputed income taxation on group term above $50,000 and provides the executive with portable, permanent coverage. The employer typically funds the premium through a bonus arrangement.

7. Individual accident and health insurance policies must contain certain mandatory (required) uniform provisions. How many mandatory provisions are there?

A) 8
B) 14
C) 10
✔ D) 12

Explanation: There are 12 mandatory (required) uniform policy provisions that must be included in every individual accident and health insurance policy. These provisions are designed primarily to protect the insured and ensure fair treatment.

8. Which of the following is considered a qualified medical expense for HSA withdrawals?

A) Cosmetic surgery for aesthetic purposes
B) Health insurance premiums paid outside of COBRA or Medicare
✔ C) Prescription medications
D) Gym membership fees

Explanation: Prescription medications are qualified medical expenses under IRS Section 213(d). Cosmetic surgery for purely aesthetic reasons, gym memberships, and most health insurance premiums (with exceptions like COBRA and Medicare) are not qualified expenses.

9. A variable annuity's 'sub-account' value is calculated using:

A) The insurer's general account performance
B) The credited interest rate declared each year
✔ C) The daily NAV (Net Asset Value) of the units
D) The guaranteed minimum value set by the insurer

Explanation: Variable annuity subaccounts are priced daily based on the Net Asset Value (NAV) of the underlying investment portfolio. The owner's account value = number of accumulation units × current NAV per unit. NAV fluctuates with market performance of the underlying securities held in the subaccount.

10. Which of the following best describes the concept of 'insurable interest' in a life insurance context?

A) The insured's right to receive policy benefits
B) An interest clause that allows the insurer to invest policy reserves
C) The amount of coverage the insured can purchase on another person
✔ D) A financial interest in the continued life of the insured — typically the expectation of financial benefit from the insured's survival or loss upon their death

Explanation: Insurable interest in life insurance means the applicant/policyowner has a legitimate financial stake in the continued life of the insured — typically a close family relationship (spouse, child, parent) or a business relationship (key employee, business partner). Without insurable interest, the policy would be a wagering contract.

---

11. A health insurance policy that the insurer can cancel at any time for any reason is classified as:

✔ A) Optionally renewable
B) Noncancellable
C) Guaranteed renewable
D) Conditionally renewable

Explanation: An optionally renewable policy can be cancelled by the insurer at any policy anniversary date. The insurer has the option — but not the obligation — to renew the policy. This provides the least protection for the insured and is rarely used for individual health insurance today.

12. Risk sharing is best described as:

A) Setting aside personal funds to cover potential losses
B) Avoiding all activities that could lead to a loss
C) Transferring all risk to an insurer
✔ D) Spreading the chance of loss among a group of individuals

Explanation: Risk sharing (also called risk pooling or distribution) involves spreading the financial consequences of a potential loss across a large group. Insurance itself is fundamentally based on this concept — many policyholders pay premiums into a pool from which claims are paid.

13. A stock insurance company is owned by:

A) The National Association of Insurance Commissioners
B) Its policyholders
✔ C) Stockholders who receive dividends from company profits
D) The state government

Explanation: A stock insurance company is owned by stockholders (shareholders) who invest in the company. Profits are distributed to shareholders as taxable dividends. Unlike mutual companies, policyholders of stock companies do not receive dividends unless the company also issues participating policies.

14. What is the default nonforfeiture option that the insurer will select if the policyowner does not choose one?

✔ A) Extended Term
B) Reduced Paid-Up
C) Automatic Premium Loan
D) Cash Surrender

Explanation: If a policy with cash value lapses and the policyowner fails to select a nonforfeiture option, the insurer will automatically implement the Extended Term option. This ensures the insured maintains the maximum possible death benefit for a specific period.

15. An independent insurance agent differs from a captive agent in that the independent agent:

✔ A) Can represent multiple insurance companies
B) Cannot bind coverage
C) Represents only one insurer
D) Is employed directly by the insurer

Explanation: An independent agent represents multiple insurers and can place business with any of them. The independent agent typically owns the policy expirations and renewal rights, unlike a captive agent whose expirations belong to the insurer.

---

16. Which type of whole life policy is designed to be paid up after a specific number of years, such as 20 years or at age 65?

✔ A) Limited-Pay Whole Life
B) Straight Life
C) Single Premium Whole Life
D) Adjustable Life

Explanation: Limited-Pay Whole Life provides permanent protection, but the premiums are paid over a shorter, limited period. After the final premium is paid, the policy is 'paid-up' and remains in force for the insured's lifetime.

17. The Law of Large Numbers in insurance means that:

A) Larger policies are more likely to be paid
B) Large companies are more financially stable
C) Insurance premiums increase with policy size
✔ D) As the number of similar exposure units increases, actual losses become more predictable

Explanation: The Law of Large Numbers states that as more similar risks are pooled, the actual loss experience approaches the statistically expected loss rate, allowing accurate premium pricing.

18. A policyowner wants to ensure that her spouse receives a monthly income from the life insurance proceeds, but also wants to ensure their children receive the principal after the spouse dies. Which settlement option should be chosen?

A) Life Income
B) Fixed Period
C) Fixed Amount
✔ D) Interest Only

Explanation: The 'Interest Only' option is ideal for this scenario. The insurer holds the principal and pays out the interest earned to the spouse. Upon the spouse's death, the principal is then paid to the contingent beneficiaries (the children).

19. The 'current assumption whole life' (CAWL) policy is:

A) A whole life policy with premiums that increase to match current market rates
B) A universal life policy designed for current (short-term) financial planning needs
✔ C) A whole life-like policy with premiums and cash values that vary based on current (not guaranteed) interest rate and mortality assumptions
D) A traditional whole life policy with fixed premiums and guaranteed cash values

Explanation: Current Assumption Whole Life (CAWL) — also called interest-sensitive whole life — resembles traditional whole life but uses current (non-guaranteed) interest and mortality assumptions to determine premiums and cash values. If current assumptions are favorable, premiums may decrease or cash value may grow faster than guaranteed. If assumptions worsen, premiums may increase.

20. Single premium whole life insurance is a policy:

A) With a single beneficiary who cannot be changed
✔ B) Funded with a single lump-sum premium payment that provides lifetime coverage
C) That only pays a death benefit in a single lump sum
D) Where one premium is paid monthly for one year

Explanation: Single Premium Whole Life (SPWL) is funded entirely by a single, lump-sum premium payment at issue. The policy is immediately paid-up and accumulates substantial cash value from day one. Because the policy is funded up-front with a large after-tax sum, the tax treatment is that of a Modified Endowment Contract (MEC).

---

21. A hazard that arises from an individual's carelessness because they feel protected by insurance is called a:

A) Moral hazard
✔ B) Morale hazard
C) Speculative hazard
D) Physical hazard

Explanation: A morale hazard (also called attitudinal hazard) is carelessness or indifference to potential loss because the person knows they are insured. For example, leaving valuables unsecured because 'insurance will cover it.' This differs from a moral hazard, which involves intentional dishonesty or fraud.

22. Constructive delivery of a life insurance policy occurs when:

A) The policy is approved by the underwriter
✔ B) The insurer relinquishes control of the policy, such as mailing it to the agent with unconditional instructions to deliver it
C) The insured signs a delivery receipt
D) The agent physically hands the policy to the insured

Explanation: Constructive delivery means the insurer has given up control of the policy, even if the insured has not physically received it. For example, if the insurer mails the policy to the agent with instructions to deliver it unconditionally, delivery is considered to have occurred.

23. The 'cash value accumulation test' (CVAT) is one method used to determine if a life insurance policy qualifies as:

A) A variable annuity product
B) A modified endowment contract
C) A qualified retirement plan
✔ D) A life insurance contract under IRC Section 7702

Explanation: IRC Section 7702 establishes two tests to determine whether a contract qualifies as life insurance for tax purposes: the Cash Value Accumulation Test (CVAT) and the Guideline Premium and Corridor Test (GPT). Under the CVAT, the policy's cash value cannot exceed the net single premium needed to fund the death benefit. Policies must satisfy one of these tests to receive favorable life insurance tax treatment (tax-deferred growth, income-tax-free death benefit).

24. Which of the following is an example of a speculative risk?

A) A work-related injury
B) A house fire
C) A car accident
✔ D) A gambling debt

Explanation: Speculative risk involves a chance of either loss or gain. Gambling, stock market investments, and starting a new business are all examples of speculative risks, which are typically not insurable.

25. In an Interest-Sensitive Whole Life policy, the cash value can grow at a rate that is:

A) Fixed and guaranteed for the life of the policy.
B) Determined by the policyowner's choice of subaccounts.
C) Tied directly to the stock market.
✔ D) Greater than the guaranteed minimum rate if the insurer's investments perform well.

Explanation: Interest-Sensitive Whole Life (also called Current Assumption Whole Life) offers a guaranteed minimum interest rate on cash value, but may credit a higher, current interest rate based on the performance of the insurer's general account investments.

26. Which type of health care plan is characterized by having a primary care physician (PCP) who acts as a 'gatekeeper'?

A) Point of Service (POS) Plan
B) Indemnity Plan
✓ C) Health Maintenance Organization (HMO)
D) Preferred Provider Organization (PPO)

Explanation: HMOs require members to select a PCP who manages their care. To see a specialist, the member must first get a referral from their PCP. This 'gatekeeper' system is a hallmark of the HMO model.

27. Which dividend option allows the policyowner to purchase additional small units of whole life insurance?

A) Cash Payout
✓ B) Paid-Up Additions
C) Accumulate at Interest
D) Reduction of Premium

Explanation: The Paid-Up Additions dividend option uses the annual dividend to purchase single premium, additional blocks of whole life insurance. These additions increase both the death benefit and the cash value of the policy.

28. To be eligible for Medicare Part A without paying a premium, an individual must have:

A) Applied for Social Security retirement benefits
B) Been enrolled in a Medicare Advantage plan for at least 5 years
✓ C) Paid Medicare taxes for at least 10 years (40 quarters of covered work)
D) Purchased Medicare Part A coverage through an employer

Explanation: Premium-free Medicare Part A is available to individuals age 65+ who have at least 40 quarters (10 years) of Medicare-covered employment. Those with fewer than 40 quarters may purchase Part A coverage for a monthly premium. Spouses of eligible workers may also qualify for premium-free Part A.

29. Which resource is most appropriate to confirm a licensing deadline in Kansas?

✓ A) An official notice or handbook published by Kansas Department of Insurance
B) An undated social-media post
C) A rule from another jurisdiction
D) A generic flashcard without a source

Explanation: An official notice or handbook published by Kansas Department of Insurance

30. What is the primary purpose of life insurance?

A) To fund the insured's retirement income needs
B) To pay medical expenses for the insured's family
C) To provide investment returns to the policyowner
✓ D) To replace the financial loss caused by the premature death of the insured

Explanation: The primary purpose of life insurance is to replace the income and financial support lost when the insured dies prematurely, protecting dependents and family from financial hardship. Retirement income and investment are secondary or ancillary purposes.

31. The minimum premium that must be paid to keep a universal life policy in force is called the:

A) Target premium
✔ B) Minimum premium or cost of insurance charge
C) Modal premium
D) Flexible premium

Explanation: Universal life policies have a minimum payment required to cover the policy's internal charges (cost of insurance, administrative fees). If the cash value falls to zero and premiums are not paid, the policy will lapse. The target premium is the amount that keeps the policy performing as illustrated under current assumptions, but it is not the minimum.

32. Under health insurance, an 'in-network' provider is one that:

A) Is located within a specified geographic radius of the insured's home
B) Is a specialist who provides only inpatient care
✔ C) Has contracted with the health plan to provide services at negotiated rates
D) Provides only emergency care services

Explanation: An in-network provider has signed a contract with the health insurance plan agreeing to accept negotiated rates for covered services. Using in-network providers results in lower cost-sharing for the insured. Out-of-network providers have not signed such contracts and may charge higher amounts, resulting in higher cost-sharing for the insured.

33. In life insurance, 'stock redemption' arrangements use life insurance to:

A) Purchase stock for employees
B) Provide a tax-advantaged retirement account for executives
✔ C) Fund the buyout of a deceased partner's business interest from their estate
D) Replace key employees with trained successors

Explanation: Stock redemption (or entity purchase) arrangements use life insurance on each owner/partner, with the business as the beneficiary. Upon an owner's death, the insurance proceeds are used by the business to buy the deceased owner's interest from their estate, ensuring business continuity.

34. What is a 'rider' in an annuity contract?

A) The primary beneficiary of the annuity.
✔ B) An optional benefit or feature that can be added to the contract, usually for an additional cost.
C) The person who drives the annuitant to appointments.
D) The application form for the annuity.

Explanation: A rider is an add-on to a base annuity contract that provides supplemental benefits. Common annuity riders include Guaranteed Lifetime Withdrawal Benefits (GLWB) or enhanced death benefits.

35. Under the ACA, health insurers are prohibited from doing all of the following EXCEPT:

✔ A) Charging higher premiums to older adults than young adults up to a 3:1 ratio
B) Setting annual or lifetime dollar limits on essential health benefits
C) Charging different premiums based on the insured's health status
D) Denying coverage based on pre-existing conditions (for non-grandfathered plans)

Explanation: The ACA prohibits insurers from denying coverage or charging more based on health status (for non-grandfathered plans) and from imposing annual/lifetime dollar limits on EHBs. However, age rating IS permitted — insurers can charge older adults up to 3 times more than younger adults. This is an exception to the ACA's non-discrimination rules.

36. Under the ACA dependent coverage provision up to what age must health plans allow adult children to remain on a parent's plan?

- ✔ A) Age 26
- B) Age 25
- C) Age 21
- D) Age 23

Explanation: The ACA requires all health plans that offer dependent coverage to allow children to remain on their parent's plan until they turn 26, regardless of the child's marital status, financial dependency, student status, or availability of employer-sponsored coverage.

37. Mortality and expense (M&E) charges in a variable annuity:

- ✔ A) Compensate the insurer for mortality risk and administrative expenses associated with the variable annuity guarantees
- B) Pay for investment management of the subaccounts
- C) Are optional charges that the policyowner can choose to waive
- D) Are charged only when the policyowner receives income payments

Explanation: The mortality and expense (M&E) charge is a percentage assessed annually against the variable annuity's subaccount assets. It compensates the insurer for: (1) mortality risk (guaranteeing the death benefit regardless of investment performance) and (2) general expense and profit charges. M&E charges typically range from 0.5% to 1.5% annually and are disclosed in the prospectus.

38. Under Medicare Part A, the inpatient hospital deductible applies:

- A) Once per calendar year
- B) Each time the beneficiary is admitted
- C) Once per lifetime
- ✔ D) Once per benefit period

Explanation: The Part A deductible is charged per benefit period, not per year. A benefit period begins the day the beneficiary is admitted to a hospital and ends when they have been out of the hospital or skilled nursing facility for 60 consecutive days. If readmitted after 60 days, a new benefit period (and a new deductible) starts.

39. How does interest earned on premiums affect the overall premium amount?

- A) It increases the premium.
- ✔ B) It decreases the premium.
- C) It has no effect on the premium.
- D) It is returned to the policyowner as a dividend.

Explanation: Insurers invest the premiums they collect. The interest they expect to earn on these investments is factored into the premium calculation and helps to lower the premium amount that policyowners must pay.

40. The elimination period in a long-term care insurance policy is:

A) The period during which the insurer can cancel the policy for health reasons
✔ B) The number of days of qualifying care the insured must receive before benefits begin
C) The age at which benefits automatically end
D) The period after which premiums can no longer increase

Explanation: The elimination period (or waiting period) in an LTC policy is the number of days of qualifying care the insured must receive — and typically pay for out-of-pocket — before the insurer begins paying benefits. Common elimination periods are 30,60,90, or 180 days. Longer elimination periods reduce premiums.

---

41. Which of the following represents the correct description of proximate cause?

A) The most remote cause of a loss
B) The last event in a chain of events leading to a loss
✔ C) The dominant cause that sets in motion an unbroken chain of events leading to a loss
D) Any contributing factor in a loss

Explanation: Proximate cause is the primary or dominant cause that initiates an unbroken sequence of events that results in a loss. It determines whether a loss is covered under the policy.

42. What are 'accumulation units' in a variable annuity?

A) The number of income payments the annuitant will receive.
✔ B) Accounting units used to measure the owner's interest in the separate account during the pay-in phase.
C) The fees charged by the insurer.
D) The guaranteed value of the contract.

Explanation: During the accumulation period, premium payments purchase accumulation units. The value of these units fluctuates daily with the performance of the underlying investments in the separate account.

43. For a settlement option, what part of the payment is taxable?

A) The entire payment.
B) The entire payment is tax-free.
C) The principal part of the payment.
✔ D) The interest part of the payment.

Explanation: When a death benefit is paid out over time using a settlement option, the principal amount of the death benefit is tax-free. However, any interest earned on that principal and paid out as part of the installment payments is taxable as ordinary income.

44. In order to be insurable, a risk must NOT be:

A) Calculable
B) Part of a large group
C) Accidental
✔ D) Catastrophic

Explanation: Insurers generally will not cover losses that are catastrophic, meaning they could impact a large portion of their policyholders at once, potentially bankrupting the insurer. Events like war or nuclear disasters are typically excluded.

45. A 1035 exchange allows a policyowner to:

- ✔ A) Exchange a life insurance policy for an annuity contract without triggering taxes.
- B) Transfer policy ownership to a family member without gift tax.
- C) Exchange a life insurance policy for stocks and bonds tax-free.
- D) Receive the cash value of a policy tax-free.

Explanation: 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.

---

46. What is the tax status of a transfer-for-value?

- A) It has no impact on the taxability of the death benefit.
- B) It makes the death benefit fully taxable.
- C) It makes the death benefit subject to capital gains tax.
- ✔ D) It makes the death benefit partially taxable as ordinary income.

Explanation: The transfer-for-value rule states that if a life insurance policy is sold or transferred for valuable consideration, a portion of the death benefit becomes subject to income tax. The taxable portion is the death benefit minus the new owner's cost basis.

47. Under HIPAA, 'portability' means that a person with prior creditable coverage:

- ✔ A) Cannot be subject to a new pre-existing condition waiting period when joining a new group plan.
- B) Can port their coverage to any state.
- C) Is guaranteed to pay the same premium at their new job.
- D) Can take their old insurance policy to their new job.

Explanation: HIPAA's portability rules were designed to help people keep their coverage when they move from one job to another. It ensures that if an individual has maintained creditable coverage without a significant break, a new group plan cannot impose a pre-existing condition exclusion period.

48. What is 'utilization review' in a managed care plan?

- A) A review of the plan's premium rates.
- ✔ B) An evaluation of the medical necessity, appropriateness, and efficiency of health care services.
- C) A survey of member satisfaction.
- D) A process for enrolling new members.

Explanation: Utilization review (or utilization management) is a process used by insurers and managed care plans to evaluate the appropriateness of health care services under the provisions of the insurance policy. This can include pre-authorization for a hospital stay or a review of ongoing treatment.

49. 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) From January 1st to March 31st each year.
- C) Anytime after an individual turns 65.
- D) The 6 months immediately following an individual's 65th birthday.

Explanation: 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.

50. An insurance contract is classified as a contract of adhesion because:

✔ A) The insurer drafts the contract and the applicant can only accept or reject it as a whole

B) The insured adheres to a strict payment schedule

C) The insurer must adhere to all oral promises made by agents

D) Both parties negotiate terms equally

Explanation: A contract of adhesion is prepared entirely by one party (the insurer). The applicant has no opportunity to negotiate terms. Any ambiguities are resolved in favor of the insured.