

## ALU 202 Sample Questions

1. In Canada, statutory reserve standards are established by
  1. federal regulation
  2. insurance companies
  3. provincial regulation
  4. NAIC legislation
  
2. In the U.S., a type of private trust that can continue indefinitely is a/an:
  1. generation-skipping trust (GST)
  2. irrevocable trust
  3. charitable trust
  4. dynasty trust
  
3. The primary focus of multi-life underwriting is to avoid:
  1. taxes
  2. anti-selection
  3. full underwriting
  4. concentration-of-risk
  
4. When comparing age-and-amount requirements among peer companies, all of the following factors are typically considered EXCEPT:
  1. target market
  2. distribution system
  3. underwriting philosophy
  4. medical department staff
  
5. All of the following statements regarding the advantages of preferred risk underwriting classes are correct EXCEPT:
  1. They allow companies to retain more favorable risks.
  2. They reduce the number of appeals from agents.
  3. They reward healthy individuals with lower life insurance premiums.
  4. They allow companies to be more competitive with lower-priced products.

6. All of the following statements regarding facultative reinsurance are correct EXCEPT:

1. It can be used when a case does not qualify for automatic reinsurance.
2. It is used when a direct carrier is shopping for the best offer.
3. It is less expensive for a reinsurer than automatic reinsurance.
4. It can be used when a direct carrier does not want to keep its normal retention.

7. Sins of omission in the underwriting process include all of the following EXCEPT:

1. failing to establish insurable interest
2. waiving age and amount requirements
3. failing to resolve conflicting responses
4. neglecting to obtain responses to unanswered questions

8. All of the following are examples of rebating by an agent EXCEPT:

1. paying part of the policy premium
2. providing a gift as an inducement to purchase insurance
3. offering a special advantage not provided by the policy
4. pressuring an underwriter to waive requirements

9. Which of the following statements regarding individual annuity tables are correct:

- A. They represent the mortality expected for annuitants.
- B. They have the highest mortality rates of any insured lives mortality tables.
- C. They represent the mortality of healthy individuals having the greatest longevity.

- Answer Options:
1. A and B only are correct.
  2. A and C only are correct.
  3. B and C only are correct.
  4. A, B, and C are correct.

10. In the U.S., which of the following statements regarding life insurance for estate planning purposes are correct?

- A. It supports retirement planning.
- B. It creates wealth-shifting opportunities.
- C. It is a source of funds to replace financial losses created at death.

- Answer Options:
1. A and B only are correct.
  2. A and C only are correct.
  3. B and C only are correct.
  4. A, B, and C are correct.

11. In the U.S., defined contribution retirement plans include which of the following?

- A. 401(k) plans
- B. Bonus 162 plans
- C. Employee Stock Ownership Plans (ESOPs)

- Answer Options:
- 1. A and B only are correct.
  - 2. A and C only are correct.
  - 3. B and C only are correct.
  - 4. A, B, and C are correct.

12. A typical non-cancelable disability policy allows an insurance company to do which of the following?

- A. add a policy restriction
- B. unilaterally increase the premium
- C. terminate all benefit riders after age 65

- Answer Options:
- 1. B only is correct.
  - 2. C only is correct.
  - 3. A and C only are correct.
  - 4. B and C only are correct.

13. In case of potential litigation, it is important that the insurance company maintain which of the following?

- A. established underwriting guidelines
- B. updated underwriting manuals
- C. archives of prior underwriting manuals

- Answer Options:
- 1. A only is correct.
  - 2. A and B only are correct.
  - 3. B and C only are correct.
  - 4. A, B, and C are correct.

**Use the following information to answer question 14:**

A 50 year-old male bought a \$3,000,000 term life insurance policy. Three years later, the policy lapsed for non-payment of premiums. During a recent visit to his physician, he was diagnosed with diabetes and is now applying for reinstatement of his policy. The reinstatement period for the policy has not expired and it was not facultatively insured.

14. In evaluating the policy for reinstatement purposes, the underwriter will most likely analyze all of the following EXCEPT the:

- 1. duration the policy was in force
- 2. length of time the policy was lapsed
- 3. if agent is still licensed
- 4. face amount of the policy

<b>ALU 202 Sample Questions Answer Key</b>			
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