



Insurance Test Practice

West Virginia Insurance Practice Test

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1. The Waiver of Premium rider ensures that if the policyowner becomes totally disabled:

- ✓ A) The insurer will waive the premiums for the duration of the disability.
- B) The cash value can be withdrawn without a penalty.
- C) The policy's face amount is paid out immediately.
- D) A monthly income is paid to the insured.

Explanation: With the Waiver of Premium rider, if the insured becomes totally and permanently disabled (after a waiting period), the insurance company will waive all future premium payments for as long as the disability continues. The policy remains in force as if premiums were being paid.

2. Controlled business refers to insurance written on the producer, their family, or employer. In West Virginia, a license will not be issued or renewed if controlled business exceeds what percentage of total commissions?

- A) 25%
- ✓ B) 50%
- C) 75%
- D) 90%

Explanation: A producer license may not be used primarily for writing controlled business (exceeding 50% of total volume or commissions).

3. The provision that addresses a disability that reappears after the insured has returned to work is the:

- A) Presumptive Disability Provision
- ✓ B) Recurrent Disability Provision
- C) Waiver of Premium Provision
- D) Elimination Period Provision

Explanation: 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.

4. The 'bailout' provision in some fixed annuities allows the owner to:

- A) Convert the annuity to a life insurance policy.
- B) Receive a higher interest rate if market rates increase.
- ✓ C) Withdraw funds without a surrender charge if the credited interest rate falls below a specified level.
- D) Surrender the policy at any time without charge.

Explanation: 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.

5. In a participating whole life policy, the 'premium reduction' dividend option uses dividends to:

- ✓ A) Offset the premium due, reducing the out-of-pocket premium payment
- B) Accelerate the policy to paid-up status by a specific year
- C) Purchase one-year term insurance equal to the cash value
- D) Build additional cash value without purchasing new insurance

Explanation: The premium reduction dividend option applies the declared dividend directly against the next premium payment, reducing the amount the policyowner must pay out-of-pocket. This option requires no active management — dividends automatically reduce the next bill. It is one of the most commonly selected dividend options.

6. Which of the following is required before a licensed Life producer can transact variable life insurance or variable annuities in West Virginia?

- A) Passing a Property & Casualty exam
- ✓ B) Holding a FINRA securities registration (such as Series 6 or Series 7)
- C) Completing 40 hours of additional state classroom training
- D) Obtaining a CPA license

Explanation: Selling variable products requires both a Life license and FINRA securities registration.

7. James is laid off from his job at a firm with 25 employees. He wants to continue his group health insurance under federal COBRA. How long can he continue this coverage, and what is the maximum premium he can be charged?

- ✓ A) 18 months at 102% of the premium
- B) 36 months at 100% of the premium
- C) 12 months at 150% of the premium
- D) 6 months at 102% of the premium

Explanation: Under federal COBRA, terminated employees of firms with 20 or more employees can continue their group health coverage for up to 18 months. The employer can charge them up to 102% of the total premium (including the employer's share) to cover administrative costs.

8. The 'annuity certain' payout option differs from a life income option because:

- A) It cannot be left to a beneficiary
- B) It pays income for life guaranteed
- ✓ C) It pays income only for a specified period regardless of whether the annuitant is alive or dead
- D) It has a higher interest guarantee than life income options

Explanation: An annuity certain (period certain or fixed period) pays income for a guaranteed specific time period only — not for life. If the annuitant dies before the period ends, payments continue to a beneficiary. If the annuitant outlives the period, payments stop. Unlike life income options, there is no longevity protection.

9. 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.

10. A noncancellable health insurance policy guarantees that:

- A) Premiums can increase for an entire class of policyholders
- ✓ B) The insurer cannot cancel the policy and premiums will not increase as long as premiums are paid
- C) The policy automatically renews but coverage amounts can decrease
- D) The insurer can cancel but must give 60-day notice

Explanation: A noncancellable (noncancellable and guaranteed renewable) policy provides the strongest renewability protection. The insurer cannot cancel the policy, cannot increase premiums, and cannot reduce benefits as long as the insured pays premiums. This provides maximum long-term stability for the insured.

11. Which statement about term life insurance is INCORRECT?

- ✓ A) Term insurance builds cash value over the term period
- B) Term insurance may be convertible to a permanent policy
- C) Term insurance is generally less expensive than permanent insurance for the same death benefit
- D) Term insurance provides coverage for a specified period only

Explanation: Term life insurance does NOT build cash value. It is pure death benefit protection that expires at the end of the term. The lower cost of term compared to permanent insurance reflects the absence of a savings component and the temporary nature of the coverage.

12. Which of the following is NOT a common exclusion in a disability income policy?

- A) Losses from committing a felony
- B) Losses from war or acts of war
- C) Intentionally self-inflicted injuries
- ✓ D) Disabilities arising from a covered accident

Explanation: Disability policies are designed to cover disabilities from accidents and sicknesses. Common exclusions include losses due to war, self-inflicted injuries, participation in a felony, aviation (other than as a commercial passenger), and sometimes pre-existing conditions.

13. Disability income insurance is designed to:

- A) Supplement Medicare benefits for disabled seniors
- B) Provide a lump-sum payment upon permanent disability
- ✓ C) Replace a portion of the insured's income when totally disabled and unable to work
- D) Pay medical bills when the insured is hospitalized

Explanation: Disability Income (DI) insurance replaces a portion of the insured's earned income (typically 60-80%) when the insured becomes disabled and cannot work. This protects the insured's financial stability during a period of disability, allowing them to continue meeting living expenses without drawing on savings.

14. Which entity is responsible for regulating insurance producers, enforcing insurance laws, and licensing companies in West Virginia?

- A) The Governor of West Virginia
- ✓ B) The West Virginia Offices of the Insurance Commissioner (OIC)
- C) The National Association of Insurance Commissioners (NAIC)
- D) The West Virginia Department of Transportation

Explanation: The West Virginia Offices of the Insurance Commissioner (OIC) regulates insurance producers, enforces insurance statutes under Chapter 33 of the WV Code, and oversees licensing.

15. How are employer-paid premiums for group life insurance treated for tax purposes for the employee?

- A) The premium for the first \$100,000 of coverage is tax-free to the employee.
- B) They are always taxable income to the employee.
- ✓ C) The premium for the first \$50,000 of coverage is tax-free to the employee.
- D) They are always tax-free to the employee.

Explanation: The value of employer-paid premiums for the first \$50,000 of group term life insurance coverage is not considered taxable income to the employee. The value of the premium for coverage above \$50,000 is considered taxable income, based on an IRS table.

16. In insurance, what is the term for the cause of a loss?

- A) Indemnity
- ✓ B) Peril
- C) Risk
- D) Hazard

Explanation: A peril is the direct cause of a loss. For example, in a fire insurance policy, fire is the peril.

17. Long-term care insurance benefit triggers typically include:

- A) Any hospitalization lasting more than 5 days
- B) Loss of income due to disability or injury
- C) Any diagnosis of a chronic illness by a physician
- ✓ D) Inability to perform at least 2 of 6 Activities of Daily Living (ADLs) or severe cognitive impairment

Explanation: LTC insurance benefits are triggered when the insured cannot perform at least 2 of 6 Activities of Daily Living (ADLs): bathing, dressing, eating, continence, toileting, and transferring. Severe cognitive impairment (such as Alzheimer's) is also a trigger. Both triggers must be certified by a licensed healthcare practitioner.

18. A condition that increases the chance of a loss is called a:

- A) Peril
- B) Risk
- ✓ C) Hazard
- D) Exposure

Explanation: 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.

19. A 'capitation' payment arrangement in managed care means:

- ✓ A) The provider receives a fixed per-member-per-month payment to provide covered services regardless of utilization
- B) The provider is paid per service rendered
- C) The insurer caps the maximum benefit paid for any service
- D) The patient pays a fixed co-payment for all services

Explanation: Capitation is a payment model where managed care plans pay providers a fixed per-member-per-month (PMPM) amount to provide all covered services to enrolled members, regardless of how much or how little care is actually provided. This creates incentives for providers to manage care efficiently and maintain member health.

20. What is the purpose of a Health Reimbursement Arrangement (HRA)?

- A) It is a savings account funded by the employee.
- B) It is a portable account that the employee takes with them when they leave a job.
- C) It is a government program for low-income individuals.
- ✓ D) It is an employer-funded account that reimburses employees for qualified medical expenses.

Explanation: An HRA is funded solely by the employer; employees cannot contribute. The employer sets the terms, and the funds can be used to reimburse employees tax-free for medical expenses. Unused funds may roll over, but the account is owned by the employer and is not portable.

21. The SEC regulates variable life insurance products because:

- A) Variable life is issued only by federally chartered insurance companies
- B) The SEC regulates all life insurance sold across state lines
- C) Variable life involves the FDIC-insured separate account
- ✓ D) The policyowner bears investment risk and the separate account is considered a security

Explanation: Variable life insurance is regulated by the SEC (Securities and Exchange Commission) as a security because the policyowner bears investment risk through the separate account. Variable life prospectuses must be registered with the SEC, and producers must be registered with FINRA. The insurance component is still regulated by state insurance departments.

22. Under Social Security Disability Insurance (SSDI), a person qualifies for benefits if they:

- ✓ A) Have a disability expected to last at least 12 months or result in death, and meet work history requirements
- B) Are disabled for at least 30 days
- C) Are at least 62 years old and have a partial disability
- D) Are totally disabled for any reason for more than 90 days

Explanation: SSDI provides income benefits to workers who are disabled and meet the definition: a medically determinable physical or mental impairment that prevents substantial gainful activity (SGA) and is expected to last at least 12 continuous months or result in death. SSDI applicants must also meet work credit requirements based on their work history.

23. In a universal life policy, the interest credited to the cash value:

- A) Is fixed and guaranteed at inception
- B) Mirrors the S&P 500 index performance
- ✓ C) May vary based on current market rates but has a guaranteed minimum interest rate
- D) Is declared annually and cannot change during the year

Explanation: Universal life credits interest at a current rate that can change over time based on market conditions. However, the insurer guarantees a minimum interest rate (often 2-4%), so the cash value will grow at least at that minimum rate regardless of how low market rates fall.

24. The 'participation rate' in an equity-indexed annuity determines:

- A) The interest rate credited in years when the index shows a loss
- B) The percentage of annuity assets invested in equities
- C) The proportion of the annuity subject to surrender charges
- ✓ D) The percentage of the index gain credited to the annuity contract

Explanation: In an equity-indexed (or fixed indexed) annuity, the participation rate determines what percentage of the underlying index's gain is credited to the annuity. For example, if the index gains 10% and the participation rate is 80%, the annuity is credited with 8% (before any cap applies). Participation rates can be changed by the insurer after the initial guarantee period. A higher participation rate means the annuity owner benefits more from index gains.

25. In a group life insurance plan, who holds the master contract?

- ✓ A) The employer or group policyholder
- B) Each individual employee
- C) The insurance commissioner
- D) The beneficiaries of the insured members

Explanation: In group life insurance, the master contract is issued to and held by the employer or entity sponsoring the plan. Individual members receive certificates of insurance as evidence of coverage.

26. A Multiple Employer Welfare Arrangement (MEWA) is similar to a MET but can also be:

- A) Regulated exclusively by the state.
- B) Only available to public-sector employees.
- ✓ C) A self-funded arrangement.
- D) Offered by a single employer.

Explanation: MEWAs are arrangements where multiple employers pool their contributions to offer health and welfare benefits to their employees. Unlike METs, which are typically fully insured, MEWAs can be either fully insured or self-funded, which subjects them to dual regulation by both state and federal (ERISA) authorities.

27. A stock insurance company is characterized by which of the following?

- ✓ A) It is owned by shareholders who may receive dividends from profits
- B) It is owned by its policyholders
- C) It is managed by an attorney-in-fact
- D) It issues assessable policies

Explanation: A stock insurer is a corporation owned by its stockholders (shareholders). Profits may be distributed to shareholders as taxable dividends, and policyholders have no ownership interest.

28. An agent makes false, maliciously critical, or derogatory statements regarding the financial condition of a competing insurer. What illegal trade practice has the agent committed?

- A) Twisting
- ✓ B) Defamation
- C) Churning
- D) Coercion

Explanation: Defamation is making false or malicious statements intended to injure any person in the insurance business or discredit an insurer.

29. Long-Term Disability (LTD) insurance typically has a benefit period of:

- A) For the lifetime of the insured
- B) Exactly 5 years
- ✓ C) At least 2 years, and often to age 65 or longer
- D) Less than one year

Explanation: 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).

30. 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) 40%
- B) 20%
- C) 30%
- D) 10%

Explanation: 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.

31. A Managing General Agent (MGA) differs from a regular agent in that an MGA typically has the authority to:

- A) Represent the insured rather than the insurer
- ✓ B) Bind coverage, underwrite risks, and handle claims on behalf of the insurer
- C) Only sell life insurance products
- D) Set premium rates without insurer approval

Explanation: A Managing General Agent is granted broad authority by an insurer that goes well beyond that of a regular agent. An MGA may have the power to underwrite and bind risks, collect premiums, appoint sub-agents, and adjust claims within their delegated authority.

32. 'Annual point-to-point' crediting in a fixed-indexed annuity means:

- ✓ A) Interest is determined by comparing the index value at the start of the year to the index value at the end of the year
- B) Interest is credited daily based on each day's index movement
- C) Interest is calculated based on the average daily index value throughout the year
- D) Interest is calculated based on the high point of the index during the year

Explanation: Annual point-to-point (APP) is a crediting method that measures the index change from the starting date of the contract year to the ending date. If the index increased (subject to caps and participation rates), interest is credited. If the index decreased, the owner receives zero credit (but no loss) — the floor typically protects principal.

33. A 'guaranteed level premium' term policy guarantees that:

- ✓ A) Both the death benefit and premium remain unchanged throughout the guaranteed level term period
- B) Premiums will never increase under any circumstances for the insured's lifetime
- C) The policy will automatically renew at the same rate after the term ends
- D) The death benefit will remain level for the guaranteed period

Explanation: A guaranteed level premium term policy locks in both the death benefit and the premium at a fixed amount for the entire guaranteed level period (e.g., 10, 20, or 30 years). After the level period expires, premiums typically increase significantly (annual renewable term rates) and many policyholders choose not to renew.

34. The cash value in a whole life policy grows on a:

- A) Taxable basis
- ✓ B) Tax-deferred basis
- C) Annual taxable distribution basis
- D) Capital gains tax basis

Explanation: Cash value accumulation inside a whole life policy grows on a tax-deferred basis — meaning no income tax is owed on the growth as long as it remains inside the policy. This tax advantage makes whole life a potentially attractive long-term financial planning tool.

35. A life insurance policy that endows at age 100 (or 121 in modern policies) means that:

- A) The premiums must be paid until age 100.
- B) The policy expires at age 100.
- C) The death benefit doubles at age 100.
- ✓ D) The cash value equals the face amount at age 100, and the amount is paid to the policyowner.

Explanation: A traditional whole life policy is designed to 'endow' at a mature age (like 100 or 121). This means the guaranteed cash value accumulation will equal the policy's face amount at that age. If the insured is still alive, the face amount is paid to the policyowner.

36. A reciprocal insurance exchange is managed by a(n):

- A) Lead underwriter
- ✓ B) Attorney-in-fact
- C) Chief Executive Officer
- D) Board of Directors

Explanation: A reciprocal insurance exchange is an unincorporated group of individuals or organizations (subscribers) that agree to share each other's losses. It is managed by an attorney-in-fact.

37. What is PACE (Program of All-Inclusive Care for the Elderly)?

- A) A prescription drug assistance program.
- B) A type of Medigap policy.
- ✓ C) A comprehensive healthcare program for frail, elderly individuals who are eligible for nursing home care but wish to remain in the community.
- D) A federal housing program for seniors.

Explanation: PACE is a Medicare and Medicaid program that provides a full range of preventive, primary, acute, and long-term care services to frail seniors. The goal is to enable them to live at home instead of in a nursing facility.

38. Which ACA provision requires health plans to cover certain preventive services without any cost-sharing to the insured?

- A) Essential Health Benefits mandate
- B) Minimum Essential Coverage requirement
- C) Medical Loss Ratio rule
- ✓ D) Preventive care with no cost-sharing requirement

Explanation: The ACA requires non-grandfathered health plans to cover recommended preventive services—such as immunizations, screenings, and wellness visits—without imposing deductibles, copayments, or coinsurance when provided by in-network providers.

39. What is the purpose of the Automatic Premium Loan (APL) provision?

- ✓ A) To automatically pay a premium from the policy's cash value to prevent a lapse.
- B) To allow the insurer to increase the premium automatically.
- C) To provide a loan to the policyowner for any purpose.
- D) To provide a loan to pay for a different insurance policy.

Explanation: The Automatic Premium Loan (APL) provision is an optional feature that authorizes the insurer to use the policy's cash value to pay a premium that is past due. It is essentially a loan against the cash value to prevent an unintentional policy lapse.

40. A producer who submits a life insurance application without the initial premium is issuing what type of receipt?

- A) Premium receipt
- ✓ B) An application without any receipt
- C) Conditional receipt
- D) Binding receipt

Explanation: If no initial premium is collected with the application, no receipt is issued and the insurance does not take effect until the policy is delivered AND the first premium is paid in good health. A conditional receipt provides coverage from the date of the application or exam, whichever is later, IF the applicant is found insurable.

41. The 'conversion period' for a convertible term policy typically expires:

- ✓ A) Before the end of the term, often by a specific age (e.g., 65) or number of years
- B) When the insured exercises the conversion for the first time
- C) After the incontestability period
- D) At the end of the full policy term

Explanation: The conversion period is the window during which the term policyowner can convert to permanent insurance. It typically has an expiration date — either a specific age (e.g., the insured must be under 65) or a specified number of years into the term. After the conversion period expires, the right to convert without evidence of insurability is lost.

42. The suicide clause in most life insurance policies states:

- A) The insurer can deny any claim without an investigation if suicide is suspected
- ✓ B) If the insured dies by suicide within the first 1-2 years of the policy, the insurer will only return the premiums paid
- C) Suicide doubles the death benefit due to the accidental nature
- D) Suicide is always excluded from coverage

Explanation: The standard suicide clause provides that if the insured dies by suicide within a specified period (usually 1-2 years from the policy date), the insurer will refund the premiums paid but will not pay the death benefit. After the suicide clause period expires, suicide is covered like any other cause of death.

43. The party who funds the annuity contract by making premium payments is the:

- A) Annuitant
- ✓ B) Owner
- C) Contingent annuitant
- D) Beneficiary

Explanation: The owner is the person who purchases and funds the annuity by making premium payments. The owner has all contract rights including: changing the beneficiary, taking withdrawals, surrendering the contract, and naming the annuitant and beneficiary. The annuitant is the person whose life expectancy determines income payments; these roles may be held by the same person or different people.

44. Which of the following best describes the 'payout phase' (annuity phase) of a deferred annuity?

- A) The period during which surrender charges apply
- B) The phase during which the insurer earns interest on invested premiums
- ✓ C) The phase during which the accumulated value is converted into regular income payments
- D) The period during which premium payments accumulate value

Explanation: The payout phase (distribution phase or annuity phase) begins when the accumulated value in a deferred annuity is converted (annuitized) into regular income payments. The policyowner selects a payout option (life only, period certain, joint and survivor, etc.) and regular payments begin based on that option and the amount available.

45. How is the West Virginia Insurance Commissioner appointed, and what is the term of office?

- A) Elected by popular vote for a 4-year term
- ✓ B) Appointed by the Governor with Senate advice and consent for a 6-year term
- C) Selected by the NAIC for a 2-year term
- D) Appointed by the State Treasurer for a 5-year term

Explanation: Under West Virginia law, the Insurance Commissioner is appointed by the Governor, by and with the advice and consent of the Senate, for a term of 6 years.

46. Which of the following is a PURE risk?

- A) Buying stocks on margin
- B) Purchasing lottery tickets
- ✓ C) The possibility that a home will be destroyed by fire
- D) Investing in a new business venture

Explanation: A pure risk involves only the possibility of loss or no loss — there is no opportunity for gain. Property damage from fire is a pure risk and therefore insurable.

47. 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).

48. Medicare Part D (prescription drug coverage):

- A) Is automatically included with all Medicare plans at no extra cost
- B) Is administered directly by Medicare without private insurer involvement
- C) Only covers generic drugs and excludes brand-name medications
- ✓ D) Is a voluntary benefit available through private plan sponsors and requires enrollment and payment of a separate premium

Explanation: Medicare Part D is the voluntary outpatient prescription drug benefit. It is available through private insurers approved by Medicare (either stand-alone PDPs or Medicare Advantage plans with drug coverage). Beneficiaries must actively enroll and pay a monthly premium. Failing to enroll when first eligible can result in a late enrollment penalty.

49. The 'paid-up at 65' whole life policy is one in which:

- A) Cash value equals face amount at age 65
- ✓ B) Premium payments end at age 65 but the policy remains in force for life
- C) Coverage terminates when the insured reaches age 65
- D) The policy automatically converts to term at age 65

Explanation: A Paid-Up at 65 (or Paid-Up at 70) policy requires premiums to be paid until the specified age, after which the policy is fully paid-up and no further premiums are required — but coverage continues for the insured's entire lifetime. Higher premiums during the working years fund the policy completely by the target age.

50. 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.