

# IFSE Institute LLQP

**Life License Qualification Program (LLQP)**

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# Latest Version: 11.2

## Topic 1, Life Insurance

### Question: 1

Harold is a 66-year-old retired school bus mechanic. He receives \$900 a month from his defined benefit pension plan (DBPP). His husband Karl is also retired and receives his own pension benefit. Harold would like to know the minimum monthly pension benefit from his DBPP that Karl will receive upon Harold's death.

- A. \$0
- B. \$450 to \$495 depending on the province they reside.
- C. \$540 to \$594 depending on the province they reside.
- D. \$900

**Answer: A**

### Question: 2

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**

### Question: 3

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**

#### Question: 4

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**

#### Question: 5

Goran and Tanja married two years ago. Last year, they purchased and moved into a three-bedroom house in the suburbs. The current balance on their mortgage is \$655,000. They meet with Ljubomir, an insurance agent, to purchase a joint term life insurance policy to cover the mortgage. When Ljubomir asks about their existing coverage, Goran shares that he has none. Tanja explains that she owns a universal life (UL) policy with a level death benefit of \$50,000 and a cash surrender value (CSV) of \$5,000, purchased 6 years ago from another agent. Tanja would like to surrender her UL policy and use the \$5,000 CSV to pay for a trip to Europe. What additional information about Tanja's UL policy does Ljubomir need to collect?

- A. The investment vehicle of the policy's CSV.
- B. The adjusted cost basis (ACB) and surrender charges of the policy's CSV.
- C. The dividends and paid-up additions.
- D. The premiums upon renewal.

**Answer: B**

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