

Question 1

4 points [Save](#)

Using a simple multiple of earnings method to determine the amount of life insurance needed ignores key information about how much a client has already accumulated.

- True
- False

Question 2

4.5 points [Save](#)

The financial needs analysis approach considers both lump-sum needs at death and ongoing income needs.

- True
- False

Question 3

4.5 points [Save](#)

With the financial needs analysis approach, the amount of additional life insurance needed is determined by subtracting the resources already available from the resources needed by the surviving dependents if the client should die today, assuming all future income payments are composed solely of investment earnings on a capital sum.

- True
- False

Question 4

4 points [Save](#)

A major disadvantage of the financial needs analysis approach is that it fails to take into account factors that may be difficult to forecast, such as Social Security benefits and future earnings by a spouse.

- True
- False

Question 5

4.5 points [Save](#)

Although term insurance is available in the marketplace, virtually all client life insurance needs are best met with whole life insurance.

- True
- False

Question 6

4.5 points [Save](#)

The basic fallacy of the traditional net cost method for measuring the cost of life insurance is that it ignores the time value of money.

- True
- False

Question 7

4 points [Save](#)

The surrender cost index indicates the cost of surrendering the policy for the cash value at some future point in time.

- True
- False

Question 8

4.5 points [Save](#)

When presenting a life insurance illustration concerning a participating policy, it is important for an agent to assure the client that dividends will always be paid in the future.

- True
- False

Question 9

4.5 points [Save](#)

All life insurance policy replacements involve twisting and thus are detrimental to the policyowner.

- True
- False

Question 10

4.5 points [Save](#)

With a Sec. 1035 exchange, a policyowner is able to avoid taxation when canceling one life insurance policy, collecting the cash surrender value, and using it to purchase a similar life insurance policy.

- True
- False

Question 11

4.5 points [Save](#)

If a group of substandard risks is to be treated fairly, the degree of extra mortality the group represents and the approximate period in life when the extra mortality is likely to occur must both be known within reasonable limits.

- True
- False

Question 12

4.5 points [Save](#)

The most common method of dealing with risks that present an

increasing hazard is to assess a flat extra premium.

- True
- False

Question 13

4.5 points [Save](#)

It is common practice to remove the extra premium upon proof that the insured is no longer substandard.

- True
- False

Question 14

4.5 points [Save](#)

Viatication, or the selling of a life insurance policy to a viatical settlement provider, is a securities transaction subject to SEC regulation.

- True
- False

Question 15

4 points [Save](#)

Federal privacy laws regarding viaticals protect insureds from being identified and their medical information from being provided to third-party investors.

- True
- False

Question 16

4.5 points [Save](#)

One of the common uses of life insurance in business is to serve as an alternative to a properly designed buy-sell agreement.

- True
- False

Question 17

4 points [Save](#)

In a traditional split-dollar plan, the executive contributed an amount equal to the annual increase in the policy's cash surrender value, while the corporation paid the remainder of the annual premium.

- True
- False

Question 18

4.5 points [Save](#)

In nearly all cases, the beneficiary of a life insurance policy must include the proceeds paid by reason of the insured's death in the beneficiary's gross income for federal income tax purposes.

- True
- False

Question 19

4.5 points [Save](#)

The inside buildup in a permanent life insurance policy is subject to taxation if it is left inside the policy.

- True
- False

Question 20

4 points [Save](#)

A gift involves a completed transfer and acceptance of property for less than full and adequate consideration.

- True
- False

Question 21

4.5 points [Save](#)

The federal gift tax applies to lifetime transfers of property as well as to transfers occurring at death.

- True
- False

Question 22

4.5 points [Save](#)

If Sally transfers all incidents of ownership in a life insurance policy on her life to her grown son through a gift and she dies a year later, the life insurance is included in her estate.

- True
- False

Question 23

4 points [Save](#)

The primary goal of life insurance coverage for young clients is estate liquidity, whereas for older clients it tends to be estate enhancement.

- True
- False

IP Ch 10 TF Quiz

