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Ohio Department of Insurance

OH-Life-Agent-Series-11-44

OHIO Life Insurance Agent Series 11-44



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Question: 1

An annuitant dies during the accumulation period. What happens to the cash value in the annuity?

- A. The cash value is paid to the beneficiary
- B. The cash value is paid into the estate
- C. The cash value is paid to the IRS
- D. The company keeps the cash value

Answer: A

Explanation:

If an annuitant dies during the accumulation period of a deferred annuity, the accumulated cash value is typically paid to the designated beneficiary. The death benefit is usually the greater of the accumulated value or the guaranteed minimum, depending on the terms of the annuity contract. This ensures that the funds contributed to the annuity are not lost and provide financial support to the beneficiary.

Question: 2

As a form of level premium permanent insurance, ordinary life insurance accumulates a reserve that eventually:

- A. Equals the face amount of the policy.
- B. Results in a dividend payment to the policyowner.
- C. Ceases to earn interest or grow in a positive earnings direction.
- D. Requires mandatory cash value distributions.

Answer: A

Explanation:

Ordinary life insurance, also known as whole life insurance, is a type of permanent life insurance that features level premiums and a guaranteed death benefit. Over time, the policy accumulates a cash value reserve through the payment of premiums and the crediting of interest. This reserve grows steadily and is designed to equal the face amount of the policy by the time the insured reaches the age of 100. This structure ensures that the policy remains in force for the insured's entire life, provided premiums are paid as scheduled.

Question: 3

Which of the following dividend options is taxable?

- A. 1-year term
- B. Paid-up additions
- C. Return of premium
- D. Accumulation at interest

Answer: D

Explanation:

When dividends are left to accumulate at interest with the insurance company, the interest earned on these dividends is considered taxable income. While the dividends themselves are generally not taxable, the interest they generate is subject to taxation.

According to the Ohio Life Insurance Study Guide:

"Dividends left to accumulate at interest are taxable as income in the year the interest is credited."

Question: 4

Insurance agents have duties and responsibilities to the insured and the insurer. Which of the following responsibilities does an agent owe the insured during the policy year?

- A. Help the insured file and follow up on claims
- B. Notify the insurance department when claims are paid
- C. Work with rating bureaus to establish insurer ratings
- D. Pay the insured's premiums if they are unable to do so

Answer: A

Explanation:

Insurance agents act as intermediaries between the insurer and the insured. One of their key responsibilities during the policy year is to assist policyholders in the claims process, ensuring that claims are filed correctly and followed up on promptly. This duty helps maintain trust and ensures that policyholders receive the benefits they are entitled to under their policies.

According to the Ohio Life Insurance Study Guide:

"Agents have a duty to assist policyholders in the claims process, including helping with the completion of claim forms and providing information on the status of claims."

Question: 5

Who can surrender an annuity during the accumulation period?

- A. The company
- B. The beneficiary
- C. The annuitant
- D. The policyowner

Answer: D

Explanation:

During the accumulation period of an annuity, the policyowner holds the rights to the contract, including the ability to surrender the annuity. Surrendering the annuity means the policyowner can terminate the contract and receive the accumulated value, subject to any applicable surrender charges or tax implications. The annuitant is the individual whose life expectancy is used to determine the annuity payments, but they do not have ownership rights unless they are also the policyowner.

Question: 6

The taxable portion of a monthly income benefit paid during the annuity phase from a nonqualified annuity is calculated using the

- A. 7-pay test.
- B. mortality table.
- C. exclusion ratio.
- D. 1035 exchange.

Answer: C

Explanation:

The exclusion ratio determines the portion of each annuity payment that is not taxable (return of principal) and the portion that is taxable (earnings), especially relevant for nonqualified annuities .

"For nonqualified annuities, the exclusion ratio is used to determine the portion of the annuity payment that is taxable income."

Question: 7

Due to a furnace malfunction, sparks ignited nearby cleaning rags, which resulted in a grocery store being burned to the ground. What is the peril?

- A. Fire
- B. Sparks
- C. Cleaning rags
- D. Furnace

Answer: A

Explanation:

In insurance terminology, a peril is the specific cause of a loss. In this scenario, the peril is fire, as it is the direct cause of the damage to the grocery store. While the furnace malfunction and sparks are contributing factors, and the cleaning rags may be considered hazards, the fire is the peril that resulted in the loss.

Question: 8

If a policyowner surrenders a policy for its cash value, when is a tax liability incurred?

- A. The cash value exceeds all premiums paid.
- B. The cash value is less than premiums paid.
- C. The policy is exchanged for a policy of equal value.
- D. The policy is transferred to a third party.

Answer: A

Explanation:

A tax liability arises when the amount received upon surrender exceeds the total premiums paid into the policy. This gain is considered taxable income.

"If the policy is surrendered for its cash value and the amount received exceeds the total premiums paid, the excess is subject to income taxation."

Question: 9

A single premium immediate annuity is MOST often used for:

- A. Retirement income
- B. Children's college expenses
- C. Mortgage payments
- D. Vacation expenses

Answer: A

Explanation:

A Single Premium Immediate Annuity (SPIA) is designed to provide a stream of income payments that begin almost immediately after a lump-sum payment is made. This type of annuity is most commonly utilized to secure a steady income during retirement. Upon purchasing an SPIA, the annuitant starts receiving payments, typically within one month, which can be structured for a specific period or for the lifetime of the annuitant.

This immediate commencement of income makes SPIAs particularly suitable for individuals seeking to convert a portion of their savings into a predictable income stream during retirement years.

Question: 10

In which of the following fixed annuity features is the surrender value tied to interest rates?

- A. Fixed value rates
- B. Variable subaccounts
- C. Market value adjustments
- D. Interest-sensitive trigger

Answer: C

Explanation:

A Market Value Adjustment (MVA) is a feature found in some fixed annuities that affects the surrender value of the contract based on changes in interest rates. If the annuity is surrendered before the end of the guaranteed period, the MVA can either increase or decrease the surrender value, depending on whether interest rates have fallen or risen since the contract was issued. This adjustment aligns the annuity's value with current market conditions, protecting both the insurer and the annuity holder from interest rate fluctuations.

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