New Jersey Life Producer Exam

Insurance Licensing NJ-Life-Producer

Version Demo

Total Demo Questions: 11

Total Premium Questions: 114

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Topic Break Down

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QUESTION NO: 1

An insurance company that terminates a producer’s agency contract is required to file a written notice of the termination with the Banking and Insurance Department at which of the following times?

A. Immediately.

B. A maximum of 7 days after the termination date.

C. A maximum of 15 days after the termination date.

D. A maximum of 30 days after the termination date.

ANSWER: C

Explanation:

A maximum of 15 days after the termination date is correct because New Jersey’s agency-contract termination requirement directs an insurer to file written notice of an agency-contract cancellation with the Commissioner within 15 days after the cancellation. The filing is not merely an internal administrative step: it formally reports the end of the producer’s agency relationship to the Department of Banking and Insurance and identifies the cancellation date and reason on the required form. For purposes of this agency-contract rule, the appointment does not end until the insurer has filed the cancellation notice with the Commissioner. Accordingly, the applicable deadline is measured as a 15-day maximum following termination, rather than a same-day filing requirement or a longer general reporting period. This question specifically concerns cancellation of an agency contract, so the statutory agency-contract notice provision controls the result. Review the New Jersey statutory provision governing cancellation of agency contracts at N.J.S.A. 17:22-6.14. The New Jersey Department of Banking and Insurance’s producer licensing resources are available at NJ DOBI Producer Licensing.

QUESTION NO: 2

Under New Jersey replacement regulations, it is the duty of the replacing insurance company to take all of the following actions EXCEPT

A. Require its producers to comply with the regulations.

B. Require a list of all policies that will be replaced.

C. Retain a copy of the completed replacement Disclosure Statement.

D. Postpone underwriting until the existing insurer is notified.

ANSWER: D

Explanation:

“Postpone underwriting until the existing insurer is notified.” is the correct exception because New Jersey’s replacement rules do not make notification to the existing insurer a condition that must be completed before underwriting may proceed. Instead, the replacing insurer has defined compliance responsibilities designed to identify replacement transactions, document the consumer disclosures, supervise producer conduct, and give the existing insurer prompt notice. The required notification process is time-based: after receiving a completed application involving replacement, or after otherwise learning that replacement is involved, the replacing insurer must provide the required notice within the regulatory time frame. That obligation ensures the existing insurer has an opportunity to conserve the policyholder and that the transaction is properly documented, but it does not impose a mandatory underwriting hold. The regulation focuses on timely notice and retention of replacement records rather than sequencing underwriting behind notice. This distinction is important because replacement regulation protects consumers through disclosure, documentation, and insurer oversight while allowing the insurer’s ordinary underwriting process to continue. See New Jersey’s official replacement-of-life-insurance regulation, N.J.A.C. 11:4, and the New Jersey Department of Banking and Insurance’s insurance licensing information.

QUESTION NO: 3

A policyowner names a bank as collateral assignee of a $250,000 life insurance policy to secure a $60,000 business loan. The insured dies while $45,000 remains due on the loan. Assuming the assignment provides for payment of the debt from policy proceeds, how should the death benefit be distributed?

A. The bank receives $45,000, and the beneficiary receives $205,000.

B. The bank receives the entire $250,000 because it is the assignee.

C. The beneficiary receives $250,000, and the bank must collect the loan from the estate.

D. The bank and beneficiary each receive $125,000.

ANSWER: A

Explanation:

The bank receives the amount of its remaining secured interest, and the policy beneficiary receives the balance. A collateral assignment transfers only a limited interest in the policy as security for a debt; it does not transfer complete ownership of the policy to the lender.

Because $45,000 remains due, the bank may receive that amount from the death proceeds. The remaining $205,000 is payable to the named beneficiary, subject to any other applicable policy provisions or outstanding obligations.

QUESTION NO: 4

A policy may contain provisions excluding or restricting coverage as specified in the event of death under all of the following EXCEPT

A. Fare-paying passenger.

B. War, or act of war.

C. A licensed pilot of a personal aircraft.

D. Not provided in the source question.

ANSWER: A

Explanation:

Fare-paying passenger. is the exception because New Jersey's life-insurance policy requirements permit narrowly stated exclusions or restrictions for particular causes or circumstances of death, including war-related risks and certain aviation risks. The aviation authority is not intended to treat ordinary commercial air travel by a passenger as the special aviation exposure that may be restricted. A person who has paid for transportation on a commercial flight is traveling as a passenger, rather than controlling, operating, or serving aboard the aircraft. This distinction is significant because the elevated risk addressed by an aviation limitation concerns active participation in aviation, such as piloting or crewing an aircraft, rather than routine passenger travel. Accordingly, a death benefit cannot be restricted under an aviation provision merely because the insured was a fare-paying passenger on an appropriately authorized commercial aircraft. The applicable New Jersey life-policy statute recognizes permitted exclusions and restrictions while preserving this passenger-travel protection. See N.J. Stat. § 17B:25-19. New Jersey insurance regulation and consumer oversight are administered by the Department of Banking and Insurance, whose insurance resources are available at NJ Department of Banking and Insurance.

QUESTION NO: 5

A life insurance policy most often becomes effective when the

A. Application is submitted.

B. Premium is collected and policy is issued.

C. Agent and individual agree on coverage.

D. Policy is actually issued.

ANSWER: B

Explanation:

“Premium is collected and policy is issued.” is the best answer because life insurance coverage ordinarily does not take effect merely from a discussion with an agent or completion of an application. The insurer must complete underwriting, accept the risk, and issue the policy. The first required premium must also be paid, subject to the policy’s stated effective-date provision and any conditional-receipt terms. These requirements establish that an insurance contract has been accepted by the insurer and that the policyowner has satisfied the initial payment obligation. In standard field underwriting practice, the issued policy is then delivered to the applicant or policyowner, often with any required delivery receipt or statement of continued good health. Exam questions commonly summarize this process as issuance plus collection of the initial premium. New Jersey law requires life insurance policies to state the date on which coverage becomes effective, which reinforces that the operative date is controlled by the issued contract and its terms rather than simply by applying for coverage. See New Jersey Legislature for the New Jersey insurance statutes and the NAIC Life Insurance consumer resources for general life-insurance policy guidance.

QUESTION NO: 6

A beneficiary is protected from creditorsâ€™ claims in all of the following situations EXCEPT when the beneficiary is the

A. Insuredâ€™s estate.

B. Insuredâ€™s spouse.

C. Insuredâ€™s child.

D. Insuredâ€™s business partner.

ANSWER: A

Explanation:

Insuredâ€™s estate. is correct because a life insurance policy that designates the insured’s estate as beneficiary directs the death benefit into the probate estate rather than paying it directly to an individual or other separate beneficiary. The proceeds therefore become estate property administered by the personal representative. As estate property, they are available to satisfy the decedent’s valid debts, administrative expenses, and creditor claims before any remaining assets are distributed to heirs or devisees.

This result follows the core distinction tested in life-insurance beneficiary questions: a direct beneficiary designation ordinarily makes the insurer’s payment a contractual transfer outside probate, while an estate designation makes the policy proceeds part of the estate. New Jersey’s life-insurance exemption statute protects policy proceeds and avails payable to a beneficiary other than the insured or the person effecting the insurance, subject to statutory conditions and exceptions. Naming the estate eliminates the practical benefit of a direct beneficiary payment because the estate, not an individual beneficiary, receives and administers the proceeds. See N.J.S.A. 17B:24-6 and the New Jersey Department of Banking and Insurance’s life insurance consumer information.

QUESTION NO: 7

A producer orally assures an applicant that a life insurance policy will provide a benefit not contained in the policy or in the attached application. After the policy is issued, the policyowner seeks payment of that benefit. Which policy provision is most relevant to the insurer’s position?

A. The grace-period provision.

B. The reinstatement provision.

C. The incontestable clause.

D. The entire contract provision.

ANSWER: D

Explanation:

The entire contract provision is most relevant. It provides that the policy, together with the attached application and any attached riders or endorsements, constitutes the entire agreement between the parties. A producer's oral statement that is not made part of the contract generally cannot add a policy benefit or alter the written terms.

The incontestable clause limits an insurer's ability to contest coverage after the stated period, but it does not create benefits absent from the contract. The grace-period and reinstatement provisions address premium default and restoration of lapsed coverage, not the content of the insurance agreement.

QUESTION NO: 8

An immediate annuity is designed to make its first benefit payment to the annuitant typically

A. When the accumulation period, of at least 24 months, ends.

B. In the form of a lump sum payment.

C. Only after all cash surrender values, with interest, have been calculated.

D. One month from the annuity's purchase date.

ANSWER: D

Explanation:

"One month from the annuity's purchase date." is correct because an immediate annuity is an income annuity intended to convert a premium into periodic payments that begin promptly rather than after an extended accumulation phase. When the owner selects monthly income payments, the first payment commonly occurs about one month after the contract is purchased and funded. This timing reflects the defining distinction between an immediate annuity and a deferred annuity: an immediate annuity is already in its distribution or payout phase, while a deferred annuity generally has an accumulation period before annuity payments start.

Immediate annuities are often purchased with a single premium, so the insurer can calculate the scheduled income benefit based on the premium, the annuitant's age, the selected payment option, and applicable interest and mortality assumptions. The exact first-payment date can vary with the contract and the payment frequency selected; for example, an annual payment mode may have a later first scheduled payment. For licensing-exam purposes, however, monthly payment timing is the standard illustration of an immediate annuity: income begins almost immediately, typically within one payment interval. The National Association of Insurance Commissioners discusses annuities as contracts that can provide periodic income payments, and the SEC describes immediate annuities as beginning payments right away or soon after purchase. See NAIC consumer information on annuities and SEC Investor.gov annuity information.

QUESTION NO: 9

One of the major tax advantages of life insurance is that

A. The distribution of the annual earnings is tax free.

B. Annual earnings are not taxed on a state or federal level.

C. Employer contributions to an employeeâ€™s life insurance policy are tax deductible to the employee.

D. The beneficiary generally does not pay income tax on the proceeds.

ANSWER: D

Explanation:

The beneficiary generally does not pay income tax on the proceeds. This is a principal federal income-tax advantage of life insurance: when a beneficiary receives life-insurance proceeds by reason of the insured's death, the amount received is generally excluded from the beneficiary's gross income. Thus, the face amount of a properly payable death benefit ordinarily does not have to be reported as taxable income by the beneficiary. This treatment makes life insurance an important income-protection tool, since the policy benefit can be used to replace earnings, pay final expenses, satisfy debts, provide family support, or assist with estate liquidity without a federal income-tax reduction of the basic death benefit.

The exclusion applies to proceeds received because of the insured's death under Internal Revenue Code section 101. If the insurer holds the proceeds and pays interest, the interest portion is generally taxable; however, that does not change the general exclusion applicable to the death-benefit proceeds themselves. Likewise, special rules may apply in certain transferred-policy situations, but the standard licensing-exam rule is that death proceeds paid to a beneficiary are generally income-tax free. See IRS Publication 525, Taxable and Nontaxable Income and 26 U.S. Code § 101.

QUESTION NO: 10

Generally, the maximum percentage of the face amount paid under an Accelerated Death Benefit would be

A. 10%.

B. 50%.

C. 100%.

D. 200%.

ANSWER: B

Explanation:

50%. is the expected general answer for this type of life-producer licensing question. An accelerated death benefit, often called a living-benefit provision, permits an insured who satisfies the policy's qualifying condition—commonly terminal illness—to receive a portion of the policy death benefit while alive. This payment is an advance of life-insurance proceeds rather than an additional benefit. Accordingly, the amount paid reduces the death benefit ultimately available to the beneficiary. Traditional prelicensing materials commonly describe the general maximum acceleration as one-half of the policy's face amount, making 50% the appropriate exam-convention answer.

The exact amount available under a particular policy is governed by its contract terms and any applicable state form requirements. In modern products, insurers may offer different limits, eligibility triggers, discounting methods, and payment structures. Federal tax law recognizes accelerated death benefits paid to a terminally or chronically ill insured, confirming the basic concept that these are benefits paid before death from the life policy's death benefit. See 26 U.S.C. § 101 and the NAIC's Life Insurance Buyer's Guide for general consumer guidance on life-insurance benefits and policy provisions.

QUESTION NO: 11

A policyowner has paid $40,000 in premiums on a permanent life insurance policy. The owner borrows $55,000 against the policy and later allows the policy to lapse with the loan outstanding. Which statement is correct?

A. The entire $55,000 loan is a tax-free death benefit.

B. The loan is never taxable because policy loans are not income.

C. The owner may recognize taxable gain of $15,000.

D. The insurer must restore the policy without requiring repayment of the loan.

ANSWER: C

Explanation:

The policyowner may have taxable income because the outstanding loan is treated as an amount received when the policy lapses or is surrendered. To the extent the amount received exceeds the owner's investment in the contract, the excess is generally taxable.

Here, the $55,000 loan exceeds the $40,000 premium basis by $15,000. Policy loans are generally not immediately taxable while the policy remains in force, but a lapse or surrender with an outstanding loan can cause taxable gain to be recognized.