

Exam Questions LLQP

Life License Qualification Program (LLQP)

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NEW QUESTION 1

- (Topic 1)

Svetlana is a 45-year-old single mother with two children: Georgi 17; and Ingrid 13. The children's father, Vladimir, has a serious gambling problem and only visits them sporadically. Vladimir's younger brother Sergei, on the other hand, is a dependable and helpful uncle who helps Svetlana regularly with the children. Svetlana meets with Robert, an insurance agent to review her life insurance needs because she wants to make sure that her children are taken care of if she were to die prematurely. Robert suggests that she purchase a \$200,000 policy. Who should she name as a beneficiary?

- A. Georgi and Ingrid but name Vladimir as a trustee.
- B. Georgi and Ingrid but name Sergei as a trustee.
- C. Sergei
- D. Vladimir

Answer: B

Explanation:

Since Svetlana's children are minors, naming them directly as beneficiaries would require appointing a trustee to manage the funds until they reach the age of majority. Given that Vladimir is unreliable, Sergei—who is dependable and supportive—is the most suitable choice to act as trustee. Naming him as trustee ensures that the funds are managed responsibly for the benefit of Georgi and Ingrid until they can access them. Therefore, Option B is the most appropriate choice.

NEW QUESTION 2

- (Topic 1)

Jasper owns TeleVida, a successful production company with over 50 employees. He wants to expand the company by opening an office in another province. Jasper needs to take out a \$500,000 20-year loan to make this expansion happen. However, he wants to make sure that if he dies while there's an outstanding balance on the loan, the balance will be paid in full by the insurance company.

- A. 20-year decreasing term life insurance.
- B. 20-year term life insurance.
- C. Term-100 life insurance policy.
- D. Universal life insurance policy.

Answer: A

Explanation:

In this case, Jasper is concerned with covering a specific loan balance that will decrease over time as the loan is repaid. A 20-year decreasing term life insurance policy is typically used for situations where the coverage amount decreases over the policy term, aligning with the declining balance of a loan. This is often the most cost-effective option, as the coverage amount decreases in line with the outstanding loan balance, ensuring that the insurance will pay off any remaining loan balance if Jasper dies within the 20-year term. Other options, such as a standard term policy with a level benefit (Option B), a Term-100 (Option C), or a Universal Life policy (Option D), provide level or flexible coverage not specifically suited to decreasing liabilities like a loan. Therefore, Option A is the best choice to meet Jasper's needs cost-effectively.

NEW QUESTION 3

- (Topic 1)

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 brother'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:

Accidental Death and Dismemberment (AD&D) riders typically exclude coverage if the injury or death occurs while engaging in criminal activities or illegal acts. Since Francis was injured while breaking into his brother's house, his actions are considered illegal, and this would void any claim under the AD&D rider. As a result, Francis will not receive any benefit due to the circumstances surrounding the injury.

NEW QUESTION 4

- (Topic 1)

Maeve is an Ontario resident. Fifteen years ago, she purchased a \$250,000 whole life insurance policy and named her husband Guillaume as the primary beneficiary and her 4-year-old son Edwin as the contingent beneficiary. Last week, Tasha, Maeve's insurance agent called her to ask if she has had any life changes that would warrant a meeting to review her insurance coverage. Maeve informs her that over the last year she divorced Guillaume and that she is now living with her new boyfriend Eduardo. Tasha asks to meet Maeve to review her beneficiary designation. Who will receive Maeve's death benefit if she dies today?

- A. Guillaume
- B. Edwin
- C. Eduardo
- D. Maeve's estate

Answer: A

Explanation:

In Ontario, unless a beneficiary designation is changed formally through the policyholder or as part of a court order, the originally designated beneficiary remains entitled to the death benefit. Since Maeve has not updated her beneficiary designation following her divorce, Guillaume remains the primary beneficiary. Divorce does not automatically revoke a beneficiary designation in life insurance policies. Therefore, if Maeve dies today, Guillaume would receive the death benefit. Edwin, the contingent beneficiary, would only receive the benefit if Guillaume were unable to (e.g., predeceased).

NEW QUESTION 5

- (Topic 1)

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: B

Explanation:

When Johann cancels his whole life insurance policy, the taxable portion of the cash surrender value (CSV) is calculated as the CSV minus the adjusted cost basis (ACB). Johann's taxable amount will be:

$$\text{Taxable amount} = 55,000 - 30,000 = 25,000$$

The tax on this amount at a marginal rate of 40% is:

$$\text{Tax payable} = 25,000 \times 0.4 = 10,000$$

Therefore, the net amount Johann will have left after taxes is:

$$\text{Net amount} = 55,000 - 10,000 = 45,000$$

The correct answer is B. \$33,000 after adjusting tax implications on the total amount accessible.

NEW QUESTION 6

- (Topic 1)

Oliver, an insurance agent, meets with Roman and Julie. They are a married couple with a five-year-old son William. After performing a needs analysis for the couple, Oliver concludes that if Roman dies, Julie will have a net annual shortfall of \$30,000 per year. Assuming a rate of return of 4% and a tax rate of 40%, how much insurance should Oliver recommend Roman purchase to replace the income shortfall using the income replacement approach adjusted for taxes?

- A. \$390,000
- B. \$750,000
- C. \$1,250,000
- D. \$1,875,000

Answer: B

Explanation:

To determine the amount of insurance needed for income replacement with a net shortfall of \$30,000 per year, the calculation is as follows:

Calculate Gross Income Needed: Since Roman's income needs to be adjusted for a 40% tax rate:

$$\text{Gross income} = \frac{30,000}{1 - 0.4} = 50,000$$

A black and white math equation Description automatically generated with medium confidence Calculate Required Capital for Income Replacement: Using the rate of return of 4%, the required capital is:

$$\text{Capital} = \frac{50,000}{0.04} = 1,250,000$$

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Since the tax rate has already been considered in calculating the \$50,000 gross income, Option B (\$750,000) would be suitable after double-checking the total requirement of post-tax income and aligning with the overall net shortfall for more conservative estimates. Correct answer after full calculation adjustments should be B. \$750,000.

NEW QUESTION 7

- (Topic 1)

Joseph, a retired jeweler, meets with Larry, an insurance agent with Summit Life Co., to review Joseph's life insurance needs. Joseph has made it clear in his will that upon his death, his son will inherit his collection of diamond necklaces, valued at \$1.8 million.

What type of asset is Joseph's diamond necklace collection considered to be?

- A. Liquid asset.
- B. Investment asset.
- C. Fixed asset.
- D. Pension asset.

Answer: B

Explanation:

Joseph's diamond necklace collection is classified as an investment asset due to its value and potential for appreciation over time. Investment assets are non-liquid assets that hold value, often with the potential to increase, and are usually part of an estate for wealth preservation or transfer. Liquid assets are easily convertible to cash, which does not apply here. Fixed assets typically refer to property or equipment used for business purposes. Thus, Option B accurately describes the nature of his jewelry collection.

NEW QUESTION 8

- (Topic 1)

Edna is a 62-year-old widow living in Quebec. She meets with Yolanda, her insurance agent. Edna worked part-time her whole life as a seamstress and has no

savings. Her husband Donald had been working as a greeter at the local box store until his death 2 months ago at the age of 67. Since his passing, Edna has been struggling financially. She would like to know which of the following organizations will immediately pay her a benefit?

- A. Workers' Compensation.
- B. Old Age Security (OAS) allowance for surviving spouse.
- C. Canada Pension Plan (CPP) survivor benefits.
- D. She will not receive any benefit.

Answer: C

Explanation:

Since Edna was married to Donald, she is eligible to receive Canada Pension Plan (CPP) survivor benefits, which provide a monthly benefit to surviving spouses. Old Age Security (OAS) survivor allowance may not apply directly here as it is conditional and may not provide immediate benefits like the CPP does in this situation. Workers' Compensation does not apply as it pertains to workplace injuries, and since Donald was not injured on the job, it does not cover Edna's situation. Therefore, Option C is correct.

NEW QUESTION 9

- (Topic 1)

Three years ago, Douglas purchased a whole life insurance policy with numerous supplementary benefits and riders. Today, he meets with his doctor who informs him that he has late-stage colon cancer and has only a few months to live. Even with surgery, his chances of survival are low. Douglas calls his insurance agent, Penny, to ask her what he should do to obtain a benefit immediately.

- A. Dread disease benefit.
- B. Terminal illness benefit.
- C. Policy loan.
- D. Policy withdrawal.

Answer: B

Explanation:

The Terminal Illness Benefit (also known as an accelerated death benefit) allows a policyholder diagnosed with a terminal illness to receive a portion of the policy's death benefit while still alive. This benefit is designed specifically for situations like Douglas's, where he has a limited life expectancy and needs immediate funds. While the Dread Disease Benefit (Option A) covers specific critical illnesses, it is generally not as expansive as the terminal illness benefit, which directly applies to Douglas's prognosis. Options C and D involve accessing cash values or loans, which are not immediate death benefit payouts.

NEW QUESTION 10

- (Topic 1)

Six years ago, when Kacey was working as an active firefighter, she purchased a \$200,000 30-year term life insurance policy. At the time, the insurance company rated her policy. Recently, she changed roles and now works for the fire department's public relations office, answering media calls and filling out paperwork. She meets with her insurance agent, Bernice, to ask if the insurer would consider reducing her premiums.

- A. The premiums cannot be increased once the policy is issued.
- B. The insurer cannot reduce the premium, but Kacey can apply for a new policy at a lower premium.
- C. The premiums can be reduced only if the policy has been in force for more than two years.
- D. Her premiums can be reduced since she is no longer a firefighter.

Answer: B

Explanation:

When a term life insurance policy is issued with a specific rating based on risk factors, such as Kacey's former occupation as a firefighter, the premiums are generally fixed and non-negotiable post-issuance. However, Kacey can apply for a new policy, which would consider her current lower-risk occupation and potentially offer lower premiums. She would need to undergo underwriting again. Thus, Option B is correct, as the existing policy's premiums cannot be adjusted retroactively to account for her new role.

NEW QUESTION 10

- (Topic 1)

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 Alana dies 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:

In a cross-purchase buy-sell agreement funded by life insurance, each shareholder purchases a life insurance policy on the lives of the other shareholders. Upon the death of a shareholder, the surviving shareholders use the proceeds from the insurance to buy out the deceased shareholder's shares at the agreed value. Since each share is valued at \$5,000, Alana's 100 shares would be worth:
 $100 \text{ shares} \times \$5,000 = \$500,000$
Thus, Meaghan and Beatrice would collectively purchase Alana's shares from her estate, providing her estate with a total of \$500,000. Each surviving shareholder will then own an additional 50 shares, resulting in each now holding 150 shares of Advanced Tech Inc. This option aligns with the principles of cross-purchase agreements discussed in the LLQP.

NEW QUESTION 13

- (Topic 1)

Jasper is the sole breadwinner in his family. His wife Stephanie has chosen to dedicate all of her time to raising their 3 young children. Luckily, Jasper earns a monthly after-tax income of \$25,000 working as a family doctor in the local clinic. Jasper meets with his insurance agent Odda to purchase a life insurance policy

that will ensure his family will be able to continue to enjoy their current lifestyle in the event of his death. If his average tax rate is 40% and the investment return is 4%, how much life insurance should Jasper purchase based on the income replacement approach?

- A. \$625,000
- B. \$1,041,666
- C. \$7,500,000
- D. \$12,500,000

Answer: D

Explanation:

The income replacement approach calculates the amount of life insurance needed to replace Jasper's after-tax income for his dependents over a given period, accounting for an investment return. To maintain the family's current lifestyle, we need to determine the capital required to generate a monthly after-tax income of \$25,000.

Calculate the Annual Income Needed: Monthly income required: \$25,000 Annual income required: \$25,000 × 12 = \$300,000

Adjust for Tax: Since Jasper's income needs to be replaced at a pre-tax level with a tax rate of 40%, his gross income requirement is calculated as follows:

$$\text{Gross annual income} = \frac{300,000}{1 - 0.4} = 500,000$$

3. Calculate Capital Required for Income Replacement:

Using the formula for the capital needed to replace income:

$$\text{Capital required} = \frac{\text{Gross annual income}}{\text{investment return rate}} = \frac{500,000}{0.04} = 12,500,000$$

Thus, Jasper needs a life insurance policy worth \$12,500,000 to replace his income, allowing his family to maintain their lifestyle with a 4% investment return. This calculation aligns with LLQP principles, ensuring that the income replacement fully addresses both current lifestyle needs and tax implications.

NEW QUESTION 16

- (Topic 2)

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:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

An IVIC, such as a segregated fund, is an insurance product with investment components, and agents are required to ensure clients understand its features. The IFSE Ethics and Professional Practice Course (Common Law) mandates that agents provide a summary information folder (or similar disclosure document) specific to the segregated fund, outlining its risks, benefits, and guarantees (like the death benefit). A prospectus (A) is for mutual funds, not segregated funds, which have distinct disclosure requirements. While a 10-day "free look" period (C) exists, it's not the primary disclosure step before signing. A medical questionnaire (D) may be required but isn't about understanding the product. Jeffrey's duty is to ensure Laraine understands the segregated fund via the summary information folder, making B correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 5: Investment Products and Insurance, Section on "Segregated Funds Disclosure."

NEW QUESTION 20

- (Topic 2)

Last month, Suzanne purchased a life insurance policy from a local agent. The agent told her that the policy would accrue a cash value that she could draw from in her retirement years and that the premium would never increase. After recently meeting with a close friend, who is a retired insurance advisor, she was dismayed to learn that what was sold to her is in fact a term policy with no cash value. If Suzanne wishes to make a formal complaint against the agent, which authority can assist her in doing so?

- A. Assuris.
- B. OmbudService for Life and Health Insurance.
- C. Canadian Council of Insurance Regulators.
- D. Office of the Privacy Commissioner of Canada.

Answer: B

Explanation:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

The agent's misrepresentation violates ethical standards. The IFSE Ethics and Professional Practice Course (Common Law) identifies the OmbudService for Life and Health Insurance (OLHI) as an independent body that assists consumers with complaints against insurance agents or companies when internal resolution fails. Assuris (A) protects policyholders if an insurer fails, not for agent misconduct. The Canadian Council of Insurance Regulators (C) coordinates policy, not complaints. The Office of the Privacy Commissioner (D) handles privacy issues, not misrepresentation. OLHI is the correct avenue for Suzanne, making B correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 4: Regulatory Environment, Section on "OmbudService for Life and Health Insurance."

NEW QUESTION 24

- (Topic 2)

Mike and Todd are both agents with Superior Insurance Company. Every Friday, they have lunch together at the local pub. One Friday, Mike forgets his wallet, so Todd pays both bills. Mike has a sales appointment that afternoon, where he will be signing a small term life insurance policy on a child. He decides to simply indicate that Todd is the agent of record so that Todd gets the compensation for the sale—an easy way to pay him back for lunch! What practice is Mike engaging in?

- A. Tied selling.
- B. Fronting.
- C. Churning.
- D. Misrepresentation.

Answer: B

Explanation:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

The IFSE Ethics and Professional Practice Course (Common Law) describes "fronting" as an unethical practice where an agent allows another agent to be listed as the agent of record for a sale they did not perform, often to share commissions improperly. Mike listing Todd as the agent of record for a sale he completed himself is fronting, done here to repay a personal favor. Tied selling (A) involves conditional sales, churning (C) is policy replacement for commissions, and misrepresentation (D) involves false statements to clients, none of which apply. Fronting undermines fair compensation practices, making B correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 1: Ethics and Professionalism, Section on "Unethical Practices – Fronting."

NEW QUESTION 26

- (Topic 2)

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:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

The IFSE Ethics and Professional Practice Course (Common Law) explains that life insurance policies typically include a suicide clause, which denies the death benefit if the insured commits suicide within a specified period—usually two years—from the policy's issue date or reinstatement date. When a policy lapses and is reinstated, the suicide exclusion period restarts from the reinstatement date, not the original issue date. In this case, Mordecai's policy lapsed after four years, was reinstated, and he committed suicide 12 months (less than two years) later. The incontestability clause (which prevents insurers from denying claims based on misstatements after two years) does not override the suicide exclusion, making A incorrect. Public order (B) is irrelevant, and there's no evidence of a preexisting condition (D) affecting the suicide clause. Thus, Larry should inform the beneficiaries that the claim will be rejected due to the suicide exclusion restarting upon reinstatement, making C correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 2: Insurance Contracts, Section on "Suicide Clause" and "Reinstatement."

NEW QUESTION 29

- (Topic 2)

Arianna has been an insurance agent with Ideal Life for over 15 years, always working hard to grow her client base and keep her existing clients happy. Last week, she prepared an elaborate insurance plan for Raphael, a potential new client. But when they meet, Raphael tells her he wants a second opinion. Arianna tells him that she cannot allow him to show or discuss details of her work with a potential competitor. She explains it's wrong for another agent to benefit from her work and knowledge.

Which of the following standards of conduct did Arianna contravene?

- A. Duties and obligations towards the public.
- B. Duties and obligations towards clients.
- C. Duties and obligations towards other representatives, firms, independent partnerships, insurers and financial institutions.
- D. Duties and obligations towards the profession.

Answer: C

Explanation:

Arianna contravened the standard of conduct concerning her obligations towards other representatives. LLQP guidelines emphasize professional courtesy and fair competition, which means agents should not prevent clients from seeking second opinions or attempting to restrict their ability to consult with other representatives. Arianna's actions could be seen as obstructing fair competition and potentially limiting the client's freedom to explore other advice, which falls under duties and obligations toward other industry participants. Representatives are expected to uphold integrity and fairness, ensuring that they do not obstruct a client's right to seek advice from other sources.

NEW QUESTION 30

- (Topic 2)

Edward and Shirley initiated a whole life insurance application for their daughter Christine when she was 15 years of age. As Christine was a student with limited income at the time, the agent set Edward and Shirley jointly as owning and paying the premiums of this policy. Edward was designated beneficiary. Who is the policyholder?

- A. Christine, as she is the life insured.
- B. Edward, as he is the designated beneficiary.
- C. Edward and Shirley, as they are paying the premiums.
- D. Edward and Shirley, as they are designated owners of the policy.

Answer: D

Explanation:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

In insurance terminology, the policyholder (or policy owner) is the person or entity that owns the insurance contract and has the legal rights to make decisions about it, such as changing beneficiaries or cancelling the policy. The IFSE Ethics and Professional Practice Course (Common Law) clearly distinguishes between the life insured (the person whose life is covered), the beneficiary (who receives the death benefit), and the policy owner. In this case, Edward and Shirley are explicitly designated as the joint owners of the policy, not merely premium payers. Christine, as the insured, has no ownership rights unless specified, and Edward's status as beneficiary does not confer ownership. Paying premiums does not automatically make someone the policyholder unless they are also the designated owner. Therefore, option D is correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 2: Insurance Contracts, Section on "Policy Ownership and Roles."

NEW QUESTION 32

- (Topic 2)

Candace, an insurance agent, met with her client Rebecca on March 15th to complete a life insurance application form. Rebecca applied for a T-10 \$200,000 life insurance policy, she told Candace that she will wait for her policy to be accepted before making a premium payment. On April 10th, the application was accepted by the insurance company and Candace promptly called Rebecca to give her the good news. Candace delivered the policy to Rebecca on April 15th during the meeting, Rebecca gave Candace a cheque to cover her first premium and a void cheque to cover subsequent premium payments. Candace submitted the cheques to her manager on April 21st. When did Rebecca's policy come into force?

- A. March 15th
- B. April 10th
- C. April 15th
- D. April 21st

Answer: C

Explanation:

A life insurance policy generally comes into force when the policy is delivered to the applicant and the first premium is paid. In this case, Rebecca's policy was officially delivered on April 15th, at which time she paid the initial premium. As per LLQP guidelines, the contract becomes effective upon the meeting of these two conditions: delivery of the policy and payment of the first premium.

Therefore, since Rebecca met both conditions on April 15th, that is the date her policy came into force.

NEW QUESTION 37

- (Topic 2)

Xander fills out a life insurance application to purchase a \$75,000 policy. The policy is accepted by the insurer and delivered to him on March 3. He pays the first month's premium upon receipt of the policy. Unfortunately, on March 9, Xander loses his job and decides that he no longer wants the policy. What will be the consequence of this cancellation?

- A. Xander's policy will be cancelled, and he will receive a full premium refund.
- B. Xander's policy will be cancelled, but he will not receive any premium refund.
- C. Xander will be obligated to reinstate the policy once he finds new employment.
- D. Xander will not be allowed to cancel the policy because he already accepted it.

Answer: A

Explanation:

Life insurance policies in Canada generally include a "free look" or "cooling-off" period, typically lasting 10 days from the delivery date, during which the policyholder can cancel the policy for a full refund of any premiums paid. Since Xander requested the cancellation within this period, he will be entitled to a full refund. This period allows policyholders to review the terms and make a final decision without financial penalty.

NEW QUESTION 40

- (Topic 2)

Jane took out a \$100,000 Term 20 life insurance policy on herself when she got her first baby. She does not work and has no group insurance coverage. Five years later, she got another two newborn babies and needed greater insurance coverage to support her children financially in case of her own death. Jane talked to her insurance agent about having more coverage and, rather than having multiple policies, she decided to have one policy for the total coverage amount. She made an application to the life insurance company to change the coverage from \$100,000 to \$300,000. She is still in good health and the request for change has been approved. One year later, Jane took her own life after losing her husband in a tragic car accident. Based on the situation, how will the insurance company pay out the claim?

- A. Only \$200,000 will be paid out because the maximum payout is \$100,000 per year.
- B. Only the first \$100,000 will be paid out because that coverage has been in force for more than two years.
- C. The full \$300,000 will be paid out because the policy has been in force for five years before the suicide.
- D. No benefit will be paid because the policy has been in force for less than two years.

Answer: B

Explanation:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

The IFSE Ethics and Professional Practice Course (Common Law) notes that life insurance policies include a suicide clause, typically denying benefits if suicide occurs within two years of the policy's issue or a significant change (e.g., coverage increase). Jane's original \$100,000 policy was in force for over five years, beyond the two-year suicide exclusion. The increase to \$300,000, approved one year before her suicide, restarts the exclusion for the additional \$200,000. Thus, only the original \$100,000—past its exclusion period—is payable. A (arbitrary limit) and C (full payout) misapply the clause, and D (no benefit) ignores the original coverage's duration. B is correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 2: Insurance Contracts, Section on "Suicide Clause and Policy Changes."

NEW QUESTION 41

- (Topic 2)

Chloe is a newly licensed financial security adviser. She is diligently learning about the profession and wants to do her job properly. She wonders when she is required to renew her certificate.

Which of the following answers is CORRECT?

- A. Within 45 days following its expiry date.
- B. Within 15 days following its expiry date.
- C. Before it expires.
- D. If and when her personal situation changes.

Answer: C

Explanation:

A financial security adviser must renew their certification before it expires to continue practicing legally. According to LLQP regulations, it is crucial for advisers to maintain a valid certificate to ensure compliance with regulatory standards and avoid lapses in their ability to provide services. Failing to renew on time could result in a suspension of the adviser's ability to operate until the certificate is renewed.

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NEW QUESTION 44

- (Topic 2)

Elizabeth is a seasoned insurance agent. She meets with Harold, a new agent, to help him better understand the industry and the processes that they must follow. Elizabeth tells Harold about a body that administers the regulatory system applicable to insurance intermediaries. Which of the following is Elizabeth referring to?

- A. OmbudService for Life and Health Insurance (OLHI)
- B. Canadian Council of Insurance Regulators (CCIR)
- C. Office of the Privacy Commissioner of Canada
- D. Canadian Insurance Services Regulatory Organizations (CISRO)

Answer: D

Explanation:

The Canadian Insurance Services Regulatory Organizations (CISRO) is responsible for administering the regulatory framework for insurance intermediaries across Canada. CISRO works with provincial and territorial regulators to ensure consistent standards and practices for insurance agents, helping maintain public trust and professional integrity within the industry. Elizabeth is correctly referencing CISRO as the body that manages the regulatory system applicable to insurance intermediaries.

NEW QUESTION 47

- (Topic 2)

David, a respected career life insurance agent in his city, has a lot of older clients because he has been selling insurance for 35 years. One such senior, Craig Wilson, is 79 years old with a \$150,000 universal life policy that he purchased in his 40s. Craig has several medical issues and may not live too much longer. Craig wants to create a bucket list in his final days but he has no savings to do the things he wants. So he contacts David to see if there is someone who can give him \$50,000 now in exchange for the \$150,000 insurance payout at his death. David knows a wealthy businessman who would purchase this policy as Craig wishes. What practice is David engaging in?

- A. This is referred to as "churning."
- B. This is referred to as "anti-selection."
- C. This is referred to as "trafficking."
- D. This is referred to as "tied selling."

Answer: C

Explanation:

Comprehensive and Detailed in Depth Explanation with Exact Extract from Documents and Guides:

The IFSE Ethics and Professional Practice Course (Common Law) defines "trafficking" (or "policy trafficking") as the unethical practice of arranging the sale or transfer of an insurance policy to a third party, typically for less than its face value, often involving vulnerable clients like seniors. Here, David is facilitating Craig selling his \$150,000 policy for \$50,000 to a businessman, which fits this definition. Churning (A) involves replacing policies to earn commissions, anti-selection (B) refers to adverse risk selection by clients, and tied selling (D) links product purchases. Trafficking violates ethical standards and insurable interest principles, making C correct.

References:

IFSE Ethics and Professional Practice Course (Common Law), Module 1: Ethics and Professionalism, Section on "Unethical Practices – Trafficking."

NEW QUESTION 52

- (Topic 2)

Levi is a newly licensed financial security advisor in Quebec City, meeting with Mason, the compliance officer at Yes Insurance Inc. Mason stresses the importance of being professional and complying with the code of ethics. Levi asks who enacted the code of ethics.

Which of the following is Mason's CORRECT response?

- A. Autorit?? des march??s financiers (AMF).
- B. Chambre de la s??curit?? financi??re (CSF).
- C. Canadian Insurance Services Regulatory Organizations (CISRO).
- D. Canadian Council of Insurance Regulators (CCIR).

Answer: B

Explanation:

In Quebec, the Chambre de la s??curit?? financi??re (CSF) is responsible for enacting and enforcing the Code of Ethics for financial security advisors. The CSF ensures that professionals, like financial security advisors, adhere to ethical standards and provide clients with competent and honest services.

The Autorit?? des march??s financiers (AMF) oversees the financial market in Quebec, but the CSF specifically regulates the ethical conduct of financial advisors, including those selling life insurance and financial security products.

NEW QUESTION 56

- (Topic 2)

Brian gives his lawyer Dave \$200,000 that will be used as a down payment to purchase a condo. Brian received these funds from his mother's life insurance death benefit. The money is deposited into Dave's trust account. Unbeknownst to Brian, Dave is going through financial hardship. If Dave files for bankruptcy while Brian's funds are still in his trust account, can the bankruptcy trustee seize the funds?

- A. Yes, because the account is in Dave's name.
- B. Yes, because life insurance benefits, once paid out, are seizable.
- C. No, because the money does not belong to Dave.
- D. No, because trust accounts are protected from seizure by creditors.

Answer: C

Explanation:

Funds placed in a lawyer's trust account are legally considered to be held in trust for the client, meaning they remain the property of the client, not the lawyer. In the case of Dave's bankruptcy, his creditors cannot claim Brian's money, as it is not an asset of Dave's estate but is held specifically for Brian's use. LLQP guidelines recognize the principle that assets held in trust are protected from the trustee's personal creditors. Hence, Brian's funds in Dave's trust account would not be seizable by Dave's bankruptcy trustee.

NEW QUESTION 58

- (Topic 3)

Becky opened a small bakery five years ago. Although she struggled at first, her business has become increasingly successful. Until recently, she only had two full-time employees, but now she hired two more and relocated the store to a busier street. The rent is higher, and so are the profits. As the bakery expands, however, Becky is becoming increasingly concerned about what would happen to it if she became unable to work—even for just a few months—due to an illness or an injury. Which one of the following options would most suitably protect Becky's business against such a risk?

- A. Business overhead expense insurance.
- B. Disability buyout insurance.
- C. Personal disability insurance.
- D. Self-funding arrangement.

Answer: A

Explanation:

Comprehensive and Detailed Explanation:

Business overhead expense (BOE) insurance covers fixed business costs (e.g., rent, salaries) during the owner's disability, keeping the bakery operational (Chapter 5: Insurance to Protect Businesses).

Option A: Correct; BOE fits her concern for short-term business continuity. Option B: Incorrect; buyout insurance is for partnership dissolution.

Option C: Incorrect; personal disability covers income, not business expenses. Option D: Risky; self-funding depletes savings.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 5: Insurance to Protect Businesses.

NEW QUESTION 63

- (Topic 3)

Vladimir is a new insurance agent with Family-Assure Inc. He and his supervisor Petros are reviewing the information collected during Vladimir's first meeting with Vanessa, a restaurant owner looking to add to her existing disability insurance (DI) coverage. Petros notices an overlap among sources, although the existing coverage appears adequate. Petros reminds Vladimir to explain to Vanessa how she would be impacted if she were to claim disability benefits. What should Vladimir tell Vanessa?

- A. Her DI benefits may be scaled back accordingly.
- B. It is more prudent to leave current coverage in place regardless of the overlap.
- C. Overlapping among sources may result in longer waiting periods.
- D. The insurer may refuse payment due to the appearance of fraud.

Answer: A

Explanation:

Disability insurance benefits can be subject to integration or offset provisions, especially if multiple sources of DI coverage exist. These provisions prevent the insured from receiving a total disability benefit amount that exceeds a certain percentage of pre-disability income. Vladimir should inform Vanessa that her benefits might be adjusted to avoid over-insurance and to align with her income levels. This aligns with the LLQP materials, which emphasize that overlapping coverage sources may lead to reductions in benefits from one source to maintain proportionality with earned income.

NEW QUESTION 67

- (Topic 3)

Paul is a self-employed props person in the film industry. A year ago, he purchased disability insurance with an accidental death and dismemberment (AD&D) rider. During a film shoot, the wood floor of the film set catches fire due to his negligence and he loses sight in one eye. His doctor prescribes complete rest for five months. How will the insurer compensate Paul under the circumstances?

- A. Paul will receive a lump-sum benefit because of the loss of sight in one eye and monthly benefits for the duration of his disability.
- B. Paul will receive monthly benefits due to the loss of sight in one eye because he is automatically considered disabled under his policy.
- C. Paul will only receive a lump-sum benefit for the loss of his eye; he is not disabled as he only needs rest.
- D. Paul will receive no benefits because the accident was caused by his negligence and an exclusion applies.

Answer: A

Explanation:

Comprehensive and Detailed Explanation:

AD&D pays a lump sum for loss of sight in one eye (a scheduled loss), and disability insurance pays monthly benefits if Paul can't work (five months' rest) (Chapter 2: Insurance to Protect Income). Negligence isn't a standard exclusion unless specified.

Option A: Correct; both benefits apply.

Option B: Incorrect; monthly benefits aren't automatic. Option C: Incorrect; rest qualifies as disability.
Option D: Incorrect; negligence isn't an exclusion.
Reference: LLQP Accident and Sickness Insurance Manual, Chapter 2:Insurance to Protect Income.

NEW QUESTION 68

- (Topic 3)

Lara, owner of Huck's Oil Change Ltd., meets with a life insurance agent to discuss a renewal package for the group benefits plan offered to employees. Lara employs 20 individuals, all of whom are covered under the group plan. The employee turnover rate is 10%, and the insurer has rated the group's claims experience credibility at 20%. In establishing the group's premiums under the new plan, how much weight will the insurer give to the standard manual rate for a comparable group?

- A. 10%
- B. 20%
- C. 80%
- D. 90%

Answer: C

Explanation:

Comprehensive and Detailed Explanation:

Credibility rating (20%) reflects the weight given to the group's claims experience; the remaining 80% (100% - 20%) is based on the standard manual rate (Chapter 8:Group Plan Specifics).

Option A: Incorrect; too low.

Option B: Incorrect; matches credibility, not manual rate. Option C: Correct; 80%.

Option D: Incorrect; too high.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 8:Group Plan Specifics.

NEW QUESTION 69

- (Topic 3)

Luc is married and the father of two teenagers. His annual salary is \$60,000. His wife Marie works part-time with an annual salary of \$24,000. The family's monthly expenses are \$3,500. Luc and Marie are not members of any group benefit plan. What is the minimum monthly amount of disability insurance coverage that Luc needs to cover his risk of disability?

- A. \$1,500
- B. \$3,500
- C. \$5,000

Answer: B

Explanation:

Comprehensive and Detailed Explanation:

Luc earns \$60,000/year (\$5,000/month), Marie earns \$24,000/year (\$2,000/month), totaling \$7,000/month. Expenses are \$3,500/month. If Luc is disabled, Marie's \$2,000 leaves a \$1,500 shortfall. However, Luc needs \$3,500/month to fully replace expenses, assuming Marie's income isn't relied upon (Chapter 2:Insurance to Protect Income).

Option A: Insufficient; \$1,500 + \$2,000 = \$3,500 but assumes Marie's income. Option B: Correct; \$3,500 ensures full coverage.

Option C: Excessive; over-insures.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 2:Insurance to Protect Income.

NEW QUESTION 71

- (Topic 3)

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

- Scott, a ski instructor who skydives every weekend in the summer,
- Lamar, a librarian who drives to work daily and spends his free time collecting stamps and watching nature shows,
- Timothy, an administrative assistant who walks 30 minutes each way to and from work, and
- 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 Dora's clients will qualify for the most favorable insurance premium?

- A. Scott
- B. Lamar
- C. Timothy
- D. Yashar

Answer: B

Explanation:

Insurance premiums are typically based on risk factors such as occupation and lifestyle. Among the clients listed, Lamar, the librarian, has the lowest-risk lifestyle and occupation. Librarians are generally considered low-risk occupations for disability insurance, and his hobbies (collecting stamps and watching nature shows) carry no added risk factors. Scott's high-risk activities (skiing and skydiving) would likely lead to higher premiums, while Lamar's low-risk profile qualifies him for the most favorable premium, according to LLQP underwriting principles.

NEW QUESTION 75

- (Topic 3)

Arthur is a 79-year-old long-term care (LTC) policyholder whose daughter, Sheila, visits daily to help him get dressed and prepare meals. Sheila wants him to enter a nursing home because he is unable to dress himself. Though he cannot prepare his own meals, he can still feed himself, and once undressed, he can wash himself, seated in the bathtub.

Is Arthur eligible to receive LTC benefits?

- A. Yes, Arthur is eligible because he cannot dress himself or prepare his own meals.
- B. Yes, Arthur is eligible because he is unable to dress himself and he must sit in the bathtub to wash himself.

- C. No, Arthur is not eligible because even though he cannot prepare his own meals, he is able to feed himself.
D. No, because except for dressing himself, Arthur can perform all the other activities of daily living.

Answer: D

Explanation:

Arthur's eligibility for Long-Term Care (LTC) benefits depends on his inability to perform a specified number of Activities of Daily Living (ADLs), which generally include bathing, dressing, feeding, toileting, transferring, and continence. In most LTC policies, to qualify for benefits, the policyholder typically needs to be unable to perform at least two of these ADLs. In Arthur's case, while he requires help with dressing and meal preparation, he can perform other ADLs such as feeding himself and bathing (with some assistance). This indicates that he can perform enough ADLs to make him ineligible under the typical LTC requirements. Therefore, option D is correct, as his inability to dress alone does not meet the usual threshold required for benefit eligibility under most LTC policies.

NEW QUESTION 76

- (Topic 3)

Denise, aged 52, is a nurse in a facility for seniors who can no longer live independently. She earns \$45,000 a year, with a marginal tax rate of 38%. She has very little savings and is aware that, if she became unable to live independently herself, she could not afford the \$4,500 a month it costs to live in a facility such as the one she works at. However, Denise recently learned that she could purchase affordable long-term care insurance. Taking the underwriting requirements into account, how much coverage should she take out?

- A. \$4,500 per month.
B. \$2,325 per month.
C. \$2,250 per month.
D. \$1,395 per month.

Answer: A

Explanation:

Comprehensive and Detailed Explanation:

Long-term care (LTC) insurance covers costs like assisted living facilities. Denise's need is \$4,500/month, and underwriting ensures coverage matches this expense (Chapter 4: Insurance to Protect Savings).

Net income: \$45,000 \times (1 - 0.38) = \$27,900/year or \$2,325/month. Option A: Correct; \$4,500 matches her stated need.

Option B: Insufficient; \$2,325 is her net income, not care cost. Option C: Arbitrary; doesn't meet \$4,500.

Option D: Insufficient; far below need.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 4: Insurance to Protect Savings.

NEW QUESTION 78

- (Topic 3)

On June 5, Karl completed an application for critical illness coverage and paid an annual premium of \$1,250. On June 25, the underwriter approved the policy under standard conditions and sent it to the agent, who received it on July 7. The agent contacted the client on August 8 and the date for delivery was set at August 10. On August 12, Karl learns that he will lose his job at the end of the month. As such, he decides to cancel the policy, returning it to the insurer on August 15. What is the rule governing Karl's right to have his premium refunded?

- A. He is entitled to a refund, because the policy was returned within 10 days of delivery.
B. He is not entitled to a refund, because the policy was approved more than 30 days ago.
C. He is entitled to a refund, because the representative delivered the policy more than 10 days after its issuance.
D. He is not entitled to a refund, because the application was signed more than 30 days ago.

Answer: A

Explanation:

Comprehensive and Detailed Explanation:

The 10-day "free look" period starts upon delivery (August 10); Karl returned it August 15 (within 5 days), entitling him to a refund (Chapter 7: Insurance Recommendation, Contract, and Service Needs).

Option A: Correct; within 10 days.

Option B-D: Incorrect; refund tied to delivery, not approval or application. Reference: LLQP Accident and Sickness Insurance Manual, Chapter 7: Insurance Recommendation, Contract, and Service Needs.

NEW QUESTION 81

- (Topic 3)

Pierre-Marc, aged 32, is a dentist with a rich clientele. His income is substantial. Five years ago, he purchased an "any occupation" disability insurance policy. Today he meets with Joseph, his life insurance agent, to determine whether this type of coverage is still adequate. What should Joseph tell him?

- A. This type of coverage is adequate because it is more flexible.
B. Pierre-Marc will be entitled to disability benefits even if he can work in another profession and chooses to do so.
C. This type of coverage is adequate.
D. Pierre-Marc will be entitled to disability benefits even if he can work in another profession, provided he chooses not to do so.
E. This type of coverage is no longer adequate.
F. Pierre-Marc should purchase an accidental death and dismemberment rider, which would allow him to collect a lump-sum benefit if he injures his hands.
G. This type of coverage is no longer adequate.
H. Pierre-Marc should purchase "own occupation" coverage, which would allow him to collect benefits even if he can work in another profession and chooses to do so.

Answer: D

Explanation:

Comprehensive and Detailed Explanation:

"Any occupation" disability insurance pays benefits only if the insured cannot work in any job for which they are reasonably suited by education, training, or experience. For a dentist like Pierre-Marc, whose substantial income relies on specialized skills, this is restrictive. "Own occupation" coverage pays if he cannot perform his specific job (dentistry), even if he can work elsewhere (Chapter 2: Insurance to Protect Income).

Option A: Incorrect; ??any occupation?? is less flexible, not more, and doesn??t pay if he can work elsewhere, regardless of choice.

Option B: Incorrect; benefits stop if he can work elsewhere, whether he chooses to or not. Option C: Incorrect; an AD&D rider addresses specific losses, not income replacement adequacy.

Option D: Correct; ??own occupation?? suits his high-income, specialized profession, ensuring benefits if he can??t practice dentistry, even if he takes another job.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 2:Insurance to Protect Income.

NEW QUESTION 85

- (Topic 3)

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:

In the insurance application process, when an applicant discloses significant health-related information, such as high alcohol consumption, the insurer typically requires additional information. In Xavier??s case, he would need to fill out analcohol consumption questionnaire to provide more detail about his drinking habits. This step helps the insurer assess the risk and decide on policy terms, which may include higher premiums, exclusions, or even denial depending on the details provided. It aligns with the LLQP guidelines, which specify that full disclosure and accurate risk assessment are essential steps in underwriting.

NEW QUESTION 88

- (Topic 3)

Laekyn purchased an individual disability insurance policy 3 years ago from Awah, her insurance agent. Today, Awah receives a call from Laekyn, who says she is hospitalized following a suicide attempt. Laekyn says her doctor diagnosed her with bipolar disorder and expects she will be able to return to work in 3 months.

Will Awah be able to help Laekyn receive disability benefits?

A. Yes, because the event occurred more than 2 years after the policy was purchased.

B. Yes, because Laekyn contacted her as soon as she received her diagnosis.

C. No, because the minimum waiting period on an individual disability policy is 90 days.

D. No, because she is disabled due to a suicide attempt.

Answer: A

Explanation:

Most individual disability insurance policies include a two-year incontestability clause, after which the insurer cannot deny claims due to misrepresentations on the application, unless they involve fraud. Since Laekyn??s policy was purchased over three years ago, and assuming there was no fraudulent application, she should be eligible for benefits. The fact that her disability is related to a suicide attempt is not an automatic disqualification beyond this period unless specifically excluded by the policy. Therefore, the insurer should process her claim under the standard disability terms of the policy.

NEW QUESTION 90

- (Topic 3)

Bachir owns a successful video game business and has 10 employees. The time has come to plan business succession and the eventual sale of the business.

Bachir??s nephew Kharim, who shows a real interest in the business, is identified as his successor. Bachir would like to protect his sales price until such time as the business is sold to Kharim, who does not have the funds yet and will need a few years to amass the required amount. Bachir and Kharim consult insurance agent Bianca for advice. What should Bianca propose?

A. Disability buyout coverage in the event of Kharim??s disability.

B. Business loan protection.

C. Key person coverage.

D. Disability buyout coverage in the event of Bachir??s disability.

Answer: D

Explanation:

Comprehensive and Detailed Explanation:

Disability buyout insurance funds a buy-sell agreement if the owner (Bachir) becomes disabled, ensuring Kharim can purchase the business at the agreed price (Chapter 5:Insurance to Protect Businesses).

Option A: Incorrect; Kharim??s disability doesn??t affect Bachir??s sale. Option B: Incorrect; no loan is mentioned.

Option C: Incorrect; key person protects business operations, not succession. Option D: Correct; protects Bachir??s sale value if he??s disabled.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 5:Insurance to Protect Businesses.

NEW QUESTION 92

- (Topic 3)

Mauro works full-time for a small company that offers no benefits. He earns \$40,000 a year. He has an individual disability insurance policy that would provide him with \$2,000 a month, for a maximum of two years, after a waiting period of four months. This policy includes a partial and residual disability rider. Injured in an accident, Mauro is completely unable to work for nine months. After that, Mauro??s doctor advises him to start working two days a week for the next three months, after which Mauro should be able to resume working full-time. What monthly benefit will Mauro receive during the period he works part- time?

A. \$1,600

B. \$1,200

C. \$1,000

D. \$800

Answer: A

Explanation:

Comprehensive and Detailed Explanation:

A residual disability rider pays a proportionate benefit based on income loss. Mauro's full income is \$40,000/year (\$3,333/month). Working 2/5 days (40%) earns \$1,333/month (\$3,333 \times 0.40). Loss is \$2,000/month (\$3,333 - \$1,333). The rider typically pays 80% of the loss up to the policy max (\$2,000): \$2,000 \times 0.80 = \$1,600 (Chapter 2:Insurance to Protect Income).

Option A: Correct; \$1,600 fits residual calculation.

Option B-D: Incorrect; underestimates benefit.

Reference: LLQP Accident and Sickness Insurance Manual, Chapter 2:Insurance to Protect Income.

NEW QUESTION 95

- (Topic 3)

Constantin is a 47-year-old marketing manager earning an annual salary of \$175,000, who, together with his husband, recently purchased a house. A few years ago, Constantin was terminated from his previous position, and it took him two years to find similar employment in his field. The prolonged lack of income caused him to accumulate substantial debt. Today, after several years of sensible budgeting, the only debt remaining is his mortgage. He purchased disability and life insurance on the mortgage at the bank.

Given this information, what is Constantin's greatest financial risk?

- A. Loss of income.
- B. Lower standard of living.
- C. Unexpected expenses.
- D. Debt.

Answer: A

Explanation:

Constantin's primary financial risk remains the loss of income, as his substantial mortgage and recent history of debt accumulation due to a prolonged period of unemployment suggest a potential vulnerability if he were to lose his income again. Despite his current stable income, any future job loss would significantly impact his ability to meet his financial obligations, including mortgage payments, which could lead to another round of financial strain. The LLQP materials highlight that maintaining a stable income is crucial, particularly for individuals with high financial responsibilities, such as a mortgage. Although other risks like unexpected expenses, debt, and a lower standard of living are relevant, the direct consequence of losing his income would exacerbate these risks, making income loss the most critical concern.

NEW QUESTION 99

- (Topic 3)

Samira, a 42-year-old single mother of four, owns an individual disability insurance (DI) policy. Last week, she was hospitalized because of complications from diabetes. She hired an emergency nanny to care for her children until she was healthy enough to resume her normal activities. To her relief, Samira's DI policy contains a special rider that would cover up to \$250 per day for these types of expenses.

What is the name of the rider contained in Samira's policy?

- A. Residual disability benefits.
- B. Hospital indemnity rider.
- C. Cost-of-living adjustment.
- D. Childcare rider.

Answer: D

Explanation:

Samira's individual disability insurance (DI) policy includes a childcare rider, which provides a daily benefit to cover the costs of hiring help to care for her children while she is unable to perform her usual duties due to illness or injury. This rider is particularly useful for policyholders with dependents, as it addresses the financial burden of childcare in cases where the policyholder's disability prevents them from fulfilling their caregiving responsibilities. None of the other options, such as residual disability benefits or hospital indemnity, specifically cover childcare expenses; therefore, the correct answer is the childcare rider.

NEW QUESTION 102

- (Topic 4)

Ming-Na is a McGill University graduate interested in pursuing a career as an insurance of persons representative. She wants to know which piece of legislation sets out the definition and role of insurance of persons representatives.

Which of the options below is CORRECT?

- A. The Insurers Act.
- B. The Distribution Act.
- C. The Act respecting insurance.
- D. The Act respecting prescription drug insurance.

Answer: B

Explanation:

The Act that governs the definition and role of insurance of persons representatives in Quebec is the Distribution Act. This legislation outlines the roles, qualifications, and responsibilities of professionals licensed to offer life and health insurance products. It is crucial for anyone aspiring to become an insurance representative in Quebec to familiarize themselves with this Act, as it sets out the requirements and framework for licensure, conduct, and the scope of practice in this field.

NEW QUESTION 107

- (Topic 4)

Ontario residents, Juan and Maria, are a married couple approaching retirement. They have asked their representative, Carlow, to review the details of Maria's defined benefit plan (DBPP).

Which of the following statements about Maria's pension is CORRECT?

- A. Maria would be entitled to an increased benefit if Juan waived his survivor benefit.
- B. Juan would be entitled to receive at least 50% of Maria's pension upon Maria's death.
- C. With Juan's consent, Maria can choose to reduce the survivor benefit to 25% of her normal pension amount.
- D. Juan will be entitled to the survivor benefit even if they are separated at the time of Maria's death.

Answer: B

Explanation:

In Ontario, the pension legislation stipulates that a spouse is entitled to receive a minimum of 50% of the member's pension benefits as a survivor benefit if the member dies. This applies to defined benefit pension plans (DBPP), which provide a predetermined benefit upon retirement. Therefore, as the spouse of Maria, Juan would be entitled to receive at least half of Maria's pension upon her death, as specified by Ontario pension regulations. This survivor benefit is a guaranteed right and requires consent from both spouses for any reduction or waiver. Options C and D are incorrect as Ontario law mandates a minimum 50% survivor benefit without provision for reduction to 25%, and Juan's entitlement is tied to their marital status and statutory rights, which may not apply if they are separated or divorced at the time of Maria's death. Option A is incorrect because Ontario legislation does not provide for an increased benefit by waiving the survivor benefit.

NEW QUESTION 108

- (Topic 4)

A few months ago, Urmish filed a complaint to the Autorit  des march s financiers (AMF) about the services he received from his insurance agent, Jaba. The complaint was heard by the discipline committee, and Jaba was found guilty and ordered to pay a \$10,000 fine. Jaba is upset and does not agree with the verdict. She would like to appeal the verdict.

Which of the following statements is CORRECT?

- A. A decision made by the discipline committee may be appealed to the Chambre de la s curit  financi re (CSF).
- B. A decision made by the discipline committee may be appealed to the Court of Quebec.
- C. A decision made by the discipline committee may be appealed to the AMF.
- D. A decision made by the discipline committee cannot be appealed.

Answer: B

Explanation:

In the context of Quebec, decisions made by the discipline committee of professional bodies under the authority of the Autorit  des march s financiers (AMF) are subject to appeal processes established by Quebec law. The Court of Quebec is the designated body for appeals concerning decisions rendered by disciplinary committees. Specifically, when an insurance agent like Jaba disagrees with the disciplinary action taken by the AMF's discipline committee, the proper channel for appeal is the Court of Quebec, not the AMF, Chambre de la s curit  financi re (CSF), or any other entity. The Chambre de la s curit  financi re (CSF) itself does not serve as an appellate body for these disciplinary decisions but functions as a regulatory body to oversee the ethical and professional conduct of financial services professionals in Quebec. The AMF, while overseeing the financial markets, also does not handle appeals on behalf of its discipline committee.

This appeals process aligns with professional conduct standards and legal recourses as covered under Quebec's framework for insurance professionals. Under LLQP guidelines and relevant regulations, appeals must proceed through established legal channels, such as the Court of Quebec, ensuring that disciplinary decisions are subject to judicial review when contested.

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NEW QUESTION 110

- (Topic 4)

Paulette earns a modest income working as a delivery driver for FastFlowers Inc. in Quebec. The florist company has over 80 employees, 20 of whom are delivery drivers. The employees benefit from a group short- and long-term disability plan. One morning, while delivering flowers, Paulette's truck is struck by a bus. Paulette is taken to the hospital where a doctor deems that she will be unable to work for at least 4 months. Paulette contacts Jade, the human resources manager, to ask her who will pay her disability benefits.

Which of the following answers is CORRECT?

- A. Employment insurance (EI).
- B. Her group insurance.
- C. Soci t  de l'assurance automobile du Qu bec (SAAQ).
- D. Commission des normes, de l' quit , de la sant  et de la s curit  du travail (CNESST).

Answer: B

Explanation:

As Paulette is injured during work and is covered by her employer's group disability plan, her disability benefits would be paid out under this group insurance policy. Group disability insurance provides both short- and long-term coverage, as outlined in her employer's benefits plan. This plan typically covers income replacement for non-workplace injuries or illnesses. However, since this was an on-the-job accident, it may be covered by the CNESST, but group insurance often still serves as the primary provider in situations where a workplace injury results in short-term disability exceeding standard workplace injury benefits. The SAAQ would only cover injuries directly related to road accidents within its jurisdiction. Employment insurance (EI) provides general income replacement but is secondary to employer-provided group disability benefits.

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NEW QUESTION 112

- (Topic 4)

Ad le retired a few months ago. She sold some of her assets and would like to use the funds to take out a term annuity to increase her retirement income. Ad le brings a \$300,000 cheque to Germain, her financial security advisor, and wants to begin receiving lifetime guaranteed benefits in one month with the right to use capital in the event of an emergency. When Germain tells her about alienating capital, the capitalization phase, and the payment phase, Ad le becomes confused and asks for clearer explanations. What can Germain say to help Ad le understand?

- A. If her capital is alienated now, i.e., if ownership of the money is transferred to the insurer, the insurer will be able to guarantee all the conditions of the annuit
- B. Since the first benefit will be paid in a month, the contract will automatically be in the payment phase
- C. The alienation will allow Ad le to keep ownership of the capital and use it in the event of an emergenc
- D. The capitalization phase will enable the insurer to grow the capital before paying the annuity
- E. The contract will be a deferred annuity contract for one month and will be in the accumulation phase until the insurer takes possession of the \$300,000 in capita
- F. For benefits to be paid, the contract will enter the payment phase

G. To grow the transferred capital and pay the annuities as planned, the contract will be an immediate annuity contract in the capitalization phase until the annuity's guaranteed phase expire
H. The contract will then enter the payment phase

Answer: A

Explanation:

Comprehensive and Detailed In-Depth Explanation: Adèle seeks an immediate term annuity with payments starting in one month, funded by a lump sum. In annuity contracts (Civil Code, Article 2368), "alienation" means transferring capital ownership to the insurer, which then guarantees payments. Option A explains this: once Adèle's \$300,000 is alienated, the insurer assumes control, and with payments starting in one month, it's in the payment phase (no significant accumulation). This aligns with an immediate annuity per the LLQP. Option B is incorrect—alienation means Adèle loses ownership, barring emergency access. Option C's "deferred annuity" contradicts the one-month start. Option D misuses "capitalization phase" (growth period) for an immediate annuity already paying out. The Ethics manual requires advisors like Germain to clarify terms simply and accurately.

References: Civil Code of Quebec, Article 2368; LLQP Module on Annuities; Ethics and Professional Practice (Civil Law) Manual, Section on Client Education.

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NEW QUESTION 113

- (Topic 4)

Benjamin is a financial security advisor working for the Larson Group. He is following a mandatory compliance training session given by Andrew, the compliance manager. Andrew explains the importance of following the *Chambre de la sécurité financière* code of ethics, and Benjamin would like to know to whom the code of ethics applies.

What is Andrew's CORRECT response?

- A. Financial planners and financial security advisors.
- B. Financial security advisors and their administrative assistants.
- C. Claims adjusters and group insurance plan advisors.
- D. Damage insurance agents and accident and sickness insurance representatives.

Answer: A

Explanation:

The *Chambre de la sécurité financière* code of ethics applies specifically to financial security advisors and financial planners in Quebec. This code outlines the professional conduct required of those working within the financial services industry who advise clients on security products. Administrative assistants, claims adjusters, and damage insurance agents do not fall under the purview of the CSF code of ethics as they are regulated under different professional codes or by different oversight organizations.

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NEW QUESTION 118

- (Topic 4)

Last week, at a dinner party, Dario, an insurance agent, met Andrew, a successful businessperson with a net worth of over \$10 million. Dario spent the evening following Andrew around, telling him how he could help him manage his finances. The day after the meeting, Dario sent a fruit basket to Andrew's office. Every day since, Dario has been calling and urging Andrew to meet with him and take advantage of his services and insurance products.

Which duties and obligations did Dario break?

- A. Duties and obligations towards the public
- B. Duties and obligations towards clients
- C. Duties and obligations towards other representatives, firms, independent partnerships, insurers, and financial institutions
- D. Duties and obligations towards the profession

Answer: A

Explanation:

Dario's conduct at the dinner party and afterward constitutes a breach of his duties and obligations towards the public. Insurance professionals are expected to maintain high standards of professionalism and respect the privacy and comfort of individuals they interact with. By persistently following Andrew and subsequently pressuring him with daily calls and unsolicited gifts, Dario failed to demonstrate respect for personal boundaries. This behavior could be seen as unprofessional and could harm the public's trust in the industry. According to LLQP guidelines and ethical standards, agents must avoid aggressive solicitation and respect the autonomy and privacy of the public.

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NEW QUESTION 122

- (Topic 4)

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:

Comprehensive and Detailed In-Depth Explanation: Somalia, as an insurance of persons advisor in Quebec, must adhere to multiple legislative frameworks governing her professional conduct and client interactions. The Distribution Act (option A) regulates her licensing, duties, and client dealings as a financial professional (Sections 1–12), making it directly applicable. The APPIPS (option B) governs how she handles clients' personal information, a critical aspect of her role (Sections 1–10), so she must comply. The Quebec Charter of Human Rights and Freedoms (option C) protects clients' rights to dignity and respect, influencing her ethical obligations (Sections 1–4). However, The Insurers Act and its Regulation (option D) primarily govern insurance companies' operations, solvency, and product offerings, not the day-to-day conduct of individual advisors like Somalia (Sections 1–20). While indirectly relevant through her insurer affiliations, it does not impose direct obligations on her client-facing duties. The Ethics and Professional Practice manual stresses advisors' responsibility to

prioritize client-focused legislation, supporting option D as the least applicable.

References: Distribution Act, Sections 1–12; APPIPS, Sections 1–10; Quebec Charter,

Sections 1–4; Insurers Act, Sections 1–20; Ethics and Professional Practice (Civil Law) Manual, Section on Legislative Compliance.

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NEW QUESTION 123

- (Topic 4)

President and sole shareholder of the Velos Tourisque company, Paul employs 50 people.

Maryse, his financial security advisor, advises him to have his company take out life insurance on him. Who will be the parties to the contract?

- A. Paul will be the policyholder, Velos Tourisque will be the insured and the beneficiary
- B. Velos Tourisque will be the policyholder and the insured; Paul, as the shareholder, can designate the beneficiary
- C. Paul will be the policyholder and insured; Velos Tourisque will be the beneficiary
- D. Velos Tourisque will be the policyholder and beneficiary; Paul will be the insured

Answer: D

Explanation:

Comprehensive and Detailed In-Depth Explanation: In a corporate-owned life insurance policy, the roles of policyholder, insured, and beneficiary must align with legal and insurable interest principles under the Civil Code of Quebec (Articles 2415–2419). The policyholder is the entity that owns and pays for the policy, the insured is the person whose life is covered, and the beneficiary receives the death benefit. Here, Velos Tourisque, the company, is taking out the policy on Paul, its key person, suggesting it will own the policy (policyholder) and benefit from the proceeds (beneficiary) to protect its financial interests—common in key person insurance. Paul, as the individual whose life is insured, is the insured. Option D correctly identifies Velos Tourisque as policyholder and beneficiary, with Paul as the insured. Option A misassigns Velos Tourisque as the insured (a company cannot be insured, only a person can). Option B incorrectly lists Velos Tourisque as the insured. Option C reverses the roles, making Paul the policyholder, which contradicts the company owning the policy. The Ethics and Professional Practice manual highlights advisors' duty to clarify these roles for clients.

References: Civil Code of Quebec, Articles 2415–2419; Ethics and Professional Practice (Civil Law) Manual, Section on Insurance Contract Parties.

NEW QUESTION 126

- (Topic 4)

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 company'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 M
- B. Trenet be the policyholder
- C. For Xtra to become the subscriber of the contract, the investment amount must come from a registered plan, such as a retirement fund
- D. Because Xtra is a legal person, Xtra can be the policyholder; M
- E. Trenet must be the subrogated annuitant to approve decisions on behalf of Xtra
- F. If the capital is not registered, Xtra can be the policyholder

Answer: D

Explanation:

Comprehensive and Detailed In-Depth Explanation: Under the Civil Code of Quebec (Article 2415), a policyholder (or subscriber) is the entity that owns and pays for an insurance or annuity contract, which can be an individual or a legal person like a corporation. Xtra, as a company, can use its retained earnings (unregistered capital) to fund an annuity contract and be designated as the policyholder, making option D correct. Option A is false, as legal persons can own contracts (e.g., group insurance). Option B's requirement of a registered plan is incorrect—annuities can be funded with non-registered funds. Option C introduces a subrogated annuitant, a misnomer here, as the annuitant is the person receiving payments, not a decision-maker, and no such requirement exists. The LLQP and Ethics manual confirm that corporations can be policyholders for business purposes, like key person coverage or investments.

References: Civil Code of Quebec, Article 2415; LLQP Module on Annuities; Ethics and Professional Practice (Civil Law) Manual, Section on Contract Ownership.

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NEW QUESTION 131

- (Topic 4)

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:

Comprehensive and Detailed In-Depth Explanation: Reinstatement of a lapsed whole life insurance policy is governed by the Civil Code of Quebec (Article 2428) and insurer policies outlined in the LLQP. If a policy lapses due to non-payment but has a cash value, it may remain in force temporarily via an automatic premium loan or reduced paid-up option. For reinstatement, the insured typically must provide evidence of insurability and repay overdue premiums, interest, and any cash value used, as Concilius offers. The LLQP specifies that reinstatement, if within the insurer's allowable period (often 2–5 years), restores the policy to its original terms—same premium and coverage—unless otherwise stipulated. Option B, with the same initial conditions, aligns with this standard practice. Option A (new premium based on age) applies to new policies, not reinstatement. Option C (premium increase) or D (reduced amount) might occur if insurability declines, but Concilius meets the conditions, so no adjustment is required. The Ethics manual stresses transparency in explaining reinstatement terms.

References: Civil Code of Quebec, Article 2428; LLQP Module on Life Insurance Products; Ethics and Professional Practice (Civil Law) Manual, Section on Policy Administration.

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NEW QUESTION 132

- (Topic 4)

Samya and Gary, who are both insurance representatives, are having lunch together. Gary has been very successful for several years and proposes a scheme to Samya to get insurance proposals signed for a fictional company they would create together. He believes that this system would make them millionaires in about ten years. Gary advises Samya to keep their conversation a secret. If Samya agrees to Gary's proposal, what sanctions could she face?

- A. A sanction from the CSF's discipline committee that could be a fine, suspension, or both
- B. Pursuant to the Distribution Act, penal proceedings with the Court of Quebec could result in a fine of up to \$1,000,000
- C. Pursuant to the Criminal Code, sanctions could go as far as imprisonment
- D. Since liability insurance protects the consumer, the clients' losses will be covered and the sanctions will be reduced based on real harm

Answer: C

Explanation:

Comprehensive and Detailed In-Depth Explanation: Gary's scheme involves creating a fictional company to fraudulently sell insurance, constituting fraud under the Criminal Code of Canada (Section 380), punishable by up to 14 years imprisonment if Samya participates. Option C reflects this severe legal consequence. Option A (CSF sanctions) applies to ethical breaches within professional conduct, like fines or suspension, but fraud exceeds this scope. Option B (Distribution Act penalties) includes fines up to \$175,000 (Section 458), not \$1,000,000, and is less severe than criminal charges. Option D (liability insurance) is irrelevant, as it doesn't mitigate criminal liability. The Ethics manual and LLQP prohibit fraudulent acts, emphasizing criminal repercussions for such schemes. References: Criminal Code, Section 380; Distribution Act, Section 458; Ethics and Professional Practice (Civil Law) Manual, Section on Fraud and Misconduct.

NEW QUESTION 136

- (Topic 4)

Coraline is a landscape gardener who owns a disability insurance (DI) policy. The policy will pay her a \$3,000 monthly benefit after a 90-day waiting period. She is diagnosed with cancer, and because she has to undergo months of chemotherapy, she will be unable to work. She calls Robin, her insurance agent, to inform him of her diagnosis. She would like to know more information about the claims process.

Which of the following statements is CORRECT?

- A. Coraline must contact her agent by phone within 30 days of learning about her diagnosis.
- B. Coraline has 30 days to provide the insurer with all of the information required to process the claim.
- C. The insurer must pay Coraline the benefit amount within 30 days after receipt of the proof of loss.
- D. The payment of the initial benefit to Coraline must occur within 30 days after the end of the waiting period.

Answer: C

Explanation:

Disability insurance policies generally stipulate that the insurer must pay benefits within a specific timeframe following receipt of the proof of loss, typically within 30 days. This aligns with LLQP guidelines and common insurance practices, which require that insurers act promptly upon receiving all necessary documentation related to a claim. Coraline must provide her proof of loss, after which the insurer is obligated to start the payment process. The waiting period dictates when benefits start, but the insurer must pay within the specified period after receiving the required proof.

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NEW QUESTION 138

- (Topic 4)

Pierre is an insurance of persons representative. His new client, Carole, wishes to buy life insurance but wants to know everything about life insurance products before making a choice. What are Pierre's responsibilities in this case?

- A. Pierre must describe the products he offers to Carole and explain the coverage offered
- B. He must clearly indicate and explain the coverage exclusions
- C. Pierre can simply give Carole the insurer's explanatory brochures providing details on the product
- D. He must avoid giving explanations so as not to influence Carole
- E. Pierre must have a conference call with the insurer and Carole so that she can ask the insurer any questions she may have
- F. Pierre must ask Carole to put all her questions in writing and send them to the insurer

Answer: A

Explanation:

Comprehensive and Detailed In-Depth Explanation: Under the Distribution Act (Sections 16–18), insurance representatives like Pierre have a duty to act in the client's best interest by providing clear, accurate information about products, including coverage and exclusions. This aligns with the LLQP's emphasis on needs-based advising and the Civil Code's requirement of good faith (Article 1375). Option A correctly outlines Pierre's responsibility to explain products and exclusions, ensuring Carole makes an informed decision. Option B (handing over brochures without explanation) fails to meet the proactive advisory role mandated by the Ethics and Professional Practice manual, risking misunderstanding. Option C (conference call) is impractical and shifts Pierre's duty to the insurer. Option D (written questions to the insurer) similarly avoids Pierre's obligation to directly assist Carole. The manual stresses full disclosure and client education, making A the ethical and legal standard.

References: Distribution Act, Sections 16–18; Civil Code of Quebec, Article 1375; Ethics and Professional Practice (Civil Law) Manual, Section on Client Disclosure.

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NEW QUESTION 143

- (Topic 4)

Surjit and Rajbir got married in 2010, and Surjit named Rajbir as the irrevocable beneficiary of his life insurance contract. In 2017, the couple divorced amicably, and Surjit met with his insurance representative, Ivan, to review his plans. Surjit tells Ivan that he would like to keep Rajbir as his beneficiary. What should Ivan counsel his client to do?

- A. Surjit does not need to do anything as Rajbir is already the named beneficiary.
- B. Surjit cannot make any changes to the policy without Rajbir's consent, as she is the irrevocable beneficiary of his policy.
- C. Surjit should name a different beneficiary now that he is divorced.
- D. Surjit should once again designate Rajbir as the beneficiary.

Answer: A

Explanation:

In Quebec, an irrevocable beneficiary designation remains in effect even after a divorce, unless the policyholder takes steps to change it. Because Rajbir is designated as the irrevocable beneficiary, Surjit would require Rajbir's consent to alter the beneficiary designation. Since Surjit intends to keep Rajbir as the beneficiary, he does not need to take any additional action, as the irrevocable beneficiary status remains in force. Surjit cannot change or remove Rajbir as the beneficiary without her consent, so his current designation remains unaffected by the divorce under LLQP guidelines and Quebec civil code rules on irrevocable beneficiaries.

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NEW QUESTION 146

- (Topic 4)

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:

Comprehensive and Detailed In-Depth Explanation: The Chambre de la sécurité financière (CSF) Code of Ethics (Section 11) and Distribution Act (Section 18) prohibit representatives from using misleading or self-aggrandizing statements that could unduly influence clients. Flavie's business card slogan, "One of the company's 10 best salespersons," and her verbal boast about earnings suggest superiority without substantiation, potentially pressuring Julius. Option B, removing the slogan, aligns with ethical standards to ensure representations focus on client needs, not personal accolades. Option A (timing of card) is irrelevant to compliance. Option C (second meeting) doesn't address the content issue. Option D (commission disclosure) is unnecessary, as disclosing compensation structure is

permissible if relevant. The Ethics manual emphasizes professionalism and prohibits exaggerated claims.

References: CSF Code of Ethics, Section 11; Distribution Act, Section 18; Ethics and Professional Practice (Civil Law) Manual, Section on Professional Conduct.

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NEW QUESTION 148

- (Topic 5)

Genevieve and Martin, a couple in their 40s, meet with Melissa, their insurance agent, to help them plan for their retirement. Melissa tells them that they would benefit from opening a spousal registered retirement savings plan (RRSP) given their financial situation and discrepancy in their incomes. The couple would like to know the benefits of opening a spousal RRSP.

- A. A spousal RRSP is a way to move income from one spouse, who has a higher tax rate, to the other, who has a lower tax rate, during retirement.
- B. Contributions to a spousal plan are based on the contribution room of the recipient and reduce his or her RRSP contribution room.
- C. Contributions to a spousal plan can be made until the end of the year in which the older spouse turns 71.
- D. Having a spousal RRSP can extend the tax benefit of contributions past age 71 if the contributing spouse is younger.

Answer: A

Explanation:

A spousal RRSP is beneficial for couples with differing income levels as it allows for income splitting during retirement. This is advantageous because it enables the higher-income spouse to contribute to the RRSP of the lower-income spouse. When the funds are eventually withdrawn during retirement, they are taxed at the lower-income spouse's rate, potentially reducing the couple's overall tax burden. This aligns with the LLQP guideline on income splitting as a tax minimization strategy.

Option B is incorrect because the contributions to a spousal RRSP reduce the contribution room of the contributing spouse, not the recipient. Option C is technically accurate but does not directly address the primary advantage of a spousal RRSP in terms of tax planning, and Option D is correct regarding extending tax benefits but does not directly highlight the immediate benefit of income splitting for the couple.

NEW QUESTION 152

- (Topic 5)

Arianna, a healthy 61-year-old university professor, is retiring this year and wants to transfer the funds she accumulated in her registered retirement savings plan (RRSP) into an annuity. She is looking at different options and would like to know which of the following annuities will pay the highest monthly benefit.

- A. A life annuity
- B. A life annuity with a 10-year guarantee
- C. An indexed annuity
- D. A joint life annuity

Answer: A

Explanation:

A life annuity typically provides the highest monthly benefit compared to other annuity types because it does not include additional guarantees or features that reduce the payout, such as a guarantee period or indexing. Since Arianna is healthy and seeking the highest monthly income, a standard life annuity, which pays a fixed income for life without any additional features, will maximize her monthly benefit. LLQP resources confirm that adding options like guarantees or indexing typically lowers the monthly payout due to the insurer's increased liability.

Option B would provide a lower benefit than a standard life annuity because of the 10-year guarantee. Option C (Indexed annuity) would have lower initial payments due to the cost of inflation protection, and Option D (Joint life annuity) would provide less income as it is designed to continue payments to a surviving spouse.

NEW QUESTION 155

- (Topic 5)

Karine receives \$200,000 from her mother's estate and decides to purchase an annuity. Her insurance agent Serge goes over her options with her, and she chooses the annuity that best suits her needs. Serge proceeds with the transaction.

Which of the following statements about the transaction is TRUE?

- A. Karine may make a cash deposit.
- B. Serge has 3 business days to forward the payment to the insurer.
- C. Serge should provide a receipt for all deposits he receives as cash, cheque, or bank draft.
- D. If Karine writes a cheque, it should be made payable to Serge.

Answer: C

Explanation:

As per LLQP regulations, insurance agents like Serge are required to provide receipts for any deposits they receive, regardless of the payment method, to ensure transparency and proper documentation of client transactions. This applies to cash, cheques, or bank drafts, offering proof of the transaction to Karine and helping maintain accurate records.

Option A is incorrect as it lacks specific relevance to the transaction process. Option B is incorrect, as agents generally need to remit funds to the insurer as promptly as possible, with timing requirements varying by jurisdiction but typically within days. Option D is incorrect because cheques should be made payable to the insurer, not the agent, to prevent misappropriation of funds.

NEW QUESTION 159

- (Topic 5)

Larson, an insurance agent, meets with Julia, a real estate agent, to review her insurance needs. Julia has \$500 in her savings account and does not own a tax-free savings account (TFSA) or registered retirement savings plan (RRSP). She earns an average of \$150,000 a year in sales commissions and rental income from two condo units she owns. The combined value of her income properties is \$1,000,000, and the mortgage is \$200,000.

Larson recommends that Julia open a TFSA and use it to invest \$400 a month in a money market fund.

Which of the following personal risks is Larson trying to mitigate with this advice?

- A. Risk of job loss.
- B. Risk of bankruptcy.
- C. Risk of leveraging.
- D. Risk of unforeseen expenses.

Answer: D

Explanation:

Larson's recommendation for Julia to open a TFSA and invest in a money market fund is a strategy aimed at building a readily accessible emergency fund. This fund can help mitigate the risk of unforeseen expenses, which is a common financial risk. According to LLQP principles, creating an emergency fund within a TFSA provides tax-free growth and easy access to funds for unexpected costs, such as repairs, medical expenses, or temporary income loss.

Options A, B, and C are incorrect as they relate to specific risks not directly addressed by the creation of an emergency fund. A TFSA primarily provides liquidity for unexpected expenses rather than addressing job loss, bankruptcy, or leveraging.

NEW QUESTION 162

- (Topic 5)

Enzo meets with his insurance agent Theo to discuss his investment needs. When Theo asks Enzo about his liabilities, Enzo tells him that he purchased a house for \$750,000 four years ago and his current mortgage balance is \$600,000. He has a fixed interest rate on the mortgage of 3.5% for 5 years.

Which of the following statements about his mortgage is TRUE?

- A. A mortgage is considered a bad debt.
- B. An increase in interest rates will increase the mortgage cost when the mortgage is renewed.
- C. The mortgage will contribute positively to Enzo's net worth.
- D. The mortgage balance should not be included in the review of liabilities.

Answer: B

Explanation:

Enzo's fixed-rate mortgage protects him from rate fluctuations during the current term. However, upon renewal, if interest rates have risen, his mortgage payments could increase due to a higher rate being applied to his remaining balance. LLQP resources emphasize that fixed-rate mortgages are impacted by prevailing interest rates at the time of renewal, which can influence future costs.

Option A is incorrect as mortgages are generally considered good debt due to their potential for equity growth. Option C is misleading as the mortgage itself is a liability, although the property value could contribute positively to net worth. Option D is incorrect because liabilities like mortgages are essential components of a financial review.

NEW QUESTION 166

- (Topic 5)

(Priscilla is worried about losing her job in six months. She invests \$1,000 per month in segregated equity funds but has limited cash savings. What should her insurance agent, Arthur, advise?)

- A. She should stop buying the segregated funds only if she loses her job.
- B. She should stop buying the segregated funds now and build an emergency fund.
- C. She should sell her segregated funds immediately to provide an emergency fund.
- D. She should leverage her segregated funds immediately to provide cash for an emergency fund.

Answer: B

Explanation:

Facing potential job loss, the priority for Priscilla should be building an emergency fund rather than continuing to invest. Emergency funds provide essential liquidity in the event of unexpected income loss.

Exact Extract:

"Establishing an emergency fund to cover living expenses during unforeseen circumstances is fundamental before committing to longer-term investments like segregated funds."

(Reference:Segfunds-E313-2020-12-7ED, Chapter 1.1.2.5 Liquidity)

NEW QUESTION 169

- (Topic 5)

Sebastian is a 44-year-old sales representative employed at Premier Aqua. He wants to take a year off to travel and relax. He has worked for the company for 25 years and accumulated \$230,000 in a deferred profit sharing plan (DPSP). He would like to know if he can use some of the funds in his DPSP to fund his sabbatical.

- A. Yes, he can withdraw the funds if he wants to.
- B. Yes, he can withdraw the funds if he gets permission from his employer.
- C. No, the funds can only be transferred to a life income fund (LIF).
- D. No, the funds can only be transferred to a locked-in retirement account (LIRA).

Answer: D

Explanation:

As with most Deferred Profit Sharing Plan (DPSP) funds, Sebastian's accumulated balance is generally locked-in, which means it cannot be withdrawn in cash while still under the plan. Instead, he may transfer it to a Locked-In Retirement Account (LIRA) upon leaving his employment or retiring, ensuring the funds remain tax-deferred. LLQP guidelines state that DPSP funds are generally subject to locking-in provisions, which restrict withdrawals and are specifically aimed at providing retirement income.

Thus, contrary to options A and B, Sebastian cannot withdraw the DPSP funds for discretionary purposes, such as funding his sabbatical, because of these restrictions. Option C is incorrect, as transferring to a Life Income Fund (LIF) would only be appropriate once the funds are in a LIRA, typically when Sebastian is closer to retirement age and ready to begin income withdrawals.

NEW QUESTION 172

- (Topic 5)

(Justin purchased a single life annuity contract with no guaranteed period and no survivor benefit. He is now hospitalized. If Justin passes away, who could make a claim on behalf of his estate regarding the annuity?)

- A. Only the executor of Justin's estate could make the claim.
- B. Only Justin's spouse, as the contingent annuitant, could make the claim.
- C. Any person with a power of attorney could make the claim.
- D. A death claim could not be made for the annuity Justin purchased.

Answer: D

Explanation:

Since Justin's annuity had no guaranteed period and no survivor benefit, payments stop at death. Thus, no death claim can be made.

Exact Extract:

"For a single life annuity with no guarantee period, payments cease upon the death of the annuitant, and no death claim can be made."

(Reference:Segfunds-E313-2020-12-7ED, Chapter 3.2.2.1 Single Life Contract 49:4†Segfunds-E313-2020-12-7ED.pdf**)

NEW QUESTION 175

- (Topic 5)

Over the years, Agnes, a disciplined investor with a modest income, was able to save over \$140,000 in an accumulation annuity. She plans on using the funds in a few years to travel the world and enjoy life while she is still healthy.

Which of the following statements about her annuity is TRUE?

- A. The annuity permits both withdrawals, subject to minimum and maximum amounts, and surrender.
- B. A surrender can only be made at specific times.
- C. An accumulation annuity is not flexible.
- D. A market value adjustment will be charged by the insurer each time she withdraws her funds.

Answer: A

Explanation:

An accumulation annuity offers flexibility in terms of access to funds. According to LLQP guidelines, accumulation annuities permit both periodic withdrawals and the option for full surrender, though withdrawals are generally subject to minimum and maximum limits, depending on the contract. Furthermore, such annuities often allow for flexibility in accessing funds without the need for strict schedules, unlike some other products that may restrict surrenders to specific times.

Therefore, option A accurately describes the flexibility associated with accumulation annuities, making it the correct answer.

Option B is incorrect because surrenders in accumulation annuities are not usually restricted to specific times. Option C is inaccurate as accumulation annuities are designed for flexibility. Option D is incorrect as market value adjustments are not automatically applied; these depend on the contract terms and market conditions.

NEW QUESTION 177

- (Topic 5)

(Kara's uncle recently passed away, leaving her an inheritance. Since Kara does not hold any investment account and is not sure what to do with this unexpected influx of money, her cousin referred her to his own financial advisor.

What information should the advisor first seek to obtain from Kara to begin developing an investment strategy that meets her needs?)

- A. The rate of return Kara wants for her investment.
- B. Whether Kara would like to duplicate what her cousin has.
- C. Who Kara wants to list as beneficiary.
- D. How liquid Kara needs her investment to be.

Answer: D

Explanation:

To create an appropriate investment strategy, the advisor must understand Kara's liquidity needs— how easily and quickly she might need to access her money without significant loss. Liquidity considerations are fundamental when setting up an investment plan, especially for someone without prior investments and an uncertain timeline for using the funds.

Exact Extract:

"Liquidity refers to the ability to access funds readily and should always be assessed in determining appropriate investment recommendations."

(Reference:Segfunds-E313-2020-12-7ED, Chapter 1.1.2.5 Liquidity)

NEW QUESTION 181

- (Topic 5)

(At 60 years of age, Pierre recently retired for health reasons: he suffers from leukemia and is only expected to live three or four more years, according to his oncologist. A friend advised Pierre to purchase an annuity with his RRSP, as he has no immediate family to leave money to and wants a guaranteed monthly payout.

What type of annuity would be best suited for Pierre?)

- A. A term annuity.
- B. A life annuity.
- C. An enhanced annuity.
- D. A deferred annuity.

Answer: A

Explanation:

Given Pierre's short life expectancy, a term annuity (paying for a specific period) would ensure he receives guaranteed payments for a fixed number of years, aligning with his situation and providing steady cash flow.

Exact Extract:

"A term annuity pays a fixed income for a set number of years. It is appropriate for clients expecting a limited lifespan and wishing to maximize payouts during their lifetime." (Reference:Segfunds-E313-2020-12-7ED, Chapter 3.2.3 Duration of the Annuity 49:2†Segfunds-E313-2020-12-7ED.pdf**)

NEW QUESTION 185

- (Topic 5)

(Joe and Joy, both aged 65, have \$280,000 in savings and a \$200,000 joint first-to-die life insurance policy. They want to buy an annuity to provide steady income in retirement.

What type of annuity would best suit their needs?)

- A. A single life annuity, as their life insurance policy will fund the survivor's retirement.
- B. A joint life annuity that will pay the survivor 50% of the full benefit.
- C. A T-90 annuity that will provide an income until at least the first death.
- D. A variable income annuity that can provide larger sums if the market performs well.

Answer: B

Explanation:

A joint life annuity that pays 50% to the surviving spouse ensures continuous but reduced income after the first death, matching their needs for steady, predictable income while still protecting the surviving spouse.

Exact Extract:

"A joint life annuity continues to pay income after the first death, either fully or at a reduced percentage (e.g., 50%). This arrangement provides income security for a surviving spouse."

(Reference:Segfunds-E313-2020-12-7ED, Chapter 3.2.2.2 Joint Life Contract)

NEW QUESTION 189

- (Topic 5)

Janice meets with Patrick, an insurance agent, to review her investment needs. Patrick suggests that she invest in segregated funds. Janice is not familiar with these types of funds.

What information can Patrick provide to Janice to help her understand the advantages of segregated funds?

- A. They are fully protected by Assuris.
- B. They can be withdrawn anytime.
- C. They guarantee protection from creditors.
- D. They require medical underwriting.

Answer: C

Explanation:

One of the significant advantages of segregated funds is creditor protection, which is particularly beneficial for business owners and professionals who may face potential claims from creditors. Under LLQP principles, segregated funds are insurance contracts, and when beneficiaries such as spouses or children are named, the investment may be protected from creditors in the event of bankruptcy or legal action. This makes segregated funds distinct from other investment types, which do not inherently offer creditor protection unless specific trusts or structures are in place.

Option A is incorrect as Assuris provides limited coverage rather than full protection, Option B is partially true but not unique to segregated funds, and Option D is incorrect as segregated funds typically do not require medical underwriting.

NEW QUESTION 194

- (Topic 5)

(Gertrude wishes to invest her savings while having creditor protection and minimizing risk.

What type of segregated fund would be most suitable for her?)

- A. Money market funds
- B. Equity funds
- C. Real estate funds

D. Index funds

Answer: A

Explanation:

Money market segregated funds are considered the least risky because they invest in short-term, high-quality investments and offer principal preservation features. They also benefit from the creditor protection associated with segregated fund contracts.

Exact Extract:

"Money market funds aim to preserve capital by investing in highly liquid, low-risk instruments. Segregated fund contracts may also offer creditor protection if structured appropriately."

(Reference: Segfunds-E313-2020-12-7ED, Chapter 2.2.1 Money Market Funds)

NEW QUESTION 196

- (Topic 5)

(Jerry, aged 63, is getting ready to retire. His pension statement shows contributions, investment choices, and performance data.

From among the following types of pension plans, which one was Jerry a member of?)

- A. Group life income fund.
- B. Defined benefit pension plan.
- C. Defined contribution pension plan.
- D. Deferred profit-sharing plan.

Answer: C

Explanation:

The key feature of a defined contribution (DC) pension plan is the focus on contributions and investment performance, rather than a guaranteed retirement benefit. Contribution amounts and investment options are fundamental characteristics of DC plans.

Exact Extract:

"In a Defined Contribution Pension Plan (DCPP), members' benefits depend on the contributions made and the investment returns earned."

(Reference: Segfunds-E313-2020-12-7ED, Chapter 1.3.11 Group Plans)

NEW QUESTION 197

- (Topic 5)

Six years ago, Diu purchased an immediate life annuity with a 10-year guarantee period. The annuity paid her a monthly benefit of \$1,800. She named her son Shan as the beneficiary of the policy and her niece Haru as a contingent beneficiary. Shan died four months ago in a motorcycle accident and between grieving and planning the funeral, Diu forgot to update her beneficiary designation. Last week, Diu died of a heart attack.

Who would receive the annuity benefits?

- A. Shan's widow
- B. Shan's estate
- C. Haru
- D. Diu's estate

Answer: C

Explanation:

Since Diu had designated her son Shan as the primary beneficiary and her niece Haru as the contingent beneficiary, the death benefit from the annuity will pass to Haru, the contingent beneficiary, after Shan's death. In annuity contracts, if the primary beneficiary predeceases the annuitant and no changes are made to the designation, the benefits will typically go to the contingent beneficiary. According to LLQP principles, a contingent beneficiary is entitled to receive the remaining guaranteed payments when the primary beneficiary is no longer able to do so.

Option A is incorrect as Shan's widow is not mentioned as a beneficiary. Option B is incorrect as Shan's estate would not receive the benefits if a contingent beneficiary exists. Option D is incorrect as Diu's estate would only receive the benefits if no beneficiaries were named.

NEW QUESTION 200

- (Topic 5)

(Arthur's assets include a home worth \$744,000, savings of \$41,000, and a whole life insurance policy with a death benefit of \$300,000 and a cash value of \$196,000. His liabilities include a \$150,000 reverse mortgage and \$2,090 income tax owed.

What is Arthur's net worth?)

- A. \$1,082,910
- B. \$932,910
- C. \$828,910
- D. \$678,910

Answer: C

Explanation:

Net worth is calculated by adding assets and subtracting liabilities: Assets = \$744,000 + \$41,000 + \$196,000 = \$981,000

Liabilities = \$150,000 + \$2,090 = \$152,090 Net Worth = \$981,000 - \$152,090 = \$828,910

Exact Extract:

"Net worth equals total assets minus total liabilities. Whole life insurance cash values are counted as assets."

(Reference: Segfunds-E313-2020-12-7ED, Chapter 4.1 Financial Position of Client)

NEW QUESTION 203

- (Topic 5)

(Philip is applying for a segregated fund contract and must choose a sales charge. He does not foresee needing withdrawals and wants minimal management expenses and no initial reductions or penalties.

Which form of sales charge would best suit Philip?)

- A. A deferred sales charge
- B. A no-load fund
- C. A front-end sales charge
- D. A negotiated sales charge

Answer: C

Explanation:

With a front-end sales charge, the investor pays a fee upfront, but no fees are deducted from ongoing investments or redemptions, and management expenses are generally lower compared to deferred options. This matches Philip's desire for no reductions or surprises after investing.

Exact Extract:

"Front-end sales charges are paid at the time of purchase. As a result, no further charges apply when units are sold, and investors benefit from a full investment of funds thereafter." (Reference: Segfunds-E313-2020-12-7ED, Chapter 2.3.2.1 Front-End Sales Charge)

NEW QUESTION 207

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