



Insurance Test Practice

New Hampshire Insurance Practice Test

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1. Under Social Security, a fully insured deceased worker's unmarried child under age 18 is entitled to a survivor benefit equal to what percentage of the worker's PIA?

- ✓ A) 75%
- B) 100%
- C) 50%
- D) 60%

Explanation: Each eligible child of a deceased fully insured worker is entitled to receive 75% of the worker's Primary Insurance Amount. Eligible children include unmarried children under age 18 (or under 19 if still in secondary school) and disabled children whose disability began before age 22.

2. What does COBRA stand for?

- A) Coordinated Omnibus Billing and Reconciliation Act
- B) Comprehensive Omnibus Benefits and Retirement Act
- C) Comprehensive Omnibus Benefit Reconciliation Act
- ✓ D) Consolidated Omnibus Budget Reconciliation Act

Explanation: COBRA is a federal law that allows employees and their dependents to continue their group health coverage for a limited time after a qualifying event, such as job loss or reduction in hours.

3. An employee who does not enroll in a group life insurance plan during the initial eligibility period and later wishes to join is considered a:

- A) Preferred risk
- B) Substandard risk
- ✓ C) Late enrollee
- D) Non-eligible employee

Explanation: A late enrollee is an employee who does not sign up for group coverage during their initial eligibility period. Because late enrollment raises adverse selection concerns, the insurer typically requires the late enrollee to provide evidence of insurability (proof of good health) before coverage is granted.

4. When an employee's group health coverage is terminated, they have the right to convert their policy. Which of the following is true about the converted policy?

- A) The employee can choose any plan offered by the insurer.
- ✓ B) The coverage is issued without evidence of insurability.
- C) The benefits will be identical to the group policy.
- D) The premiums will be the same as the group policy.

Explanation: The key feature of the conversion privilege is that the individual policy must be issued without proof of insurability. However, the insurer can charge a higher premium based on the individual's age, and the benefits may be less comprehensive than the group plan's.

5. A 'direct writer' or 'direct response insurer' sells insurance:

- ✓ A) Directly to consumers without using independent agents, often through mail, phone, or internet
- B) Only through independent agents with broad market access
- C) Only to businesses through wholesale distribution channels
- D) Only to other insurance companies through reinsurance arrangements

Explanation: Direct writers sell insurance directly to the public without using independent agents. Examples include major insurers who advertise directly to consumers on television and online. Their premiums may be lower because they eliminate agent commission costs, but consumers do not receive personalized agent advice.

6. What is a 'binder' in insurance?

- A) A summary of policy benefits
- B) The first premium payment
- ✓ C) A temporary contract of insurance, pending issuance of the policy
- D) A folder for holding policy documents

Explanation: A binder is a temporary written or oral agreement that provides immediate, temporary insurance coverage until a formal policy is issued or denied. It is common in property insurance but less so in life insurance.

7. An insurance contract is conditional, which means:

- ✓ A) The insurer's obligation to pay a claim depends on the insured performing certain duties.
- B) The value exchanged is unequal.
- C) Only one party makes an enforceable promise.
- D) The contract terms are non-negotiable.

Explanation: A conditional contract requires that certain conditions must be met before performance is required. For an insurer to pay a claim, the insured must satisfy conditions like paying premiums and providing proof of loss.

8. Which third-party testing vendor administers the New Hampshire insurance licensing examinations?

- A) Pearson VUE,
- ✓ B) PSI Services LLC,
- C) Prometric,
- D) ACT Testing Services

Explanation: Effective July 1, 2025, PSI Services LLC became the official testing administrator for all New Hampshire insurance licensing examinations.

9. A level premium policy means that the premium:

- A) Decreases each year.
- ✓ B) Remains the same for the life of the policy.
- C) Is flexible and can be changed by the policyowner.
- D) Increases each year.

Explanation: Level premium is a characteristic of most permanent life insurance policies, like whole life. The premium is calculated based on the insured's age at issue and is guaranteed to remain fixed for the entire payment period.

10. In an employer-paid (noncontributory) group disability plan, how are the benefits received by an employee treated for tax purposes?

- A) Taxation depends on the employee's age.
- ✓ B) They are fully taxable as ordinary income.
- C) They are received income tax-free.
- D) They are partially taxable.

Explanation: If the employer pays the entire premium for a group disability plan, the employer can deduct the premium as a business expense. Consequently, any benefits received by a disabled employee are considered taxable income.

11. The Long-Term Care Rider on a life insurance policy allows the policyowner to:

- A) Automatically qualify for Medicaid upon triggering the rider
- B) Purchase a separate long-term care insurance policy at a discounted rate
- ✓ C) Access the death benefit early to pay for qualifying long-term care expenses
- D) Receive long-term care benefits without reducing the death benefit

Explanation: The Long-Term Care Rider (or Accelerated Death Benefit for LTC) allows the insured to access a portion of the life insurance death benefit early (an acceleration) to pay for qualifying long-term care expenses when the insured meets specific benefit triggers (inability to perform 2 of 6 ADLs or cognitive impairment). The death benefit is reduced by amounts accessed.

12. When a non-qualified annuity owner dies and names a non-spouse beneficiary:

- A) The annuity is automatically annuitized at the beneficiary's age
- B) The beneficiary must take a full lump sum distribution immediately
- C) The non-spouse beneficiary inherits the annuity with no required distributions
- ✓ D) The non-spouse beneficiary must distribute the full contract value within 5 years or begin distributions within 1 year

Explanation: When a non-qualified annuity owner dies, non-spouse beneficiaries must generally: (1) take a lump sum distribution, or (2) annuitize the contract within 1 year of the owner's death and receive payments over the beneficiary's life expectancy, or (3) take the full distribution within 5 years. Spouse beneficiaries have more flexibility and can continue the contract.

13. How is the New Hampshire Insurance Commissioner selected for office?

- A) Elected by popular statewide vote during general elections,
- ✓ B) Appointed by the Governor with the advice and consent of the Executive Council for a 5-year term,
- C) Appointed directly by the NAIC Executive Directorate,
- D) Elected by a majority of domestic insurance companies

Explanation: Under RSA 400-A:3, the New Hampshire Insurance Commissioner is appointed by the Governor with the advice and consent of the Executive Council for a 5-year term.

14. Within how many days after notifying the Commissioner of an appointment termination must the insurer mail a copy of the notification to the producer?

- A) Within 5 days,
- B) Within 30 days,
- ✓ C) Within 15 days,
- D) Within 60 days

Explanation: Under RSA 402-J:15, within 15 days after providing notice of termination to the Commissioner, the insurer must mail a copy of the notification to the producer.

15. The Medicare Advantage 'network' restriction means:

- A) Medicare Advantage plans must cover providers in all 50 states
- ✓ B) Most MA plans require members to use in-network providers except for emergencies
- C) All MA plan networks must include all providers in the member's county
- D) Medicare Advantage cannot have any network restrictions

Explanation: Medicare Advantage plans generally require members to use in-network providers to receive full coverage (except for emergencies and urgently needed care). Out-of-network care may result in significantly higher costs or no coverage, depending on the plan type (HMO vs. PPO). This is a key difference from Original Medicare, which covers any provider who accepts Medicare.

16. In a staff model HMO, physicians are:

- A) Members of an independent practice association who contract with the HMO
- ✓ B) Salaried employees of the HMO who work exclusively for the plan
- C) Part of a multispecialty group that contracts with the HMO
- D) Independent contractors who are paid on a fee-for-service basis

Explanation: In a staff model HMO, physicians are directly employed by the HMO and receive a salary. They practice in facilities owned or operated by the HMO and typically see only HMO patients. This gives the HMO the greatest control over utilization and quality but is the most expensive model to operate.

17. An insurance policy is an aleatory contract, which means:

- ✓ A) It involves an unequal exchange of value.
- B) The terms are take-it-or-leave-it.
- C) Only one party makes a promise.
- D) It is based on utmost good faith.

Explanation: Aleatory contracts involve an unequal exchange of value between the parties. The insured may pay premiums for years and never file a claim, or they may pay a small premium and receive a large claim payment.

18. John has a dispute with his insurer over an ambiguous clause in his health insurance contract. Since the contract was written solely by the insurer with no negotiation, how will a court typically resolve the ambiguity?

- A) In favor of the insurer because they wrote it
- ✓ B) In favor of John because the contract is a contract of adhesion
- C) By declaring the contract void due to lack of mutual agreement
- D) By split decision dividing the benefit 50/50

Explanation: Because insurance contracts are contracts of adhesion (offered on a 'take-it-or-leave-it' basis by the insurer), any ambiguities are legally resolved in favor of the adhering party (the insured).

19. A 'term to 65' life insurance policy:

- ✓ A) Provides level term coverage that expires when the insured turns 65
- B) Has a decreasing premium structure that reaches \$0 at age 65
- C) Converts automatically to an annuity at age 65
- D) Provides increasing death benefit coverage until age 65

Explanation: Term to 65 (or term to retirement) is a level term policy designed to provide coverage through the insured's working years, expiring at age 65. After 65, coverage ends with no cash value or continued benefit. This type of policy coordinates with retirement planning — by 65, the need for income replacement insurance typically diminishes.

20. 'Social Security disability insurance' (SSDI) uses a definition of disability that is:

- A) Employer-determined based on the applicant's job description
- B) Partial disability based on inability to perform 50% of prior duties
- ✓ C) Any occupation — cannot perform any substantial gainful activity due to a medically determinable impairment
- D) Own occupation

Explanation: The Social Security Disability Insurance (SSDI) program uses an 'any occupation' definition — the applicant must be unable to perform any substantial gainful activity (SGA) due to a medically determinable physical or mental impairment expected to last at least 12 months or result in death. This is one of the most stringent disability definitions in use.

21. Under New Hampshire life insurance regulations, what is the maximum duration of a suicide exclusion clause?

- A) 1 year from issue,
- ✓ B) 2 years from the date of policy issue,
- C) 5 years from issue,
- D) Suicide exclusions are permanently prohibited in NH

Explanation: Under standard NH life policy provisions, suicide is excluded for a maximum of 2 years from issue. If suicide occurs within 2 years, the insurer must refund premiums paid.

22. Which of the following is the PRIMARY advantage of term life insurance over permanent life insurance?

- A) Term insurance has no policy exclusions
- ✓ B) Term insurance provides the highest death benefit per premium dollar for pure protection needs
- C) Term insurance accumulates cash value for retirement
- D) Term insurance can be converted to an annuity at any time

Explanation: The primary advantage of term life insurance is cost efficiency — it provides the maximum death benefit for the lowest premium because it is pure protection with no savings component. For a given death benefit, term premiums are significantly lower than whole life premiums, especially for younger insureds.

23. What constitutes 'soliciting' insurance in New Hampshire?

- A) Distributing general company calendars without discussing coverage,
- ✓ B) Attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company,
- C) Directing a customer to the receptionist desk,
- D) Delivering mail to policyholders

Explanation: Under RSA 402-J:2, 'solicit' means attempting to sell insurance or urging a prospective purchaser to apply for insurance from an insurer.

24. Susan has a life insurance policy with an Accidental Death Benefit (Double Indemnity) rider for \$100,000. Her base policy face amount is \$100,000. If Susan dies from a heart attack, how much will her beneficiary receive?

- A) \$200,000
- ✓ B) \$100,000
- C) \$0
- D) \$50,000

Explanation: The Accidental Death Benefit rider only pays the additional benefit if death results from an accident. Because a heart attack is an illness (natural cause), only the base policy face amount of \$100,000 is paid.

25. A purchasing group under the federal Liability Risk Retention Act:

- A) Is the same as a risk retention group
- ✓ B) Enables a group to purchase liability insurance on behalf of members from admitted or risk retention group insurers
- C) Purchases property insurance for municipalities
- D) Provides coverage only for professional liability

Explanation: A Purchasing Group is a group formed under the federal Liability Risk Retention Act to purchase liability insurance on behalf of its members from an insurer that is either admitted in a member's state or a risk retention group. Purchasing groups have more regulatory freedom to operate across state lines.

26. Supplemental Security Income (SSI) differs from Social Security Disability Insurance (SSDI) primarily in that SSI is:

- A) Based on the worker's earnings history and FICA contributions
- ✓ B) A needs-based program for aged, blind, or disabled individuals with limited income and resources
- C) Only available to workers who are fully insured
- D) Funded entirely by state governments

Explanation: SSDI is an earned benefit based on the worker's employment history and FICA contributions. SSI, by contrast, is a needs-based federal assistance program funded by general tax revenues. It provides cash assistance to aged, blind, or disabled individuals who have limited income and resources, regardless of their work history.

27. A risk retention group is a liability insurance company that is:

- ✓ A) Owned by its members, who are exposed to similar liability risks
- B) A federal program that insures against catastrophic losses
- C) A reinsurance company that assumes risk from primary insurers
- D) Owned by the state government

Explanation: A risk retention group (RRG) is a special type of liability insurance company formed under the federal Liability Risk Retention Act. Its members are businesses or professionals with similar risk exposures who band together to self-insure their liability risks.

28. 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.

29. What is 'twisting' in the context of New Hampshire insurance sales regulations?

- A) Charging different premiums to men and women for life insurance,
- B) Recommending an increase in coverage following a marriage,
- C) Splitting commissions with another licensed producer in the same agency,
- ✓ D) Making misleading statements or incomplete comparisons to induce an insured to lapse, surrender, or replace an existing policy with another

Explanation: Under RSA 417:4, twisting is an unfair trade practice involving misrepresentations or fraudulent comparisons to induce someone to replace or lapse an existing policy.

30. What is the purpose of the Relation of Earnings to Insurance provision?

- ✓ A) To prevent over-insurance and limit the total disability benefit to a percentage of the insured's income.
- B) To tie the benefit period to the elimination period.
- C) To ensure the benefit keeps up with inflation.
- D) To relate the premium to the insured's age.

Explanation: This provision allows the insurer to limit the benefit payable to the insured's average income over the last 24 months. If the total disability benefit from all policies exceeds the insured's earnings, the insurer will only pay a proportionate share, preventing the insured from profiting from being disabled.

31. An Exclusive Provider Organization (EPO) is characterized by:

- A) Providing only preventive care services
- B) Covering only specialist services
- C) Allowing members to use any provider nationwide
- ✓ D) Requiring members to use the plan's network except in emergencies, with no out-of-network coverage otherwise

Explanation: An EPO (Exclusive Provider Organization) requires members to use providers within the plan's network. Unlike a PPO, there is generally no coverage for out-of-network services except true emergencies. EPOs typically do not require a primary care physician or referrals (like an HMO does). They are essentially a restricted-network PPO.

32. 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.

33. The 'spread' in a fixed-indexed annuity is:

- ✓ A) A percentage that is deducted from the index return before crediting interest to the annuity
- B) The difference between the cap rate and the floor rate
- C) The difference between the credited rate and the guaranteed minimum rate
- D) The insurer's profit margin disclosed in the prospectus

Explanation: A spread (or 'asset fee') is a type of index crediting method in which the insurer deducts a fixed percentage from the index return before crediting the annuity. For example, if the index gains 8% and the spread is 2%, the annuity is credited 6%. Spreads, caps, and participation rates all limit the annuity owner's upside in exchange for downside protection.

34. Annuity suitability regulations require the producer to make a record of:

- A) The client's family medical history.
- B) The producer's commission rate.
- C) The client's political views.
- ✓ D) The recommendation made to the client and the basis for it.

Explanation: Producers must document their recommendations and the reasons why a particular product was deemed suitable. This record-keeping is a key part of complying with suitability rules and protects both the consumer and the producer.

35. May an insurance company pay a commission or fee to an unlicensed person for selling or soliciting insurance in New Hampshire?

- A) Yes, as long as the unlicensed person is an immediate family member of the producer,
- B) Yes, if the commission amount is under \$500,
- C) Yes, if the unlicensed person registers with the Department within 60 days,
- ✓ D) No, commissions can only be paid to individuals who hold a valid, active insurance license for that line of authority at the time of sale

Explanation: Under RSA 402-J:13, an insurer or producer cannot pay a commission, service fee, or brokerage to a person for selling insurance unless that person is licensed.

36. The 'suicide clause' in a life insurance policy typically excludes coverage for suicide committed:

- A) Only if a prior suicide attempt was disclosed on the application
- B) At any time during the policy period
- ✓ C) During the first 1 to 2 years of the policy
- D) Only if the insured had a prior mental health history

Explanation: The suicide clause provides that if the insured dies by suicide within the first 1-2 years of the policy (the exclusion period), the insurer will only return the premiums paid — not the full death benefit. After the exclusion period, suicide is covered as any other cause of death. This prevents purchase of insurance for speculative purposes.

37. A 'binding receipt' provides:

- ✓ A) Temporary coverage that begins immediately, for a specified period.
- B) Coverage that is conditional upon passing a medical exam.
- C) Coverage only if the applicant is found to be insurable.
- D) A refund of the premium if the application is denied.

Explanation: A binding receipt (or temporary insurance agreement) is less common than a conditional receipt. It provides unconditional temporary coverage that begins as soon as the premium is paid and lasts for a specified period (e.g., 30-60 days) or until the insurer formally accepts or rejects the application.

38. During the accumulation phase of a variable annuity, the contract owner's contributions purchase:

- A) Annuity units
- B) Fixed units
- ✓ C) Accumulation units
- D) Guaranteed interest credits

Explanation: During the accumulation (pay-in) phase, premiums are used to purchase accumulation units in the selected subaccounts. The value of these units fluctuates with market performance. When the contract is annuitized (begins paying out), the accumulation units are converted into annuity units, which determine the amount of each periodic payment.

39. Which rider allows for future increases in the disability benefit amount without evidence of insurability?

- A) Return of Premium Rider
- ✓ B) Future Increase Option (FIO) Rider
- C) Cost of Living Adjustment (COLA) Rider
- D) Social Security Rider

Explanation: The Future Increase Option (FIO) rider, also known as a Guaranteed Insurability Rider, allows the insured to purchase additional amounts of disability income coverage at specified future dates without having to prove their health status.

40. What is a 'qualifying event' for COBRA?

- A) An employee getting a promotion
- ✓ B) An employee's termination of employment or reduction in hours
- C) An employee purchasing an individual health plan
- D) An employee going on vacation

Explanation: Qualifying events are specific circumstances that cause an individual to lose their group health coverage. For an employee, this includes voluntary or involuntary termination of employment (for reasons other than gross misconduct) or a reduction in work hours.

41. 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.

42. A 'cost of living adjustment' (COLA) rider on a life insurance or disability income policy:

- A) Pays an additional benefit only if the cost of the funeral exceeds a set amount
- B) Adjusts the premium if the cost of living in the insured's area increases
- ✓ C) Automatically increases the benefit over time to keep pace with inflation (often tied to the CPI)
- D) Reduces the benefit if inflation causes costs to rise

Explanation: The COLA rider automatically increases the death benefit or disability income benefit periodically — often tied to changes in the Consumer Price Index (CPI) — to help the coverage keep pace with inflation. This rider is especially important for long-term disability income policies where benefits are paid for years and could lose purchasing power.

43. The 'annuitization' of a deferred annuity is the process of:

- A) Transferring the annuity to a new owner
- B) Rolling the annuity into a qualified retirement plan
- ✓ C) Irrevocably converting the accumulated value into a guaranteed income stream
- D) Converting cash value to a paid-up policy

Explanation: Annuitization is the irrevocable conversion of a deferred annuity's accumulated value into a series of periodic income payments based on the selected payout option. Once annuitized, the owner typically cannot access a lump sum and the arrangement is generally irreversible. Most modern annuities also offer guaranteed withdrawal benefits that provide income without full annuitization.

44. What is the primary advantage of naming a trust as the beneficiary of a life insurance policy?

- A) It guarantees a higher rate of return on the proceeds.
- B) It makes the death benefit available to the beneficiary immediately.
- ✓ C) It allows the policyowner to control the proceeds 'from the grave' through the trust's terms.
- D) It avoids income taxes on the death benefit.

Explanation: Naming a trust as a beneficiary provides flexibility and control. The policyowner can specify in the trust document how, when, and for what purpose the proceeds are to be used, which is particularly useful for managing funds for minor children or beneficiaries who may not be financially responsible.

45. Who is the party to an annuity contract that has all the rights, such as naming the beneficiary and making withdrawals?

- A) The beneficiary
- ✓ B) The owner
- C) The agent
- D) The annuitant

Explanation: The contract owner is the person or entity who purchases the annuity and has all rights of ownership. They control the contract, make the investment decisions (in a variable annuity), and can change the beneficiary.

46. Medicare Part D provides coverage for:

- A) Long-term care
- B) Doctor visits
- C) Hospitalization
- ✓ D) Prescription drugs

Explanation: Medicare Part D is the prescription drug benefit. It is available through private insurance companies as either a standalone Prescription Drug Plan (PDP) for those with Original Medicare, or as part of a Medicare Advantage plan (MA-PD).

47. The '5-year look-back period' associated with Medicaid and long-term care planning means:

- A) Medicaid reviews health records from the past 5 years before approving LTC coverage
- ✓ B) Medicaid examines asset transfers made within 5 years before applying to ensure assets were not transferred to qualify for benefits
- C) Medicaid benefits begin 5 years after the application is filed
- D) LTC insurers can deny claims based on conditions diagnosed in the past 5 years

Explanation: Medicaid's 5-year look-back period allows the state to review any asset transfers made by the applicant in the 5 years prior to the Medicaid application. If assets were transferred for less than fair market value during this period, Medicaid may impose a penalty period during which the applicant is ineligible for Medicaid LTC benefits.

48. The period of time after a benefit trigger is met but before LTC benefits begin is called the:

- A) Probationary period
- B) Benefit period
- C) Grace period
- ✓ D) Elimination period

Explanation: Similar to a disability policy, an LTC policy has an elimination period (or waiting period). This is the number of days the insured must be receiving care before the policy will start paying benefits. Common periods are 30, 60, or 90 days.

49. John named his two children, Amy and Ben, as his primary beneficiaries on a per capita basis. Ben dies before John. When John dies, who receives the death benefit?

- A) Amy receives 50% and Ben's children receive 50%.
- ✓ B) Amy receives the entire death benefit.
- C) Amy receives 50% and Ben's 50% goes to John's estate.
- D) The entire death benefit is paid to John's estate.

Explanation: Under a 'per capita' (by the head) distribution, the proceeds are divided equally only among the surviving members of the named class. Since Ben is deceased, his share is redistributed to the other surviving beneficiary, Amy. Ben's children receive nothing.

50. A universal life policy's 'planned periodic premium' is best described as:

- A) The premium that guarantees the death benefit will remain level throughout the policy
- B) The premium set by the state insurance commissioner
- ✓ C) The premium amount the policyowner intends to pay — but UL allows flexibility to pay more or less (within limits)
- D) The minimum premium required by law to keep the policy in force

Explanation: In a universal life policy, the planned periodic premium is the premium amount the policyowner designs to pay, but UL's flexible premium feature allows the policyowner to pay more or less. As long as the policy's cash value covers monthly deductions, the policy remains in force even if no premium is paid. Paying less than planned can risk lapse if the cash value is depleted.