Maryland Life Producer Exam (Series 20-27)

Maryland Insurance Administration Life-Producer

Version Demo

Total Demo Questions: 17

Total Premium Questions: 177

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Topic Break Down

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QUESTION NO: 1

An individual purchased an annuity with a series of premium payments continuing over a period of twenty years. The purchase payments were made during the:

A. Liquidation period

B. Annuity period

C. Period certain

D. Accumulation period

ANSWER: D

Explanation:

Accumulation period is correct because it is the stage of an annuity during which the owner makes purchase payments (premiums) and the annuity value builds. Here, the individual makes a series of payments for twenty years, which describes a deferred annuity being funded over time rather than one already distributing income. Amounts credited to the contract during this period may grow according to the annuity's stated interest-crediting method, investment performance, and contract terms. At the end of the accumulation period, the owner may generally elect to begin receiving income payments, withdraw or surrender funds subject to applicable terms and tax rules, or use the accumulated value to provide annuity benefits. This distinction is important for life-producer examinations: the timing and direction of payments identify the phase. Payments going *into* the annuity to create value identify the accumulation period. The Maryland Insurance Administration's consumer guidance recognizes annuities as insurance products that can provide retirement income, while the National Association of Insurance Commissioners explains that deferred annuities have a period in which money accumulates before income payments begin. See the Maryland Insurance Administration annuities information and the NAIC annuities consumer guide.

QUESTION NO: 2

Under which of the following circumstances may a class designation of beneficiary in life insurance be used?

A. To name the insured's children as beneficiaries without naming them individually

B. To donate insurance proceeds to a specific organization or charity

C. To set up a trust fund for the insured's children

D. To name a specific beneficiary to receive the proceeds on behalf of a group

ANSWER: A

Explanation:

"To name the insured's children as beneficiaries without naming them individually" is a proper use of a class beneficiary designation. Rather than identifying beneficiaries by their individual legal names, a class designation identifies them through a defined relationship or category, such as "children of the insured," "surviving children," or "spouse." The persons who qualify for that category at the relevant time are the intended beneficiaries under the policy's designation and settlement provisions.

This approach is especially useful where the insured wants the designation to accommodate changes in the family without requiring a policy change each time a child is born or another child becomes part of the class. It also avoids the need to list each child separately while still expressing a clear intent that the proceeds benefit the insured's children as a group. For producer-exam purposes, the key distinction is that the beneficiary is identified by membership in an ascertainable class, not as a specifically named individual or entity. Maryland producers should ensure that beneficiary instructions are completed clearly and consistently with the insurer's policy forms and applicable insurance requirements. See the Maryland Insurance Administration's producer licensing information and the Maryland General Assembly's Insurance Article provisions.

QUESTION NO: 3

A transaction in which an existing annuity contract is terminated and a new one is issued is called:

A. Conversion

B. Continuation

C. Replacement

D. Reinstatement

ANSWER: C

Explanation:

Replacement is correct because it describes an annuity transaction in which a new annuity is purchased and an existing annuity is surrendered, lapsed, forfeited, assigned to the insurer for a value, or otherwise terminated. The central fact in the question is not merely that a new contract is issued; it is that the existing annuity contract is terminated in connection with the new transaction. That is the defining feature of an annuity replacement under Maryland insurance regulation. Replacement transactions receive specific regulatory attention because replacing an annuity can materially affect the owner's benefits, values, charges, guarantees, riders, and surrender-charge period. A producer must therefore identify whether a recommendation involves replacement and follow applicable disclosure and suitability requirements. Maryland's annuity replacement regulation is found in COMAR 31.09.04, which defines and regulates replacement of life insurance and annuities. Maryland's broader annuity suitability and best-interest standards also require recommendations to be appropriate for the consumer's insurance needs and financial objectives. See COMAR 31.09.04.01 and the Maryland Insurance Administration annuity suitability guidance.

QUESTION NO: 4

(If all beneficiaries die before the insured dies, the proceeds of a life insurance policy will be paid to:)

A. The insured's creditors

B. A beneficiary named by the court

C. The insured's estate

D. The beneficiary's estate

ANSWER: C

Explanation:

The insured's estate is the proper recipient when every named beneficiary, including any contingent beneficiary, dies before the insured and the policy does not contain another effective beneficiary designation. A life insurance beneficiary designation is ordinarily effective only if the designated person survives the insured. When no beneficiary is eligible to receive the death benefit at the insured's death, the insurer follows the policy's default-payment provision, which generally directs payment to the insured's estate. The proceeds then become an estate asset and are administered by the personal representative under Maryland probate procedures. Distribution is made according to the insured's valid will or, if there is no will, Maryland intestacy law. This result also allows the insurer to obtain appropriate estate documentation, such as letters of administration or letters testamentary, before making payment. Maryland law recognizes that life insurance proceeds may be payable to the estate and addresses the treatment of policy proceeds and beneficiary interests in its insurance statutes. See Maryland Code, Insurance Article, § 16-111 at Maryland General Assembly and the Maryland Register of Wills' probate information at Maryland Registers of Wills.

QUESTION NO: 5

All of the following would be considered an unfair trade practice EXCEPT:

A. Statements misrepresenting the benefits of an insurance policy

B. Misrepresentation of any insurance policy as being shares of stock

C. Publishing false statements derogatory to the financial condition of an insurer

D. Sharing commissions with agents who have equivalent licenses

ANSWER: D

Explanation:

Sharing commissions with agents who have equivalent licenses is the exception because Maryland insurance law permits compensation to be paid for insurance business when the recipient is appropriately licensed. Maryland's producer-compensation statute generally allows a licensed insurance producer to pay a commission or other compensation to another licensed insurance producer for selling, soliciting, or negotiating insurance, subject to the statute's licensing and line-of-authority requirements. Thus, an arrangement in which commissions are shared among agents holding equivalent licenses is a lawful producer-compensation practice rather than an unfair trade practice, assuming the agents are properly licensed for the insurance involved and the payment otherwise complies with Maryland law. The key point is that Maryland regulates who may receive insurance commissions; it does not treat commission sharing itself as an unfair trade practice when it occurs between properly licensed producers. This conclusion is consistent with the Maryland General Assembly's Insurance Article provision governing payment of commissions, found in Maryland Insurance Article § 10-121. Maryland's statutory unfair-trade-practice framework is contained in Title 27 of the Insurance Article, available through the Maryland General Assembly's Insurance Article.

QUESTION NO: 6

(If Kim applies for a life insurance policy on Kim's own life and names Chris to receive the death benefit:)

A. Kim is the insured and the beneficiary.

B. Kim is the policyowner and the applicant.

C. Chris is the policyowner and the insured.

D. Chris is the applicant and the beneficiary.

ANSWER: B

Explanation:

Kim is the policyowner and the applicant. The applicant is the person who requests insurance and completes the application, so Kim is the applicant because Kim applies for the policy. Because the coverage is written on Kim's own life, Kim is also the insured—the person whose death triggers the life-insurance death benefit. In the ordinary individual-policy arrangement described, the applicant who obtains a policy on their own life is also the policyowner, absent facts showing that ownership was assigned or issued to someone else. The policyowner holds the contractual ownership rights, including the right to exercise policy provisions and, when the beneficiary designation is revocable, change the beneficiary. Kim's designation of Chris to receive the death benefit identifies Chris as the beneficiary; it does not change Kim's status as applicant or owner. Maryland law recognizes the policyowner's authority to designate or change a beneficiary, subject to the policy terms and any irrevocable designation. See Maryland Insurance Article § 16-111 at Maryland General Assembly. For a consumer-oriented discussion of life-policy ownership and beneficiary designations, see the NAIC Life Insurance Buyer's Guide.

QUESTION NO: 7

Which contract offers flexible deposits, deferred taxation, a guaranteed minimum interest rate, and death proceeds equal to the cash value?

A. An adjustable whole life insurance policy

B. An available deferred annuity

C. A flexible premium fixed annuity

D. A universal life insurance policy

ANSWER: C

Explanation:

A flexible premium fixed annuity offers all of the stated features. “Flexible premium” means the contract owner can generally make deposits at varying times and in varying amounts, subject to the insurer’s contract rules and any applicable contribution limits. As a fixed annuity, it credits interest under terms established by the insurer and includes a guaranteed minimum interest rate, providing a contractual floor for the accumulation value. The owner’s funds accumulate on a tax-deferred basis: interest generally is not currently taxed while it remains in the annuity contract. Instead, tax treatment generally applies when amounts are distributed, consistent with the Internal Revenue Service’s discussion of annuity income and distributions in IRS Publication 575. During the accumulation, or deferred, period, the contract’s death-benefit provision commonly pays the accumulated contract value (cash value) to the named beneficiary if the owner dies before annuitization, subject to the contract’s specific terms. Maryland regulates annuity insurance as part of its insurance regulatory framework; the State’s insurance regulations are available through COMAR Title 31. Together, flexible funding, tax-deferred accumulation, fixed-rate guarantees, and a cash-value death benefit identify a flexible premium fixed annuity.

QUESTION NO: 8

What does the annuitant usually receive during the liquidation phase of an annuity?

A. Cash withdrawals upon request

B. Benefit payments at regular intervals

C. A lump sum

D. Nothing

ANSWER: B

Explanation:

Benefit payments at regular intervals is correct because the liquidation phase—also called the annuitization or payout phase—is the period when the accumulated value of an annuity is converted into a stream of income. The insurer calculates payments under the payout option selected in the contract, taking account of factors such as the contract value, the annuitant’s age, the payment period, and whether benefits continue for a beneficiary. Payments are commonly made monthly, although other regular schedules, such as quarterly or annually, may be available. A life-income option generally continues payments for the annuitant’s lifetime, while a period-certain option provides payments for a stated number of years. This regular-income function is the defining feature of annuitization and is why annuities are commonly used to help meet retirement-income needs. Maryland law recognizes annuities as contracts that provide benefits dependent on the continuance of human life, which is consistent with lifetime and other structured payout arrangements. See Maryland’s statutory definition at Maryland Code, Insurance § 5-101 and the consumer explanation of annuity income options from the National Association of Insurance Commissioners.

QUESTION NO: 9

Which employers can offer 403(b) tax-sheltered annuities (TSAs)?

A. Regular business corporations and professional corporations

B. States, municipalities, and rural electric cooperatives

C. Subchapter S corporations, partnerships, and sole proprietorships

D. School districts and certain non-profit organizations

ANSWER: D

Explanation:

School districts and certain non-profit organizations is correct because Internal Revenue Code section 403(b) limits sponsorship of these tax-deferred retirement arrangements to public schools and organizations that are tax-exempt under section 501(c)(3). Public-school employers include eligible public educational institutions, such as school districts. Eligible charitable, religious, educational, and similar organizations may sponsor a 403(b) arrangement when they qualify as 501(c)(3) organizations. Churches may also qualify to maintain a 403(b) plan under the applicable federal rules.

A 403(b) tax-sheltered annuity allows eligible employees to make elective salary deferrals, generally through payroll, into an annuity contract or custodial account. Employer contributions may also be permitted. The plan's name reflects the federal tax-code provision governing the arrangement, and employer eligibility is a threshold requirement: a producer discussing a TSA should first confirm that the employer is an eligible public-school or qualifying tax-exempt employer. The Internal Revenue Service summarizes the eligible-employer rule and key plan features in its 403(b) Tax-Sheltered Annuity Plans guidance. The statutory framework appears in 26 U.S.C. § 403.

QUESTION NO: 10

When an individual replaces a life insurance policy, the form entitled "Important Notice Replacement of Life Insurance or Annuities" is REQUIRED to be signed by:

A. The applicant only

B. Both the applicant and the insurance producer

C. The insurance producer only

D. An officer of the insurer

ANSWER: B

Explanation:

Both the applicant and the insurance producer must sign the "Important Notice Replacement of Life Insurance or Annuities." Maryland's life-insurance replacement requirements use this signed notice to document that the applicant has been informed that an existing life policy or annuity may be replaced. The applicant's signature acknowledges receipt of the notice and awareness of the proposed replacement transaction. The producer's signature documents the producer's participation in delivering the required replacement disclosure and helps establish compliance with the producer's duties in a replacement sale.

This requirement is a consumer-protection measure. Replacing life insurance can affect premiums, contestability periods, surrender charges, policy values, riders, and the suitability of coverage. A signed notice provides a clear record that the replacement was identified and that the required warning was provided at the point of sale. Maryland producers should obtain both signatures when the replacement rules apply and ensure the insurer receives the required replacement documentation as part of the application process. The governing Maryland replacement regulation is COMAR 31.09.05, including the notice-delivery and signature requirements. See the Maryland replacement notice regulation, COMAR 31.09.05.05 and the Maryland Insurance Administration producer resources.

QUESTION NO: 11

All of the following are underwriting criteria for individual life insurance EXCEPT:

A. Gender

B. Religion

C. Occupation

D. Ability to pay premiums

ANSWER: B

Explanation:

Religion is the correct exception because it is not a permissible characteristic on which a Maryland life insurer may base underwriting decisions. Life underwriting evaluates factors that have a legitimate relationship to the risk being insured or to the insurer's financial assessment of the proposed coverage. Maryland's unfair-trade-practices law specifically treats unfair discrimination in life insurance based on an individual's religion as prohibited. This protection applies to decisions affecting premiums, policy terms, conditions, benefits, and other aspects of insurance eligibility or treatment. Accordingly, an applicant's religious beliefs or affiliation cannot lawfully be used to classify the applicant, determine whether coverage will be issued, or set the cost or terms of an individual life policy. The controlling Maryland provision is Maryland Insurance Article § 27-501, which identifies unfair discrimination in life insurance and annuity contracts, including discrimination based on religion. See Maryland Insurance Article § 27-501. Maryland Insurance Administration consumer guidance also explains the agency's role in enforcing Maryland insurance laws and protecting consumers from improper insurance practices: Maryland Insurance Administration Consumer Information.

QUESTION NO: 12

A producer who makes an incomplete comparison of policies to encourage an insured to cancel a contract of another insurer and purchase a new one is guilty of:

A. Rebating

B. Coercion

C. Twisting

D. Defamation

ANSWER: C

Explanation:

Twisting is correct because Maryland law specifically prohibits using a misleading representation or an incomplete comparison of insurance policies, benefits, or dividends for the purpose of inducing a policyowner to lapse, forfeit, surrender, terminate, retain, or convert an insurance policy. The facts directly match that prohibited conduct: the producer presents an incomplete comparison and uses it to encourage the insured to cancel coverage issued by another insurer and purchase a replacement policy.

This rule protects consumers during replacements, where an incomplete presentation can conceal important differences such as loss of existing benefits, new contestability or suicide periods, higher costs, altered guarantees, or surrender charges. A comparison must be fair, complete, and accurate so that the policyowner can make an informed decision rather than being persuaded by a selective presentation of policy features. Maryland treats twisting as an unfair trade practice and may impose administrative discipline for violations. The governing prohibition appears in Maryland Insurance Article § 27-209, available through the Maryland General Assembly's Insurance Article. Maryland's insurance-producer licensing and enforcement information is also available from the Maryland Insurance Administration.

QUESTION NO: 13

An individual bought a convertible term life policy at age 35. At age 42, the insured's health has declined, but the policy is still within its conversion period. Which statement best describes the conversion privilege?

A. The insured must provide evidence of insurability before conversion

B. The insured may convert without evidence of insurability, at attained-age rates

C. The insured may convert only after the term policy has expired

D. The insurer must issue the permanent policy at the original issue-age rate

ANSWER: B

Explanation:

The insured may generally convert to an eligible permanent policy without providing evidence of insurability, but the permanent-policy premium will be based on the insured's attained age. The conversion privilege protects an insured whose health has deteriorated after the original policy was issued.

Conversion is distinct from renewing term insurance. A renewal continues term coverage and normally reflects attained age in the renewal premium, whereas conversion replaces the term policy with permanent coverage under the terms of the conversion provision.

QUESTION NO: 14

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

A. Cost recovery

B. Period certain

C. Cash refund

D. Installment refund

ANSWER: B

Explanation:

Period certain is the annuity feature that guarantees income payments for a stated minimum period, such as 10, 15, or 20 years. Under a life annuity with a period-certain guarantee, payments are made for as long as the annuitant lives; however, if the annuitant dies before the selected period ends, the remaining payments continue to the named beneficiary for the balance of that guaranteed period. Thus, the guarantee is based on a specified number of years and applies regardless of the date of the annuitant's death. This feature is commonly used when an annuitant wants lifetime income while also providing a defined minimum payment duration for a beneficiary. The Maryland Life Producer examination outline includes annuity payout options and settlement provisions within its life-insurance subject matter, making this a core annuity-contract concept. See the Maryland Insurance Administration's Producer Licensing Examinations page and the NAIC's consumer overview of life insurance and annuity products for related regulatory and product context.

QUESTION NO: 15

How long will income benefit payments continue under a life annuity with ten years certain?

A. Until the annuitant dies, or for ten years, whichever is longer

B. Until the annuitant dies, and for an additional ten years

C. Only until the annuitant dies, regardless of when death occurs

D. Only for ten years, regardless of how long the annuitant lives

ANSWER: A

Explanation:

"Until the annuitant dies, or for ten years, whichever is longer" correctly describes a life annuity with a ten-years-certain period. This settlement option provides income for the annuitant's entire lifetime, so payments do not end merely because the initial ten-year period has elapsed. The "certain" feature establishes a minimum payment period: if the annuitant dies before 120 monthly payments (or the applicable scheduled payments over ten years) have been made, the remaining payments are paid to the designated beneficiary or other entitled recipient through the end of that period. If the annuitant survives the ten-year certain period, payments simply continue for as long as the annuitant lives. Thus, the contract guarantees the longer of two durations—the annuitant's lifetime or ten years—while retaining the defining lifetime-income feature of a life annuity. This is a standard annuity payment-period concept relevant to life-producer licensing, and Maryland regulates annuity contract provisions under its insurance laws. See the Maryland Insurance Administration's annuity consumer information and Maryland's statutory provisions concerning annuity contracts at Maryland Code, Insurance § 16-103.

QUESTION NO: 16

All of the following are true of managing general agents EXCEPT:

A. It is unlawful to act as a managing general agent without a license

B. Once issued, a managing general agent's license must be renewed every two years

C. A managing general agent must have a valid written contract with an insurance company

D. A managing general agent is primarily a representative of the insured

ANSWER: D

Explanation:

A managing general agent is primarily a representative of the insurer, rather than a representative of the insured. Under Maryland insurance law, an MGA is a person that manages all or part of an insurer's insurance business and performs specified functions for the insurer, such as binding ceding reinsurance, managing a separate division or underwriting office, producing and underwriting a substantial amount of business, settling claims, or negotiating reinsurance. These are delegated insurer functions, so the MGA acts on the insurer's behalf and within authority the insurer grants.

This insurer-centered role is also reflected in the statutory requirement that an MGA operate under a written contract with the insurer. The contract establishes the scope of authority, responsibilities, records, and other operational controls applicable to the MGA relationship. Maryland also requires a person acting as an MGA to be properly licensed, and the relevant producer-licensing provisions establish the continuing licensing framework. Consequently, the statement identifying an MGA as primarily a representative of the insured is the exception to the otherwise true statements. See Maryland Insurance Article § 8-301's MGA definition at Maryland General Assembly, § 8-301 and the MGA contract requirements in Maryland General Assembly, § 8-302.

QUESTION NO: 17

A fixed deferred annuity owner dies during the accumulation period before income payments begin. The contract provides a death benefit equal to the accumulated contract value. Who is generally entitled to receive that death benefit?

A. The named beneficiary

B. The annuitant, regardless of whether that person is the beneficiary

C. The producer who sold the annuity

D. The insurer as compensation for ending the contract

ANSWER: A

Explanation:

The named beneficiary is generally entitled to receive the annuity death benefit. In a deferred annuity, the owner commonly names a beneficiary to receive the contract's death proceeds if the owner dies before annuitization, subject to the contract's terms.

The annuitant is the person whose life may be used to determine the duration of annuity payments, but the annuitant is not necessarily the beneficiary. The insurer retains the funds only if no payable beneficiary exists and the contract terms or applicable law direct payment in that manner. The producer should distinguish the owner, annuitant, and beneficiary because those roles may be held by different people.