Hawaii Life Producer Exam (InsHI_Life01 OPLife01)

Insurance Licensing Hawaii-Life-Producer

Version Demo

Total Demo Questions: 13

Total Premium Questions: 132

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Topic Break Down

Topic	No. of Questions
Topic 1, Life Insurance General Knowledge	47
Topic 2, Hawaii Statutes and Rules Pertinent to Life Insurance	85
Total	132

QUESTION NO: 1

A producer tells a prospective client, â€œYou should buy this policy because the Hawaii Life and Disability Insurance Guaranty Association will protect you if the insurer fails.â€ Using the Guaranty Association in this manner is:

A. permitted if the statement is accurate

B. permitted only for participating policies

C. prohibited as a sales inducement

D. required when selling life insurance

ANSWER: C

Explanation:

“prohibited as a sales inducement” is correct because Hawai‘i’s Life and Disability Insurance Guaranty Association is a statutory consumer-protection mechanism, rather than a feature that may be promoted to persuade someone to buy a policy. Hawaii law prohibits an insurer, producer, or affiliate from making an advertisement, representation, or other statement that uses the existence of the Guaranty Association for the purpose of inducing the purchase of insurance. The producer’s statement expressly tells the prospective client to buy the policy based on the Association’s protection if the insurer fails, which is precisely a sales inducement.

Guaranty-association coverage can become relevant after an insurer is impaired or insolvent, but it applies only as provided by statute and is subject to eligibility criteria, exclusions, and coverage limits. It does not function as a general promise that every policy obligation will be fully protected. The prohibition helps ensure that consumers select insurance based on appropriate factors, including policy benefits and the insurer’s financial strength, rather than treating guaranty-association protection as a marketing advantage.

The governing restriction appears in Hawaii Revised Statutes § 431:16-218. See Hawaii Revised Statutes, Chapter 431:16 and the Hawaii Life and Disability Insurance Guaranty Association.

QUESTION NO: 2

When recommending an annuity to a consumer in Hawaii, a producer must:

A. place the insurer's financial interest ahead of the consumer's when the insurer pays the highest commission

B. act in the consumer's best interest without placing the producer's or insurer's financial interest ahead of the consumer's

C. recommend the annuity with the longest surrender period

D. recommend only variable annuities to consumers under age 65

ANSWER: B

Explanation:

“act in the consumer's best interest without placing the producer's or insurer's financial interest ahead of the consumer's” is correct because Hawaii’s annuity-suitability law establishes a best-interest standard for producer recommendations. Before recommending an annuity, a producer must use reasonable diligence, care, and skill to understand the consumer’s financial situation, insurance needs, objectives, risk tolerance, liquidity needs, intended use of the annuity, time horizon, and other relevant consumer-profile information. The producer must also understand the annuity’s material features, including surrender charges, fees, riders, limitations, guarantees, and any applicable market risk.

The best-interest obligation applies to the recommendation itself and prohibits allowing compensation or the insurer’s financial interests to take priority over the consumer’s interest. This does not require a producer to identify a single objectively “best” annuity or eliminate all compensation; it requires that the producer’s recommendation be based on the consumer’s circumstances and needs rather than being driven by the producer’s or insurer’s financial benefit. Hawaii codifies these producer obligations in its annuity transaction requirements, including HRS § 431:10D-622. See the Hawaii Revised Statutes, § 431:10D-622 and the Hawaii Department of Commerce and Consumer Affairs Insurance Division.

QUESTION NO: 3

A homeowner wants life insurance specifically designed so that the death benefit declines as the outstanding balance on a 20-year mortgage declines. Which product is MOST appropriate?

A. Increasing Term Life

B. Decreasing Term Life

C. Ordinary Whole Life

D. Variable Universal Life

ANSWER: B

Explanation:

Decreasing Term Life is the appropriate choice because it is temporary insurance structured with a face amount that declines over a specified term. This directly fits a 20-year mortgage obligation: as scheduled principal payments reduce the outstanding loan balance, the policy's death benefit can reduce on a corresponding schedule. If the insured dies while the mortgage is outstanding, the benefit is intended to provide funds that can help survivors satisfy the remaining debt, reducing the risk that they must sell the home or make mortgage payments without the insured's income.

The key fact is not merely that the coverage lasts for 20 years, but that its protection amount is designed for a liability that diminishes over time. Decreasing term coverage is commonly associated with mortgage protection because the need being insured—the unpaid mortgage balance—generally becomes smaller throughout the repayment period. The policy should be reviewed to ensure its decline schedule and term reasonably match the specific mortgage, since loan balances, payment arrangements, refinancing, and prepayment can affect the remaining obligation. The National Association of Insurance Commissioners discusses term life insurance and its role in providing coverage for a stated period in its Life Insurance consumer guidance. Additional consumer information on choosing life insurance for financial obligations is available from the Insurance Information Institute.

QUESTION NO: 4

Producers may engage in all of the following activities EXCEPT:

A. soliciting insurance applications for insurance

B. selling insurance

C. countersigning contracts

D. negotiating insurance

ANSWER: C

Explanation:

countersigning contracts is correct because Hawaii law defines an insurance producer as a person required to be licensed to sell, solicit, or negotiate insurance. Those activities are central to the producer's authority: selling includes exchanging insurance for consideration, solicitation includes attempting to sell insurance or asking someone to apply for it, and negotiation includes conferring directly with an applicant or prospective policyholder about substantive policy terms when the producer has authority from an insurer. Countersigning an insurance contract is not included in this statutory definition of a producer's authorized insurance-production activities. Hawaii's current producer-licensing framework therefore focuses on licensing persons who sell, solicit, or negotiate insurance rather than assigning producers a separate countersignature function. This distinction matters on licensing examinations because the statutory terms are specifically defined and should be read according to their stated scope. See Hawaii Revised Statutes section 431:9A-101, particularly the definitions of "insurance producer," "negotiate," "sell," and "solicit," at Hawaii Revised Statutes § 431:9A-101. Hawaii's Insurance Division also provides producer licensing information at Hawaii Insurance Division—Producers.

QUESTION NO: 5

After an owner executes a Hawaii life settlement contract, the life settlement provider must generally notify the insurer that issued the policy within:

A. 5 days

B. 10 days

C. 20 days

D. 30 days

ANSWER: C

Explanation:

20 days is correct because Hawaii's life-settlement statute requires the life settlement provider to give written notice to the insurer that issued the policy within 20 days after the owner executes the life settlement contract. The notice informs the insurer that its policy has become the subject of a life settlement transaction and must include the documentation required under the statute. This deadline is triggered by the owner's execution of the contract, rather than by the insurer's later processing of a transfer request or payment of settlement proceeds.

Prompt notice is important because a life settlement commonly involves an assignment or transfer of policy ownership and may involve a beneficiary change. The issuing insurer must receive the notice and supporting documents so that its policy records can be updated appropriately and the insurer can recognize the proper party entitled to exercise ownership rights. Hawaii law also provides that an insurer may not unreasonably delay a lawful change of ownership or beneficiary that arises from a valid life settlement contract. The 20-day notification rule is therefore a distinct compliance obligation for the settlement provider under the state's life-settlement framework. See Hawaii Revised Statutes §431C-33 and the Hawaii Insurance Division.

QUESTION NO: 6

The number of continuing education credit hours that a Life and/or Accident and Health Producer must complete to have their license renewed is:

A. 18

B. 20

C. 22

D. 24

ANSWER: D

Explanation:

24 is correct. Hawaii requires a resident insurance producer to complete 24 credit hours of approved continuing education during each licensing renewal period. This requirement applies to a producer licensed for Life insurance and/or Accident and Health or Sickness insurance. The continuing-education obligation is part of maintaining the producer's qualification for renewal and helps ensure that licensees remain current on insurance products, regulatory requirements, professional responsibilities, and consumer-protection issues relevant to their authority to transact insurance.

Hawaii's statutory continuing-education provision specifies the 24-credit-hour requirement for resident producers and also establishes subject-matter requirements within that total, including ethics education. Thus, the question asks for the total number of credits required for renewal, rather than a particular subject category or the number of credits required in ethics. A producer should complete the required approved coursework within the applicable renewal cycle and retain completion records as appropriate. The official Hawaii Department of Commerce and Consumer Affairs Insurance Division provides producer licensing and continuing-education information, while Hawaii Revised Statutes section 431:9A-124 contains the governing continuing-education requirement. See the Hawaii Insurance Division continuing-education information and HRS §431:9A-124.

QUESTION NO: 7

A lapsed Hawaii individual life insurance policy is being reinstated. Interest charged on overdue premiums and qualifying policy indebtedness under the statutory reinstatement provision may NOT exceed:

A. 4% per year

B. 6% per year compounded annually

C. 8% per year compounded monthly

D. 10% per year

ANSWER: B

Explanation:

6% per year compounded annually is the statutory maximum. Hawaii's required reinstatement provision for individual life insurance permits an insurer to require payment of overdue premiums and either payment or reinstatement of any policy indebtedness as conditions of restoring a lapsed policy. The insurer may charge interest on those amounts, but the statute expressly caps that interest at a rate not exceeding 6% annually, compounded annually. This limit applies in the reinstatement context, rather than serving as a general rule for every type of interest that could arise under a life insurance policy.

The reinstatement provision is designed to restore coverage while placing the insurer substantially in the financial position it would have occupied had premiums been timely paid. Accordingly, the owner must satisfy the arrears and applicable indebtedness, together with interest calculated within the stated ceiling. In addition, reinstatement generally requires a written application and satisfactory evidence of insurability, subject to the policy's statutory terms. Hawaii's individual life insurance standard-provisions law sets out both the reinstatement requirements and the 6% compounded-annually interest limitation. See HRS §431:10D-102 and the Hawaii Legislature's Hawaii Revised Statutes database.

QUESTION NO: 8

Mr. and Mrs. X have a one-month-old infant. They would like a $250,000 life insurance policy on Mr. X with the lowest premium for the next 20 years. The suitable policy recommendation would be a:

A. 20-Pay Life

B. Variable Life funded for 20 years

C. 20-year Increasing Term

D. 20-year Level Term

ANSWER: D

Explanation:

20-year Level Term is the suitable recommendation because it provides the requested $250,000 death benefit for the exact 20-year period while generally offering the lowest premium among policies designed to meet that temporary protection need. Term life insurance supplies coverage for a stated period and ordinarily does not include cash-value accumulation or investment features. Removing those permanent-insurance features allows the insurer to offer a substantially larger amount of death-benefit protection at a lower initial and level cost for a family's defined protection period.

The level-premium structure is particularly appropriate because Mr. and Mrs. X want predictable premiums for the next 20 years. The policy's face amount remains $250,000 throughout the level term, aligning with their stated amount of protection. With a one-month-old child, a 20-year period can help address the family's income-replacement obligation while the child is financially dependent, as well as related household obligations during those years. This recommendation directly matches the requested amount, duration, and premium priority without adding features the family did not request. The National Association of Insurance Commissioners explains that term insurance provides protection for a specified period and is generally initially less expensive than permanent life insurance. See the NAIC life insurance consumer guidance and the Hawaii Insurance Division consumer information.

QUESTION NO: 9

A replacing insurer receives a completed life insurance application indicating that an existing policy will be replaced. Within how many business days must the replacing insurer notify the existing insurer that may be affected?

A. 3 business days

B. 5 business days

C. 10 business days

D. 30 business days

ANSWER: B

Explanation:

5 business days is correct. Under Hawaii's life insurance and annuity replacement requirements, a replacing insurer that receives a completed application indicating replacement must provide written notice to each existing insurer that may be affected within five business days. The same five-business-day timeframe applies when the insurer later identifies a replacement that was not initially indicated on the application. This prompt-notice obligation is a core insurer duty in a replacement transaction and helps ensure that the existing insurer has timely awareness of the proposed replacement. The notice supports the consumer-protection purpose of Hawaii's replacement law by allowing the policyowner to receive relevant information about the existing coverage while evaluating the new policy. A replacement decision can materially affect policy values, benefits, charges, underwriting, and contract time periods, so Hawaii requires defined procedures and deadlines once a replacement has been identified. The governing requirements appear in Hawaii Revised Statutes chapter 431, article 10D, particularly the replacing-insurer duties in HRS chapter 431, article 10D. Hawaii's Insurance Division also provides regulatory information and consumer resources through its official website.

QUESTION NO: 10

A life settlement provider receives all documents necessary from the policyowner to transfer ownership of a life insurance policy. Under Hawaii law, the provider must generally deposit the settlement proceeds into an escrow or trust account within:

A. 1 business day

B. 3 business days

C. 5 business days

D. 10 business days

ANSWER: B

Explanation:

3 business days is correct. Hawaii Revised Statutes § 431C-33 establishes safeguards for the handling of funds in a life-settlement transaction. After the life settlement provider receives the policyowner's documents that are necessary to effect the transfer of ownership, the provider must place the settlement proceeds into an escrow or trust account within three business days. The account must be maintained by an independent trustee or escrow agent at a state- or federally chartered financial institution.

This timing requirement is an important consumer-protection measure. It ensures that the policyowner's proceeds are promptly secured after the transfer documents have been delivered, rather than remaining under the direct control of the provider while the ownership change is being processed. The escrow or trust arrangement also provides an orderly process for releasing payment after the insurer acknowledges the ownership transfer. For licensing-exam purposes, distinguish the deadline to fund the escrow or trust account—three business days after receipt of the required transfer documents—from subsequent steps involving confirmation of the transfer and disbursement of funds.

See Hawaii Revised Statutes § 431C-33.

QUESTION NO: 11

Survivorship life insurance is typically purchased for:

A. first-time insurance buyers

B. funding buy/sell agreements

C. estate planning purposes

D. small amounts (less than $50,000 Death benefit)

ANSWER: C

Explanation:

Survivorship life insurance is typically purchased for estate planning purposes. Also called second-to-die life insurance, it covers two lives—most often spouses—and generally pays its death benefit only after the second insured dies. That timing aligns with estate-planning needs because federal estate tax and many estate-settlement costs generally arise when property passes at death, while the marital deduction may defer federal estate tax at the first spouse's death. Proceeds available at the second death can provide liquidity to help an estate pay taxes, debts, administrative expenses, or equalize inheritances without requiring heirs to sell closely held business interests, real estate, or other assets under pressure. Survivorship coverage can also support planned wealth transfer to children or other beneficiaries and may be used alongside trusts in appropriate estate plans. The defining feature is not the amount of coverage or whether the purchasers are new insurance buyers; it is the policy's benefit timing after the second death, which is why its most common application is preserving and transferring estate assets. Hawaii's insurance examination materials include survivorship life, or second-to-die coverage, among life-policy variations candidates must understand. See the Hawaii Life General Knowledge Examination Content Outline and the IRS overview of the federal estate tax.

QUESTION NO: 12

An insurance agency that runs a radio commercial stating that a producer is an expert in a particular field of insurance, when, in fact, the producer does not hold a license in that field, is guilty of:

A. twisting

B. defamation

C. misrepresentation of coverage

D. false advertising

ANSWER: D

Explanation:

false advertising is correct because the commercial makes an untrue or misleading promotional claim about the producer's qualifications and authority to transact insurance. A producer's license establishes the lines of insurance for which the individual is authorized to act. Representing an unlicensed producer as an expert in a field in which the producer is not licensed can lead consumers to believe that the producer has legal authority and professional qualifications that do not exist. The statement is made publicly in an advertisement and concerns the insurance business, so it falls within the prohibition on false or misleading statements made in insurance advertising. Hawaii's unfair methods of competition and unfair or deceptive acts provisions specifically address making, publishing, disseminating, or circulating advertising that contains an untrue, deceptive, or misleading statement regarding the business of insurance or a person conducting that business. The fact that the claim appears in a radio commercial does not lessen the obligation for it to be accurate. Advertising must present a producer's licensing status, capabilities, and services truthfully so consumers can make informed decisions and obtain insurance through properly authorized representatives. See Hawaii Revised Statutes §431:13-103 and the Hawaii Insurance Division.

QUESTION NO: 13

The Hawaii Insurance Commissioner may suspend an insurance license if the licensee:

A. materially misrepresents the terms of an insurance contract

B. applies for a license with another state within ninety days

C. terminates the contract with the licensee's former insurance company and requests a transfer to another insurance company

D. does not sell at least two policies in a given year

ANSWER: A

Explanation:

The correct answer is **“materially misrepresents the terms of an insurance contract.”** Hawai‘i law gives the Insurance Commissioner authority to deny, suspend, revoke, or refuse to renew a producer license when the licensee engages in specified conduct that demonstrates unfitness to hold the license. A listed ground for discipline is misrepresenting the terms of an actual or proposed insurance contract or an application for insurance. This includes material inaccuracies or misleading statements about policy benefits, exclusions, premiums, limitations, conditions, riders, or other provisions that could affect an applicant’s insurance decision.

Insurance producers have a regulated duty to communicate policy information accurately because consumers rely on those representations when evaluating coverage and completing applications. A material misrepresentation undermines informed consent and can expose consumers to unexpected coverage gaps, costs, or denied claims. The Commissioner may therefore impose license discipline, including suspension, after the applicable statutory process.

The relevant producer-licensing disciplinary authority appears in Hawai‘i Revised Statutes section 431:9A-112. The official Hawai‘i Legislature text is available at HRS §431:9A-112. Additional producer licensing material is available from the Hawai‘i Department of Commerce and Consumer Affairs Insurance Division.