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Life License Qualification Program (LLQP)

IFSE Institute LLQP

Version Demo

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Topic Break Down

Topic	No. of Questions
Topic 1, Life insurance	116
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Total	394

QUESTION NO: 1

Insurance of persons advisor Somalia is careful to comply with the standards and regulations when she meets with potential clients. Under no circumstances would she want them to feel aggrieved or not respected. She makes sure to know their rights. Which legislation does Somalia not have to worry about?

A. An Act respecting the distribution of financial products and services (Distribution Act)

B. An Act respecting the protection of personal information in the private sector (APPIPS)

C. The Quebec Charter of Human Rights and Freedoms

D. The Insurers Act and the Regulation under the Act respecting insurance

ANSWER: D

Explanation:

The Insurers Act and the Regulation under the Act respecting insurance is the best answer because this legislative framework is principally directed at insurers rather than at an individual insurance-of-persons advisor in her direct dealings with prospective clients. Quebec's Insurers Act establishes the legal regime for carrying on insurer activities in the province, including authorization, governance, financial soundness, administration, and regulatory oversight of insurance enterprises. Its central purpose is therefore the supervision of the insurer as a regulated entity.

Somalia's stated concern is her conduct when meeting potential clients and ensuring that they are treated fairly and respectfully. Her immediate professional duties arise from the legal and ethical rules that govern distribution activities, client communications, the collection and handling of personal information, and the protection of fundamental rights. Although an advisor may need practical awareness of insurers' rules because she distributes their products, the insurer-focused legislation does not ordinarily create the primary client-facing obligations described in the question. The Autorité des marchés financiers outlines the Insurers Act framework at https://lautorite.qc.ca/en/professionals/insurers. The consolidated statute is also available through LégisQuébec.

QUESTION NO: 2

(Clara is saving for a house and will likely need her money within a year. She seeks a segregated fund with minimal penalties for quick access.

Which sales charge should Irving recommend?)

A. No-load

B. Front-end load

C. Deferred sales charge

D. Trailing commission

ANSWER: A

Explanation:

No-load is the appropriate sales-charge structure for Clara's stated need for quick access to her money. A no-load segregated fund does not impose a sales charge when the contract is purchased or when units are redeemed. Therefore, if Clara needs to withdraw the money to make a down payment within the coming year, the redemption itself will not trigger a front-end or deferred sales-charge penalty. This best matches her priority of preserving liquidity and minimizing charges tied specifically to an early withdrawal.

Sales charges are separate from the ongoing management expenses and insurance-related costs that can apply to a segregated fund contract. Clara should still receive full disclosure of the fund's fees, investment risk, and the terms of any guarantees before investing. In particular, a short time horizon does not eliminate the possibility that the fund's market value may decline before she needs the money. Nevertheless, when selecting among sales-charge methods, no-load directly avoids a redemption sales charge and is therefore the most suitable recommendation for her anticipated one-year access requirement. The Canadian Life and Health Insurance Association provides consumer information on segregated funds at

CLHIA: Segregated Funds. General information about investment-fund fees is also available from the Ontario Securities Commission.

QUESTION NO: 3

Mark, aged 26, works as a farmhand on his family's farm. Mark's grandfather recently passed away and left Mark a $100,000 cash inheritance. Having little investment experience, Mark approaches Devon, a locally licensed life insurance agent, for investment advice.

Mark tells Devon that his investment objectives include the growth of his principal over time, but that he wants it readily available if he were to purchase available land.

Given Mark's objectives, what investment concepts should Devon be explaining to him?

A. Compounding and present value

B. Diversification and asset classes

C. Compounding and liquidity

D. Present value and diversification

ANSWER: C

Explanation:

Compounding and liquidity directly address Mark's two stated objectives: growing his inheritance over time and retaining practical access to it if farmland becomes available. Compounding describes how returns that remain invested can themselves earn returns in future periods. For a young client such as Mark, this is an important concept because time can increase the potential effect of reinvesting interest, dividends, or investment gains. Devon should help him understand that growth is not simply a one-time return on the original $100,000; when earnings are retained, the investment base may increase over time.

Liquidity is equally central because Mark has identified a possible near-term need to use the money for a land purchase. Liquidity concerns how readily an investment can be converted to cash at an appropriate value. Before recommending a product, Devon should discuss the availability of withdrawals, any redemption charges or market-value effects, and whether the investment's time horizon fits Mark's potential purchase opportunity. This discussion helps Mark weigh the benefit of keeping funds invested for growth against the flexibility needed to act quickly if land is offered for sale. These concepts support suitable fact-finding and product discussions in the LLQP context. See IFSE's LLQP program information and the U.S. SEC Investor.gov explanation of compound interest.

QUESTION NO: 4

Everett is an insurance of persons representative who works exclusively for Moon Life Insurance. He wants to leave the company and become an independent representative. He knows that before he branches out on his own, he needs to ensure he has sufficient liability insurance.

Which of the following statements about his professional liability insurance is CORRECT?

A. His liability insurance must have coverage of not less than $1,500,000 per claim.

B. If a contract has a deductible, it may not exceed $20,000.

C. This insurance covers gross faults committed by an insurance representative.

D. Professional liability insurance covers fraud or misappropriation.

ANSWER: B

Explanation:

If a contract has a deductible, it may not exceed $20,000. An independent representative must maintain professional liability insurance that meets the requirements established under Québec's regulatory framework for firms, independent representatives, and independent partnerships. The deductible cap is an important part of that protection: it limits the amount that the representative must personally absorb when a covered claim arises. This helps ensure that the professional liability coverage remains meaningful and that clients have effective protection if they suffer a loss connected with the representative's professional activities.

For Everett, this requirement becomes especially important when he ceases acting exclusively for an insurer and begins operating independently. He must arrange and maintain compliant coverage as part of carrying on his activities as an independent insurance-of-persons representative. The policy terms, including the deductible, must conform to the prescribed conditions; a deductible above $20,000 would not meet this requirement. The governing requirements can be consulted in the Regulation respecting firms, independent representatives and independent partnerships, made under Québec's Act respecting the distribution of financial products and services.

QUESTION NO: 5

Nathalie worked for 25 years as an administrative assistant at a manufacturing company. When she left the company 10 years ago, she transferred the money that she accumulated from the company's pension plan into a locked-in retirement account (LIRA). Now she is 60 years of age and would like to withdraw the money from the LIRA.

Under which of the following circumstances would Nathalie be allowed to withdraw her funds?

A. She moved to Arizona last year.

B. She is disabled and her life expectancy is reduced.

C. She is retiring.

D. She will start collecting QPP benefits.

ANSWER: B

Explanation:

"She is disabled and her life expectancy is reduced." is correct because locked-in funds originated in a registered pension plan and are generally preserved to provide retirement income. Nevertheless, pension legislation provides exceptional unlocking circumstances for serious health situations. A disability accompanied by a reduced life expectancy is such a circumstance: the owner may apply to have the locked-in funds paid out because the usual objective of providing income throughout retirement is no longer realistic in the same way. At age 60, Nathalie may also have retirement-income options available for her LIRA, depending on the governing jurisdiction and the contract, but simply reaching that age does not itself make the full locked-in balance freely withdrawable. The relevant fact pattern is her disability together with reduced life expectancy, which supports an application for unlocking under the applicable pension rules. In Quebec, the rules for locked-in retirement accounts and permitted payments are set out in the Regulation respecting supplemental pension plans. Retraite Québec also provides guidance on unlocking funds held in an LIRA or LIF.

QUESTION NO: 6

Dominic suffers a heart attack on October 1 and dies a little over a month later, on November 7. At the time of his death, he owned a $150,000 critical illness (CI) insurance policy, purchased 10 years earlier. Dominic never failed to pay the $100 monthly premium. When he died, the insurer had not yet issued the benefit payment.

How will the CI benefit be treated?

A. It will not be paid.

B. It will be paid to Dominic's next of kin.

C. It will be payable to Dominic's estate.

D. Dominic's estate will receive a return of premiums.

ANSWER: C

Explanation:

It will be payable to Dominic's estate. Critical illness insurance is designed to pay a lump-sum living benefit once the insured experiences a covered condition and satisfies the policy requirements. A key requirement in standard Canadian critical illness contracts is a survival period, commonly 30 days after diagnosis of the covered illness. Dominic suffered the heart attack on October 1 and lived until November 7, so he survived longer than 30 days. His entitlement to the $150,000 benefit therefore crystallized before his death, even though the insurer had not yet completed the administrative step of issuing payment.

Once the benefit is payable, it is an asset owing in connection with Dominic's policy. Since the facts do not identify a beneficiary designation for the CI proceeds, the amount is payable to his estate and is handled by the estate's legal representative as part of estate administration. The fact that premiums were paid continuously confirms the contract remained in force when the covered event occurred. Critical illness insurance provides a lump sum on diagnosis of a covered illness subject to the contract terms, including any applicable survival period; see the Financial Consumer Agency of Canada's overview of critical illness insurance and Ontario's Insurance Act for the statutory framework governing insurance contracts and beneficiary rights.

QUESTION NO: 7

Angus is involved in a motorcycle accident and due to his injuries has to spend a few nights in thehospital. He is released from the hospital with a doctor's note indicating that he is able to perform certain parts of his job, but that it would take months until he can be back to normal. He promptly calls his insurance agent Dawn to ask her if he would be entitled to his disability benefits. Dawn reads his policy and tells him that he will not receive any disability benefits.

Which disability definition is MOST LIKELY included in his policy?

A. Own occupation

B. Any occupation

C. Regular occupation

D. Total disability (according to the CPP)

ANSWER: B

Explanation:

Any occupation is the most likely definition in Angus's policy. Under this more restrictive disability test, eligibility generally depends on the insured being unable to perform any occupation for which they are reasonably suited by their education, training, or experience, rather than simply being unable to perform all duties of their usual job. Angus's doctor confirms that he can still perform certain parts of his work. Although his recovery will take months and he cannot yet return to normal functioning, the facts do not establish that he is incapable of all suitable work. The insurer can therefore conclude that he does not meet an any-occupation definition of total disability and deny disability income benefits at this time. This illustrates why the definition of disability is a central policy feature: it determines whether the assessment focuses narrowly on the insured's own occupational duties or more broadly on capacity for suitable gainful work. Canadian consumer guidance also notes that disability insurance contracts set the specific conditions for receiving benefits, including the policy's definition of disability. See the Financial Consumer Agency of Canada's disability insurance guidance and the Canadian Life and Health Insurance Association's disability insurance overview.

QUESTION NO: 8

(Eric, aged 28, currently works for an accounting firm. He still lives with his parents but is saving to buy a place of his own. Seven years ago, his grandparents gave him a significant cash gift following his college graduation. He deposited it into a segregated fund that invests in the natural resources sector. However, real estate prices are rapidly increasing. Eric is concerned that if he does not buy a place in the next three to five years, it might become altogether unaffordable. In addition, the shares of the segregated fund he holds have seen a sharp drop in market value two years ago and they have not recovered yet. Eric questions his current choice of investment and asks his life insurance agent if he should switch to a different type of segregated fund.

What should the agent recommend?)

A. Switch to a bond fund.

B. Switch to a dividend fund.

C. Switch to a balanced fund.

D. Hold on to his natural resources fund.

ANSWER: C

Explanation:

Switch to a balanced fund. Eric's investment objective has become more defined: he expects to need money for a home purchase within roughly three to five years. His current holding is concentrated in the natural-resources sector, which can experience substantial price swings because its results are closely tied to commodity prices, global demand, and sector-specific conditions. That concentration is not well aligned with a near-to-medium-term goal for which preserving accessible capital matters.

A balanced segregated fund typically combines equities with fixed-income securities. This provides diversification across asset classes and can reduce overall volatility compared with a single-sector equity fund, while retaining some growth potential to help Eric address rising housing costs. It is therefore a more suitable general fit for a client moving from a long-term, sector-focused investment toward a medium-term purchase objective. Before processing a switch, the agent should confirm Eric's updated know-your-client information, including his precise time horizon, risk tolerance, financial circumstances, liquidity needs, and the segregated fund's guarantees, fees, and reset provisions. The Canadian Life and Health Insurance Association describes segregated funds and their guarantees at CLHIA: Segregated Funds. General information on diversification is available from the Ontario Securities Commission.

QUESTION NO: 9

Alexandre has just become a father. He wishes to take out a life insurance policy from Antoine, an insurance of persons representative. During their meeting, Alexandre mentions his love of mountain climbing. What should Antoine do?

A. Warn Alexandre that no insurer covers activities such as mountain climbing, which are considered legal exclusions under the Civil Code of Quebec

B. Check and explain the policy's exclusion clauses, because the insurer could turn down the claim if Alexandre dies while mountain climbing

C. Specify that the Charter of Human Rights and Freedoms only allows exclusions based on age, gender, or civil status in insurance contracts

D. Explain only the insurance policy's general coverage clauses

ANSWER: B

Explanation:

"Check and explain the policy's exclusion clauses, because the insurer could turn down the claim if Alexandre dies while mountain climbing" is correct. Mountain climbing may be treated by an insurer as a hazardous activity and can affect underwriting, eligibility, premiums, or the scope of coverage. Whether it is excluded is determined by the particular contract and any applicable rider or underwriting decision; it cannot be assumed without reviewing the policy wording. Antoine should therefore identify any relevant exclusion, limitation, or special condition and explain its practical effect before Alexandre applies or enters into the contract. This allows Alexandre to make an informed decision about whether the proposed coverage meets his family-protection objective and whether alternative coverage is needed. It also supports the representative's duty to provide the client with clear, accurate information about the product being offered. Alexandre, for his part, must disclose facts that are likely to materially influence the insurer in setting the premium, assessing the risk, or deciding whether to accept the application. Quebec's Civil Code addresses the policyholder's obligation to disclose relevant risk circumstances in article 2408: Civil Code of Québec. The AMF also describes the role and obligations of insurance representatives in providing appropriate information to clients: AMF — Insurance representatives.

QUESTION NO: 10

Dora meets with the following clients, each of whom fills out a disability insurance application:

â€¢ Scott, a ski instructor who skydives every weekend in the summer,

â€¢ Lamar, a librarian who drives to work daily and spends his free time collecting stamps and watching nature shows,

â€¢ Timothy, an administrative assistant who walks 30 minutes each way to and from work, and

â€¢ Yashar, an accountant who participates in 5 online chess competitions a week and studies chess in his spare time.

All else being equal, which of Doraâ€™s clients will qualify for the most favorable insurance premium?

A. Scott

B. Lamar

C. Timothy

D. Yashar

ANSWER: B

Explanation:

Lamar will qualify for the most favourable disability insurance premium, all else being equal. Disability-income underwriting assesses the likelihood that an insured person will become disabled and need to claim benefits. Occupational duties are an important factor: a librarian's work is generally sedentary, performed in a controlled indoor environment, and does not ordinarily involve significant physical hazards. Lamar's stated leisure activities—collecting stamps and watching nature shows—also do not indicate an increased exposure to accidental injury or other disability risk.

Insurers classify occupations according to the nature of the work, including physical demands, workplace hazards, travel, and the degree to which an injury or illness would prevent the person from performing essential duties. They may also consider avocations where those activities create material additional risk. A lower-risk occupational and avocational profile generally supports more favourable underwriting terms and premium rates for comparable coverage. This reflects the insurance principle that premiums are tied to the assessed probability and expected cost of claims. The Financial Services Regulatory Authority of Ontario describes disability insurance as coverage that replaces part of income when illness or injury prevents work: FSRA—Disability insurance. General underwriting and risk-selection concepts are also summarized by the Insurance Bureau of Canada: IBC—How insurance works.

QUESTION NO: 11

Laraine wants to purchase an Individual Variable Insurance Contract (IVIC) because of the death benefit guarantee as she has been ill. She has decided on a segregated fund which has, as its underlying asset, units of a mutual fund that invests in North American common shares. Her insurance agent, Jeffrey, wants her to understand key issues before she completes and signs the application. What should Jeffrey do?

A. Provide her with the prospectus issued for the underlying mutual fund units.

B. Provide her with the summary information folder for the segregated fund.

C. Tell her she has a 10-day "free look" to review the contract.

D. Tell her she must complete a medical questionnaire which will be attached to the application.

ANSWER: B

Explanation:

Provide her with the summary information folder for the segregated fund. An IVIC, commonly called a segregated fund contract, is an insurance contract even when its investments are linked to mutual funds or other market-based assets. The relevant pre-sale disclosure is therefore the segregated fund's information folder (described here as a summary information

folder), rather than the prospectus for an underlying mutual fund. This disclosure is designed to give Laraine material information about the particular contract before she applies, including its investment objectives, risks, guarantees, fees and charges, maturity and death-benefit provisions, and redemption or surrender features. That information is especially important because Laraine's stated reason for buying is the death-benefit guarantee; she must be able to understand the guarantee's terms and limitations and assess whether the contract suits her needs before signing. The Financial Consumer Agency of Canada explains that segregated funds are insurance products with guarantees and that consumers should carefully review contract features, costs, and restrictions: FCAC: Segregated funds. The Canadian Life and Health Insurance Association also describes segregated fund contracts and their insurance guarantees: CLHIA: Segregated funds.

QUESTION NO: 12

Gia is getting ready to invest for her retirement in 20 years' time and makes her very first RRSP contribution. Her risk tolerance is high, and she determined with her life insurance agent that a segregated fund could be a good investment choice.

Which one of the following segregated funds would be most suitable for Gia?

A. A money market fund.

B. An income fund.

C. A dividend fund.

D. A growth fund.

ANSWER: D

Explanation:

A growth fund is the most suitable choice because Gia has a long investment horizon of 20 years and a high tolerance for investment risk. Her stated objective is retirement accumulation rather than current income or short-term access to capital. Growth-oriented segregated funds generally seek long-term capital appreciation and commonly invest substantially in equities or equity-focused underlying funds. Although equity markets can fluctuate significantly over shorter periods, a lengthy time horizon gives Gia more opportunity to remain invested through market cycles and pursue the higher long-term return potential associated with growth assets.

Within an RRSP, investment earnings can compound on a tax-deferred basis while the funds remain in the plan. This makes an investment aimed at capital growth especially aligned with a retirement goal that is decades away. A segregated fund can also provide contractual maturity and death-benefit guarantees, subject to the terms of the contract, while allowing participation in the performance of the selected growth mandate. Suitability still requires the agent to document Gia's objectives, time horizon, financial circumstances, knowledge, and risk profile, and to ensure the specific fund's risk rating is consistent with those needs. Information on RRSPs is available from the Canada Revenue Agency, and consumer information about segregated funds is available from the Assuris.

QUESTION NO: 13

Gisèle has non-registered savings and wants to purchase an annuity that will provide level payments. She expects to be in a lower tax bracket later in retirement and wants the taxable portion of each payment to be spread more evenly over the annuity's payment period rather than being higher in the early years.

What type of annuity should Gisèle consider?

A. A prescribed annuity.

B. A non-prescribed annuity.

C. A registered life annuity funded with RRSP assets.

D. A variable income annuity.

ANSWER: A

Explanation:

A **prescribed annuity** is the appropriate choice. With an eligible prescribed annuity, the taxable interest portion of each payment is level throughout the annuity payment period. This gives the annuitant more predictable annual taxable income.

Under a non-prescribed annuity, interest is generally taxed on an accrual basis. As a result, the taxable interest component is normally higher in the earlier years and declines over time. Gisèle's objective is specifically to avoid that front-loaded pattern of taxable income.

QUESTION NO: 14

Rosa invests $100,000 in a segregated fund contract that provides a 75% maturity guarantee. She makes no withdrawals and does not use a reset feature. When the contract reaches its maturity date, the market value is $68,000.

What amount is Rosa entitled to receive at maturity?

A. $68,000

B. $70,000

C. $72,000

D. $75,000

ANSWER: D

Explanation:

$75,000 is correct. The contract’s 75% maturity guarantee protects 75% of net deposits at maturity, subject to the contract terms. Rosa deposited $100,000 and made no withdrawals, so the guaranteed maturity value is $75,000.

Because the market value at maturity is only $68,000, the guarantee applies and the insurer pays the higher guaranteed amount of $75,000. If the market value had been higher than the guarantee, Rosa would ordinarily receive the higher market value instead.

QUESTION NO: 15

Concilius has had a whole life (permanent) insurance policy for the past eight years. He decides he no longer wants this policy and stops paying the premiums. The cash value keeps the policy in effect for 28 months, after which it lapses. However, 46 months later, Concilius regrets his decision and applies to reinstate his policy. He is prepared to prove that he still meets the insurability conditions and to pay the overdue premiums plus interest, the cash value used, and the interest. Under what conditions will Concilius’ policy be reinstated?

A. With the addition of a new premium based on his current age

B. With the same initial conditions

C. With an increase in the price of the premium

D. With a reduction in the insured amount

ANSWER: B

Explanation:

“With the same initial conditions” is correct. The policy remained in force for 28 months through its cash value, and the reinstatement application is made 46 months after premiums stopped. Therefore, the application occurs 18 months after the actual lapse, which is within the two-year reinstatement period provided for life insurance in Québec. Concilius also satisfies the key reinstatement requirements: he is prepared to provide evidence that he remains insurable and to repay the amounts

required to restore the policy, including overdue premiums, interest, and the policy value advanced or used to keep coverage in force, with applicable interest.

Reinstatement restores the original insurance contract rather than creating a new policy. Accordingly, the policy returns with its original contractual terms, including the original insured amount and premium structure, subject to the reinstatement payment and evidence-of-insurability requirements. The elapsed period does not turn the transaction into a newly issued policy priced using Concilius' current age. Article 2428 of the *Civil Code of Québec* sets out the life-insurance reinstatement framework and the two-year period following lapse: Civil Code of Québec, art. 2428. Québec insurance consumer information is also available from the Autorité des marchés financiers.

QUESTION NO: 16

(Samuel works for a major company offering a GRRSP and a group TFSA.

How do Samuel's contributions to the GRRSP differ from his contributions to the group TFSA?)

A. Samuel's contributions to the GRRSP are made with money already taxed, while TFSA contributions are deductible.

B. Samuel's contributions to the group TFSA are made with money already taxed, while GRRSP contributions are deductible.

C. GRRSP contributions are subject to an annual limit; group TFSA contributions are not.

D. TFSA contributions are deducted from pay each period; GRRSP contributions are made once a year.

ANSWER: B

Explanation:

Samuel's contributions to the group TFSA are made with money already taxed, while GRRSP contributions are deductible. A TFSA is funded from after-tax income: contributions do not create a deduction from taxable income in the year they are made. In exchange, provided the plan rules and available TFSA contribution room are respected, investment income and growth earned within the TFSA are generally not taxed, and qualifying withdrawals are tax-free.

A group registered retirement savings plan is an employer-arranged RRSP. Contributions to it retain the fundamental RRSP tax treatment: they are deductible within Samuel's available RRSP deduction limit. In a payroll group plan, this tax benefit may commonly be reflected immediately through reduced income-tax withholding, rather than waiting until Samuel files his tax return. The defining distinction in the question is therefore the tax treatment when contributions are made: the group TFSA uses after-tax dollars and does not provide a deduction, whereas the GRRSP contribution is tax-deductible. The Canada Revenue Agency confirms that TFSA contributions are not deductible and explains RRSP deduction rules at CRA: TFSA contributions and CRA: Contributing to an RRSP.

QUESTION NO: 17

Six years ago, Gerard, aged 28, purchased a life insurance policy.

Gerard just got married to Tanya, and they both want to purchase more insurance. Reviewing Gerard's policy, Tanya notices that Gerard neglected to mention that he had migraines due to concussions suffered from playing football when he was a teenager. Gerard did not intentionally neglect to mention the migraines as the migraines were never an ongoing issue once he stopped playing football.

Which statement is true?

A. Since the policy was taken out six years ago, the insurance company would have to prove that Gerard made a fraudulent material misrepresentation, or pay the policy's death benefit.

B. The insurance company can void the contract under the contestability clause, and nopremiums would be returned to Gerard.

C. Gerard can admit the mistake to the insurance company to ensure they cannot void the policy due to incomplete information at time of application.

D. Since the policy was taken out six years ago, the insurance company can void the policy under the mistake clause.

ANSWER: A

Explanation:

Since the policy was taken out six years ago, the insurance company would have to prove that Gerard made a fraudulent material misrepresentation, or pay the policy's death benefit. This reflects the statutory incontestability protection applicable to life insurance contracts. During the initial contestability period, an insurer may be able to challenge coverage where a material fact was misrepresented or omitted in the application. Once the policy has been continuously in force beyond two years during the life insured's lifetime, however, a misrepresentation generally cannot be used to void the contract unless it was fraudulent. Fraud requires more than an innocent omission or an honest mistake; it involves deliberate deception or knowingly providing false information relevant to the insurer's underwriting decision. The facts expressly state that Gerard did not intentionally fail to disclose the past migraines and that they had not remained an ongoing issue after he stopped playing football. Therefore, the insurer would need evidence establishing fraudulent material misrepresentation to avoid its obligation to pay the death benefit. This principle gives policyowners meaningful certainty that longstanding life insurance coverage will not ordinarily be reopened years later because of an unintentional application error. See the life-insurance incontestability provision in the Ontario Insurance Act, section 183 and the related statutory text at CanLII.

QUESTION NO: 18

The company Xtra is growing. Mr. Trenet, chair of the executive committee, invites his financial security advisor, Noah, to meet with them to underwrite an annuity contract. The treasurer of Xtra offers to invest $2,500,000 of the companyâ€™s retained earnings. Before voting on a resolution to designate a policyholder, the treasurer asks Noah if Xtra can be designated as the policyholder instead of Mr. Trenet. What answer should Noah give?

A. Only an individual can be a policyholder; therefore, Noah can recommend that Mr. Trenet be the policyholder

B. For Xtra to become the subscriber of the contract, the investment amount must come from aregistered plan, such as a retirement fund

C. Because Xtra is a legal person, Xtra can be the policyholder; Mr. Trenet must be the subrogated annuitant to approve decisions on behalf of Xtra

D. If the capital is not registered, Xtra can be the policyholder

ANSWER: D

Explanation:

“If the capital is not registered, Xtra can be the policyholder” is correct because a corporation is a legal person with its own patrimony and civil capacity. It may enter into contracts, own property, and act through properly authorized representatives, such as its officers or directors. Consequently, Xtra may apply for and own an annuity contract in its own name, provided its internal corporate authorization requirements are met. The retained earnings belong to Xtra rather than to Mr. Trenet personally, so it is appropriate for the corporation to be the contract owner and to make the $2,500,000 deposit from its corporate funds. In this arrangement, the corporation holds the contractual rights, including rights relating to the annuity contract, while its authorized representatives act for it. A corporate-owned annuity is generally acquired with non-registered corporate capital; registered-plan status is not required for the corporation to be a policyholder. The Civil Code of Québec recognizes that legal persons enjoy civil rights and can hold patrimonial rights, which supports a corporation’s capacity to own such a contract. See the Civil Code of Québec and the federal Income Tax Act for the statutory framework applicable to legal persons, annuity contracts, and their taxation.

QUESTION NO: 19

Andrea, owner of Andreaâ€™s Fashions Inc., employs her designer daughter Judy, who will carry on the business after Andrea is gone. Wishing to ensure that the business would not suffer financially when Andrea passes away, Andrea decides at age 50 to have her business own, pay for, and be the beneficiary of life insurance on Andrea's life. The type of insurance that best suits is non-convertible Term 10 life insurance renewable until age 80.

What should her life insurance agent advise regarding this policy?

A. The coverage will end at Andreaâ€™s age 80.

B. The coverage can be converted to permanent insurance at any time.

C. The coverage can only be renewed once.

D. The coverage will pay a benefit to Judy upon Andrea's death.

ANSWER: A

Explanation:

The coverage will end at Andreaâ€™s age 80. A Term 10 policy provides insurance for an initial 10-year term and, where the contract provides a renewal privilege, it may be renewed for successive terms without new evidence of insurability. However, the stated renewal limit is a fundamental contractual feature: “renewable until age 80” means that age 80 is the final age to which coverage can be continued under this policy. Once Andrea reaches that limit, the term coverage terminates; it is not available indefinitely simply because premiums have been paid or because the corporation continues to need the protection.

This is especially important for business-continuation planning. The corporation is the owner, premium payer, and beneficiary, so it must evaluate whether its need for key-person protection will still exist after Andrea reaches age 80 and plan in advance if ongoing protection is required. The policy’s non-convertible feature also means the planning decision must be made with the fixed term-renewal endpoint in mind. General information on term life insurance and policy features is available from the Canadian Life and Health Insurance Association and the Financial Consumer Agency of Canada.

QUESTION NO: 20

Agatha and Peter run a successful sole proprietorship. They are 68 and 70 respectively. Peter has a huge registered investment portfolio that will result in significant tax consequences upon his death. When both of them have passed away they would like their registered investment portfolio to go to their son, Alexander, who is 48 years old. The family would like to purchase life insurance to offset the tax liability.

Which of the following plans would best suit the family?

A. A joint first-to-die plan with Agatha and Peter as the insured

B. Two separate permanent single life policies with Agatha and Peter as the insured

C. A joint last-to-die plan with Agatha and Peter as the insured

D. A joint first-to-die plan with Peter and Alexander as the insured

ANSWER: C

Explanation:

A joint last-to-die plan with Agatha and Peter as the insured best aligns the insurance proceeds with the family’s anticipated tax timing. At Peter’s death, registered-plan proceeds may generally be transferred to a surviving spouse on a tax-deferred basis when the applicable beneficiary designation and transfer requirements are met. This can defer the tax that would otherwise arise from Peter’s registered assets until Agatha’s later death. When the surviving spouse dies and the assets ultimately pass to Alexander, the remaining registered-plan value is generally included in the deceased annuitant’s income unless a qualifying rollover applies. A joint last-to-die policy pays its death benefit only after the second insured dies, providing estate liquidity at the point when the deferred tax liability is expected to become payable. The death benefit can therefore help the estate meet its tax obligation without forcing the sale of other estate assets intended for Alexander. The policy is particularly suited to estate-tax funding because it can be structured with a benefit amount designed around the projected tax exposure at the second death. The Canada Revenue Agency explains the spousal rollover treatment for registered retirement savings plans at Death of an RRSP annuitant and describes final-return reporting at Final return for a deceased person.

QUESTION NO: 21

After working nine years as an insurance agent, Jamie decides to make a change in her life and go back to school. A colleague she used to work with on personal health insurance congratulatesher and tells her that he will pay her a flat fee for every health insurance referral she makes to him, as long as the referral results in a sale. What could be said about this referral arrangement?

A. It is allowed, because Jamie used to be a licensed agent herself.

B. It is allowed, provided the persons being referred are aware of the arrangement.

C. It is not allowed, because Jamie's earnings are contingent upon the agent's sales.

D. It is not allowed, because Jamie earns a flat fee for each prospect referred.

ANSWER: C

Explanation:

"It is not allowed, because Jamie's earnings are contingent upon the agent's sales." is correct. Jamie is no longer licensed, so she may not receive referral compensation that is conditional on an insurance transaction being completed. The key feature of this arrangement is not simply that a payment is described as a flat fee; it is that payment becomes payable only when the referred prospect purchases insurance. That makes the compensation dependent on a sale and gives an unlicensed person a financial interest in the placement of insurance.

Ontario's life-insurance agent rules distinguish a permitted referral payment from compensation connected to the sale or placement of insurance. A referral arrangement involving an unlicensed person must be structured so that the amount and entitlement to payment do not depend on whether the person buys a policy, the type of policy, or policy terms. Jamie's prior experience and former licence do not alter her current unlicensed status. The restriction supports consumer protection by ensuring that persons who are compensated for insurance activity requiring licensing are properly authorized and subject to the applicable suitability, conduct, and oversight obligations. See Ontario Regulation 347/04 under the Insurance Act and the Financial Services Regulatory Authority of Ontario's insurance agents and agencies guidance.

QUESTION NO: 22

Last year, Ezekiel purchased a $100,000 life insurance policy and named his wife Jolene as an irrevocable beneficiary of the policy. Last week, Ezekiel returned home early from a business trip and decided to surprise his wife instead of calling ahead. He arrived at midnight and not wanting to wake her, entered the house from the back door and left the lights off. Not expecting the intruder to be her husband, Jolene stabbed him in the heart with a kitchen knife. She quickly realized her mistake and called 911. Unfortunately, Ezekiel died in the hospital from his wounds. The police deemed Ezekiel's death as accidental, and no charges were filed. Will the insurer pay the death benefit?

A. Yes, because Ezekiel's death was accidental, Jolene did not intend to kill him.

B. Yes, because Jolene is the designated irrevocable beneficiary.

C. No, because he died within the first 2 years of purchasing the policy.

D. No, because Jolene caused his death.

ANSWER: A

Explanation:

Yes, because Ezekiel's death was accidental, Jolene did not intend to kill him. The rule that can prevent a beneficiary from receiving life-insurance proceeds is directed at a person who *willfully* or intentionally causes the insured's death. It is not triggered merely because the beneficiary's act factually caused the death. On these facts, Jolene reasonably believed that an intruder had entered the home, immediately recognized the error, sought emergency help, and the death was determined to be accidental. Those facts do not establish an intentional or willful killing of Ezekiel by Jolene. Consequently, the policy's death benefit remains payable, and Jolene's irrevocable beneficiary designation continues to direct payment of the proceeds to her. The insurer would still administer the claim in the usual way, including obtaining proof of death and any information needed to confirm the circumstances, but the accidental nature of the event does not itself defeat the claim. Canadian provincial insurance legislation commonly expresses this principle by barring recovery only where a beneficiary willfully causes the insured event. For an example, see the beneficiary provisions in Ontario's Insurance Act. The underlying legal

principle is also consistent with the common-law public-policy rule described by the Supreme Court of Canada in Oldfield v. Transamerica Life Insurance Co. of Canada.

QUESTION NO: 23

Danny purchases a $1,000,000 whole life insurance policy. He names his three daughters, Donna-Joe, Stephanie, and Michelle, as revocable beneficiaries with each receiving one-third of the death benefit.

If Michelle predeceases Danny, and Danny did not have a chance to modify his beneficiary designation, how will Danny's death benefit be paid out?

A. Donna-Joe and Stephanie will each receive $500,000.

B. Donna-Joe and Stephanie will each receive $333,333 and Michelle's estate will receive $333,333.

C. Donna-Joe and Stephanie will each receive $333,333 and Danny's estate will receive $333,333.

D. Danny's estate will receive the entire $1,000,000 death benefit.

ANSWER: C

Explanation:

Danny allocated a defined one-third share of the insurance proceeds to each daughter. Michelle must survive Danny for her designated share to become payable to her. Because Michelle died first and Danny did not name a contingent beneficiary for her one-third interest or revise the designation, that portion does not become payable to Michelle or automatically enlarge the stated one-third shares of Donna-Joe and Stephanie. Instead, the failed one-third designation is payable to Danny's estate. Donna-Joe and Stephanie each remain entitled to the one-third share expressly assigned to them, while Danny's estate receives Michelle's one-third share. On a $1,000,000 benefit, each one-third is approximately $333,333; minor rounding would be addressed when the insurer pays the exact proceeds. This result reflects the importance of using contingent beneficiaries or wording that expressly provides for survivorship if the policyowner wants a deceased beneficiary's share redirected. Provincial insurance legislation governs beneficiary designations and the disposition of proceeds where a beneficiary predeceases the life insured; see the Ontario Insurance Act and the CLHIA consumer information on life insurance beneficiaries.

QUESTION NO: 24

Ae-Cha starts working for the manufacturer, Premier Vibe Inc., a company that offers its employees group insurance with Sprout Life Insurance. Ae-Cha meets with Devon, the group insurance representative, and learns that her group plan includes $75,000 of life insurance coverage. Ae-Cha would like to know who designates the beneficiary on the life insurance.

A. Premier Vibe Inc.

B. Ae-Cha

C. Devon

D. Sprout Life

ANSWER: B

Explanation:

Ae-Cha is the person insured under the group life insurance coverage, so she designates the beneficiary for the $75,000 life insurance benefit. In a group insurance arrangement, the employer generally owns or administers the master group contract and the insurer provides the coverage. However, each eligible employee receives coverage as a group member and is ordinarily entitled to name, change, or revoke the beneficiary for that employee's own life insurance benefit, subject to applicable insurance legislation and the plan's procedures. Ae-Cha would normally complete the insurer's or plan administrator's beneficiary-designation form when enrolling, and should keep that designation current following significant life events. The designation tells Sprout Life Insurance who is to receive the death benefit if Ae-Cha dies while coverage is in

force. Canadian insurance legislation recognizes an insured person's ability to designate a beneficiary, including in relation to group insurance arrangements; see the Ontario Insurance Act. For consumer guidance on the importance and operation of beneficiary designations in life insurance, see the Financial Consumer Agency of Canada's life insurance information.

QUESTION NO: 25

Diane is an insurance agent working for Gamma Insurance Inc. who is responsible for coaching a newly licensed agent, Wick. Wick has questions about his role, and he would like to know how he should service his clients.

What should Diane tell Wick about what is expected of him?

A. He must keep detailed notes about the services provided to clients.

B. He must deliver to clients, newly issued policies within 30 days of acceptance.

C. He must fill out the claim forms for his clients.

D. He must contact his clients on a quarterly basis.

ANSWER: A

Explanation:

He must keep detailed notes about the services provided to clients. Maintaining a complete client file is a core part of an insurance agent's ongoing service responsibility. Notes should create a clear record of client contacts, information gathered, needs discussed, advice or recommendations provided, instructions received, policy changes requested, disclosures made, and follow-up completed. This documentation helps ensure continuity of service if the file is reviewed later or transferred, and it allows the agent and insurer to demonstrate that the client was treated fairly and that advice was based on the information available at the time. Detailed notes are particularly important when a client's circumstances or insurance needs change, because the agent must be able to show what was discussed and what action was taken. Sound recordkeeping also supports complaint handling, regulatory oversight, and professional accountability. Canadian insurance regulators emphasize fair treatment of customers throughout the insurance product life cycle, including after-sale service; see the Canadian Council of Insurance Regulators' fair treatment guidance. Licensing information and consumer-protection expectations are also maintained by provincial regulators, such as the Financial Services Regulatory Authority of Ontario.

QUESTION NO: 26

Alana, Meaghan, and Beatrice are equal shareholders of Advanced Tech Inc. They each own 100 shares of the company. Each share is currently worth $5,000. They recently signed a cross-purchase buy-sell agreement that is funded by life insurance. What will happen under this agreement if Alanadies today?

A. Meaghan and Beatrice would each still own 100 shares of the company.

B. There would now be 200 outstanding shares of the company.

C. Each share would now be worth $7,500.

D. Alana's estate would receive a total of $500,000.

ANSWER: D

Explanation:

Alana's estate would receive a total of $500,000. A cross-purchase buy-sell agreement is an arrangement among the shareholders: each shareholder has an obligation to buy the deceased shareholder's interest, and life insurance is used to provide the cash required when that death occurs. The value of Alana's interest is determined by multiplying her 100 shares by the stated value of $5,000 per share, which produces a purchase price of $500,000. On Alana's death, the insurance proceeds available to Meaghan and Beatrice fund their purchase of her shares from her estate. The estate therefore receives the agreed value in cash rather than remaining an owner alongside the surviving shareholders. Assuming the surviving shareholders buy equal portions, each acquires 50 of Alana's shares and will hold 150 shares after the transaction.

The number of shares issued by the corporation does not change merely because ownership is transferred between shareholders; the agreement transfers Alana's existing shares to the survivors. Buy-sell agreements are commonly used to establish an orderly ownership transition and a known valuation when an owner dies. See the Business Development Bank of Canada's overview of buy-sell agreements and the Income Tax Act for Canadian legislative context concerning life insurance proceeds.

QUESTION NO: 27

Insurance of persons representative Flavie meets with Julius to analyze his needs. At the end of the meeting, Flavie makes another appointment to present the results of the analysis and the proposed strategies. She hands Julius her business card, which says: "One of the company's 10 best salespersons at your service!" Flavie even adds that she is the office's top salesperson and earns more than $250,000 a year in commissions and bonuses. What changes should Flavie make for her representation practices to comply with the obligations of an insurance of persons representative?

A. Give her business card at the beginning of the meeting

B. Remove the slogan from her business card

C. Give her business card only at the second meeting

D. Avoid disclosing the fact that she is paid by commission

ANSWER: B

Explanation:

Remove the slogan from her business card is correct because an insurance of persons representative's communications must be professional and must not create an inappropriate impression of superiority, exert undue influence, or distract a client from an objective assessment of their own needs. Calling herself one of the company's "10 best salespersons" is self-promotional language focused on sales performance rather than the quality and suitability of the advice and insurance recommendation Julius requires. Removing that slogan ensures that the business card serves its proper identification and contact purpose without making a comparative claim that may influence the client's confidence or decision-making for reasons unrelated to the proposed insurance strategy.

This approach supports the representative's broader obligation to act fairly, honestly, and professionally when dealing with clients. The needs-analysis process should remain centred on Julius's financial situation, objectives, risk exposure, and insurance needs—not on Flavie's sales ranking or personal compensation. The applicable Québec representative conduct rules are available in the Regulation respecting the pursuit of activities as a representative. Québec's insurance distribution framework is set out in the Act respecting the distribution of financial products and services.

QUESTION NO: 28

Xavier meets and fills out an application form with Jose, an insurance representative, because he would like to purchase a critical illness insurance policy. When Jose asks Xavier about his alcohol consumption, Xavier admits he regularly drinks 10 beers a day.

What is the next step in the application process?

A. The insurance company will automatically refuse the application.

B. The insurance company will accept the application with an exclusion for alcohol consumption.

C. Jose should refuse the request.

D. Xavier will have to fill out a questionnaire detailing his alcohol consumption.

ANSWER: D

Explanation:

Xavier will have to fill out a questionnaire detailing his alcohol consumption. Life and critical illness insurance are individually underwritten products, so the insurer needs enough relevant information to evaluate the applicant's health risk before it can make an underwriting decision. Regular consumption of 10 beers a day is material health information because alcohol use may affect present health, future morbidity, and mortality risk. The representative should accurately record the disclosure and follow the insurer's application requirements. A supplementary alcohol-use questionnaire is the appropriate next procedural step because it obtains the details the underwriter needs, such as frequency and quantity of use, duration of the pattern, any treatment or medical advice received, work or driving consequences, and related health history. The insurer can then assess the complete evidence, potentially together with medical records or other underwriting requirements, and determine the policy terms. This reflects the central insurance principle that applicants must provide complete and accurate information relevant to risk assessment. The Canadian Life and Health Insurance Association explains the importance of truthful, complete application information in its consumer guidance on life insurance: CLHIA—Buying Life Insurance. See also the CLHIA overview of individual insurance underwriting: CLHIA—The Underwriting Process.

QUESTION NO: 29

Francis owns a $250,000 insurance policy with an accidental death and dismemberment (AD&D) rider. Francis calls his insurance agent Andrew to inform him that he permanently lost the use of his right hand. He explains to Andrew that his brother shot him when he broke into his brotherâ€™s house to recover a gold watch that was rightfully his. Francis wants to know how much he will receive from his AD&D rider.

A. Francis will receive a benefit of $165,000.

B. Francis will receive a benefit of $187,500.

C. Francis will receive a benefit of $250,000.

D. Francis will not receive any benefit.

ANSWER: D

Explanation:

Francis will not receive any benefit. AD&D coverage pays only where a covered accidental loss occurs and no contractual exclusion applies. These riders commonly exclude losses that arise while the insured is committing, attempting, or participating in an illegal or criminal act. The relevant facts place Francis in the course of breaking into his brother's home. A belief that the watch belonged to him does not authorize him to enter another person's dwelling by force or without permission. Under the Criminal Code, section 348, breaking and entering a place with intent to commit an indictable offence is an offence, and a dwelling-house is specifically addressed by that provision. Therefore, the loss of use of Francis's hand occurred in circumstances captured by the criminal-act exclusion that applies to the AD&D rider. Since the exclusion prevents the rider benefit from becoming payable, the usual dismemberment percentage or benefit schedule does not need to be calculated. This result reflects the fundamental insurance principle that entitlement is determined by the policy's insuring agreement and exclusions as applied to the facts of the loss. Canadian consumer guidance similarly notes that policyholders must review the specific terms, conditions, and exclusions of insurance coverage: Financial Consumer Agency of Canada.

QUESTION NO: 30

Having recently gotten married, Eddie and his spouse are currently looking for a home. They believe it could take up to 12 months for them to compare houses and make a firm purchase decision. Eddie has some RRSP and TFSA savings that are currently invested in equity funds. Now in his mid-thirties, he has been investing for the past 10 years and is familiar with how the stock markets work. He generally feels comfortable with high-risk investments. To help with the down payment, Eddie's parents provided him with $100,000 cash. Eddie is thinking of investing this money until the actual home purchase but is not sure what the best course of action would be.

What should Eddie do with the cash from his parents to fulfill his objective?

A. Put the money in a savings account.

B. Put the money in a one-year GIC.

C. Invest the money in a bond fund.

D. Invest the money in an equity fund.

ANSWER: B

Explanation:

Put the money in a one-year GIC. The $100,000 has a defined purpose—funding a home down payment—and a short expected time horizon of about 12 months. Suitability must be assessed in relation to the objective, time horizon, need for liquidity, and capacity to absorb loss for these particular funds, rather than solely Eddie's general comfort with high-risk investing. Because a reduction in the amount available for the down payment could prevent or delay a purchase, preserving the principal is the central requirement.

A one-year guaranteed investment certificate matches this short-term horizon while providing a stated rate of interest and return of the principal at maturity, subject to the GIC's terms and the issuer's creditworthiness. This lets Eddie earn a known return without exposing the down-payment money to day-to-day market price fluctuations. The Financial Consumer Agency of Canada explains that GICs generally guarantee the original investment and interest rate when held to maturity; it also notes that access before maturity depends on whether the GIC is redeemable. Eddie should therefore select a GIC whose maturity and redemption terms fit the anticipated purchase timing. See the FCAC overview of GICs and the CDIC member-institution information for deposit-protection context.

QUESTION NO: 31

Mordecai ' s life insurance lapsed four years after the policy was issued because he failed to make premium payments. The insurer reinstated the policy several months later when he made the required payments and provided the medical and financial information the insurer required. Twelve months later, Mordecai commits suicide and his beneficiaries ask Larry, his insurance agent, whether the claim will be paid. What should Larry tell the beneficiaries?

A. The claim will be paid, because the incontestability clause ended two years after the policy was issued.

B. The claim will be paid, because paying the death benefit would be consistent with public order and community standards.

C. The claim will be rejected, because the suicide exclusion begins with the date the insurer reinstates the policy.

D. The claim will be rejected, because Mordecai ' s poor mental health was, in all likelihood, a preexisting condition.

ANSWER: C

Explanation:

The claim will be rejected, because the suicide exclusion begins with the date the insurer reinstates the policy. Reinstatement restores a lapsed life insurance contract after the policyowner meets the insurer's requirements, commonly including payment of arrears and satisfactory evidence of insurability. However, reinstatement also starts a new statutory suicide-exclusion period. In the applicable common-law insurance framework, where an insured dies by suicide within two years after reinstatement, the insurer is not required to pay the policy's death benefit; its obligation is generally limited to returning applicable premiums or their value as prescribed by the governing insurance legislation.

Mordecai died by suicide only 12 months after the insurer reinstated the contract. That timing falls within the two-year period measured from reinstatement, so the prior four years during which the original policy was in force do not make the death benefit payable. Larry should communicate the result carefully and avoid making an independent claims decision: the insurer will assess and administer the claim under the policy and applicable law, but the relevant exclusion applies on these facts. The statutory treatment of suicide following reinstatement can be seen in the Ontario Insurance Act, section 183. For the corresponding federal legislative source, see the Insurance Companies Act.

QUESTION NO: 32

Which organization provides protection for holders of segregated fund contracts in Canada if the insurer becomes insolvent?

A. Canadian Deposit Insurance Corporation

B. Canadian Insurance Services Regulatory Organizations

C. Assuris

D. OmbudService for Life & Health Insurance

ANSWER: C

Explanation:

Assuris is the Canadian not-for-profit compensation organization that protects eligible policyholders when a member life insurance company fails. Its protection extends to benefits provided under individual life insurance products, including segregated fund contracts. In an insolvency, Assuris works to ensure that policyholders retain coverage or have their policies transferred or continued, subject to the applicable protection limits and the terms of the contract. For segregated fund benefits, the protection is generally 100% of the benefit up to $100,000 and 90% of amounts above $100,000, although the precise treatment depends on the type of benefit and policy circumstances. This industry-backed framework is designed to preserve confidence in the Canadian life and health insurance sector and applies automatically to eligible policies issued by Assuris member companies; policyholders do not need to enrol separately. Assuris describes its protection and the applicable benefit limits on its How am I protected? page. The organization also confirms that protection applies when a member company fails and identifies participating insurers through its member companies information.

QUESTION NO: 33

Kirill purchases a $250,000 permanent life insurance policy on the life of his grandson, Dmitry. Kirill asks his wife Katya to pay the policy premiums and names his daughter, Natalya, as the subrogated policyholder. He does not name a beneficiary. Subsequently, Kirill dies without a will.

Who will become the new policyholder?

A. The executor of Kirill's estate.

B. Katya.

C. Natalya.

D. Dmitry.

ANSWER: C

Explanation:

Natalya becomes the new policyholder because Kirill expressly designated her as the subrogated policyholder. In Québec life insurance, a policyholder may appoint a subrogated policyholder, who succeeds to the policyholder's rights when the original policyholder dies. This succession occurs by virtue of the designation in the insurance contract, so it does not depend on Kirill having made a will or on the administration of his succession. Natalya therefore acquires the ownership rights attached to the policy, including the ability to exercise policyholder rights under its terms, such as maintaining the coverage and making permitted changes to the contract.

The fact that Katya pays the premiums does not itself give her policyholder status. Payment of premiums can be arranged by someone other than the owner, while ownership remains with the policyholder and then passes to the properly designated subrogated policyholder. Likewise, the absence of a beneficiary designation concerns who may receive insurance proceeds on Dmitry's death; it does not displace the contractual succession of ownership following Kirill's death. The governing rule is set out in article 2445 of the Civil Code of Québec, which provides for a subrogated policyholder becoming policyholder upon the policyholder's death. See also the AMF life-insurance information for policy ownership context.

QUESTION NO: 34

Jean, who is in business, would like to understand why his segregated funds, which resemble mutual funds, allow this type of asset to be sheltered from creditors. How should Patrice, his financial security advisor, answer?

A. The reason is that segregated funds are offered through an annuity policy, and by law, annuities offer a certain measure of protection if the beneficiary is the legal spouse or the policyholderâ€™s ascendant or descendant, or an irrevocable beneficiary

B. The reason is that segregated funds are governed by the AMFâ€™s Guideline on Individual Variable Insurance Contracts Relating to Segregated Funds, which states that these products are exempt from seizure

C. The reason is that anything offered by a life insurer can be exempt from seizure if a beneficiary is designated, except for contributions in the last year

D. The reason is that mutual funds do not offer a guarantee and itâ€™s the guarantee offered by segregated funds, which ensures it is an insurance contract and which therefore allows funds to be free from creditors

ANSWER: A

Explanation:

The reason is that segregated funds are offered through an annuity policy, and by law, annuities offer a certain measure of protection if the beneficiary is the legal spouse or the policyholderâ€™s ascendant or descendant, or an irrevocable beneficiary. This correctly identifies the legal basis for the potential creditor protection: a segregated fund contract is an individual variable insurance contract issued by a life insurer and is structured as an annuity contract, rather than being simply a conventional mutual fund investment. In Quebec, the Civil Code provides that the rights of the policyholder, insured person, or beneficiary under a life insurance contract are exempt from seizure where the beneficiary is the policyholderâ€™s spouse, descendant, ascendant, or an irrevocable beneficiary. This protection can therefore extend to the value held in a segregated fund contract when the applicable beneficiary designation and legal conditions are in place. The advisor should describe the protection as conditional rather than absolute, since its availability depends on the contract, the beneficiary designation, and applicable law. The relevant creditor-protection rule appears in article 2457 of the Civil Code of Québec. Segregated funds are insurance products governed within the life-insurance regulatory framework; see the AMF's segregated funds information.

QUESTION NO: 35

Melissa, a La Tranquillité representative, is meeting with a client who tells her about something that happened to one of her friends. While she was taking part in an outdoor weekend at Mont-Tremblant Park, a forest fire broke out and one of the participants was never found. The client isabout to take out life insurance with Melissa. She asks Melissa what would happen to her insurance capital in such a situation. What can Melissa tell the client?

A. The insurer would pay the insurance face amount within 30 days of the claim

B. The contract premiums would be reimbursed to the beneficiary because the contract would be null and void

C. It would be impossible to pay the insurance face amount if the victim's body is not found

D. The beneficiary could receive the insurance face amount after a certain number of years and after receiving the judgment for the declaration of death

ANSWER: D

Explanation:

The beneficiary could receive the insurance face amount after a certain number of years and after receiving the judgment for the declaration of death. A life insurer requires legally sufficient proof that the insured has died before paying a death benefit. When a person disappears and no body is found, a court's declaratory judgment of death can provide that proof and establish the legal date of death for purposes such as settling insurance proceeds and succession matters.

In Québec, the Civil Code provides two relevant routes. Where a person has disappeared in circumstances in which death may be held certain, an interested person may seek a declaratory judgment of death after six months. A forest fire is the type of perilous event that may support such an application, depending on the evidence. In other disappearance cases, a declaration of death can generally be sought after seven years of absence. Once the appropriate judgment is obtained and the insurer receives the required claim documentation, the beneficiary may claim the policy's insurance capital under the contract. This process ensures that the insurer has authoritative legal confirmation before releasing the death benefit. See

the Civil Code of Québec on CanLII, particularly the rules concerning absence and declaratory judgments of death, and Québec's civil-status information.

QUESTION NO: 36

Remi owns a registered annuity contract that pays him a $2,500 monthly benefit. He purchased the contract five years ago from money he accumulated in his registered pension plan. At the time, he named his wife Annette as the revocable beneficiary of the contract. Today, he calls Louisa, his insurance agent, to designate his sister as beneficiary of the contract instead. Louisa tells him that there are restrictions on the contract and that he cannot change the beneficiary designation.

Why is Remi unable to make the change?

A. He is already receiving payments from the contract.

B. He would first have to obtain his wife ' s consent to change it.

C. He did not complete the change of beneficiary form.

D. The contract was funded by a registered pension plan.

ANSWER: D

Explanation:

The contract was funded by a registered pension plan. Pension money used to purchase a registered retirement annuity is generally subject to pension-locking-in rules and statutory spousal protections. These rules preserve the pension's purpose of providing retirement income and protecting the financial interest of the member's spouse or common-law partner. Consequently, the annuity cannot be treated like an ordinary non-registered insurance contract in which the owner can freely redirect the death benefit to another family member.

Where locked-in pension funds are used, applicable pension legislation generally requires the spouse to receive the survivor benefit, unless the spouse has completed a valid waiver in the required form and within the prescribed conditions. The precise legislation and waiver process depend on the pension jurisdiction governing the original registered pension plan, but the source of the money is what creates the restriction. Remi's initial use of RPP funds therefore carries pension-law conditions into the annuity contract and prevents him from simply replacing Annette with his sister as beneficiary.

For an overview of locked-in retirement funds and the associated spouse protections, see the Financial Services Regulatory Authority of Ontario's guidance on locked-in accounts and life income funds. Statutory spousal entitlement rules are also illustrated in Ontario's Pension Benefits Act, section 44.

QUESTION NO: 37

Johann owns a $250,000 whole life insurance policy. The policy has a cash surrender value (CSV) of $55,000 and an adjusted cost basis (ACB) of $30,000. Johann would like to cancel his policy and use the cash surrender value to fund a new business. If his marginal tax rate is 40%, how much will he have left after cancelling his policy?

A. $30,000

B. $33,000

C. $45,000

D. $55,000

ANSWER: C

Explanation:

$45,000 is correct. Cancelling a whole life policy for its cash surrender value is a disposition of an interest in a life insurance policy for Canadian income-tax purposes. The policyholder's taxable policy gain is calculated as the proceeds received on disposition less the policy's adjusted cost basis. Johann receives a cash surrender value of $55,000 and has an adjusted

cost basis of $30,000, producing a policy gain of $25,000. This gain is included in income and is taxed at Johann's stated marginal tax rate of 40%. His tax payable on the gain is therefore $10,000 ($25,000 × 40%). After paying that tax, the amount available from the surrender proceeds to invest in the new business is $45,000 ($55,000 − $10,000). The policy's $250,000 death benefit does not determine the surrender proceeds or the taxable gain in this calculation; the relevant amounts are the cash surrender value and adjusted cost basis. The income inclusion treatment follows the disposition rules for life insurance policies in subsection 148(1) of the Income Tax Act. See the Income Tax Act, section 148 and the CRA's guidance on life insurance policies.

QUESTION NO: 38

(Anthony, 26, wants to invest $500 but be able to cash it in anytime without fees and wants capital protection.

What investment should the insurance agent recommend?)

A. An IVIC consisting of a growth fund with a 100% maturity guarantee.

B. An IVIC consisting of a bond fund with a deferred sales charge.

C. A redeemable guaranteed investment certificate.

D. A market-linked guaranteed investment certificate.

ANSWER: C

Explanation:

A redeemable guaranteed investment certificate is the appropriate recommendation because it directly combines the two features Anthony identified as essential: preservation of principal and access to his money before the certificate's stated maturity. A GIC is a deposit investment with a defined principal amount, so it provides the requested capital protection, subject to the issuer's terms and applicable deposit-insurance limits. A redeemable version is specifically designed to permit early redemption, making it suitable for someone who may need to access a relatively small $500 investment at any time rather than committing it for a fixed term.

Before completing a sale, the agent should confirm the particular issuer's redemption provisions, including whether redemption is available immediately or after an initial holding period and how interest is calculated on early redemption. Those details affect the return paid, but they do not change the core suitability match: Anthony's priority is liquidity without redemption fees together with protection of the amount invested. The Financial Consumer Agency of Canada explains GIC features and terms at FCAC: Guaranteed investment certificates. Deposit-insurance coverage information is available from Canada Deposit Insurance Corporation.

QUESTION NO: 39

Peter owns a whole life insurance policy with a death benefit of $250,000. He borrowed $18,000 against the policy's cash value to help pay for home repairs. At the time of his death, the policy is in force and the outstanding policy loan, including all accrued interest, is $18,000.

How much will the named beneficiary receive from the policy?

A. $18,000

B. $200,000

C. $232,000

D. $250,000

ANSWER: C

Explanation:

$232,000 is correct. A policy loan is secured by the cash value of the life insurance policy. When the insured dies while a loan remains outstanding, the insurer deducts the loan balance and accrued interest from the death benefit before paying the beneficiary.

Peter’s beneficiary is therefore entitled to $232,000, calculated as the $250,000 death benefit less the $18,000 outstanding loan. The loan does not make the policy void, provided the policy remained in force; it reduces the amount payable on death.