Maryland Life Producer Exam – 90 Practice Questions

Original practice set generated for study purposes. Not official exam items.

1. In Maryland, who approves continuing education (CE) courses for producers?

A. The National Association of Insurance Commissioners (NAIC)
B. Each insurer that appoints the producer
C. The Maryland Insurance Administration (MIA)
D. The producer's agency manager

2. Which action can lead to immediate disciplinary action against a Maryland producer?

A. Sharing commissions with a properly licensed producer
B. Rebating a portion of commission to induce a sale
C. Keeping copies of all advertisements for 3 years
D. Offering a free needs-analysis meeting

3. A Maryland producer's license may be suspended for which violation?

A. Failing to maintain a personal website
B. Allowing a client to sign a blank application
C. Working with a nonresident producer on a joint sale
D. Turning over premium checks to the insurer within 24 hours

4. In Maryland, rates for individuals of the same class and equal life expectancy must be:

A. Negotiated individually
B. Higher for smokers only
C. The same
D. Based solely on age

5. Which statement about the Maryland Life & Health Guaranty Association is TRUE?

A. It is funded by taxpayer appropriations
B. It assesses member insurers to pay covered claims
C. It guarantees investment returns on variable policies
D. It replaces lapsed policies automatically

6. Which of the following is a prohibited sales practice in Maryland?

A. Comparing two policies side-by-side with accurate data
B. Publishing guaranteed dividend rates for participating policies
C. Providing the buyer's guide at or before application
D. Explaining the grace period at delivery

7. "Twisting" is BEST defined as:

A. Misstating information on an application
B. Inducing replacement through misrepresentation to the insured's detriment
C. Splitting commissions with a licensed nonresident
D. Charging different rates to people of the same class

8. Which statement about defamation in insurance is TRUE?

A. It is legal if the target is a competitor
B. It refers to promising dividends
C. It means making false or malicious statements about another insurer or producer
D. It applies only to advertisements

9. A producer must NOT:

A. Explain a substandard (rated) offer at delivery
B. Collect the initial premium at application
C. Cash the client's premium check personally
D. Review policy riders with the applicant

10. If the Commissioner issues an order, it MUST include all the following EXCEPT:

A. The effective date
B. The purpose
C. The legal grounds
D. The Governor's signature

11. Insurance is BEST described as a means to:

A. Eliminate risk
B. Transfer risk
C. Increase investment returns
D. Avoid legal liability

12. Under the law of large numbers, as the number of similar exposure units increases:

A. Predictability of losses improves
B. Individual losses become predictable
C. Total losses decrease
D. Underwriting is unnecessary

13. The method of risk management that describes insurance MOST directly is:

A. Retention
B. Reduction
C. Transfer
D. Avoidance

14. Which concept holds that a policy should provide the coverage a sensible policyholder would expect when terms are ambiguous?

A. Indemnity
B. Reasonable expectations
C. Subrogation
D. Utmost good faith

15. Insurable interest in life insurance must exist:

A. Only at death of the insured
B. Throughout the policy period
C. Only at policy inception
D. Only during the contestable period

16. Which is TRUE about term life insurance?

A. It builds cash value
B. It provides temporary protection
C. Premiums never increase
D. It endows at age 65

17. A renewable term policy can be renewed:

A. Only with a new medical exam
B. Without evidence of insurability but at the insured's attained age
C. At the original premium
D. Only once

18. Decreasing term insurance is MOST commonly used to:

A. Fund a child's education
B. Accumulate retirement savings
C. Cover a declining mortgage balance
D. Provide lifetime cash value

19. Which rider allows term insurance to be added to a whole life base?

A. Waiver of premium
B. Term rider
C. Accidental death benefit
D. Guaranteed insurability

20. Which whole life feature is NOT guaranteed?

A. Cash value
B. Face amount
C. Annual dividend payments
D. Level premiums

21. Universal life is BEST described as:

A. Fixed premium, fixed interest, guaranteed cash value only
B. Flexible premium with adjustable death benefit and current interest
C. Single premium with immediate payout
D. Variable subaccounts with no cost of insurance

22. Variable life policies:

A. Guarantee the cash value
B. Require a securities license to sell
C. Do not require a prospectus
D. Have a guaranteed separate account return

23. Which is TRUE about survivorship life ("second-to-die")?

A. Pays at the first death
B. Pays at the second death
C. Is always term insurance

D. Cannot be used for estate planning

24. The grace period in a life policy typically is:

A. 10–15 days
B. 20 days
C. 30 or 31 days
D. 60 days

25. If the insured dies during the grace period without paying the premium, the insurer will:

A. Pay nothing
B. Pay the face amount less the unpaid premium
C. Pay only the cash value
D. Pay a reduced paid-up amount

26. The misstatement of age provision requires the insurer to:

A. Cancel the policy and refund premiums
B. Adjust the benefit to what the premium would have purchased at the correct age
C. Pay only the cash value
D. Waive future premiums

27. Nonforfeiture options include all of the following EXCEPT:

A. Cash surrender
B. Extended term
C. Reduced paid-up
D. Accidental death benefit

28. The assignment provision allows the policyowner to:

A. Transfer ownership rights to another party
B. Change the insured
C. Force the insurer to pay dividends
D. Replace the policy without underwriting

29. A contingent beneficiary receives proceeds:

A. If the primary beneficiary predeceases the insured
B. After the primary beneficiary is paid
C. Only if a trust is named
D. Only for accidental death

30. A waiver of premium rider generally:

A. Waives premiums upon total disability after a waiting period
B. Waives premiums at retirement age only
C. Increases cash value automatically
D. Ends the contestable period early

31. Allowing an applicant to sign a blank or incomplete application is:

A. Permitted with a witness
B. Prohibited practice

C. Allowed if corrected within 10 days
D. Allowed for group insurance only

32. The entire contract clause states that the policy and _____ constitute the entire contract:

A. Agent's sales illustration
B. Application (and any attached riders/endorsements)
C. Verbal promises by producer
D. Insurer's marketing brochure

33. The incontestability clause generally prevents the insurer from voiding the policy after:

A. 6 months
B. 1 year
C. 2 years
D. 5 years

34. Which is NOT typically used as a life underwriting factor?

A. Health status
B. Smoking habits
C. National origin
D. Occupation

35. Which three elements primarily determine life premiums?

A. Mortality, interest, expenses
B. Morbidity, lapses, expenses
C. Investment returns, commissions, surrender charges
D. Age, gender, state

36. Which signature(s) are required on an individual life application?

A. Producer only
B. Applicant only
C. Insured (if not the owner) and the applicant/owner
D. Insurer's CEO

37. When is insurable interest required in life insurance?

A. At application/issue only
B. At death only
C. Throughout the policy
D. During first two years only

38. Backdating a policy is generally allowed (subject to state limits) for the purpose of:

A. Lowering the insured's issue age to reduce premium
B. Avoiding contestability
C. Increasing cash value immediately
D. Adding riders without underwriting

39. Under a group life plan, the master contract is issued to the:

A. Insurer

B. Employer (policyholder)
C. Employee
D. Beneficiary

40. The employee receives which document as proof of coverage?

A. Master policy
B. Binder
C. Certificate of insurance
D. Declaration page

41. A terminated employee's right to convert group life to individual coverage is generally:

A. Subject to a new medical exam
B. Without evidence of insurability within a limited time
C. Available only to executives
D. Allowed only at age 65

42. In a noncontributory group plan, premiums are paid by:

A. Employees only
B. Employer only
C. Both employer and employees
D. State government

43. During the accumulation period of an annuity:

A. The owner pays premiums into the contract
B. The insurer pays income to the annuitant
C. Only single premiums are allowed
D. The annuity must be immediate

44. A single premium immediate annuity (SPIA):

A. Begins income within 12 months of purchase
B. Always defers income for at least 5 years
C. Allows flexible contributions
D. Guarantees a 10% investment return

45. A deferred annuity purchased with one lump sum is a:

A. Flexible premium deferred annuity
B. Single premium deferred annuity
C. Immediate annuity
D. Temporary annuity

46. The annuitization (payout) phase of an annuity generally provides:

A. Cash withdrawals only
B. Periodic income payments at intervals
C. A single lump-sum payout only
D. No benefits

47. Which annuity payout option pays as long as the annuitant lives and ceases at death?

A. Life only (straight life)
B. Life with 10-year period certain
C. Joint and survivor
D. Refund annuity

48. Market Value Adjusted (MVA) annuities must disclose that the adjustment may be:

A. Always negative
B. Always positive
C. Either upward or downward
D. Neutral after 5 years

49. Which type of annuity may be used to hold IRA contributions?

A. Immediate only
B. Deferred annuity
C. Joint life payout only
D. Temporary annuity only

50. Annuity suitability focuses PRIMARILY on:

A. Maximizing agent commissions
B. The owner's financial objectives, time horizon, and liquidity needs
C. Matching competitor rates
D. Reducing insurer reserves

51. A collateral assignment of a life policy is often used to:

A. Transfer ownership permanently
B. Provide security for a loan
C. Change the insured
D. Increase dividends

52. If a policy loan is outstanding at death, the insurer will:

A. Void the policy
B. Increase the premium retroactively
C. Reduce the death benefit by the loan plus interest
D. Suspend dividends permanently

53. Policy loans affect surrender values by:

A. Increasing cash surrender value
B. Reducing the amount receivable upon surrender
C. Having no impact
D. Triggering MEC status automatically

54. If policy loans plus interest exceed the cash value, the policy:

A. Stays in force
B. Lapses
C. Converts to extended term automatically
D. Becomes paid-up

55. Lump-sum life insurance death benefits paid to a named beneficiary are generally:

A. Taxable as ordinary income
B. Taxable as capital gains
C. Excludable from gross income
D. Tax-deferred until age 59½

56. If life insurance proceeds are left with the insurer under an interest-only settlement, the interest paid to the beneficiary is:

A. Not taxable
B. Taxable as ordinary income
C. Taxable as capital gains
D. Tax-free if under $10,000

57. Dividends on a participating whole life policy are generally treated for tax purposes as:

A. Taxable interest
B. Return of excess premium (not taxable to the extent of basis)
C. Capital gains
D. Earned income

58. Surrendering a life policy for cash may result in taxable income to the extent:

A. Cash value exceeds total premiums paid (basis)
B. Cash value exceeds face amount
C. Dividends were paid
D. The policy is more than 2 years old

59. Early distribution from a traditional IRA before age 59½ is generally subject to:

A. Capital gains tax only
B. Ordinary income tax and 10% penalty (unless exception)
C. No tax if rolled over within 90 days
D. Estate tax only

60. A direct trustee-to-trustee IRA transfer results in:

A. 20% mandatory withholding
B. No distribution to the participant and no withholding
C. Early distribution penalty
D. Capital gains tax

61. Key person life insurance is owned by the business to:

A. Pay the employee's personal mortgage
B. Provide funds to replace lost revenue and recruit/train a replacement
C. Pay the employee's estate taxes
D. Replace the company's pension plan

62. Small corporations often use life insurance on owners to:

A. Reduce Social Security taxes
B. Fund a buy-sell agreement
C. Pay shareholder dividends
D. Qualify for bank loans only

63. In a buy-sell agreement funded with life insurance, the policy is intended to:

A. Provide working capital only
B. Finance the purchase of a deceased owner's interest
C. Pay corporate income taxes
D. Replace employees' group coverage

64. Split-dollar life insurance typically involves:

A. Employer paying all premiums and owning the policy
B. Allocation of premium and/or benefits between two parties (often employer/employee)
C. Employee owning a group master policy
D. IRS guaranteeing cash value growth

65. Which marketing system sells insurance without using producers by relying on mass media and mail?

A. Career agency
B. Direct response
C. Independent agency
D. General agency

66. Which is an unfair claims settlement practice?

A. Denying unsubstantiated claims on a timely basis
B. Failing to provide a reasonable explanation for denial
C. Using arbitration to resolve disputes
D. Refusing fraudulent claims

67. Which is NOT typically an exclusion in life insurance?

A. Suicide (limited period)
B. War risk (varies by policy/state)
C. Aviation (non-commercial)
D. Accidental death

68. A life insurance buyer's guide includes help on all of the following EXCEPT:

A. Deciding how much life insurance to buy
B. Comparing policy types and premiums
C. How to sue an insurer (civil action steps)
D. Understanding policy features

69. Which of the following is a legal element of an insurance contract?

A. Consideration
B. Illustration
C. Dividend
D. Replacement

70. A binder in life insurance generally:

A. Provides temporary coverage (where allowed) until policy issue
B. Guarantees dividends
C. Eliminates underwriting
D. Increases cash value immediately

71. Utmost good faith in insurance primarily refers to:

A. The insurer's duty to pay claims
B. Both parties' duty to disclose material facts honestly
C. The producer's duty to sell the highest premium policy
D. The state's duty to regulate insurers

72. A contract of adhesion means:

A. Both parties draft the contract equally
B. Ambiguities are construed in favor of the party that did not draft the contract
C. Consideration is not required
D. The applicant must provide the policy wording

73. In Maryland, which statement about rebating is TRUE?

A. It is allowed if disclosed on the application
B. It is prohibited as an unlawful inducement
C. It is allowed for group policies only
D. It is allowed when dividends are paid

74. Which of the following advertisements would be considered misleading?

A. "Dividends may be paid, but are not guaranteed."
B. "Guaranteed dividend rate of 6% for life."
C. "Premiums are level for the base whole life coverage."
D. "Policy loans may reduce death benefits."

75. Failing to keep a premium in a separate trust account and mixing it with personal funds is known as:

A. Commingling
B. Twisting
C. Defamation
D. Coercion

76. Coercion by a producer is BEST exemplified by:

A. Threatening to cancel a business relationship unless a policy is purchased
B. Comparing two policies accurately
C. Suggesting a lower-cost option
D. Offering a buyer's guide

77. An order to cease and desist is typically used to:

A. Replace a revoked license
B. Stop an unfair practice
C. Approve an advertisement
D. Guarantee a claim payment

78. Before revoking a producer's license, due process requires:

A. A jury trial
B. At least three violations

C. Notice and the right to a hearing
D. A Governor's signature

79. Which settlement option pays the beneficiary only the interest on proceeds, leaving principal with the insurer?

A. Interest-only
B. Life income
C. Fixed period
D. Lump sum

80. Under fixed period settlement, payments are made:

A. For the beneficiary's lifetime
B. For a specified number of years
C. Only until interest is exhausted
D. Only if market returns are positive

81. If proceeds are paid in a lump sum to a named beneficiary, the income tax result is generally:

A. Fully taxable
B. Taxable only above cash value
C. Not taxable as income
D. Taxable if the policy is less than 2 years old

82. The primary liability representing future obligations to policyowners on an insurer's balance sheet is:

A. Surplus
B. Capital
C. Reserves
D. Contingency fund

83. Which statement about a mutual insurance company is TRUE?

A. It is owned by shareholders
B. It is owned by policyholders
C. It cannot pay dividends
D. It must sell only group policies

84. Which statement about captives vs. independent agents is TRUE?

A. Captive agents represent one insurer; independents represent multiple insurers
B. Captives represent multiple insurers; independents represent one
C. Both always represent multiple insurers
D. Neither requires a license

85. Direct response marketing means:

A. Policies are sold through banks only
B. Insurers solicit customers by mail, online, or media without producers
C. Only group policies are offered
D. Claims are handled by third parties only

86. Which of the following is TRUE about replacement of life insurance?

A. It is always illegal
B. It may involve surrender charges and new contestability periods
C. It eliminates underwriting
D. It guarantees lower premiums

87. The needs approach is primarily used to determine:

A. Which insurer is best
B. The proper amount of life insurance
C. Which riders are mandatory
D. Whether dividends will be paid

88. Human life value approach estimates insurance needs by:

A. Current mortgage balance only
B. Capitalizing the insured's expected future earnings
C. The face amount of existing policies
D. Averaging peer coverage

89. Key elements of a valid contract include all EXCEPT:

A. Offer and acceptance
B. Consideration
C. Legal purpose
D. Illustration

90. A policy issued with a counteroffer (substandard rating) is considered:

A. A rejection of the application
B. A new offer by the insurer requiring acceptance by the applicant
C. A binding contract
D. A waiver of underwriting

91. Which beneficiary designation gives the policyowner the right to change the beneficiary at any time?

A. Primary
B. Contingent
C. Revocable
D. Irrevocable

92. If no beneficiary is named or surviving, life insurance proceeds are generally paid to:

A. The state guaranty association
B. The insurer
C. The insured's estate
D. The producer

Answer Key (1–90)

1. C
2. B
3. B
4. C
5. B
6. B
7. B
8. C
9. C
10. D
11. B
12. A
13. C
14. B
15. C
16. B
17. B
18. C
19. B
20. C
21. B
22. B
23. B
24. C
25. B
26. B
27. D
28. A
29. A
30. A
31. B
32. B
33. C
34. C
35. A
36. C
37. A
38. A
39. B
40. C
41. B
42. B
43. A
44. A
45. B
46. B
47. A
48. C
49. B

50. B
51. B
52. C
53. B
54. B
55. C
56. B
57. B
58. A
59. B
60. B
61. B
62. B
63. B
64. B
65. B
66. B
67. D
68. C
69. A
70. A
71. B
72. B
73. B
74. B
75. A
76. A
77. B
78. C
79. A
80. B
81. C
82. C
83. B
84. A
85. B
86. B
87. B
88. B
89. D
90. B
91. C
92. C