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**Exam** : **Life-Producer**

**Title** : **Maryland Life Producer  
Exam (Series 20-27)**

**Vendor** : **Maryland Insurance  
Administration**

**Version** : **DEMO**

**QUESTION NO: 1**

How often must insurance licensees subject to continuing education meet the educational requirements?

- A. Each year
- B. Every two years
- C. Every three years
- D. There is no requirement

**Answer:** B

Explanation:

Comprehensive and Detailed Step by Step Explanation: Maryland law requires insurance licensees to complete continuing education (CE) every two years (B) to maintain their licenses

:

- \* CE ensures that agents remain informed about current laws, practices, and products.
- \* Each year (A): Too frequent for most state requirements, including Maryland.
- \* Every three years (C): Exceeds Maryland's regulatory timeframe.
- \* No requirement (D): Incorrect, as CE is mandatory for license renewal.

References: Maryland Insurance Code §10-116, Continuing Education Guidelines, and COMAR 31.03.02.

**QUESTION NO: 2**

The entire contract provision in a life insurance policy states that the policy includes:

- A. The Medical Information Bureau report
- B. The application attached to the policy
- C. Any attending physician's statement
- D. The producer's report to the insurer

**Answer:** B

Explanation:

Comprehensive and Detailed Step by Step Explanation: The entire contract clause ensures transparency by limiting the policy's terms to the policy document and any attached application materials.

- \* The application attached to the policy (B): Correct. It becomes part of the legal agreement between the insurer and the policyholder.
- \* The Medical Information Bureau report (A): Used for underwriting but not part of the policy.
- \* Any attending physician's statement (C): May inform underwriting but is not included in the policy.
- \* The producer's report to the insurer (D): Internal to the insurer and irrelevant to the contract itself.

References: Maryland Insurance Code §16-203, Entire Contract Provision Standards, and COMAR 31.09.09.

**QUESTION NO: 3**

A policy of life insurance may NOT be delivered unless the policy has a:

- A. Legible and brief description of the policy on the first page
- B. Notary seal

- C. Premium coupon book
- D. Financial statement of the life insurance company

**Answer: A**

Explanation:

Comprehensive and Detailed Step by Step Explanation: Maryland law mandates that life insurance policies include a clear and concise description of the policy on the first page to ensure transparency and understanding for policyholders.

\* Legible and brief description (A): Correct. This ensures the buyer can quickly identify key terms and benefits of the policy.

\* Notary seal (B): Not required for delivering life insurance policies.

\* Premium coupon book (C): Optional, often replaced with digital billing methods.

\* Financial statement of the insurer (D): Not required in the policy itself, although insurers must provide financial stability information upon request.

References: Maryland Insurance Article §16-206, COMAR 31.09.04, and Policy Form Filing Standards.

#### QUESTION NO: 4

The free-look period provided in a life insurance policy is usually:

- A. 10 days
- B. 31 days
- C. 45 days
- D. 60 days

**Answer: A**

Explanation:

Comprehensive and Detailed Step by Step Explanation: The free-look period is a consumer protection feature allowing policyholders to cancel a policy within a specified period for a full refund.

\* 10 days (A): Maryland requires a minimum free-look period of 10 days for most individual life insurance policies. This provides enough time for policy review.

\* 31 days (B), 45 days (C), and 60 days (D): These periods exceed Maryland's legal minimum and are typically not required unless specified by the insurer.

References: Maryland Free-Look Provisions, COMAR 31.09.09, and Maryland Consumer Protection Insurance Guidelines.

#### QUESTION NO: 5

Which of the following is a requirement of an insurable risk?

- A. The loss must be intentional.
- B. The loss must be catastrophic.
- C. The chance of loss must be calculable.
- D. There must be a large number of different loss exposures.

**Answer: C**

Explanation:

Comprehensive and Detailed Step by Step Explanation: An insurable risk must meet specific criteria to ensure fair and financially viable coverage:

\* Chance of loss must be calculable (C):Correct. Insurers need statistical data to assess risk and determine premiums.

\* Loss must be intentional (A):Incorrect; intentional losses are not insurable.

\* Loss must be catastrophic (B):Incorrect; catastrophic losses (e.g., war or large-scale disasters) are often excluded or managed through reinsurance.

\* Large number of different loss exposures (D):A large number of similar, not different, exposures is required for risk pooling.

References:Maryland Insurance Principles, Actuarial Standards, and COMAR 31.09.14.

### QUESTION NO: 6

Which amount may be deposited into a rollover individual retirement account (IRA) for the purpose of deferring income taxes?

- A. The proceeds of a life insurance policy paid to a beneficiary under age 70-1/2
- B. The refund received by the beneficiary under a refund life annuity
- C. The amount paid to the spouse of a deceased annuitant under a tax-sheltered annuity
- D. The value of an IRA established by the beneficiary's deceased parent

**Answer: C**

Explanation:

Comprehensive and Detailed Step by Step Explanation:

A rollover IRA is used to defer taxes on qualifying distributions.

Proceeds from a life insurance policy (A) are generally not eligible for tax-deferred treatment.

Refunds from a refund life annuity (B) are considered taxable income and not eligible for rollover.

Amounts paid to a spouse under a tax-sheltered annuity (C) qualify for rollover treatment because they meet IRS rollover rules for deferred taxation.

IRAs inherited from parents (D) follow different tax rules and cannot be directly rolled over into a new IRA.

References: IRS Publication 590-B and Maryland Retirement Account Regulations.

### QUESTION NO: 7

Which life annuity contract feature provides that benefit payments will continue for a minimum number of years regardless of when the annuitant dies?

- A. Cost recovery
- B. Period certain
- C. Cash refund
- D. Installment refund

**Answer: B**

Explanation:

Comprehensive and Detailed Step by Step Explanation:

A "period certain" provision ensures payment for a specified period regardless of whether the annuitant survives:

Period certain (B) guarantees payments for a set number of years, protecting beneficiaries.

Cost recovery (A) and refund options (C and D) relate to refunding premiums or unpaid amounts but do not guarantee a payment period.

References: Maryland Annuity Regulations, Payment Options.

**QUESTION NO: 8**

An existing life insurance policy is sold by the policyowner to help finance the cost of a terminal illness. This is an example of:

- A. A nonforfeiture option
- B. An accelerated death benefit
- C. A viatical settlement
- D. A survivorship policy

**Answer: C**

Explanation:

Comprehensive and Detailed Step by Step Explanation: A viatical settlement involves selling a life insurance policy to a third party for immediate cash, typically to cover expenses associated with terminal illnesses.

\* Viatical settlement (C): The policyowner receives a percentage of the death benefit to cover high medical costs or improve their quality of life.

\* Nonforfeiture options (A): Relate to preserving cash value if the policy lapses, not a sale.

\* Accelerated death benefit (B): Involves accessing a portion of the death benefit directly from the insurer, not through a third party.

\* Survivorship policies (D): Cover two insureds and pay the death benefit only after both have passed away, unrelated to this case.

References: Maryland Viatical Settlement Law and Insurance Code.