

Financial Literacy: Insurance - Understanding Life Insurance

Directions:

Answer the following questions.

1. Which of the following shows one feature all types of life insurance policies have?
 - A. All build up equity as premiums are paid
 - B. All pay a death benefit to a beneficiary
 - C. All pay a death benefit only if the death is accidental
 - D. None pay a death benefit if the death is accidental
2. A policy which does not carry any type of cash value is known as which type of policy?
 - A. Universal
 - B. Whole
 - C. Term
 - D. Cash
3. Which of the following is NOT a feature of a term life insurance policy?
 - A. It is less expensive than a cash value policy
 - B. It is sold for specific sets of time (such as ten years)
 - C. Premiums are higher if the insured is older or in bad health
 - D. Continues in effect if all premiums are paid for the specific time
4. John buys a term policy which has a death benefit of \$100,000 the first year it is enforced. Each year the death benefit goes down by \$5,000. Which of the following policies best fits this scenario?
 - A. Decreasing term life
 - B. Annual renewable term life
 - C. Level premium term life
 - D. Premium term life
5. Jane has had her term life policy for 15 years. In the first year, her premium was \$10 per month. Now, it is \$55 per month. Which of the following policies best fits this scenario?
 - A. Decreasing term life
 - B. Annual renewable term life
 - C. Level premium term life
 - D. Premium term life

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6. Chris has a term life policy which he will pay for throughout the next 20 years and his premium will be \$22 per month the entire time. Which of the following policies best fits this scenario?
- A. Decreasing term life
 - B. Annual renewable term life
 - C. Level Premium term life
 - D. Premium term life
7. Which policies have a death benefit and a cash savings feature?
- A. Cash value policies
 - B. Universal value policies
 - C. Whole value policies
 - D. Term value policies
8. What is the difference between the straight whole life policy and a term life policy?
- A. A whole life policy has a cash value feature, whereas a term life policy does not
 - B. The premiums are the same throughout the payment term
 - C. A whole life policy stays in effect even after the premiums are fully paid
 - D. A term life policy has a cash value feature, whereas a whole life policy does not
9. Which of the following is a direct correlation between one another?
- A. Financial commitments and the amount of life insurance needed
 - B. Life insurance needed and risks taken in life
 - C. Risks taken in life and age
 - D. Age and the amount of life insurance needed
10. Why should you revisit your life insurance policies over time?
- A. Because premium prices change
 - B. Because your financial commitments and responsibilities change as you grow older
 - C. Because term life insurance decreases if it is not well maintained
 - D. To make sure you have not done anything which is against the rules