

VARIABLE LIFE LICENSING MOCK EXAM (Set D)

NAME: \_\_\_\_\_  
BRANCH: \_\_\_\_\_  
SCORE: \_\_\_\_\_

*Instructions: Please encircle the correct answer.*

1. Variable life insurance policy owners may make withdrawals in terms of A or D through cancellation of \_\_\_\_\_ units
- Number of units or fixed monetary amount through cancellation of units
  - Number of units of fixed monetary through reduction of the life cover sum assured
  - Fixed monetary amount only through reduction of the life cover sum assured
  - Number of units through cancellation of units**

2. Which of the following statements about flexibility features of variable life policies is **false**?
- Policyholders may request for a partial withdrawal of the policy and the withdrawal amount will be met by cashing the units at the bid price.
  - Policyholders can take loans against their variable life up to the entire withdrawal value of their policies** **False letter B kasi no loan tayo**
  - Policyholders have the flexibility of switching from one fund to another provided it satisfies the company's switching criteria
  - Policyholders have the flexibility of increasing or decreasing their premiums for regular premium variable life policies

3. The investment returns under variable life insurance policy \_\_\_\_\_
- Are not guaranteed
  - Are assured
  - Are linked to the performance to of the investment fund managed by the life insurance company
  - Fluctuate according to the rise and fall of market prices

- I, II and III
- I, II and IV
- I, III and IV**
- II, III and IV

**Not assured ang investment  
sa insurance kaya II Lang ang  
di kasama**

4. Which of the following statements is TRUE?
- The policy value of variable life policies is determined by the **offer price** at the time of valuation
  - The policy value of endowment policies is the cash value plus any accumulated dividends less any outstanding loans due at the time of the surrender
  - The life company needs to maintain a separate account for variable life policies distinct from the general account

- I & II
- I, II & III
- I & III
- II & III**

**Pag nakita word na offer price  
yan na agad di kasama kasi di  
tayo nagooffer ng price**

5. Which of the following statements is FALSE?
- Rebating is to offer a prospect a special inducement to purchase a policy
  - Twisting is a specific form of misrepresentation
  - Misrepresentation is a specific form of twisting**
  - Switching is a facility allowing the policyholders to switch to another variable life funds offered by the company

**Clue word : ung first word  
ending sa -ing ung tatlo , ung**

**naiba mali** Scanned by CamScanner

6. Which of the following statements about variable life policies is TRUE?
- I. Offer price is used to determine the number of units to be credited to the account
  - II. The margin between the bid and offer price is used to cover the managements cost of the policy
  - III. The policy value is calculated based on the bid price of units allocated into the policy

- a. I, II & III
- b. I & II
- c. I & III
- d. II & III

**Ung first word offerprice ang di kasama**

7. What is the most suitable investment instrument for an investor who is interested in protecting his principal and receiving a steady stream of income?

- a. Equities
- b. Warrants
- c. Variable life policies
- d. Fixed income securities

**Pag steady stream of income  
FIXED INCOME SECURITIES**

8. What are the disadvantages of investing in common shares?

- I. Dividends are paid more than fixed rates
- II. Investors are exposed to market and specific risks
- III. Shares can become worthless if company becomes insolvent

- a. I & II
- b. I & III
- c. II & III
- d. I, II & III

**Common shares-positives ung una kaya di kasama sa disadvantages**

9. Which of the following statements about the difference between variable life policies and endowment policies are FALSE?

- I. The policy values of variable life policies directly reflect the performance of the fund of the life company
- II. The premiums and benefits of the endowment policies are described at the inception of the policy whereas variable life are flexible as the are account driven
- III. The benefits and risks of variable life and endowment policies directly accrue to the policyholders

- a. I & II
- b. I, II & III
- c. I & III
- d. I, II & III

**C: I and III**

**Letter C ang tamang sagot ung may word na DIRECTLY parehas sa sentence**

10. Which of the following statements about twisting is FALSE?

- a. Twisting is a special form of misrepresentation
- b. It refers to an agents including a policyholder to discontinue policy with another company without disclosing the disadvantage of doing so
- c. It includes misleading or incomplete comparison of policies
- d. It refers to an agent offering a prospect a special inducement to purchase a policy

**False letter D kasi ung pagbigay discount rebating tagaw dun**

11. Mr. Juan dela Cruz is currently earning Php 30,000.00 per month. He is 35 years old and he has a reasonable amount of savings. He has a moderate level of risk tolerance. What kind of policy would you recommend for him to buy?

- a. Participating Endowment
- b. Variable life policies
- c. Participating whole life
- d. Annuities

12. What are the benefits available when investing in variable life funds?

- I. The variable life funds offer policyholders an access to pooled or diversified portfolios
- II. The variable life policyholders can vary his premium payments, take premium holidays, add single premium top-ups and change the level of the sum assured easily
- III. The variable life policyholder can have access to a pool of qualified and trained professional fund managers

**III di kasama kasi wala direct access ang policyholder sa fund at eastspring investment fund manager ni pru**

- a. I & II
- b. I & III
- c. I, II & III
- d. II & III

13. Rank the following in terms of their liquidity, from the least liquid to the most liquid:

- I. Short term securities
- II. Property
- III. Cash
- IV. Equities

**Letter D TAMANG SAGOT**  
**P**-roperties  
**E**-quities  
**S**-hort term  
**C**-ash

- a. IV, II, III, I
- b. III, I, IV, II
- c. II, I, IV, III
- d. II, IV, I, III

14. A unit trust is **Established by trust deed**

- a. Established by a trust deed which enables a trustee to hold the pool of money and assets in trust in behalf of the investor
- b. A close-end fund and does not have to dispose off if the large number investors sell their shares
- c. One whereby the investor buys units in the trust itself and not share in the company
- d. An organization registered under the SECURITY EXCHANGE COMMISSION (SEC) which usually invests in a wide range of equities and other investment

15. Under variable life insurance policies \_\_\_\_\_

- I. There is no guaranteed minimum sum assured for the purpose of declaring dividends
- II. There is no guaranteed minimum sum assured as a level of life insurance protection
- III. Each of the policy owner's premium will be used to purchase units the number of which is dependent on the selling price of each unit
- IV. Purchase of units can only be made from the variable life fund itself, which will then create new units and add investment monies to the value of the fund

- a. I & IV
- b. II & IV
- c. III & IV
- d. II & III

**Ung may there is no ay not also an answer hahan**

16. The benefits of investing in variable life funds include \_\_\_\_\_

- I. Policy owners have access to pooled or diversified portfolios of investment
- II. Policy owners can easily change the level of the premium payments as the product design of variable life policies have clear structures which cater separately for investment and insurance protection
- III. Policy owners can gain access to variable life funds managed by professional investment managers with proven track records
- IV. Policy owners can buy a variable life insurance policy only with a high initial investment

- a. I, II & IV
- b. I, III, & IV

- c. I, II & III
- d. II, III & IV

**IV di kasama kasi may word na ONLY haha may variable starting 1700 lang**

17. Which of the following BEST describes the policy benefits of variable life policies?
- The policy benefits are payable only on death or disability
  - The policy benefits will depend on the long – term performance of the life company.
  - The policy benefits are directly linked to the investment performance of the underlying assets**
  - The policy benefits are guaranteed

**Clue word : Directly linked**

18. Why is it important that the customer must understand the sales proposal in full?
- Because the insurer does not guarantee any return
  - Because the impact of changes in investment condition on variable life policy is borne solely by the customer.**
  - Because the agent may give the wrong recommendations
  - Because the policyholder expects higher returns

**Clue word :Borne solely kasi pwede ipersonalized ang policy ng client based sa needs at wants niya**

19. Which of the following statements about rebating are TRUE?
- Rebating is prohibited under the Insurance Code
  - Rebating deals with offering the prospect a special inducement to purchase a policy
  - Rebating will enhance the sales performance and uphold the prestige of an agent.

- I & II**
- I & III
- II & III

**Bawal rebating. Rebating is like discounting**

20. Which one of the following statements is FALSE?
- Variable life insurance policies offer investors policies with values and indirectly linked to the investment performance of the life company**
  - Life company will carry out a valuation of its funds yearly and any surplus may be allocated to participating policyholder as cash dividends
  - Both Whole Life and Endowment policies can be used as an investment media with benefits that become payable at a future date
  - The investment element of Variable life policies varies according to underlying assets of the portfolio

**False kasi dapat directly**

21. Which of the following statements about option top – up under variable life insurance is false?
- Policy owners may buy additional units of the variable life fund and these units will be allocated to new variable life insurance policies**
  - Further premiums at time of the top – up will be used in full, after deducting ~~lang~~ charges for top – ups, to purchase additional units of the variable life funds
  - Top – up policy, the policy owner pays further single premium at the time of the top – up
  - Policy owners are normally allowed to top – up their policies at any time, subject to a minimum amount

**Not new kung additional units**

22. The characteristics of a variable life insurance include \_\_\_\_\_:
- Its withdrawal value and protection benefits are determined by the investment performance of the underlying assets.
  - Its protection costs are generally met by implicit charges
  - Its commission and company expenses are met by a variety of explicit charges with normally 6 months notice given by the life companies prior to any change
  - Its withdrawal value is normally the value of units allocated to the policy owner calculated at the bid price

- I, II & III
- II, III & IV
- I, II & IV**
- I, III & IV**

29. The flexibility benefit of investing in variable life funds include \_\_\_\_\_:

- I. Policy owners can easily change the level of sum assured and switch their investment between funds
  - II. Policy owners can easily take premium holidays and add single premium to Top – ups
  - III. Variable life insurance policies offer the potential for higher returns
  - IV. Traditional participating policies aim to produce a steady return by smoothing out market fluctuation
- a. All of the above
  - b. I, II & III
  - c. I, II & IV
  - d. I, III & IV

**Traditional is not variable**

30. The fundamental differences between traditional participating life insurance policies and variable life insurance policies include \_\_\_\_\_.

- I. Variable life insurance policies are less likely to offer more choices in terms of the type of investment funds
  - II. The investment elements of variable life insurance policies is made known to the policy owner at the outset and is invested in a separately identifiable fund which is made up of units of investment
  - III. Variable life insurance policies offer the potential for higher returns
  - IV. Traditional participating policies aim to produce a steady return by smoothing out market fluctuation
- a. I, III & IV
  - b. II, III, IV
  - c. I, II, III
  - d. I, II & IV

31. The switching facility under variable life insurance policies is a very useful \_\_\_\_\_

- a. For the purpose of profit planning by the life policies
- b. For the purpose of assets planning by the trustee
- c. For the purpose of sales planning by the fund managers
- d. For the purpose of financial planning by the policy owners

**Clueword : financial planning**

32. The following statement about surrender value under traditional participating life insurance products are TRUE?

- a. Cash value is paid when yearly renewable term insurance policy is surrendered
- b. When a participating insurance policy is surrendered, the surrender value is calculated by multiplying the bid price with the number of units
- c. The amount of surrender value is usually higher than the amount under non – participating policies and it varies with the age of the assured, being lower at older ages
- d. In the case of participating policies, the net cash surrender value includes the surrender value of the paid – up addition up to the date of surrender

33. Which one of the following statements about risks of investing in variable life funds is TRUE?

- a. Policy owners who are risk averse should buy life insurance policies with high equity investment
- b. Investment in variable life funds which are fully invested in units of equity bonds are not suitable for policy owners who can tolerate the risks of short term fluctuation in their cash value
- c. Policy owners who invest in variable life funds with high equity investment face higher risk but can expect to achieve higher return than the traditional life insurance product over the long term
- d. Policy owners who are risk averse should not purchase life insurance policies with high protection and guaranteed cash and maturity values

**High risk high return on variable insurance/VUL**

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- d. Policy owners who are risk averse should not purchase life insurance policies with high protection and guaranteed cash and maturity values

**High risk high return on variable insurance/VUL**

34. What should be the withdrawal values after a year?

Offer Price	=	Php.	16.00
Bid-Offer Spread	=		4.5%
Number of units bought	=		25,000
Policy Fee	=		1,800
Admin and Mortality Charge	=		8,750
Top-up Fee	=		700
Admin for Top-up	=		2000

Sum assured is 190% of single premium or the value of units, whichever is higher.

ASSUMPTIONS:

1. Charges and fees are deducted after the single premium has been invested into the account.
2. The growth rate of the unit price and bid-offer spread is maintained at 8% and 4.5% respectively.

- a. Php. 432,000.00
- b. Php. 420,069.20
- c. **Php. 401,107.58**
- d. Php. 412,500.00

**Isang may computation lang  
nasa exam clue 401k**

35. The protection cost under a variable life insurance policy \_\_\_\_\_.

- I. Are met by flat initial charges for regular premium plans
- II. Are generally covered by cancellation of units in the fund
- III. Are generally met by explicit charges stipulated openly in the policy terms
- IV. Vary with age of policy owner and level of cover

- a. I, II, & III
- b. I, II, & IV
- c. I, III & IV
- d. **II, III, & IV**

**Except flat initial charge**

36. Which of the following statements about diversification in portfolio management is FALSE?

- a. A diversified portfolio provides greater security to an investor having to sacrifice return for the portfolio.
- b. **Diversification can completely eliminate the risk of investing in stocks in a portfolio.**
- c. Diversification can involve purchasing different types of stocks and investing stocks in different countries
- d. Diversification helps to spread the portfolio risk by investing in different categories of investment in a portfolio

**Cannot eliminate**

37. What are the advantages of investing in preferred shares?

- I. It gives shareholders the right to a fixed dividend
- II. Has the priority over company assets during a dissolution
- III. They enjoy benefit of capital appreciation

- a. **I, II, & III**
- b. I & II
- c. I & III
- d. II & III

**Preferred shares all of the  
above**

38. With traditional participating life insurance products, the allocations to policy owners in the form of dividends \_\_\_\_\_:
- I. Are not directly linked to the company's investment performance
  - II. Have already been smoothed by the life company
  - III. Do not have the highs and lows of investment return as in good investments years of life company
  - IV. Are not fixed at the inception of the policy, but are greatly dependent on the investment performance of the company.

- a. I, II, & III
- b. I, II & IV
- c. I, III, & IV
- d. II, III, & IV

**No investment sa traditional**

39. The objective of satisfying customers need profitably can be achieved by and agent through
- I. The giving of freebies to the customers
  - II. Extensive investment training by the company
  - III. The use of sales plan, where sales goals, strategies, and objectives are coordinated with the market analysis, segmentation and training
  - IV. The giving of monetary assistance and discount to the customers

- a. I, & III
- b. II, & III
- c. II, & IV
- d. II, III, & IV

**Di kasi inaadvise na giving gifts or money para magkaclient**

40. Which of the statements is true about CASH? **Depends on cash flow req**
- a. It has a high yield potential
  - b. Amount invested in cash depends on size of the cash flow requirement
  - c. Investment in cash increase when there is a bull run in the stock market
  - d. Investment in cash decrease when interest rates rise

41. Under a regular premium variable whole life plan \_\_\_\_\_
- I. Premium top-ups and holidays, subject to the company's administrative rules are usually allowed
  - II. Life protection is the main objective of the plan with investment as the nominal purpose
  - III. Withdrawals after the payment of a few years premium are usually allowed
  - IV. A single premium contribution is made to the policy which uses the premium to purchase units in a variable life fund to provide a certain level of life cover

- a. II, III & IV
- b. I, III & IV
- c. I, II, & IV
- d. I, II, & III

**Regular premium ang question not single premium**

42. Which of the following statements about investment objectives is false?
- a. People invest money in fixed deposits to produce high and guaranteed returns
  - b. People invest money to enhance a comfortable standard of living
  - c. People invest money to provide funds for higher education for their children
  - d. Investment in commodities has no regular income

**Not guaranteed**

43. Which of the following is / are the main characteristic (s) of variable life policies?
- I. The policies can be used for investment, as a source of regular savings and protection
  - II. The withdrawal values and protection benefits are determined by the investment
  - III. The net cash values of the policies are the **gross cash values** shown in the policy that includes dividends up to the date of surrender less and indebtedness including interest
- a. II
  - b. I
  - c. I, II, & III
  - d. I, & II

44. Risk can be classified into two particular categories in relation to investment. They include \_\_\_\_\_:
- I. The risk of not losing some or all of the person's initial investment
  - II. The risk of rate of return on the investment not matching up to the individual's expectation
  - III. The risk of rate of return on the investment matching up to the individual's expectation
  - IV. The risk of losing some or all of a person's initial investment
- a. I & III
  - b. I & II
  - c. III & IV
  - d. II & IV

**May fund manager na nagmamanaage - eastspring investment**

45. The duties of the trustee of unit trust **do not include:**
- a. **Managing the portfolio of investment and administering the buying and selling of shares in the unit trust itself**
  - b. Ensuring that the fund manager adhere to the provision of the trust deeds
  - c. Acting generally to protect the unit-holders
  - d. Holding the pool of money and assets in trust in behalf of the investors
46. Policy fee payable by variable life insurance policy owner is to cover \_\_\_\_\_
- a. The handling charges by professional investment managers
  - b. The price of each unit bought under the variable life insurance policy
  - c. The mortality costs of the variable life insurance policy
  - d. **The administrative expenses of setting up the variable life insurance policy**
47. The selling price under a variable life insurance policy is:
- a. The price at which units under the policy are bought back by the life insurance company
  - b. **The price at which units under the policy are offered for sale by the life company**
  - c. Also known as the bid price
  - d. A fixed amount throughout the life of the policy
48. Diversification in investment involves \_\_\_\_\_:
- a. Putting all the funds under management into one category of investment
  - b. Spreading the risk of investment by not putting the fund into several categories of investment
  - c. **Reducing the risks of investment by putting one fund under management into several categories of investment**
  - d. Reducing the risks of investment by putting all one's eggs in one basket

**Diverse is pagkalat ng investment into more baskets**

49. Variable life funds can be invested in any financial instruments including cash funds, bond funds, equity funds, property funds, specialized funds, and diversified funds. Equity funds \_\_\_\_\_:
- Invest in shares of stocks and the magnitude of the change in unit prices will only depend on the quantity of the equities held
  - Invest in shares of stocks and during market recession, such as assets are usually the last to depreciate
  - Invest in shares of stocks which are inherently of lower risk in nature and the prices of stocks are stable
  - Invest in shares of stocks and investors who buy such assets usually aim for capital appreciation

### Equity - capital appreciation

50. Which of the following statements describe the differences between variable life products and participating products?

- Variable life products allow policyholders to vary the premium payments unlike participating products.
- Variable life products can take the form of whole life or endowment policies with Participating products.
- Variable life products allow policyholders to pay future single premiums from time to time to add more units to his account unlike participating products.

- I, II, and III
- I
- I and III
- II and III

### Variable and participating products-all of the above

51. Assuming no movement in the prices and charges / fees are deducted after the single premium has been Invested into the account, how much will the policyholder lose if he surrenders the policy now?

Bid price	=	Ps. 13.00
Bid-offer spread	=	4%
Single premium	=	Ps. 450,000
Policy fee	=	Ps. 1,800
Admin and Mortality charge	=	3%

Sum assured is 200% of single premium or the value of the units, whichever is higher

- Ps. 43,400.90
- Ps. 33,246.78
- Ps. 22,500.00
- Ps. 15,299.96

**33k**

52. Which of the following statements BEST describes "variable life" policies?

- It is a fixed premium policy with returns that will not vary with the underlying value of investments.
- It is a fixed premium policy with returns that will vary with the underlying value of investments.
- It is a flexible premium policy with returns that will not vary with the underlying value of investments.
- It is a flexible premium policy with returns that will vary with the underlying value of investments.

### Flexible that will vary

53. Which of the following factors contribute to the specific risk of an investment:

- I. Rate of corporate taxes
- II. Fraud by senior management
- III. Financial leverage of the company

- a. I and II
- b. II and III
- c. I and III
- d. I, II and III

**Letter B tamang sagot kasi  
wala risk sa rate ng taxes**

54. Investing in bonds offers the following advantages EXCEPT

- a. It offers protection to the principal and guaranteed steady stream of income
  - b. It is a place of temporary refuge when the investor foresees that the market outlook is uncertain
  - c. It allows the investor a chance for capital preservation
  - d. It enables the investor an opportunity for capital appreciation
- No capital appreciation sa bond, sa equity lang**

55. Rank the following investment instruments in terms of their level of risks, from the least risky to the most risky.

- I. cash and deposit
- II. derivatives
- III. a well diversified investment portfolio of a company
- IV. stock options

- a. I, IV, III & II
- b. I, III, IV & II
- c. I, IV, II, & III
- d. I, II, III & IV

**CSAD**

**Cash..  
Stocks  
A well  
Deriva**

56. In risk-return profile of cash funds, bond funds, balanced funds, managed funds and equity funds, a risk-return graph will show that \_\_\_\_\_

- I. Higher return normally comes with lower risk
- II. Higher return normally comes with higher risk
- III. At the top end of the graph are the equity funds
- IV. The relatively risk-less cash funds sit at the bottom end of the graph

- a. I, II, & III
- b. II, III, & IV
- c. I, II & IV
- d. I, III, & IV

**Higher return higher risk not  
lower**

57. Which of the following statements are TRUE?

- I. The policy value of variable life policies is determined by the offer price at the time of valuation.
- II. The policy value of endowment policies is the cash value plus any accumulated dividends less any outstanding loans due at the time of surrender.
- III. The life company needs to maintain a separate account for variable life policies distinct from the general account.

- a. I & II
- b. I, II, & III
- c. I & III
- d. II & III

**False ang offer price**

58. Which of the following information is NOT required to be disclosed to policyholders of variable life policies?

- a. The net withdrawal value as of the statement date.
- b. The premiums received and charges levied during the period
- c. The basis and frequency for valuing the assets.
- d. Number and value of units held at the beginning of the period; bought and sold during the period; and held at the end of the period.

**Net withdrawal value ay  
dinidisclose pag  
magwiwithdraw or unless iask**