

NEW YORK

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1. What is a Flexible Spending Account (FSA)?
 - A. A savings account for retirement medical expenses.
 - B. An employer-sponsored account that allows employees to set aside pre-tax dollars for medical expenses.
 - C. A portable health savings account owned by the employee.
 - D. An account funded solely by the employer.
 2. Which of the following is NOT a required element of a legal contract?
 - A. Offer and Acceptance
 - B. Consideration
 - C. Competent Parties
 - D. Equal Exchange of Value
 3. A 'life income with period certain' settlement option guarantees:
 - A. Payments for a fixed number of years, and then for life.
 - B. Payments for life, with a guarantee that a minimum number of payments will be made.
 - C. A fixed amount paid for a fixed period.
 - D. Interest payments for a period, followed by a lump sum.
 4. Cost-sharing reductions (CSRs) under the ACA are available to individuals who enroll in which metal tier plan through the marketplace?
 - A. Bronze
 - B. Silver
 - C. Gold
 - D. Any metal tier
 5. A Social Security Rider (or Social Insurance Supplement) on a private disability policy will:
 - A. Pay a benefit in addition to Social Security benefits.
 - B. Pay a benefit only if the insured is not eligible for Social Security.
 - C. Pay a benefit during the Social Security waiting period and if Social Security denies the claim.
 - D. Replace Social Security benefits entirely.
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6. A condition that increases the chance of a loss is called a:
 - A. Peril
 - B. Hazard
 - C. Risk
 - D. Exposure
 7. If an insurer requests an HIV test from an applicant, who is responsible for the cost?
 - A. The applicant
 - B. The agent
 - C. The insurer
 - D. The Medical Information Bureau
 8. If an underwriter determines an applicant is a higher-than-average risk, the applicant may be classified as:
 - A. Standard
 - B. Preferred
 - C. Substandard
 - D. Non-insurable
 9. What does a 'bed reservation' benefit in an LTC policy provide?
 - A. It guarantees a bed will be available in any nursing home.
 - B. It pays to hold a nursing home bed for the insured if they need to be hospitalized temporarily.
 - C. It allows the insured to reserve a bed in a specific facility years in advance.
 - D. It pays for a private room in a nursing home.
 10. The annual HSA contribution limit is set by the IRS and includes both employer and employee contributions. Individuals age 55 and older can make additional 'catch-up' contributions of:
 - A. \$500 per year
 - B. \$1,000 per year
 - C. \$1,500 per year
 - D. \$2,000 per year
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11. Under New York Insurance Law, what is the penalty for acting as an insurance agent or broker without a license?
- A. A warning letter
 - B. A fine of up to \$500
 - C. A fine of up to \$1000 and/or imprisonment
 - D. Only community service
12. Who is the party to an annuity contract that has all the rights, such as naming the beneficiary and making withdrawals?
- A. The owner
 - B. The beneficiary
 - C. The annuitant
 - D. The agent
13. How are premiums for an individual life insurance policy generally treated for tax purposes?
- A. They are tax-deductible.
 - B. They are tax-credits.
 - C. They are not tax-deductible.
 - D. They are partially tax-deductible.
14. What is the tax status of a transfer-for-value?
- A. It makes the death benefit fully taxable.
 - B. It makes the death benefit partially taxable as ordinary income.
 - C. It has no impact on the taxability of the death benefit.
 - D. It makes the death benefit subject to capital gains tax.
15. If an agent knowingly recommends a wildly unsuitable annuity to a senior, this could be considered:
- A. Churning
 - B. A deceptive practice
 - C. Financial abuse of an elder
 - D. All of the above
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16. Under New York Insurance Law Section 2101, what defines an 'insurance agent'?
- A. Any person who discusses insurance
 - B. A person authorized by an insurer to act on its behalf in soliciting and effecting insurance contracts
 - C. A person who only processes claims
 - D. A salaried employee of the DFS
17. Under the mandatory 'Proof of Loss' provision, the insured must submit written proof of loss to the insurer within how many days after the loss?
- A. 30 days
 - B. 60 days
 - C. 90 days
 - D. 120 days
18. To sell variable annuities, a producer must hold which licenses?
- A. A life insurance license only.
 - B. A securities license only.
 - C. Both a life insurance license and a securities license (e.g., FINRA Series 6 or 7).
 - D. A property and casualty license.
19. What is a 'Taft-Hartley Trust'?
- A. A trust used for estate planning.
 - B. A type of MET for non-profit organizations.
 - C. A trust established by a labor union and employers to provide health and welfare benefits to union members.
 - D. A trust for funding executive retirement plans.
20. A policyowner fails to pay a premium, and the policy lapses. The policyowner dies a few days later during the grace period. What will the insurer do?
- A. Deny the claim because the premium was not paid.
 - B. Pay the full death benefit.
 - C. Pay the death benefit minus the overdue premium.
 - D. Reinstate the policy and then pay the claim.
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21. Which of the following best describes the payment model used by Health Maintenance Organizations (HMOs)?
- A. Fee-for-service with no discounts
 - B. Prepaid or capitation model where providers receive a fixed amount per member per month
 - C. Indemnity-based reimbursement after services are rendered
 - D. Cost-plus pricing based on actual expenses incurred
22. What is the waiting period before Social Security Disability Insurance (SSDI) benefits begin?
- A. 3 months
 - B. 5 months
 - C. 6 months
 - D. 12 months
23. Under a typical COB 'birthday rule,' if a child is covered by both parents' health plans, which parent's plan is considered primary?
- A. The parent who is older.
 - B. The parent whose birthday occurs earlier in the calendar year.
 - C. The parent who has had their plan longer.
 - D. The mother's plan is always primary.
24. What does it mean for a dental plan to cover services on a 'usual, customary, and reasonable' (UCR) basis?
- A. The plan pays a fixed dollar amount for each procedure.
 - B. The plan pays the full amount charged by the dentist.
 - C. The plan pays based on the typical amount charged by most dentists in a specific geographic area.
 - D. The plan only covers preventative services.
25. 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
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26. If a corporation owns a non-qualified annuity, how is the growth taxed?
- A. It grows tax-deferred.
 - B. It is taxed annually as ordinary income.
 - C. It is tax-free.
 - D. It is taxed at corporate capital gains rates.
27. A Multiple Employer Trust (MET) allows:
- A. One large employer to offer multiple health plans.
 - B. Multiple small employers to pool together to purchase group health insurance as if they were a single large employer.
 - C. Employees to choose from multiple insurance companies.
 - D. Employers to self-fund their health benefits.
28. The period of time after a benefit trigger is met but before LTC benefits begin is called the:
- A. Benefit period
 - B. Elimination period
 - C. Grace period
 - D. Probationary period
29. Which party to an annuity contract is the person whose life expectancy is used to calculate the income payments?
- A. The owner
 - B. The beneficiary
 - C. The annuitant
 - D. The insurer
30. The National Association of Insurance Commissioners (NAIC) is best described as:
- A. A federal agency that regulates all insurance companies
 - B. A voluntary organization of state insurance regulators that develops model laws and promotes uniformity
 - C. A trade association that lobbies for insurance companies
 - D. A consumer protection agency funded by the federal government

31. The provision that addresses a disability that reappears after the insured has returned to work is the:
- A. Recurrent Disability Provision
 - B. Presumptive Disability Provision
 - C. Waiver of Premium Provision
 - D. Elimination Period Provision
32. Long-Term Care (LTC) insurance is designed to provide coverage for:
- A. Hospital stays and major surgery.
 - B. Routine doctor visits and prescription drugs.
 - C. Services for individuals who are unable to perform essential activities of daily living.
 - D. Short-term disabilities.
33. The 'bailout' provision in some fixed annuities allows the owner to:
- A. Surrender the policy at any time without charge.
 - B. Withdraw funds without a surrender charge if the credited interest rate falls below a specified level.
 - C. Receive a higher interest rate if market rates increase.
 - D. Convert the annuity to a life insurance policy.
34. Which of the following events would qualify an individual for a Special Enrollment Period (SEP) under the ACA?
- A. Deciding that their current plan is too expensive
 - B. Losing minimum essential coverage due to job loss
 - C. Wanting to switch to a different metal tier plan
 - D. Reaching the age of 30
35. When an agent delivers an annuity contract to a client in New York, they must also provide a:
- A. Copy of their insurance license.
 - B. Buyer's Guide and a Policy Summary.
 - C. List of all other available annuity products.
 - D. Personalized financial plan.
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36. An ambiguous term in an insurance contract will be interpreted in favor of the insured. This is because an insurance policy is a:
- A. Contract of adhesion
 - B. Unilateral contract
 - C. Aleatory contract
 - D. Personal contract
37. A beneficiary in a Medicare Advantage HMO plan generally must receive their care from:
- A. Any doctor who accepts Medicare.
 - B. Providers within the plan's network, except in an emergency.
 - C. Hospitals only.
 - D. Specialists only.
38. What are 'accumulation units' in a variable annuity?
- A. The guaranteed value of the contract.
 - B. Accounting units used to measure the owner's interest in the separate account during the pay-in phase.
 - C. The number of income payments the annuitant will receive.
 - D. The fees charged by the insurer.
39. The 'actively-at-work' requirement in group life insurance means that:
- A. An employee must work full-time to be eligible
 - B. An employee must be physically present at work on the day coverage is scheduled to begin for it to take effect
 - C. An employee must have been employed for at least one year
 - D. An employee must pass a physical exam before coverage begins
40. In a group life insurance plan, if the employer pays 100% of the premium, this is known as a:
- A. Contributory plan
 - B. Noncontributory plan
 - C. Voluntary plan
 - D. Executive bonus plan

41. In New York, what is the required training for agents selling Medicare Advantage and Medicare Part D plans?
- A. No training is required
 - B. Agents must complete annual AHIP (America's Health Insurance Plans) certification
 - C. A one-time 2-hour course
 - D. Only experience selling other health insurance
42. What is a 'Special Needs Plan' (SNP)?
- A. A Medigap plan for individuals with pre-existing conditions.
 - B. A type of Medicare Advantage plan designed for people with specific diseases, disabilities, or limited incomes.
 - C. A state program that supplements New York Medicaid.
 - D. A prescription drug plan with no donut hole.
43. Which of the following risk classifications would result in the lowest premium?
- A. Substandard
 - B. Declined
 - C. Standard
 - D. Preferred
44. A morale hazard arises from:
- A. A physical condition of the property
 - B. An individual's carelessness or indifference to loss
 - C. An individual's dishonest tendencies
 - D. A condition of the legal environment
45. What is a 'dread disease' or 'limited risk' policy?
- A. A comprehensive policy covering all illnesses.
 - B. A policy that covers only specific illnesses, such as cancer or heart disease.
 - C. A policy designed for individuals with pre-existing conditions.
 - D. A short-term medical policy.
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46. Under the ACA, a Bronze plan has an actuarial value of approximately 60%. This means that on average the enrollee is expected to pay what percentage of covered medical costs through cost-sharing?
- A. 10%
 - B. 20%
 - C. 30%
 - D. 40%
47. Under New York Insurance Law, which of the following is an example of 'rebating'?
- A. Offering a discount for bundling multiple policies
 - B. Returning a portion of the agent's commission to the policyholder as an inducement to purchase
 - C. Providing a competitive quote
 - D. Offering a group insurance discount
48. A client, age 65, receives her first monthly payment of \$500 from a non-qualified immediate annuity. She paid a \$90,000 premium, and her life expectancy gives her an expected return of \$120,000. How much of the \$500 payment is taxable?
- A. \$500.00
 - B. \$375.00
 - C. \$125.00
 - D. \$0.00
49. 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 premiums will be the same as the group policy.
 - B. The benefits will be identical to the group policy.
 - C. The coverage is issued without evidence of insurability.
 - D. The employee can choose any plan offered by the insurer.

50. Which of the following distribution systems uses agents who represent only one insurance company?
- A. Independent agency system
 - B. Direct writing system
 - C. Exclusive or captive agency system
 - D. Surplus lines system

Answer Key

1. **B** — An FSA is an employer-established benefit. Employees contribute pre-tax dollars through payroll deductions. A key feature is the 'use-it-or-lose-it' rule, where most unused funds at the end of the plan year are forfeited.
2. **D** — The four essential elements of a legal contract are: Agreement (Offer and Acceptance), Consideration, Competent Parties, and Legal Purpose. An equal exchange of value is not required; insurance contracts are aleatory by nature.
3. **B** — This option provides the beneficiary with a guaranteed income for life. If the beneficiary dies before a specified 'period certain' (e.g., 10 or 20 years), the payments will continue to a secondary beneficiary until the end of that period.
4. **B** — Cost-sharing reductions are only available to eligible individuals who enroll in a Silver-level plan through the health insurance marketplace. CSRs lower out-of-pocket costs such as deductibles, copayments, and coinsurance for individuals with household incomes between 100% and 250% of the federal poverty level.
5. **C** — This rider pays an additional monthly benefit to the insured during the 5-month Social Security waiting period or if their claim for Social Security benefits is denied. If Social Security benefits are approved, the rider benefit usually stops or is reduced.
6. **B** — A hazard is a condition or situation that increases the probability or severity of a loss. A peril is the cause of the loss, such as fire or theft.
7. **C** — If an insurer requires an applicant to undergo medical examinations, such as an HIV test or a paramedical exam, the insurer must bear the cost of these exams.
8. **C** — A substandard or 'rated' risk is one that carries a higher-than-normal risk of loss. The insurer may issue a policy, but it will be at a higher premium or with a special exclusion.
9. **B** — If an LTC patient in a nursing home needs to go to a hospital for a short stay, the nursing facility will not hold their bed for free. The bed reservation benefit pays the nursing home to keep the insured's bed available for their return for a limited number of days.
10. **B** — Individuals who are age 55 or older by the end of the tax year are permitted to make an additional catch-up contribution of \$1,000 per year above the standard annual limit. This catch-up amount is set by law and is not indexed for inflation.
11. **C** — Operating as an unlicensed insurance agent or broker in New York is a misdemeanor punishable by a fine of up to \$1,000 and/or imprisonment of up to one year for each offense.
12. **A** — 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.
13. **C** — Premiums paid for individual life insurance policies are considered a personal expense and are therefore not tax-deductible.
14. **B** — 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.
15. **D** — Recommending a clearly unsuitable product to a vulnerable senior could be classified as a deceptive or unfair practice under the insurance code. It could also rise to the level of financial abuse of an elder, which carries severe penalties.
16. **B** — Section 2101 of the New York Insurance Law defines an insurance agent as any authorized or acknowledged agent of an insurer who acts on the insurer's behalf in soliciting, negotiating, or effecting contracts of insurance.
17. **C** — Written proof of loss must be furnished to the insurer within 90 days after the date of the loss. If it is not reasonably possible to give proof within 90 days, the claim is not invalidated if proof is given as soon as reasonably possible, but no later than one year (unless the insured is legally incapacitated).
18. **C** — Because variable annuities involve investments in securities (the separate account), they are regulated by both state insurance departments and the SEC/FINRA. A producer must hold a state life insurance license and a federal securities registration to sell them.
19. **C** — Taft-Hartley trusts, or multi-employer plans, are formed through collective bargaining agreements between a labor union and multiple employers. They are managed by a board of trustees with equal representation from labor and management.
20. **C** — The policy remains in force during the grace period. If the insured dies during this time, the insurer is obligated to pay the death benefit. However, they are entitled to deduct the amount of the unpaid premium from the proceeds.
21. **B** — In an HMO, providers are typically paid through capitation, meaning they receive a fixed, prepaid amount per enrolled member per month regardless of whether the member uses services. This incentivizes preventive care and cost control.
22. **B** — There is a mandatory 5-month waiting period before SSDI benefits begin. Benefits are first payable for the sixth full month after the onset of the disability. This waiting period serves as a type of elimination period similar to private disability insurance.
23. **B** — The birthday rule is the standard guideline for determining primary coverage for dependent children. The plan of the parent whose birthday (month and day, not year) comes first in the calendar year is the primary plan.
24. **C** — UCR is a method of determining benefits by comparing the dentist's fee to the 'usual' fee charged by that dentist, the 'customary' fee charged by other dentists in the area, and the 'reasonable' fee for the service. The insurer pays based on this UCR amount, and the patient is responsible for any difference.
25. **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.
26. **B** — The tax-deferral benefit of annuities generally does not apply when the contract is owned by a non-natural person, such as a corporation. In this case, the annual growth in the contract is treated as taxable ordinary income to the corporation each year.
27. **B** — A MET is a legal entity that allows multiple small employers in the same industry to join forces to obtain group health benefits. This gives them access to the lower rates and more favorable underwriting that are typically available only to large groups.
28. **B** — 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.
29. **C** — The annuitant is the individual upon whose life the annuity payments are based. The owner and the annuitant are often the same person, but not always.

- 30. B** — The NAIC is a voluntary organization composed of the chief insurance regulators from all 50 states, the District of Columbia, and U.S. territories. It develops model laws and regulations that states can adopt to promote consistency in insurance regulation across the country.
- 31. A** — The recurrent disability provision states that if the insured suffers a relapse of the same disability within a certain period (e.g., 6 months) after returning to work, it will be treated as a continuation of the prior disability. This means the insured does not have to satisfy a new elimination period.
- 32. C** — LTC insurance provides benefits for custodial and personal care services for individuals who need assistance with activities of daily living (ADLs) or who have a severe cognitive impairment like Alzheimer's disease.
- 33. B** — The bailout provision is a consumer protection feature. It allows the annuity owner to surrender the contract without paying surrender charges if the insurer's credited interest rate drops by more than a certain amount from one period to the next.
- 34. B** — A Special Enrollment Period is triggered by a qualifying life event such as loss of minimum essential coverage, marriage, birth or adoption of a child, or a permanent move to a new coverage area. Simply wanting a different plan or finding the current plan too expensive does not qualify.
- 35. B** — At the time of policy delivery, the agent must provide a Buyer's Guide, which explains general insurance concepts, and a Policy Summary, which provides specific details about the policy being delivered. This is required for life insurance and annuities.
- 36. A** — Because the insurer drafts the contract and the insured must accept it as written (a contract of adhesion), courts have held that any ambiguity in the language should be resolved in favor of the party that did not write it—the insured.
- 37. B** — Like a traditional HMO, a Medicare Advantage HMO plan requires members to use doctors, hospitals, and other providers that are part of the plan's network. Care from out-of-network providers is typically not covered unless it is an emergency.
- 38. B** — 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.
- 39. B** — The actively-at-work provision requires that an employee be actively performing their job duties on the date their coverage is scheduled to start. If the employee is absent due to illness, injury, or leave on that date, coverage is deferred until they return to active work. This protects the insurer against covering individuals who are already unhealthy.
- 40. B** — In a noncontributory group plan, the employer pays the full premium. 100% of eligible employees must be covered under this arrangement.
- 41. B** — Agents selling Medicare Advantage and Medicare Part D plans in New York must complete annual AHIP certification training and pass the associated exam. This ensures agents understand current Medicare rules and can properly advise beneficiaries.
- 42. B** — SNPs are a special type of Medicare Advantage plan that tailor their benefits, provider choices, and drug formularies to best meet the specific needs of the groups they serve, such as dual eligibles (I-SNP), those with certain chronic conditions (C-SNP), or those in institutions (I-SNP).
- 43. D** — A preferred risk classification is for individuals who meet certain criteria that qualify them for a lower-than-average risk of loss (e.g., non-smoker, healthy lifestyle). They receive the most favorable premium rates.
- 44. B** — A morale hazard is a type of hazard that arises from an insured's indifference or carelessness about a potential loss because they know they are insured. For example, leaving car doors unlocked.
- 45. B** — A limited risk policy, such as a cancer policy, provides benefits only for the diagnosis and treatment of a specific disease named in the policy. It is not a substitute for comprehensive health coverage.
- 46. D** — A Bronze plan's 60% actuarial value means the plan covers approximately 60% of the average total cost of covered services, leaving the enrollee responsible for about 40% through cost-sharing mechanisms such as deductibles, copayments, and coinsurance. Bronze plans have the lowest premiums but highest out-of-pocket costs.
- 47. B** — Rebating — returning part of the premium or commission to the insured as an inducement to purchase — is prohibited under New York Insurance Law. However, certain legitimate discounts and group rates are allowed.
- 48. C** — The exclusion ratio is $\text{cost basis} / \text{expected return} = \$90,000 / \$120,000 = 0.75$ or 75%. This means 75% of each payment is a tax-free return of principal (75% of \$500 = \$375). The remaining 25% is taxable income (25% of \$500 = \$125).
- 49. C** — 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.
- 50. C** — In an exclusive (captive) agency system, agents have a contract with and represent only one insurer or group of affiliated insurers. The insurer typically owns the policy expirations and renewal rights.