Exam : **AZ Insurance Producer Life**

Title : AZ-Insurance-Producer-Life

Version : DEMO

1.What percentage is the penalty for failing to begin a minimum required distribution of a traditional individual retirement account by age 70 1/2?
A. 6
B. 10
C. 15
D. 50
Answer: D
Explanation:
For the historical federal tax rule on which this question is based, failure to take a required minimum distribution from a traditional IRA resulted in a 50% excise tax on the amount that should have been distributed but was not. Therefore, D is the intended answer for the question exactly as preserved in the source.
However, this question contains materially outdated federal tax parameters. Current federal law no longer generally begins traditional IRA required minimum distributions at age 70½, and the failure-to-distribute penalty is no longer 50%. Current IRS guidance states that applicable taxpayers generally begin RMDs at age 73 under the present rules, and a missed or insufficient RMD may incur a 25% excise tax, reduced to 10% when the shortfall is corrected within the statutory correction period. Accordingly, none of the four choices represents the current general federal penalty. D remains the correct legacy exam-key response, but it should not be used as the current federal-tax rule.
Study Guide
Reference: Federal Tax Considerations — traditional IRAs; required minimum distributions; historical RMD penalties; current federal distribution rules.

2.Which settlement option pays a benefit as long as one of the insured is living?
A. Family Term
B. Life Income
C. Joint and Survivor
D. Interest Only
Answer: C
Explanation:
A Joint and Survivor settlement option provides income based on the lives of two individuals and continues payments as long as at least one of them remains alive. It is commonly selected by spouses or other individuals who want an income stream that will not terminate merely because the first recipient dies.
When the first individual dies, payments continue to the survivor. Depending on the option selected, the survivor may continue receiving the full original payment or a stated percentage, such as two-thirds or one-half. Payments terminate after the death of the last surviving payee.
A standard life income option based on one life generally terminates at the death of that individual unless a guarantee or refund feature applies. Interest-only settlement arrangements distribute interest generated by retained principal and are not inherently tied to the survival of two individuals. Family term is an insurance coverage arrangement and is not the settlement mechanism described.
The examination trigger is the phrase “as long as one ... is living.” Whenever payments are designed to continue until the second of two covered recipients dies, the applicable settlement arrangement is Joint and Survivor.

Study Guide
Reference: Life Insurance Policy Provisions, Options, and Riders — settlement options; joint-and-survivor income; life-income arrangements; survivor benefits.

3.What is the MINIMUM number of members a credit union that must have for the credit union to be eligible for a group life insurance policy?
A. 10
B. 12
C. 25
D. 32
Answer: C
Explanation:
Arizona law specifically governs group life insurance issued to qualifying credit-union groups. Under A.R.S. § 20-1251.01, a group life policy may be issued to a credit union organized under Arizona law or the Federal Credit Union Act, subject to statutory requirements concerning eligibility, premiums, beneficiary structure, and participation.
Most importantly for this question, the Arizona statute expressly states that the policy must cover at least twenty-five members at the date of issue.
Therefore, the minimum required group size is 25, making answer C correct.
The numerical requirement ensures that the arrangement possesses genuine group-insurance characteristics rather than functioning as individually selected coverage disguised as a group contract.
The statute also requires that eligible members be determined under a plan that precludes individual selection and establishes standards concerning which members may participate.
The alternatives of 10, 12, and 32 do not match the statutory threshold. For Arizona examination purposes, the number should be memorized precisely because questions concerning qualifying groups frequently test exact state-law numerical requirements.
Study Guide
Reference: Insurance Regulation — Arizona group life insurance; credit-union groups; group eligibility requirements; A.R.S. § 20-1251.01.

4.Which of the following constitutes illegal rebating in Arizona?
A. offering a premium discount approved in the insurer ' s filed rates
B. advertising comparative rates
C. providing a gift card for purchasing insurance not specified in the policy
D. providing loss control services
Answer: C
Explanation:
Arizona ' s rebating rules prohibit providing an applicant or insured with an unauthorized financial inducement to purchase life insurance or an annuity when that benefit is not specified in the insurance contract. A gift card conditioned on purchasing insurance is a classic example because it gives the purchaser valuable consideration beyond the benefits stated in the policy.
Arizona Revised Statutes §20-449 provides that, subject to statutory exceptions, a person may not directly or indirectly offer or give a rebate of premium, special favor or advantage, or other valuable consideration or inducement in connection with life insurance, life annuities, or disability insurance when

the inducement is not specified in the contract.
A premium discount that is properly incorporated into an insurer ' s approved rating structure does not constitute an unauthorized rebate. Advertising comparative rates is not inherently rebating when performed lawfully and accurately. Similarly, permitted services designed around legitimate insurance functions are distinguishable from an undisclosed inducement provided merely to secure the insurance purchase.
Therefore, providing a gift card for purchasing insurance when the gift is not part of the policy constitutes the prohibited rebating activity described in the question.
Study Guide
Reference: Insurance Regulation — unfair trade practices; rebating; inducements; premium treatment; Arizona insurance trade-practice requirements.

5.A common disaster provision states that if the beneficiary dies from the same accident as the insured individual, the insurer will proceed as if the
A. beneficiary was never named on the policy.
B. beneficiary and the insured individual died simultaneously.
C. insured individual outlived the beneficiary.
D. beneficiary outlived the insured individual.
Answer: C
Explanation:
A common disaster provision is designed to control payment of life insurance proceeds when the insured and primary beneficiary die in the same accident or as a result of the same event within a short period. For purposes of determining entitlement to the death benefit, the provision generally operates by treating the primary beneficiary as having died before the insured if the applicable survivorship requirement is not satisfied.
Stated another way, the insurer proceeds as though the insured outlived the beneficiary. This allows the proceeds to pass to the contingent beneficiary rather than first becoming payable through the estate of the primary beneficiary.
This provision is particularly important when the insured and beneficiary die close together but the beneficiary technically survives for a brief period. Without an applicable survivorship provision, the policy proceeds might pass through the primary beneficiary ' s estate, potentially producing a result inconsistent with the policyowner ' s intended beneficiary succession.
The provision does not mean the beneficiary was never named, and its operative assumption is more precise than merely saying both individuals died simultaneously. Nor does it treat the beneficiary as having survived the insured.
Therefore, C correctly states the contractual treatment.
Study Guide
Reference: Life Insurance Policy Provisions, Options, and Riders — common disaster; beneficiary succession; primary and contingent beneficiaries; survivorship requirements.