



Life, Health & Variable Contracts

A STATE EXAM CRAM BOOK

Cram Study Packet
Life & Health Questions & Answers (With Rationales)
Life Insurance Practice Exam (No Rationales)
Health Insurance Practice Exam



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Gold Coast
Professional School

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Life, Health & Variable Contracts

Cram Study Packet

Life & Health Exam Prep (CRAM)



Live 1-Day Life & Health Exam Prep (CRAM)	
2-15 Agent: Life, Health & Annuity Contracts	9:00 am – 6:00 pm
2-14 Agent: Life & Annuity Contracts	9:00 am – 3:00 pm
2-40 Agent: Health Insurance	1:00 pm – 6:00 pm

1 Day 9:00 am – 6:00 pm						
DORAL	NORTH MIAMI	TAMARAC		BOCA RATON	LANTANA	EAST ORLANDO
Jan 19	Feb 9	Jan 26	July 20	Feb 25	Mar 4	Jan 12
Mar 25	Apr 27	Feb 18	Aug 24	Apr 9	May 15	Mar 15
Apr 8	Jun 29	Mar 23	Sep 29	Jun 15	July 6	May 18
May 6	Aug 17	Apr 20	Oct 19	Aug 11	Sept 14	July 15
July 29	Oct 26	May 28	Nov 23	Oct 14	Nov 16	Sep 2
Sep 9	Dec 18	June 11	Dec 14	Dec 2		Dec 9
Nov 16						

Pre-Registration Required

Please contact a Career Counselor
at (800) 732-9140 to register.

Gold Coast Study Guide

Life Insurance Units: **1, 2, 3, 4, 5, 6, 10, 11**
Health Units: **1, 2, 6, 7, 8, 9, 10, 12**

Florida State Study Manual

Life Insurance Units: **1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 26, 27, 28**
Health Units: **1, 2, 3, 4, 9, 12, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 29, 30**

Units in Bold are both Life and Health

General Guidelines*

- Name badge required for admission
- Use of devices, such as cell phones, recorders, cameras, or texting devices during the course is strictly prohibited. Violators will be asked to leave the course without a refund.
- Only bottled water is permitted in the classroom. No Food.

**Subject to change*

Test-Taking Techniques

The following techniques are designed to “boost” your results on your exam. When in doubt, fall back on these techniques; they may dramatically increase your chances of obtaining a higher score.

Pace yourself on the exam, do not panic—read every question carefully!

Go through the exam the first time, allowing only about 45 to 50 seconds per question. This will allow you to get all the “easy” points. If you cannot answer a question in about 45 to 50 seconds, then skip it and move on to the next. Often, a later question will trigger the answer for the one you could not get.

The second time through, try the questions you skipped, but only allow about 1 minute per question. If you still cannot get it, skip it again. The third time through, allow about 2 minutes. Remember, the ones you could not get are the ones you would not get anyway, but by using this technique, you have gotten as many points as possible in the time you have available. With the extra time left over, go back and examine the questions you had that gave you the most trouble.

Do not be discouraged if the exam seems difficult; it is designed to be challenging. If it seems too easy, be cautious as you may be picking the obvious answers and missing the tricks and traps that are built into the exam. Do not be paranoid and think that every question is a trick. Do not read into a question facts or presumptions that are not there. Do not place undue pressure on yourself.

Read each question carefully and calmly. Read each answer before selecting one and be very wary of changing answers since your first response is usually the best response. On many questions, especially the longer ones, block the answers before you read the question. Reflect on the question and ask yourself if you had written the question, what you would expect the answer to be. Make sure you totally understand the question before you even think of looking at the answers. Often, when you look at the answers, the correct answer will jump right off the page.

Try to avoid answers with absolute words in them like “must,” “never,” “all,” “always,” “only,” “would be,” etc. These types of words are usually found in incorrect answers. Words that soften a statement like “may,” “usually,” “sometimes,” “possibly,” “can,” etc., are more often found in correct answers.

There are few exceptions: (e.g., an application for a policy must be fully completed and signed by the applicant, owner, and agent.)

Be sure to be alert to the words “because” or “since.” These words often take a correct statement and make it incorrect. (“This is _____ because ...”).

Be careful with negative questions and remember that two negatives equal a positive. When asked for the “incorrect” answer, or when you have I, II, III (multi-tier) type questions, always treat each answer as a true-false question and read the question with each answer. If the question is asking, “which is ...” look for true answers. If the question asks, “which is not ...” then look for false answers. Always use the process of elimination (true/false) often two of the same answers will cancel themselves.

“All of the above” can help the process of elimination. If obviously there are two correct answers, but you are not sure of a 3rd answer, choose “all of the above.” If you are certain that one of the choices is incorrect, then “all of the above” would be eliminated as a choice. This leaves a choice of two, which can be decided using the true-false technique.

“None of the above” is usually an incorrect response unless coupled with a double negative. When answering a question that is very unfamiliar to you, search for clues in the answers. Often a “keyword” or “thought” in a question will tie into the same keyword or thought in the correct answer. Be alert to questions with three similar or synonymous answers and one opposite answer. Often the opposite answer is correct.

If two answers are direct opposites of each other, there is a good chance that one of the two answers is correct. (50% chance instead of the 25% chance).

Determine the questioner’s point of view. Answers may differ quite drastically depending on whose point of view we are considering: (insurer vs. Insured) -- (State law vs. Federal law).

Apply the “golden rule” to answers pertaining to law or principles of law.

On long drawn out questions, which use confusing names or letters to identify the players (e.g., a, b, c and d) or (Mr. Green, Mr. Blue, and Mrs. Brown) or (Smith, Jones, White and Black) etc. Be sure to write down who is who on your scratch paper before you attempt the question. Often on this type of question, it is beneficial to read the answers before you read the question. This gives you the opportunity to eliminate the “fluff” in the question.

It is often helpful to “name” the letters, especially in complicated, long questions: (a = Allen, b = Bob, c = Charles, d = David).

Often, questions contain certain information that is unimportant. Cross this off mentally to reduce the long question down to the bare facts needed to determine exactly what it is that is being asked, for example: “~~John has purchased a whole life policy from the ABC Life Company in Fort. Lauderdale, Florida providing a \$100,000 death benefit.~~”

- The best method for success on any exam is preparation!
- Go to the exam well-rested.
- Listen to the proctor’s instructions; do the tutorial carefully.
- Be positive, dress for success (photo will be taken)
- Most important: have confidence in your ability! Good luck and believe in yourself.

Be Prepared for Your State Examination

2-15 Agent: Life, Health and Variable Contracts Exam

2.75 Hour Time Limit

150 SCORABLE QUESTIONS
15 <u>RANDOM NON-SCORABLE</u> PRETEST QUESTIONS

2-14 Agent: Life Insurance and Variable Contracts Exam

2 Hour Time Limit

85 SCORABLE QUESTIONS
15 <u>RANDOM NON-SCORABLE</u> PRETEST QUESTIONS

2-40 Agent: Health Insurance Exam

2 Hour Time Limit

85 SCORABLE QUESTIONS
15 <u>RANDOM NON-SCORABLE</u> PRETEST QUESTIONS

**Answer all questions.
DO NOT LEAVE ANYTHING BLANK.
Unanswered questions are marked incorrect.**

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Unit 3

1. Life insurance companies issue three basic types of coverage. What are they?

2. A form of individual insurance that includes many forms of both temporary and permanent insurance protection plans written with monthly, quarterly, semi-annually, or annually paid premiums.

3. Known as debit or burial insurance and is sold by home service companies. Written on small face amounts such as \$1,000 with premiums collected by debit agents on a weekly basis at the policyowner's address.

4. A single contract written on multiple people who fall under an employer-employee relationship.

5. Life insurance plan that provides protection for a specified period and pays a death benefit only if the insured dies during that covered period.

6. Four types of temporary (term) insurance

7. Term policy where both the premium and death benefit remain level for the duration of the term.

8. Term policy where the death benefit decreases over time, but the premium remains level.

9. Term policy where the death benefit increases over time and is typically tied to a cost of living index.

10. A term policy where the benefit level remains level, but the premium increases each year.

11. A premium that increases at set intervals

12. The right to exchange a term policy into a permanent policy without evidence of health insurability

13. Ordinary whole life insurance is also known as

14. A permanent life insurance policy consists of two components

15. Four key elements of a whole life policy

16. The age you are currently at

17. Cash value is the savings element of a permanent life insurance policy. Three factors that affect the cash-value are

18. Seven forms of whole life are

19. Form of whole life protection that provides for a level premium of the life of the insured.

20. A permanent whole life insurance policy where the cash-value must begin upon payment of the first premium.

21. A policy that pays the face amount if death occurs or pays the face amount at the end of the premium-paying period. It is the most expensive type of insurance written today.

22. Two components of an endowment are

23. When an endowment pays the living benefit, the endowment is known as a

24. Designed to discourage the sale and purchase of life insurance for investment purposes or as a tax shelter

25. If a policy is deemed a M.E.C. and the policyowner makes a withdrawal or loan. A penalty of what percentage may be imposed

26. An insurance plan designed to insure all family members under an inclusive policy.

27. Coverage for children is generally limited to those older than ____ days and younger than ____ years.

28. A policy that pays a benefit equal to a factor of the face amount if death occurs during a predetermined specified period

29. A settlement option where the benefit is paid on a first-to-die basis.

30. A settlement option where the benefit is paid on a second-to-die basis

31. An insurance policy issued on an individual aged one day to 15 years is classified as

32. Attached to a juvenile policy, this policy will waive future premiums of the policy in the event the person responsible for the payment of the premium dies or is disabled

33. A juvenile insurance policy that increases to five times the face amount at age 21

34. A form of decreasing term designed to cover the debtor in the event of their death prior to paying off a covered loan

35. A life insurance company's charging experience is based on three areas

36. A form of flexible insurance that combines both temporary life insurance with those of a permanent life insurance policy into one plan.

37. Six major characteristics of adjustable life are:

- The policy may be temporary or permanent life insurance
- Cash value is not guaranteed
- The policy may have an adjustable premium and adjustable death benefit
- The policyowner may increase or decrease the death benefit
- The policyowner may adjust the coverage to fit their needs without adding new policies
- The policyowner may reduce or extend the period of protection

38. The insurance component of a universal life policy is always

39. This product is also known as unbundled life insurance

40. Universal life has three basic elements

41. The two universal life death benefits are

42. U.L. level death benefit is also known as

43. U.L. increasing death benefit is also known as

44. A fixed-premium whole life insurance policy with the addition of an investment account is known as

45. Variable whole life insurance monies are held in a

46. An investment sub-account that usually includes bond accounts, growth stock accounts, money market accounts, real estate accounts, and a balanced fund account

47. An unrestrictive sub-account that allows investors to choose an investment category according to their risk tolerance and desire for performance

48. Under a variable whole life insurance policy, what features are not guaranteed?

49. Variable whole life insurance was designed to serve as a

50. Variable products fall under the regulatory arms of

51. To sell a variable life insurance product in Florida, an individual must hold both

52. Variable universal life is a combination of both

53. Illustration 3-1

	Product Characteristics		
	Adjustable Life	Universal Life	Variable Life
Key Features	<ul style="list-style-type: none"> Can be term Whole life Can convert from one to the other (once) 	<ul style="list-style-type: none"> Permanent insurance with renewable term protection component 	<ul style="list-style-type: none"> Permanent insurance
Premium	<ul style="list-style-type: none"> Can be increased or decreased by policyowner 	<ul style="list-style-type: none"> Flexible Minimum or target 	<ul style="list-style-type: none"> Fixed (WL) Flexible (UL)
Face Amount	<ul style="list-style-type: none"> Flexible; Set by policyowner with proof of insurability 	<ul style="list-style-type: none"> Flexible; Set by policyowner with proof of insurability 	<ul style="list-style-type: none"> Can increase or decrease at a stated minimum
Cash Value	<ul style="list-style-type: none"> Fixed-rate of return General account 	<ul style="list-style-type: none"> Guaranteed at a minimum level General account 	<ul style="list-style-type: none"> Not guaranteed Separate account
Policy Loans	<ul style="list-style-type: none"> Can borrow cash value 		

54. Also referred to as current assumption life, this is a non-participating, fixed premium whole life insurance policy that provides a guaranteed minimum cash value that increases each year and equals the policy's face amount at age 100

55. The liquidation of accumulated assets through a periodic payment is known as an

56. Three variable evaluated when actuaries calculate annuity values and premiums are

Three parties to an annuity contract are

57. Two time periods in an annuity are

58. Four factors that help determine the annuity payment are

59. Four major types of annuity options are

60. During the accumulation period, the policyowner makes either a single lump-sum payment or a series of periodic payments over a period of time

61. The funding method has two options. What are they?

62. An annuity option classified by the date the income payments are scheduled to begin is known as

63. Two options under the date annuity benefit payments classification are

64. An immediate annuity can be only be funded with a

65. A deferred annuity can be funded with a

66. Annuities designed for people who are retired

67. Annuities designed for people who wish to save now and collect later

68. Annuities can be classified as either

69. Fixed Annuities

- The annuitant receives a fixed level benefit payment amount or guaranteed rate of return.
- The annuity payments do not vary from one payment to the next (fixed).
- The investment risk is borne by the insurance company, not the policyowner.
- The insurance company guarantees the specified dollar amount for each payment and the length of period of payments as determined by the settlement option chosen by the annuitant.

70. Variable Annuities

- A variable annuity serves as a hedge against inflation.
- The three main characteristics of a variable annuity are:
 - Underlying investments are made in the insurance company's separate account, not the general account.
 - The issuing insurance company does not guarantee a minimum interest rate.
 - The license requirement for selling a variable annuity is to have a Florida life insurance license and a securities license properly registered with FINRA.

71. Ownership interest in the separate account is represented by

72. Accumulation units are converted into

73. The value of one accumulation unit is found by dividing the total value of the company's separate account by the total number of accumulation units outstanding.**74. A percentage of the index growth that is credited to an annuitant's account**

75. A percentage subtracted from the underlying index

76. A percentage that represents the limit on the increase of cash value

77. Opposite of a cap, this percentage limits what a cash value can drop over a specified period of time

78. A guarantee that past increases in accumulated cash value will not be lost

79. When a tracked index rises, the insurance carrier will take the percentage difference between the beginning and endpoints in order to calculate an interest credit to the annuity.

80. Seven annuity payment options

- Straight life income option
- Cash refund option
- Installment refund option
- Life with period certain option
- Joint and survivorship option
- Period certain option

81. Annuity payment option that provides for either a cash or installment payment to a beneficiary if the annuitant dies before a sum equal to the purchase price has been paid

82. This annuity payment option pays a predetermined income to the annuitant for their life only and nothing after death

83. This annuity payment option guarantees an annuitant an income for life. If the annuitant dies before the entire principal is paid out, a single cash payment is paid to the annuitant's beneficiary

84. This annuity payment option guarantees that upon the annuitant's death, the beneficiary receives the annuity in the same annuity payment until the fund is depleted

85. This annuity payment option guarantees an annuitant income for life but only guarantees a minimum number of payments

86. This is a second to dies annuity payment option

87. This annuity payment option is not based on the lifespan of the annuitant but only for a specified period

88. Illustration 3-2

ANNUITIES – REFERENCE GUIDE		
Phases	Accumulation Period	Pay-in period to insurer
	Annuitization Period	Pay-out period to insured
Parties	Annuitant	An individual (natural person) who receives the benefits or payments from the annuity.
	Beneficiary	The recipient of the annuity assets in the event the annuitant dies during the accumulation period, or a balance of annuity benefit needs to be paid out.
	Contract Owner	The policyowner is the purchaser of the annuity. The owner pays into the annuity.
	Issuer	Party that issues the annuity.
Types of Annuities	Fixed Annuities	Payments are guaranteed. Fixed payment amount. Premiums in a general account.
	Variable Annuities	Payments are not guaranteed. Premiums are in a separate account and vested in stocks and bonds.
	Indexed Annuities	Not as risky as variable annuities or mutual funds. Interest rates are tied to an index. Earn a higher rate than fixed annuities.
Premium Payments	Single	Lump-sum payment. The principal is created immediately.
	Flexible	Multiple payments. Annuity principal is created over time. Used for deferred annuities only.
Income Payments	Immediate	Income begins at the end of the first interval of the income period after purchase. Designed for people that are already retired.
	Deferred	Income payments start at a later date, frequently at a specified age. Designed for people that wish to save now and collect later in life.
Settlement Options	Straight Life	Pays an income to the annuitant for their life only and nothing after death.
	Cash Refund	Guarantees the annuitant an income for life. If the annuitant dies before the entire principal is paid out, a single cash payment is paid to the annuitant's beneficiary.
	Installment Refund	Similar to the cash refund option except instead of a lump-sum payment, the payments are made in installments.
	Life with Period Certain	Guarantees an annuitant income for life but only guarantees a minimum number of payments.
	Joint and Survivorship	Second-to-die. The annuity is written based on the lives of two annuitants.
	Period Certain	Not based on the lifespan of the annuitant. Payments are made for a specified period.

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Unit 4

1. In the absence of fraud, the application and the policy constitute

2. The promise between the insurance company and the insured is known as

3. This provision provides for a full refund of premiums paid if the applicant decides they do not want to keep the policy

4. In Florida, the free-look period for a life insurance policy is _____ days

5. The free look period start _____

6. Something of value in exchange for something of value is known as

7. Six Policyowner's rights

- The right to designate and change the beneficiary of the policy proceeds
- The right to select how the death proceeds will be paid to the beneficiary
- The right to cancel the policy and select the non-forfeiture option
- The right to take out a policy loan, assuming the policy is a whole life or universal life policy, and a cash value exists
- The right to receive policy dividends and select a dividend option, if it is a participating policy
- The right to assign ownership of the policy to someone else

8. A person or entity designated by the policyowner to whom the proceeds of the policy are paid upon the insured's death or when an endowment matures

9. A beneficiary can be named two ways:

10. Eight different beneficiary designations

- Primary
- Secondary or contingent
- Tertiary or contingent
- Estate
- Revocable
- Irrevocable
- Common disaster
- Minor

11. The first designee in line to receive a death benefit should the insured die

12. Comprised of the individual's net worth, including all land and real estate, possessions, financial securities, cash, and other assets that the individual owns or has a controlling interest

13. An irrevocable clause can be classified two ways:

14. With what clause are the rights of the policyowner returned to the policyowner should the beneficiary die before the insured?

15. In Florida, the minimum age of a minor beneficiary is set to the age of

16. "By way of branches"

17. "By person or by head"

18. The most common method used when changing a beneficiary in a life insurance policy is the

19. The clause that protects beneficiaries from the claims of their creditors

20. Illustration 4-1

Modes of Premium Payments

Mode of Payment	Description
Annual	Premiums are paid once each year
Semi-Annual	Premiums are paid twice each year
Quarterly	Premiums are paid every three months
Monthly	Premiums are paid every month
EFT	Premiums are electronically submitted
Annuity Due	Single premium is paid for the contract

21. A period of time in which the insured is protected from an unintentional lapse coverage because a premium payment was not made

22. If an insured's death occurs during the grace period, the unpaid premiums will be

23. Grace period for ordinary life or fixed annuities is

24. Grace period for industrial life products is

25. Florida law states that an additional grace period is granted for a person 64 years of age or older if the policy has been in force for more than one year. How long is the grace period?

26. A supplementary provision that must be elected at the time of application that permits a company to automatically lend the amount of any premium due that has not been paid by the end of the grace period

27. A premium that remains the same throughout the duration of the policy

28. A premium that allows a policyowner the flexibility to pay more or less premium at different frequencies

29. Common flexible policies include

30. A policy may be reinstated for what limited period

31. A contestable period of a reinstated policy excludes what provision

32. A taking of one's own money from a policy with the presumption that it will be repaid with accrued interest is known as a

33. Unless the policy is a M.E.C., policy loans are not subject to

34. Florida law stipulates that a maximum allowable interest on policy loans cannot exceed _____

35. Similar to a loan but no presumption that it will be repaid is known as a

36. Only what two policies permit withdrawals

37. There are three non-forfeiture values. They are:

38. What type of policy can offer dividends

39. What are the five dividend options

Dividend Options CARP-5
Cash
Accumulate at Interest
Reduce Premiums
Paid-up Additions
5 th Dividend Option

40. A clause that specifies that after a certain period, the insurance company can no longer contest the validity of the life insurance policy, so long as the contract continues in force

41. The incontestable clause usually specifies a time period of _____ years

42. The incontestable clause does not apply to accidental death benefits or disability provisions if they are part of the policy

43. Three situations to which the incontestable clause does not apply and would always void a policy are

44. The provision of a life insurance contract that permits the policyowner to transfer ownership of the policy

45. The transfer of ownership is complete, irrevocable, and final

46. This assignment involves a transfer of partial right to another person

47. A provision that says that the company will not pay the death benefit but will refund any premiums less and loans if you were to intentionally die during the first two years of a policy

48. This clause is not subject to a policy's incontestability period.

49. Six life insurance settlement options

- Cash or lump-sum
- Life income (no refund)
- Interest-only
- Fixed period or definite time option
- Fixed sum or definite amount option
- Life income with period certain

50. Accelerated death benefits or living benefits allow the early payment of a portion of the death benefit if the insured meets any of the following conditions

- A terminal illness
- A medical condition that requires an extraordinary medical intervention for the insured to survive
- A medical condition that without extensive treatment drastically limits the insured's lifetime
- Inability to perform activities of daily living
- Permanent institutionalization or confinement to an L.T.C. facility
- Any other condition approved by the Commissioner

51. Common life insurance policy riders

- Waiver of premium (W.P.)
- Disability income rider
- Waiver of monthly deductions
- Guaranteed insurability rider
- Family rider
- Children's rider
- Payor provision
- Multiple indemnity or Accidental death
- Long-term care rider
- Return of premium rider
- Cost of living adjustment rider

52. A rider that prevents a policy from lapsing in the event the insured become totally and permanently disable and is unable to work

53. The waiting period of waiver of premium rider is generally _____ days or _____ months

54. A rider that provides a monthly income payment based on the percentage of the life insurance policy's face amount. It is payable when the insured meets the policy's definition of totally disable and is unable to work

55. This policy rider pays all monthly deductions after a six-month waiting period, while an insured person is totally and fully disabled. It does not pay the full premium and does not add to the cash value

56. This rider guarantees the insured the right to purchase additional insurance at standard rates, during specified option dates, without evidence of insurability.

57.

3-Year Intervals
Ages 25 - 28
Ages 31 - 34
Ages 37 - 40

58. A policy or rider that is used to insure that mom, dad, and the children are all covered under one policy.

59. Under a family plan, the spouse and children are written what type of policy

60. Under both a family plan and children's rider, all newborn children are included automatically once reaching what age

61. This rider, when attached to a juvenile policy, will waive future premiums of the policy in the event the person responsible for the payment of the premium dies or is disabled

62. This rider is designed to pay the face amount plus an additional benefit that equals the sum of all premium paid upon the death of the insured within a specified period

63. The six activities of daily living (A.D.L.s) are

64. Used to counteract inflation during a benefit period, this rider is tied to an inflation index and is generally attached to increasing term insurance or return of premium riders

65. Five policy exclusions

Unit 5

1. When a policy is written where the insured and owner of the policy are the same person, the policy is considered to have

2. When a policy is written where the insured and the owner of the policy are different, the policy is considered to have

3. An arrangement whereby an individual, with a terminal illness or serve chronic illness, sells their life insurance policy to a third-party for any amount that is less than the maturity value

4. An arrangement where an individual's health condition may or may not be terminal or chronically ill, and ownership transfer is to a third-party. The purchase price is greater than what the surrender value would be in the policyowner were to surrender it to the insurance company but less than the actual death benefit

5. A life policy covering a minimum number of subscribers.

6. In Florida, the minimum number of subscribers required for a group policy is

7. Subscribers are also known as

- Employees
- Members
- Participants

8. Subscribers of a group policy receive a _____ stating the coverages.

9. An employer or sponsor of a group plan receive what document spelling out the benefit for the employees

10. A method based on a group's previous claims experience is known as

11. Group life insurance policies can be categorized two ways

12. A probationary period for a new employee to enroll in a group plan can be _____ to _____ months

13. The period after the probationary period is the

14. An enrollment period is generally limited to _____ days

15. The most common form of group life insurance is

16. Three forms of permanent insurance used in group insurance are

17. In Florida, all group life insurance policies must contain a

18. This type of coverage covers people exposed to a common hazard and are not specifically named on the policy, nor do they receive a certificate of coverage

19. Designed for employers who have a small number of employees. Requires a joinder agreement for the subscriber to join

20. A form of multiple employer trust for unions

21. Retirement plans can be

22. A plan eligible for favorable taxation benefit

23. A plan that does not meet the requirements for favorable taxation benefits

24. Illustration 5-1

QUALIFIED RETIREMENT PLAN	NONQUALIFIED RETIREMENT PLAN
Contributions are Tax Deductible	Contributions are Not Tax Deductible
Plan Approved by IRS	Plan Does Not Need IRS Approval
Plan Cannot Discriminate	Plan Can Discriminate
Earnings grow Tax Deferred	Earnings grow Tax Deferred
All WITHDRAWALS are TAXED	Excess over cost basis is Taxed

25. A federal law that sets minimum standards that protect employees enrolled in employer-sponsored retirement plans and welfare benefit plans

26. Before participating in an employer-sponsored retirement plan, the employee must have reached what age and have a minimum of how many years of service?

27. A qualified retirement plan cannot _____ in favor of highly paid employees.

28. Two forms of vesting schedules are:

29. Which vesting schedule provides for the employee to become fully vested after reaching a specified period of service.

30. Under a cliff vesting schedule, an employee always has what percentage vested interest in monies they place within the plan?

31. Two contribution plans are:

32. A plan that requires the plan sponsor to make monthly or periodic contributions for each participant based on a defined formula is known as what type of contribution plan?

33. Three types of defined contribution plans are:

- 34. To qualify for federal tax purposes, a defined benefit plan must meet the following requirements:**
- Provide for definitely determinable benefits
 - Provide for systematic payment of benefits to employees over a period of years after retirement
 - Provide primarily retirement benefits
 - Provide for a maximum annual benefit that an employee receives in any one year as set by tax law and adjusted for inflation

35. A qualified retirement plan that permits employees to take a reduction in their current salaries by deferring amounts into a retirement plan is known as:
 _____ or _____

36. Earning credited to a deferred arrangement plan grow

37. A 401(k) plan must be part of a

38. A 403(b) tax-sheltered account (T.S.A.) is also known as

39. A qualified retirement plan design to allow those who are self-employed or are a partner who works part or full-time and owns at least 10% of the business is known as a
 _____ or _____

40. The current contribution limit for Keogh (HR-10) plans is either
 _____% or \$_____,
 whichever is less

- 41. Distribution requirements for a Keogh (HR-10) plan includes:**
- Distributions may begin as age _____
 - but no later than age _____

42. What type of qualified plan does an employee establish and maintain where the employer makes contributions?

43. An employer's contributions in an employee's simplified employee pension (S.E.P.) are not included in the employee's

44. A SIMPLE Plan is available to small and self-employed businesses that employ less than _____ employees who receive at least \$_____ in compensation from the employer during the previous year.

45. In a SIMPLE IRA, the employer matching incentive must be equal to what percentage?

46. Up to _____% of their salary, or a flat rate of _____% of their salary

- 47. Catch-up Contribution limits**
- 401 (k) \$_____ for workplace plans
 - IRA \$_____, with a \$_____ catch-up limit if they are 50 or older

48. The SECURE ACT stands for
 Setting Every Community Up for Retirement Enhancement Act of 2019

49. The SECURE ACT pushes back the age at which retirement plan participants need to take required minimum distributions from age

_____ to age _____

50. In a traditional I.R.A. plan, contributions accumulate and grow on what basis and are taxed only upon distribution?

51. All I.R.A. participant contributions must be made in

52. Who can open up a traditional IRA?

53. For the current year, a participant may contribute up to what percentage of their annual compensation up to what amount?

_____ % \$ _____

54. If they are age 50 or older, the amount is

\$ _____

55. Spousal I.R.A.s are subjected to the same rules and limits as regular traditional I.R.A. participant contributions. Spousal I.R.A.s must be held

56. Spousal IRAs cannot be held as _____

57. For an individual to be eligible to establish a spousal I.R.A., they must meet the following requirements:

- The couple must be married and file a joint tax return.
- The individual making the spousal I.R.A. contribution must have eligible compensation
- The total contribution for both must not exceed the taxable

compensation reported on their joint tax return

- Contributions to one I.R.A. cannot exceed the contribution limits.

58. The excess contribution limit penalty for a traditional I.R.A. is what percentage?

59. An individual retirement account to which an individual contributes after-tax dollars is a

60. With a Roth I.R.A., an individual can withdraw the funds tax- and penalty-free if the policy has rein in effect for five years and the following apply:

- The owner is age 59½ or older
- The owner of the I.R.A. dies or becomes disabled
- The distribution is used to purchase a first home

61. Illustration 5-2

Traditional IRA	ROTH IRA
Contribute 100% of income up to a specified limit (set by the IRS)	
Excess contribution penalty of 6%	
Grows tax-deferred	Grows tax-free (if account is open for five years)
Contributions are tax-deductible (made with "pre-tax dollars")	Contributions are NOT tax-deductible (made with "after-tax dollars")
10% penalty for early non-qualified distributions (some exceptions)	Qualified distributions cannot occur until the account is open for five years and the owner is 59½, dead, disabled, or distribution is used to purchase a first home
Payouts must begin by age 72	Payouts do not have to begin by age 72

62. A tax-free distribution of cash from one retirement plan to another is known as a

63. To benefit from a tax-deferred rollover, the full amount of the distribution must be transferred and must take place within how many days of the distribution and may only be done once a year?

64. If an individual transfers only a partial amount of the distribution during a rollover, the amount they retain will be taxed as ordinary income and subject to an early distribution penalty of what percentage?

65. The approach of measuring life's insurance needs is known as the

66. A period of time following the death of the breadwinner during which dependent children are living at home is known as the

67. The time after the breadwinner's death in which no Social Security benefits are available for the surviving spouse.

68. The account is designed to help families pay for education on a tax-favored basis. What is it called?

69. The requirements to set up a Coverdell E.S.A. are:

- Contributions to the E.S.A. are not deductible and are limited to \$2,000 each year per child.
- The account must be established before the beneficiary turns 18 years of age.

70. A Coverdell E.S.A. distribution used for non-educational benefits is subject to a penalty of _____%

71. Excess contributions to a Coverdell ESA are subject to an excise penalty of _____%

72. A legal binding contract among the owners of a business and the entity stipulating how an owner's share of a business may be reassigned if that owner dies is usually described in a

73. A buy-sell agreement consists of two parts:

74. When a partner of a partnership dies, what happens to the entity?

75. When a sole-proprietor dies, three options exist:

- A family member can take over
- The heirs can close down the business
- The heirs can sell it to a competent and faithful employee

76. A type of buy-sell plan where each partner purchases a policy in the interest of a deceased partner

77. Two buy-sell plan used with an incorporated family business

78. A policy that a business purchases on the life of an employee because of their skill-set and importance to the business

79. A non-qualified plan used by employers to attract and retain quality employees

80. What type of plan allows employers to discriminate in favor of highly paid employees, officers, and executives?

81. A popular funding vehicle used for a deferred compensation plan is

82. Illustration 5-3

Individual Life Insurance Taxation Rules	
Premiums	Not tax-deductible
Death Benefit (lump-sum)	Tax-free if taken as a lump-sum distribution to a named beneficiary
Death benefit paid in installments	Principal is tax-free; interest is taxable (known as the annuity rule)

83. When an employer pays the premium for life insurance on an employee, the premiums are considered what to the employer?

84. There are no tax consequences to the employee if the total amount of the employer-paid group life insurance policy does not exceed what amount?

\$ _____

85. A test used to determine whether the total amount of premium paid into a life insurance policy during the first seven years is more than what was required to have the policy considered paid-up in seven years is used with what type of contract?

86. A non-guaranteed return of unused premiums from a mutual company is known as a

87. For tax purposes, dividends are not considered _____ because they are a return of your unused premiums.

88. Cash values grow

89. A provision that the I.R.S. allows for a tax-free transfer of an existing annuity contract, life insurance policy, long-term care product, or endowment for another one of like kind is known as a

90. Policy loans can be repaid any of the following ways:

- While the policy is in force
- When the policy matures or is surrendered (subtracted from the cash value)
- Upon the insured's death (subtracted from the death benefit)

91. A provision that the I.R.S. allows for a tax-free transfer of an existing annuity contract, life insurance policy, long-term care product, or endowment for another one of like kind is known as a

92. Policy loans can be repaid any of the following ways:

- While the policy is in force
- When the policy matures or is surrendered (subtracted from the cash value)
- Upon the insured's death (subtracted from the death benefit)

93. The cash value received during a life insurance policy surrender may be taxable as income if the cash surrender value exceeds the cost basis or premiums paid for the policy.

Example: Frank has a whole life insurance policy with a face amount of \$300,000. He has paid a total of \$70,000 in premiums, and the policy currently has a cash value of \$100,000. If Frank surrendered \$30,000 of cash value, the entire \$30,000 would be tax-free income. If Frank were to take out \$100,000, the last \$30,000 would be taxable because the \$100,000 exceeds the premiums that he paid in by \$30,000.

Unit 11

Many of the entries in the unit come directly from the Florida Statutes (F.S.) and Florida Administrative Code (F.A.C.). Some items have been edited to conform to the learnings of this course.

1. **This law requires an agent to inform the prospective purchaser of the name of the insurance company they are representing before they perform a life insurance sales presentation.**

2. **This rule sets the procedure that an insurance company and its agents must follow when offering a prospective insured a policy that will replace an existing life insurance or annuity contract with a new form of insurance.**

3. **A code of acceptable conduct and behaviors that are derived from model legislation developed by the NAIC and FAIFA (Florida Association of Insurance and Financial Advisors)**

4. **Florida law requires buyer's guides and policy summaries be delivered**

5. **When advertising a life insurance policy or annuity contract, the contract must clearly reflect the following items:**
 - Name of the insurance company
 - Name of the licensed insurance agent
 - Policy form number(s)
 - Type of plan
 - Premium payable
 - Payment period
 - Changes to face amounts and premiums (if applicable)
6. **An advertisement that involves an invitation to join an association, trust, or discretionary group, must solicit the insurance on a**

7. **An advertisement about dividends shall not state or imply that any dividend is**

8. **The act or practice of representing to the applicant that a specific ancillary coverage or product is required by law in conjunction with the purchase of insurance when uh coverage or product is not required is known as**

9. **Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion, or intimidation resulting in, or tending to result in, unreasonable restraint of, or monopoly in the business of insurance is a prohibited practice.**
10. **Knowingly making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of, any oral or written statement, or any pamphlet, circular, article, or literature, which is false or maliciously critical of, or derogatory to, any person and which is calculated to injure such person is known as**

11. An agent or insurance company may give any article of merchandise having a maximum total of what value or less per insured, or perspective insured, in any calendar year?

\$ _____

12. A violation of controlled business exists if the department finds that during what period, the premium writings represented by a licensed and appointed agent exceed what aggregate amount of commissions and compensation

_____ period _____%

13. Knowingly making any misleading representations or incomplete or fraudulent for the purpose of inducing any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, or convert any insurance policy, or to take out a policy of insurance in another insurance company is known as

14. Encouraging a policyholder to purchase another insurance policy or annuity contract with the same insurance company for the purpose of earning additional premiums, fees, commissions, or other compensation is known as

15. Illustration 11-1

PENALTIES		
	Willful Violation	Non-Willful Violation
Unfair Method of Competition	≤ \$2,500	≤ \$20,000
Aggregate	\$10,000	\$100,000
Twisting and Churning	1 st Degree Misdemeanor + ≤ \$5,000	≤ \$75,000*
Aggregate	\$50,000	\$250,000*
<i>*To impose an administrative fine for a willful violation of the practice of "twisting" or "churning," the act must involve fraudulent conduct.</i>		
Fraud signature of an application or policy document	3 rd Degree Felony + ≤ \$5,000	≤ \$75,000
Aggregate	\$50,000	\$250,000

16. Who shall have the power and right to conduct investigations and hearings in the event to determine if an individual or party has engaged in any unfair method of competition or unfair or deceptive act or practice?

17. Under a cease and desist order, the department or office may order a monetary penalty not to exceed

\$ _____

18. The purpose of this provision is to establish a system to ensure that the insurance needs and financial objectives of consumers are appropriately addressed at the time of the transaction of an annuity product.

19. FINRA is an abbreviation for:

20. A transaction in which a new policy or contract is to be purchased, and it is known or should be known to the proposing insurer or its agent, that by reason of such transaction an existing policy will be lapsed, forfeited, surrendered, or partially surrendered, assigned, or otherwise terminated is known as

21. Suitability information includes:

- Age
- Annual income
- Financial situation and needs, including the financial resources used for funding the annuity
- Financial experience
- Financial objectives
- Intended use of the annuity
- Financial time horizon
- Existing assets, including investment and life insurance holdings
- Liquidity needs
- Liquid net worth
- Risk tolerance
- Tax status

22. Insurers and agents must maintain or be able to make available to the office or department records of the information collected from the consumer and other information used in making the recommendations that were the basis for insurance transactions for how long after the insurance transaction was completed by the insurer?

23. An annuity contract issued to a senior consumer who is the age of 65 or older may not contain a surrender or deferred sales charge for a withdrawal of money from an annuity exceeding what percentage of the amount withdrawn.

_____ %

24. A provision that provides an unconditional refund of all premiums and fees paid prior to the issuance of the policy or contract is known as

25. Illustration 11-2

Free-Look Provision	
Life Insurance	14 days
Annuity Contract*	21 days
<small>*The unconditional refund shall be equal to the cash surrender value provided in the annuity contract, plus any fees or charges deducted from the premiums or imposed under the contract; or a refund of all premiums paid.</small>	

26. Florida statute requires a policyowner for an individual life policy must be granted a period not less than how many days within which payment of any premiums may be made. This is known as a

_____ days _____

27. If an insurance policy becomes a claim during the grace period, the insurance company may deduct the amount of the premium due and up to what percent interest per year from the settlement?

28. The owner of a life insurance contract has the right to change the beneficiary listed on the policy at any time unless such a beneficiary is designated as

29. Florida statute requires that a contract for life insurance issued or issued for delivery in this state, covering a natural person who is the age of 64 years or older that has been in force for at least one year, may not be lapsed for nonpayment of premium unless, after expiration of the grace period, and at least 21 days before the effective date of any such lapse, the insurer has mailed a notification of the impending lapse in coverage to the policyowner and to a specified secondary addressee if such addressee has been designated in writing by name and address by the policyowner.
30. For purposes of any life insurance policy that provides a grace period of more than 51 days for nonpayment of premiums, the notice of impending lapse in coverage required must be mailed to the policyowner and the secondary addressee at least how many days before the expiration of the grace period provided in the policy.
-
31. A group life insurance policy must provide a provision that states that after a policy has been in force for two years, the insurance company cannot void it because of misrepresentation or concealment by the insured in obtaining the policy. This provision is known as
-
32. What will the insurance company do if an applicant misstates their birthdate on an application?
-
33. When an individual separates from their group, the individual is entitled to an individual life insurance policy issued by the insurance company without proof of insurability, provided the individual makes an application, and the first premium payment is made within how many days after separation?
-
34. A group life insurance policy shall provide that if a person insured under the policy dies during the period within which they would have been entitled to have an individual policy issued, and before such an individual policy has become effective, the amount of life insurance that they would have been entitled to have issued under the individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium has been made
35. Six categories that are eligible for group coverage are:
- Employer-employee group
 - Labor union group
 - Trustee group
 - Debtor group
 - Association group
 - Credit union member

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Unit 7

1. Health insurance is a device that transfers the risk of a large financial loss from

2. Health insurance covers two perils. What are they?

3. The following categories fall under health insurance

- Hospitalization
- Doctor's charges
- Accidental death & dismemberment
- Disability income
- In-hospital income
- Long-term care insurance
- Social insurance

4. This type of insurance is designed to provide an income replacement when a covered individual is unable to perform the duties of their occupation due to an accident or illness.

5. Disability income plans are available as either an individual or group policy but not as a

6. Disability income policies can cover on-the-job accidents and illnesses. On-the-job is also known as

7. Disability income policies can cover off-the-job accidents and illnesses. Off-the-job is also known as

8. There are two types of occupations in a disability income policy. What are they?

9. This disability definition is more restrictive and costs significantly less than a policy that requires an insured to be unable to work at their specific occupation as a result of a covered accident or illness.

10. A provision that applies when the severity of the condition presumes that the insured is totally disabled even though they may be able to work is known as

11. Benefits paid under a presumptive disability provision are usually made as a

12. Conditions that fall under the presumptive disability provision are:

13. When a disabled insured returns to work on a part-time basis, an indemnity benefit is determined by multiplying the insured's percentage of lost income by the stated monthly benefit for full disability. This is known as what type of disability.

14. Policies use two definitions by which to determine the specific cause of the disability are:

15. Which "accidental" definition provides for a lower premium?

16. Which accidental definition will pay because the cause of the injury was accidental?

17. A time period that must elapse, following the effective date of the policy before coverage is available is known as

18. A probationary period does not apply to what type of claims.

19. This period works like a deductible, but instead of being monetary, it is a period of time

20. The elimination period in a disability plan begins

21. For group disability income plans, benefit periods are broken down into two benefit periods. They are:

22. Short-term benefits generally provide payment for

23. Long-term benefits generally provide payments for

24. Short-term plans are characterized by maximum benefit periods rather than short durations, such as

25. This provision species that if an insured is to suffer from the same disability within a six-month period, the disability will be considered a continuation of the prior disability and will not be subject to a new elimination period.

26. This elective indemnity provision provides for a lump-sum stated amount of benefit for certain named injuries. This benefit is only available if elected at the time of application. What is it called?

27. This rider waives the policyowner's responsibility for paying the policy's premium while the insured is totally disabled.

28. How long is the waiting period for a waiver of premium rider?

29. This rider pays an additional income when an insured is eligible for social insurance benefits, but the benefits have not started; have been denied; or have begun, but the amount received is less than the benefit amount of the rider is known as
_____ or

30. Social insurance includes:

- Disability benefits from Social Security
- State and local government programs
- Workers' compensation programs

31. To be eligible for S.I.S. benefits, the insured must show that social insurance benefits have been applied for. The Social Security Administration will then determine the benefits payable. The difference between the actual benefit and the expected benefit listed on the rider will then be payable as an additional disability income benefit.

32. Illustration 7-1

\$2,000 per month Disability Income (60%)		
Base Plan	Base Plan + SIS Rider	
\$2,000	\$1,200 + 800	= \$2,000
	\$1,200 + 500 [SS] 300 [SIS]	=\$ 2,000
	\$1,200 + 0 [SS] 800 [SIS]	=\$ 2,000

Base plan always pays regardless of Social Security. However, a lower base plan with a SIS rider brings down the cost of the policy, still delivering the goal of 60% of earnings. (\$2,000).

33. This rider provides for an increase in the amount of benefits paid to claimants under a disability policy adjusted on each disability anniversary date to reflect the changes in the consumer price index (C.P.I.).

34. This rider guarantees the insured the ability to purchase additional amounts of coverage at specified periods in the future, without evidence of medical insurability.
_____ or

35. Insurance that covers rent, mortgage payments, utilities, telephones, leased equipment, certain employee salaries, but not the business owner's salary, because the business owner becomes disabled, is known as

36. The premiums for BOE insurance are _____ deductible as a business expense.

37. Benefits received from a B.O.E. policy are treated as what when they are received?

38. This type of insurance is purchased on the health of an individual who, because of their training, experience, or position, would cause a financial loss to the business if they were to become disabled.

39. Under key-employee insurance, premiums are not tax-deductible. Therefore, benefits are

40. Two benefits of an AD&D policy are:

41. This AD&D benefit provides a monetary benefit in the event the insured dies from an accident.

42. This AD&D benefit provides a benefit in the event the insured suffers a loss of a body part.

43. Illustration 7-2

\$100,000; Accidental Death & Dismemberment Policy		
Event	Death	Dismemberment
Accidental Death	\$100,000	N/A
Loss of sight in one eye	N/A	25% of Principal (\$25,000)
Loss of one foot Loss of one hand	N/A	50% of Principal (\$50,000)
Loss of one arm Loss of one leg	N/A	66.7% of Principal (\$66,667)
Loss of both feet Loss of sight in both eyes	N/A	100% of Principal (\$100,000)

44. Basic hospital, surgical, and physicians' expenses are generally grouped into the category of

45. Types of medical expense plan that does not require the insured to pay a deductible.

46. This type of plan is designed to reimburse policyowners for the cost of hospital confinement, including hospital room and board expenses and miscellaneous hospital expenses is known as

47. Physician charges are not covered under what type of plan.

48. Written in conjunction with a hospital expense plan, this plan provides coverage for the cost of a surgeon's services as well as fees of the anesthesiologist and post-operative care.

49. Benefits are assigned based on two approaches. What are they?

50. Some of the benefits found in a major medical expense policy are:

- Comprehensive coverage for hospital expenses, such as room and board, miscellaneous expenses, nursing services, physician services.
- Catastrophic medical expense protection
- Benefits for prolonged injury, illness, or sickness

51. A major medical expense plan usually picks-up where what type of plan leaves off?

52. This type of medical plan is an all-in-one policy that covers virtually all medical expenses

53. What deductible applies between the basic coverage and the major medical coverage?

54. A type of organization offering comprehensive prepaid health care services to its subscribing members.

55. The *Health Maintenance Act of 1973* forced employers with more than how many employees to offer the H.M.O. as an alternative to their regular health plans.

56. Some of the most common H.M.O. characteristics are:

- H.M.O.s are known for stressing preventive care.
- H.M.O.s operate on a prepayment or capitated basis.
- Subscribers pay a fixed periodic (monthly) fee to the H.M.O.
- Covered care is only provided by physicians and hospitals who participate.
- H.M.O.s are self-contained and self-funded by dues and fees from their subscribers.
- A primary care physician (P.C.P.) or gatekeeper must be selected by the member.

57. This Florida statute is designed to protect person enrolled for coverage with H.M.O.s against the failure of their H.M.O. to perform its contractual obligations due to its insolvency

58. The HMO-CAP only protects

59. A network-based form of managed care providers that contract with employers, insurance companies, or other third-party payers to provide medical care services at a reduced fee.

60. Under what form of insurance is a primary care physician not required?

61. Under what network plan do providers agree to accept a negotiated fee-for-service for compensation rather than the capitation fee?

62. This type of service plan operates like a combination of an H.M.O. and a P.P.O.

63. Health Savings Accounts (H.S.A.s), Flexible Savings Accounts (F.S.A.s), and Health Reimbursement Accounts (H.R.A.s) are all

64. Illustration 7-3

HDHP Deductibles and Out-of-Pocket Limits			
	Year	Minimum Deductible	Maximum Out-of-Pocket
Individual	2020	\$1,400	\$6,900
Family	2020	\$2,800	\$13,800

65. A type of health care savings account that allows an individual to set aside funds, on a pre-taxed basis, to pay for qualified medical expenses.

66. H.S.A. withdrawals used for non-qualified expenses are subject to a penalty tax of what percentage?

67. Illustration 7-4

HSAs Contribution Limits			
	Year	Contribution	Catch-Up Contribution (Age 55 or Older)
Self	2020	\$3,550	
Family	2020	\$7,100	\$1,000

68. A form of a cafeteria plan that is funded by a salary reduction and employer contribution. Has a use-it or lose-it provision

69. This plan of insurance is designed to fill in some of the gaps in Medicare Part A and Part B

_____ or

70. It is prohibited for anyone to sell a Medigap policy to a person who is enrolled in which plan?

71. There are currently how many Medigap plans being offered?

72. Which two Medigap plans are available currently only available to those who were first eligible for Medicare prior to January 1, 2020?

Plan _____ Plan _____

73. There are four minimum standards that apply to all policies designated as S.M.I.

- The policy must supplement both Part A and Part B of Medicare.
- The policy must automatically adjust its benefits to reflect statutory changes in Medicare.
- If the policy excludes coverage for preexisting conditions, the exclusions cannot exist longer than six months.
- The policy must include a minimum 30-day free-look provision.

74. Which Medigap plan covers basic or core benefits and must be offered in all plans?

75. What form of insurance is covered under a master policy issued to a sponsor that covers a number of persons who have a common affiliate?

76. Under a group policy, the members do not receive a

77. Under a group policy, members receive a

78. For an individual to be eligible under a group plan, there are two requirements. What are they?

79. A group health plan can be categorized as either

_____ or

80. In Florida, what is the minimum percentage required for employees covered by a group health plan?

81. Under the conversion provision of a health product, an individual may convert from a group certificate to an individual policy within the same company no later than how many days after separation?

82. Under Florida law, insurance companies that insure groups of 51 persons or more must accept the entire group. If the insurer believes that an individual in the group poses too great of a risk to insure the group, Florida law permits them to decline the group. However, Florida law does not permit individual risk carve-outs in such cases.

83. COBRA stands for:

84. COBRA is a federal or state plan? _____

85. COBRA applies to any employer with how many employees.

86. A qualifying event for COBRA is any of the following:

- Termination for reasons other than gross misconduct or reduction of hours
- Death of a covered employee
- A dependent child ceasing to be a dependent child for purposes of the plan

87. Illustration 7-5

COBRA Time Limits		
Termination of Employment		If disabled
- Voluntary	18 Months	up to 29 Months
- Reduction of hours	18 Months	up to 29 Months
- For reason of gross misconduct	NONE	NONE
Employment status change (full-time to part-time)	18 Months	
Employee divorces or legally separates	36 Months	
Employee Dies		
- Dependent coverage	36 Months	
Employee becomes eligible for Medicare		
- Dependent coverage	36 Months	

88. To exercise the extension benefits of COBRA, the terminated employee must elect coverage within how many days from separation of employment?

89. The employer is permitted to collect an employer's administrative fee up to what percentage of the base premium rate.

90. Any insurance policy or rider advertised, marketed, offered, or designed to provide coverage on an expense-incurred, indemnity, prepaid, or another basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative, maintenance, or personal care services provided in a setting other than an acute care unit of a hospital is known as

91. L.T.C. policies must provide coverage for at least how many consecutive months?

92. L.T.C. policies must include, at a minimum, an elimination period of how many days for which the insured must be confined in a nursing home facility.

93. L.T.C. policies must be issued as

94. Three levels of care that long-term care policies fall into:

- Skilled nursing care
- Intermediate nursing care
- Custodial care

95. Within each level listed above, the following coverages must also be provided:

- Home health care
- Adult daycare
- Alternative care
- Respite care
- Continuing care

96. Provided by medical personnel under the direction of a physician, skilled nursing care offers continuous nursing and rehabilitative care in an institutional setting such as a nursing home.

97. Provided under the supervision of a physician, intermediate nursing care is administered by registered nurses, nurse practitioners, and nurse's aides on a less frequent basis than skilled nursing care.

98. Provided by non-medical caregivers, custodial care can take place in an institutional facility or at a patient's home.

99. Provided by skilled nursing or other professional services in the insured residence.

100. Similar to services rendered for custodial care, this coverage provides therapeutic programs, on a less than 24-hour basis, for social and health services as well as activities for adults in a non-instructional setting.

101. Designed as a viable option towards traditional institutional care, this form of treatment is provided by training caregivers, home-delivered meal and transportation services, adult daycare, and other treatments. Traditionally performed on a look-in or call-in service basis.

102. Available in either the insured's home or a full-time care facility, this form of care provides short-term relief for a primary caregiver, enabling a temporary hiatus from the demands of caregiving a sick or disabled family member.

103. The newest form of L.T.C. coverage is designed to provide benefits to the elderly who live in independent living, skilled nursing care, and active adult activities communities.

104. Another name for a dread disease plan

105. This type of policy provides a specific benefit amount on a daily, weekly, or monthly basis while the insured is confined to a hospital. Payment under this plan is unrelated to the medical expenses incurred but is based on the number of days confined in the hospital. This is known as

_____ or _____

106. In Florida, short-term health insurance is defined as "health insurance coverage provided by an insurance company with an expiration date specified in the contract that is less than 12 months after the original effective date of the contract, and taking into account renewals or extensions, has a duration not to exceed 36 months in total."

107. A provision that states an insurance company will pay 100% of the expenses incurred after you reach your maximum out-of-pocket (MOOP) limit.

108.



Comprehensive Major Medical Policy with Stop-Loss Feature

Total Bill	\$20,000	
Deductible	-	\$500
	\$19,500	
Insured Pays 20% of next \$5,000	-	\$1,000
Major Medical Pays	\$18,500	
Insured paid ... stop-loss amount	\$1,000	
Insured paid ... deductible amount	+ \$500	
The total amount paid by the insured	\$1,500	
The total amount paid by the policy	\$18,500	
Total Bill	\$20,000	

109.

Practice #1: Bill: \$10,250 | Deductible \$250 | Coinsurance 80/20

Comprehensive Major Medical Policy with Stop-Loss Feature

Total Bill		
Deductible		
Insured Pays 20% of next \$5,000		
Major Medical Pays		
Insured paid ... stop-loss amount		
Insured paid ... deductible amount		
The total amount paid by the insured		
The total amount paid by the policy		
Total Bill		

110.

Practice #2: Bill: \$100,250 | Deductible \$250 | Coinsurance 80/20

Comprehensive Major Medical Policy with Stop-Loss Feature

Total Bill		
Deductible		
Insured Pays 20% of next \$5,000		
Major Medical Pays		
Insured paid ... stop-loss amount		
Insured paid ... deductible amount		
The total amount paid by the insured		
The total amount paid by the policy		
Total Bill		

111. The purpose of a deductible is to

112. There are three types of deductibles or major medical policies. They are:

113. Illustration 7-6

DEDUCTIBLES	
Flat Deductible	Used with comprehensive policies. A stated amount that the insured must pay before any policy benefits are paid.
Corridor Deductible	Used with supplemental plans. The deductible imposed after all basic benefits have been paid but before any major medical benefits are paid. Requires a second deductible.
Integrated Deductible	Used with supplemental plans. The deductible satisfied may be used to offset other deductible based benefits of the policy.

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Unit 8

1. Illustration 8-1

NAIC Uniform Health Insurance Policy Provisions			
Mandatory Provisions		Optional Provisions	
1	Entire contract	1	Change of occupation
2	Time limit on certain defense	2	Misstatement of age
3	Grace period	3	Other insurance in this insurer
4	Reinstatement	4	Insurance with other insurer
5	Notice of Claims	5	Insurance with other insurers
6	Claims forms	6	Relation of earnings to insurance
7	Proof of loss	7	Unpaid premiums
8	Time payment of claims	8	Cancellation
9	Payment of claims	9	Conformity with state statutes
10	Physical exam and autopsy	10	Illegal occupation
11	Legal action	11	Intoxicants and narcotics
12	Change of beneficiary		

2. The policy, with the application and attached papers, is known as the

3. This provision states that after two years from the issue date, only fraudulent misstatements in the application may be used to void a policy or deny any claim for loss incurred or disability starting after the two-year period.

4. If Florida, the grace period for health insurance are:

Weekly premiums _____

Industrial premiums _____

Monthly premiums _____

All other premiums _____

5. The *Affordable Care Act (A.C.A.)* provides individuals who purchase coverage on the health insurance marketplace and who qualify for premium tax credits a grace period to pay outstanding premiums of how many days?

6. What happens to a policy if a renewal premium is not paid before the end of a grace period?

7. If an insured is given a conditional receipt for the premium of a renewal application, the policy will be considered reinstated how many days after the date of the conditional receipt, unless the insurer has previously written the insured of its disapproval?

8. How many days?

Notice of claim _____

Claim forms _____

Proof of loss _____

Time of payment of claims _____

Legal Action _____

9. If the insured changes their occupation to one classified by the insurer as more hazardous than that state in the policy, the insurer will

10. If the insured changes their occupation to one classified by the insurance company as less hazardous than that stated in this policy, the insurer will

11. If the age or sex of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased according to the correct age or sex.

12. This provision of misstatement of age or sex does not apply to which provision?

13. In Florida, the insurance company has the right to cancel a policy at any time if it provides how many days written notice to the insured?

14. If cancellation of a Florida insurance policy is for nonpayment of a premium, the insurance company must give how many days written notice?

15. Renewability provisions in order of lowest to highest premium

\$ _____

\$\$ _____

\$\$\$ _____

SSSS _____

SSSS\$ _____

16. This renewability provision allows for a company to increase premiums for an entire class of insureds, but not on an individual basis.

17. This renewability provision permits the insurer the option to terminate a policy on a specified date in the contract.

18. This renewability provision prevents the policy from being canceled or premium increased for as long as the premiums are paid and up to an age specified in the policy.

19. Usually located on the first page of the policy, this clause is a general statement that identifies the agreement between the insurance company and the insured.

20. The free-look period for health insurance begins

21. Illustration 8-2

Free-Look Provision (Health)	
Health Insurance	10 days
Medicare Supplements and Long-Term Care	30 days

22. The clause that represents the payment of the premium, along with the statements in the application, is

23. A period of time, usually ten days, after the issuance of a policy, during which coverage is not afforded for preexisting sickness.

24. The purpose of the probationary period provision is

25. A non-monetary time-based deductible found in disability income policies is the

_____ or

26. The purpose of the elimination period is to

27. The shorter the elimination the _____ the cost of insurance.

28. The most common exclusions found in a health insurance policy area:

- War, act of war, military duty
- Self-inflicted injuries
- Non-fare-paying passenger of an aircraft (pilot and crew)
- Dental
- Care in government facilities

29. Insurance companies consider a preexisting condition to be one that the insured contracted or manifested prior to the policy's effective date.

30. This provision allows for the sharing of expenses between the insured and the insurance company.

31. Example of coinsurance

Joe receives a medical claim for \$12,000. His insurance policy states he has a \$2,000 deductible and an 80/20 coinsurance.

			Insurer	Joe
Total Expenses	\$12,000			
Deductible	- \$2,000			\$2,000
Balance	\$10,000	x 80%	\$8,000	
		x 20%		\$2,000
Totals			\$8,000	\$4,000

32. When the insured pays part of the cost for services. When it is a percentage, it is called

33. When the insured pays part of the cost for services. When it is a monetary amount, it is called

34. When the insurance company pays an amount for a given procedure based on the average charge for that procedure in a specific geographic area falls under

35. Children of the insured are covered under a family plan until they attain a specified age.

Affordable Care Act age _____

Florida law age _____

36. Any child who reaches the limiting age but is dependent on the insured and incapable of self-support because of mental or physical impairment must continue to be covered as a dependent.

37. Coverage for a newborn begins at _____

38. Premiums modes from least expensive to most expensive

- \$ annually (one time per year)
- \$\$ semi-annually (two times per year)
- \$\$\$ Quarterly (three times per year)
- \$\$\$\$ Monthly (twelve times per year)
- \$\$\$\$\$ Weekly (fifty-two times per year)

39. Factors that can influence the premium rates for health insurance

- Morbidity
- Interest
- Expense
- Types of benefits
- Claims experience
- Age, sex, and occupation of the insured

40. This provision, which applies to group health policies only, is designed to avoid duplication of benefit payments and over-insurance when an individual is covered under multiple group health insurance plans

41. C.O.B. Order of Payment

When coordinating benefits for a married or divorced couple with or without children, the following is the order in which the plans will pay

- If a married couple both have group coverage in which they are each named as dependents on the other's policy, then the person's own group coverage will be considered primary. The secondary coverage (the spouses' coverage) will pick up where the first policy left off.
- If both parents name their children under their group policies, then the order of payment will be determined by the birthday rule. The benefits of the policy or plan of the parent whose birthday, excluding year of birth, falls earlier in the year are determined before the benefits of the policy or plan of the parent whose birthday, excluding year of birth, falls later in that year; but if both parents have the same birthday, the benefits of the policy or plan that covered the parent for a longer period of time are determined before those of the policy or plan that covered the parent for a shorter period of time.
- Finally, if the parents are divorced or separated, the policy of the parent who has custody of the child will be considered primary.

42. Medical cost management is divided into four general approaches:

43. A state-regulated plan that provides coverage to on-the-job injuries and sickness

44. To be eligible for workers' compensation, the injury or sickness must be a result of and related to the insured's work.

45. The benefits available under workers' compensation include

- Medical benefits
- Income benefits
- Death benefits
- Rehabilitation benefits

46. This provision provides a process by which an insurance company seeks recovery of the amount paid to the insured from a third party who may have caused the loss.

47. Premium payments on personally owned disability income policies are non-deductible by the individual.

48. Income benefits under an individual disability policy are received as

49. In medical expense insurance policies and long-term care policies, premiums paid by the individual policyowner are deductible as a medical expense to the extent that when added to all other unreimbursed medical expenses, the total does not exceed a percentage of the taxpayer's adjusted gross income (A.G.I.).

50. Illustration 8-3

Tax Treatment of Premiums	
	2020
Unreimbursed Medical Care Expenses	10%

51. Illustration 8-4

Tax Considerations for Health Insurance		
	Premiums	Benefits
Disability Income		
- Individual	Not deductible	Not taxable
- Group	Deductible for employer	Taxable
Medical		
- Individual	Not deductible*	Not taxable
- Group	Deductible for employer	Not taxable
Long-Term Care		
- Individual	Not deductible*	Not taxable
- Group	Deductible for employer	Not taxable
Medicare Supplement		
- Individual	Not deductible*	Not taxable
- Group	Deductible for employer	Not taxable
Buy-Sell	Not deductible*	Not taxable
Key-Person	Not deductible	Not taxable
Business Overhead Expense	Deductible for employer	Taxable

* Subject to tax-qualification limitations

Unit 9

1. What program is designed for people who are age 65 or older, under age 65 with certain disabilities, and any age with permanent kidney failure?

2. Medicare is divided into four parts

- Part _____
- Part _____
- Part _____
- Part _____

3. Part A & Part B of Medicare are also known as

4. Part A is also known as _____

5. Part B is also known as _____

6. Part A covers

- Hospitalization insurance
 - In-patient hospital services
 - Semi-private room and board
 - Nursing services
- Skilled nursing facilities
 - Post-hospital nursing care in an accredited skilled nursing facility
- Home health and hospice care
 - Hospice care, skilled nursing (home or hospital), medications, and respite for caregivers
 - Home health services, nursing care, therapy, medical supplies, and part-time home health aid

7. Benefits are financed through _____ payroll taxes

8. Benefits automatically provided once an individual qualifies for

9. Part B covers

- Doctors' services
- Outpatient care
- Medical supplies
- Physical and occupational therapy

10. Unlike Medicare Part A, Medicare Part B is a _____ program

11. After meeting the deductible, Part B will pay what percentage of covered expenses, subject to Medicare's standards for reasonable charges.

12. Illustration 9-1

Medicare Part A - Benefits and Deductibles		
Paid by	Time Period	Summary
In-patient hospital services, including semi-private room and board, and nursing services.		
Medicare, with patient deductible	First 60 days of benefit period	All covered services; Patient pays deductible (\$1,408 in 2020)
Medicare, with patient co-pay	Days 61-90 of benefit period	Reduced covered services; Patient pays daily co-pay (½ of the initial deductible)
Medicare with higher patient co-pay	Days 91-150 of benefit period Limited to 60 days total lifetime	Paid from 60-days lifetime reserve; Patient pays daily co-pay (½ of the initial deductible)
Post-hospital skilled nursing care in an accredited skilled nursing facility (SNF)		
Medicare	First 20 days after a minimum of 3 consecutive days in the hospital	Medicare pays full for all covered services
Medicare with patient co-pay	Next 80 days (days 21-100)	Patient pays daily co-pay (½ of initial hospital deductible)
Patient	After 100 days (day 101+)	No Medicare benefits; Patient pays all
Hospice care, skilled nursing (hospital or home), medications, and respite for caregivers		
Medicare	Death expected within 7 months (210 days)	Medicare pays all covered services for terminally ill patients and families
Home health services, nursing care, therapy, medical supplies, and part-time home health aid		
Medicare	20 days per benefit period	Medicare pays home health benefits for services that are medically necessary

13. Illustration 9-2

Medicare Part B – Covered Services			
Services	Benefits	Medicare Pays	Patient Pays
Medical Expenses	Medicare pays for medical services in or out of the hospital	80% of approved amount after the deductible	Deductible* plus 20% of approved amount and limited charges above the approved amount
Clinical Laboratory Services	Unlimited if medically necessary	Generally, 100% of the approved amount	Nothing for services
Home Health Care	For as long as you meet Medicare requirements for home health care benefits	100% of approved amount; 80% of approved amount for durable medical equipment (DME)	Nothing for services; 20% of approved amount for durable medical equipment (DME)
Outpatient Hospital Treatment	Unlimited if medically necessary	Medicare payment to hospital based on hospital costs	20% of billed amount after the deductible
Blood	Unlimited in medically necessary	80% of approved amount after the deductible, and starting with 4 th pint	First 3 pints plus 20% of approved amount for additional pints after the deductible ^A

^ATo the extent that any of the three pints of blood are paid for or replaced under one part of Medicare during the calendar year, they do not have to be paid for or replaced under the other part.

14. Part C is also known as

15. Part C covers

- Managed-care plans
- Preferred provider organizations
- Private-for-fee-service plans
- Specialty plans

16. To be eligible for Medicare Part C, beneficiaries must be enrolled in

17. Part D is also known as

18. Part D is available to anyone who is enrolled in

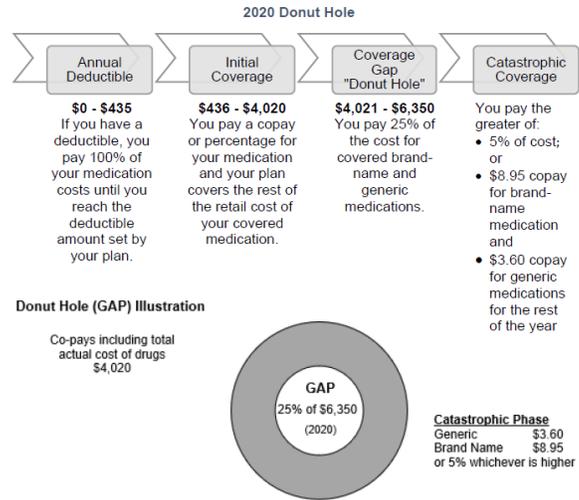
Part _____ or Part _____ and Part _____

19. Part D is _____ coverage provided through private prescription drug plans that contract with Medicare.

20. To receive Medicare Part D benefits, a beneficiary must enroll during the

21. A penalty of _____% applies for each month delayed enrollment into Medicare Part D

22. Illustration 9-3



23. Which group is primary?

Group has 20 or more subscribers _____

Group has less than 20 subscribers _____

24. Medicare Supplement Plans are also known as

25. Medigap plans do not pay for the costs incurred in

Medicare Part _____ and Medicare Part _____

26. Medigap policies adhere to requirements design by

27. There are how many eligible Medigap plans available after January 1, 2020?

28. The following four minimum standards apply to all policies designated as S.M.I.:

- The policy must supplement both Part A and Part B of Medicare.
- The policy must automatically adjust its benefits to reflect statutory changes in Medicare.
- If the policy excludes coverage for preexisting conditions, the exclusions cannot exist longer than six months.
- The policy must include a minimum 30-day free-look provision.

29. This program is a jointly funded, federal and state program designed to help low-income and medically needy individuals with medical assistance.

30. To prevent people from deliberately paying down their assets so that they are eligible for Medicaid, the government created the

31. This act provides for individuals and families (excluding those eligible for Medicare, Medicaid, or are on a group plan) who earn between 100 and 400% of the federal poverty level (F.P.L.) and want to purchase their insurance on an exchange with eligible subsidies.

32. Regarding Medicaid, the ACRA expand Medicaid to include incomes within what percentage of the federal poverty level?

33. The following insurance reforms occurred because of the ACRA:

- Insurance companies can no longer deny children coverage based on a preexisting condition.
- Insurance companies can no longer deny coverage to anyone with preexisting conditions.
- Insurance companies must allow children to stay on their parent's insurance plans until age 26.

34. An employer with 50 or more full-time employees may be subject to a penalty if it does not offer qualifying health insurance to at least 95% of full-time employees and their dependents. This is known as the

35. An employer with fewer than 25 employees who average less than \$50,000 in annual compensation may earn a tax credit of up to 50% of its pre-costs (35% for tax-exempt employers) if it pays at least half of the premium for qualifying health insurance coverage.

Unit 12

Many of the entries in the unit come directly from the Florida Statutes (F.S.) and Florida Administrative Code (F.A.C.). Some items have been edited to conform to the learnings of this course.

1. **Florida health insurance policies provide for a free look period of how many days.**

2. **A grandfathered health plan coverage means coverage provided by a group health plan, or a group or individual health insurance company, in which an individual was enrolled on what date?**

3. **The following situations could cause a plan to lose its grandfathered status:**
 - Elimination of benefits
 - Increase in percentage cost-sharing requirements
 - Increase in a fixed-amount cost-sharing requirement other than a copayment
 - Increase in a fixed-amount copayment
 - Decrease in a contribution rate by employees and employee organizations
 - Changes in annual limits
4. **Grandfathered group health plans do not provide what free benefit?**

5. **Florida law requires health insurance companies offering comprehensive major medical individual health insurance policies, and H.M.O.s offer at a minimum one comprehensive major medical health insurance policy that does not exclude, limit, deny, or delay coverage under the policy due to one or more preexisting medical conditions.**
6. **A condition that was present prior to the effective date of coverage under an insurance contract, whether or not any medical advice, diagnosis, care, or treatment was recommended or received, is known as a**

7. **A health insurance policy or group health insurance policy sold in this state must provide coverage for all medically appropriate and necessary equipment, supplies, and diabetes outpatient self-management training and educational services used to treat diabetes.**
8. **A newborn child of a covered family member, other than the spouse of the insured or subscriber, the coverage for the newborn child terminates long after the birth of the newborn child.**

9. **A health insurance policy may require the insured, subscriber, or covered family member to notify the insurer of the birth of a child within a time period not less than how many days after the birth.**

10. **Florida law required coverage for the following types of coverage:**
 - Mastectomy
 - Mammogram
 - Cleft lip and cleft palate
 - Opioid
 - Autism spectrum disorder
 - Down syndrome

11. Coverage for autism and down syndrome treatment must include four forms of treatment:

12. Florida balance billing law prohibits physicians from charging PPO patients for any balance not paid by insurance, even if the physician has not contractually agreed to rates with the insurance company.

13. To qualify for group health insurance, applicants must be part of a

14. Under a group health plan, the policy must cover, at the date of issue, not less than

15. The Florida health insurance coverage continuation act is also known as

16. Mini-Cobra is a state or federal law?

17. Mini-Cobra provides coverage to those not currently eligible under what plan?

18. A smaller employer under the Florida Health Insurance Coverage Continuation Act is defined as

19. Florida Mini-COBRA provides coverage for how many months?

20. The premium paid for Mini-COBRA cannot exceed what amount of the applicable premium?

21. If benefits received under Mini-COBRA are for disability, how long may the coverage be extended?

22. An insurance carrier can charge up to what percentage of the group rate during the 11-month disability extension?

23. In order to be eligible for a converted policy, the insured must have been covered under the group policy for at least who many months immediately prior to the separation?

24. Premium and application for a converted policy must be made no later than how many days after termination of the group policy?

25. A health insurance policy may not be delivered, or issued for delivery, in this state unless it is accompanied by an appropriate

26. Any method of communication published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, in the form of a notice, circular, pamphlet, letter, or poster, over any radio or tv station, or in any other way, is known as an

27. The definition of advertisement does not include:

- Material to be used solely for the training and education of an insurer's employees, agents, or brokers;
- Material used exclusively in-house by insurers;
- Communications within an insurer's own organization not intended for dissemination to the public;
- Individual communications of a personal nature with current policyholders regarding existing coverage other than material urging such policyholders to renew, increase or expand coverages;
- Correspondence between a prospective group or blanket policyholder and an insurer in the course of negotiating a group or blanket contract;
- Court approved material ordered by a court to be disseminated to policyholders; or
- A general announcement from a group or blanket policyholder to eligible individuals on an employment or membership list which may include a brief description of coverage and is primarily a notification that a contract or program has been written or arranged; provided, the announcement must clearly indicate that it is preliminary to the issuance of a booklet, pamphlet, brochure or other similar paper preliminary to coverage by the insurer.

28. Under Medicare supplement insurance, preexisting condition shall not be defined to limit or preclude liability under a policy for a period longer than

29. A Medicare supplement policy must prominently display a no-loss cancellation clause (free-look), enabling the applicant to return the policy within how many days after receiving the policy?

30. A Medicare supplement policy does not include Medicare Advantage plans established under

- Medicare Part C
- Outpatient Prescription Drug Plans established under Medicare Part D
- Health Care Prepayment Plan (HCPP)

31. Knowingly making any misleading representations or incomplete or fraudulent comparisons or fraudulent material omissions of or with respect to any insurance policies or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, or convert any insurance policy or to take out a policy of insurance in another insurer is known as

32. The practice whereby policy values in an existing life insurance policy or annuity contract, including, but not limited to, cash, loan values, or dividend values, and in any riders to that policy or contract, are directly or indirectly used to purchase another insurance policy or annuity contract with that same insurer for the purpose of earning additional premiums, fees, commissions, or other compensation is known as

33. Florida statute states a Medicare supplement policy may not contain benefits that duplicate benefits provided by Medicare.

34. Under a Medicare supplement policy, any transaction wherein new Medicare supplement insurance is to be purchased, and it is known to the agent, broker, or insurer at the time of application that, as a part of the transaction, existing accident and health insurance has been or is to be lapsed or the benefits thereof substantially reduced is known as a

35. The replacing insurance company must furnish a copy of such notice of replacement to the existing insurance company within how many days.

36. Any insurance policy or rider advertised, marketed, offered, or designed to provide coverage on an expense-incurred, indemnity, prepaid, or another basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative, maintenance, or personal care services provided in a setting other than an acute care unit of a hospital is known as a

37. Long-term care insurance shall not include any insurance policy which is offered primarily to provide

- basic Medicare supplement coverage
- basic hospital expense coverage
- basic medical-surgical expense coverage
- hospital confinement indemnity coverage
- major medical expense coverage
- disability income protection coverage
- accident-only coverage
- specified disease or specified accident coverage
- limited health insurance coverage not otherwise defined as long-term care insurance

38. An LTC Buyer's Guide is also known as a

39. The free-look period for an LTC policy is

40. A long-term care insurance policy may not:

- Be canceled, nonrenewed, or otherwise terminated on the grounds of the age or the deterioration of the mental or physical health of the insured individual or certificate holder.
- Contain a provision establishing a new waiting period in the event existing coverage is converted to or replaced by a new or another form within the same insurer or any affiliated insurer, except with respect to an increase in benefits voluntarily selected by the insured individual or group policyholder.
- Restrict its coverage to care only in a nursing home or provide significantly more coverage for such care than coverage for lower levels of care
- Contain an elimination period in excess of 180 days.

41. An insurer that offers a long-term care insurance policy, certificate, or rider in this state must offer a nonforfeiture protection provision providing

42. The standard non-forfeiture credit must be equal to what percentage of the sum of all premiums paid.

43. A long-term care policy shall provide that the insured is entitled to a grace period of not less than

44. Under a long-term care policy, overdue premiums are subject to an interest rate not in excess of

45. Benefit triggers for a long-term care policy are known as

46. The activities of daily living (ADLs) are:

- Bathing
- Continence
- Dressing
- Eating
- Toileting
- Transferring
- Mobility (optional)

47. The Agency for Health Care Administration, in consultation with the Office of Insurance Regulation and the Department of Children and Families, is directed to establish a qualified state Long-Term Care Insurance Partnership Program in Florida. The program is designed to encourage individuals to purchase private long-term care insurance.

48. Long-term care partnership policies are taxed under

49. All long-term care plans must be offered and issued on what type of basis?

50. The small employer access program consists of any small employer that is actively engaged in business, has its principal place of business in this state, employs up to 25 eligible employees on business days during the preceding calendar year, employs at least two employees on the first day of the plan year, and has had no prior coverage for the last six months may participate.

51. The Family Healthy Kids Corporation is funded by the which sectors

_____ and _____

52. Individuals must meet the following requirements to be eligible for Florida Healthy Kids coverage:

- Must be residents of the state of Florida
- Must be under the age of 19
- Their family income must be below 200% of the federal poverty level
- They must not qualify for Medicaid unless they are under the age of five
- They must not be covered by any employer's health coverage for reasons of eligibility or affordability

53. No insurance shall cancel or non-renew the health insurance policy of any insured because of the diagnosis or treatment of HIV/AIDS.

54. Prior to testing for HIV/AIDS, insurers must:

- Disclose its intent to test the person for AIDS/HIV
- Obtain written consent
- Notify the applicant's physician if the test results are positive
Physician = Positive

55. The following items may not be used to establish the applicant's sexual orientation:

- Marital status
- Living arrangements
- Occupation
- Gender
- Beneficiary
- Zip code
- Genetics

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Unit 1

1. A legally binding contract that for a specified premium the insurance company agrees to pay a beneficiary a definite sum of money when the insured dies; thus, creating an estate, is known as what form of insurance

2. A contract of insurance that provides funds for medical expenses due to injury, sickness, or disability is known as

3. What form of insurance provides coverage for long-term care, social security, Medicare, Medicaid, and supplemental policies

4. A contract in which a lump sum or series of payments are made so that to provide a steady stream of income during or for a retirement is known as a(n)

5. A device that transfers the risk of a large financial loss from the individual to the insurance company is known as

6. Insurance is based on two fundamental principals

7. The principle that if something is done or occurs often enough, then it can be predicted with a high degree of accuracy is known as

8. The probability of losses due to death is known as

9. The probability of losses due to sickness and accident is known as

10. The uncertainty regarding financial loss is known as

11. Risk is categorized into two categories:

12. Risk that is not insurable because it involves both the chance of success (gain) and loss.

13. Risk that is insurable as it is limited to the chance of loss.

14. Illustration 1-1

Examples of Risk	
Speculative Risk	Pure Risk
Betting at a racetrack	Job-related accidents
Investing in the stock market	Catastrophic medical expenses

15. Four methods of treating risk

16. Six elements or characteristics that must be present before a pure risk can be insurable

- Loss must be due to chance
- Loss must be definite and measurable
- Loss must be predictable
- Loss cannot be catastrophic
- Loss exposures to be insured must be large
- Loss exposures to be insured must be randomly selected

17. Insuring a single life for \$1 trillion would create a catastrophic loss to an insurance company. This is an example of which of the characteristics that must be present before a pure risk can be insured

18. A tendency of more poor-risk than good ones to buy insurance or maintain existing insurance in force is known as an

19. What two items are factors that cause or give rise to a risk?

_____ and _____

20. A _____ is a cause of loss that triggers or activates the process of transferring a risk.

21. Illustration 1-2

Examples of Perils		
Types of Policy	Peril	Benefit
Life	Death	Death Benefit
Health	Sickness	Medical Benefits

22. The behavior or item that increases the likelihood of a risk is known as a

23. Hazards are divided into three levels:

24. Illustration 1-3

Examples of Hazards		
Physical Hazards	Moral Hazards	Morale Hazards
Blindness	Alcoholism	Lack of concern about suffering an injury
Deafness	Drug addiction	Intentionally doing something reckless
Congenital disorder	Dishonesty	Attitude, state of mind

25. Name the court case:

A. **Supreme court rules that insurance is not interstate commerce and that insurance is not a transaction of commerce**

B. **Supreme court reversed its decision of Paul v. Virginia, thus stating that insurance is commerce and is subject to federal antitrust regulation (Sherman Anti-trust Act)**

C. **Congress insisted that it was the right of the Federal Government to regulate the insurance industry but state that the Federal Government would not regulate insurance as long as the state did an adequate job.**

- D. **A federal agency created to ensure that insurance companies that issue variable products conform to both federal and state regulations.**
-
- E. **The purpose of this law is to protect consumers against the circulation of inaccurate or obsolete information and to ensure that consumer-reporting agencies exercise their responsibilities in a manner that is fair and equitable to the consumer.**
-
- F. **This act repealed the Glass-Steagall Act of 1933. It allows companies working in the financial industry to regulate their operations and invest in each other's line of business.**
-
- G. **This federal Act gives various Federal Government agencies broad powers to curtail attempts to launder money and finance terrorism.**
-
26. **All companies doing business within a given state must be licensed or certified by that state. The following terms all mean the same thing:**
- Licensed
 - Certified
 - Admitted
 - Authorized
 - Approved
27. **A name given to an insurance company in the state of its incorporation.**
-
28. **An insurance company formed under the laws of the United States but operating in a state other than the one in which it was incorporated.**
-
29. **An insurance company organized under the laws of a foreign company.**
-
30. **A contract by which the consideration or dollar values exchanged may not be equal**
-
31. **A contract that is prepared by one party and is not the result of a negotiation (not a bargaining contract) is known as**
-
32. **The form of contract that has a "take-it" or "leave-it" premise is known as**
-
33. **An insurance contract where only one party makes any kind of enforceable promise is known as**
-
34. **Because the policyowner has no bearing on the risk that the insurance company has assumed, what type of policy is not a personal contract or personal agreement.**
-
35. **A contract in which the offeree accepts the offer by performing an act that indicates their agreement with the bargain.**
-

36. A contract that pays a stated sum regardless of the actual loss is known as a

37. This type of contract brings the insured back to a position they were in prior to a loss. This is known as an

38. The process by which an insurance company seeks recovery of the amount paid to the insured from a third party who may have caused the loss

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Unit 2

- 1. **The term insurance company can be expressed as:**
 - Carrier
 - Company
 - Insurance company
 - Insurer

- 2. **Statements made by the applicant at the time of application that are believed to be true to the best of the applicant's ability are known as**

- 3. **Statements made by an applicant that are literally true in every respect are known as**

- 4. **Untrue statements on an application that can void a contract are known as**

- 5. **Intentional statements that, if discovered, would alter the insurance company's underwriting decision and are often considered to be fraud are**

- 6. **There are three parts to an application. They are:**

- 7. **This section of the application asks the applicant to provide personal information, including their name, age, address, birthday, gender, occupation, income, and marital status**

- 8. **This part of the application focuses on the applicant's personal and family health history.**

- 9. **This part of the application is comprised of accurate and truthful observations of the proposed insured's background and character and information about the intended purposes of the sale.**

- 10. **Under Florida statute, insurers may not require or solicit genetic information, use genetic test results, or consider a person's decisions or actions relating to genetic testing in any manner for insurance purposes.**

- 11. **The only signatures required on an application are:**
 - Proposed insured
 - Policyowner
 - Minor/parent or guardian

- 12. **Who does not sign the application**

- 13. **Florida law requires insurance companies to provide life insurance policyowners with a free-look period of how many days**

- 14. **Two major forms of payment receipts are:**

_____ and _____

15. Illustration 2-1

Example of Insurability Receipt	
Event	Date
The client signed up and give the agent their check for the premium	January 10
The client took a medical exam	January 21
The insurance company issued the policy	February 15
The agent delivered the policy to the client	February 28
When was the policy in force?	January 21

16. What type of receipt is issued when coverage is guaranteed even if the proposed insured is found uninsurable (\$100,000 limit).

17. A transaction in which a new life insurance policy is to be purchased or existing insurance is to be converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits is known as a

18. The replacing insurance company must verify the accuracy of the comparative information form and forward it to the existing company. This I known as the

19. Florida replacement rules for accident and health insurance are administered through

20. Replacement rules do not apply to the following accident and health insurance plans:

- Group, blanket, or franchise
- Accident only
- Single premium nonrenewable
- Conversion to another individual or family policy issued by the same insurance company with continuous coverage
- Conversion to an individual or family policy from a group, blanket, or group type policy
- Conversion to a Medicare Supplement policy to replace a basic or major medical accident and health policy

21. The selection process of examining, accepting, or rejecting insurance risks and then classifying them into appropriate risk categories is known as

22. Stranger-Originated Life Insurance and Investor-Originated Life Insurance plans are prohibited in Florida

23. This federal act authorized the release of any and all records pertaining to the proposed insured regarding diagnosis, testing, treatment, and prognosis of the applicant’s physical or mental condition

24. Three conditions that must be met for HIPAA are:

- A copy of an authorization must be given to the proposed insured.
- An authorization is valid for 24 months following the date of the signature.
- The signature of the proposed insured is required.

25. This report provides information on the applicant's character, reputation, and habits. It is obtained through an investigation and interviews with associates, friends, and neighbors

26. Three major risk classification that underwriters use when evaluating a risk are:

27. The backdating or save-the-age provision permits an applicant to backdate a policy for a period up to

28. The standard provision that simply states that the policy and copy of the application attached to the back of the policy is known as the

Unit 6

1. Social Security was originally known as

2. Illustration 6-1

OASDI = Old Age Survivors Disability Insurance Program	
OA	Old Age (retirement)
S	Survivors (death benefit)
DI	Disability Insurance (income replacement)

3. All Americans who pay into the payroll system are covered by Social Security, EXCEPT

4. The OASDI program is a pay-as-you-go system and is supported by what type of tax

5. The payroll tax program is known as FICA or

6. Illustration 6-2

FICA Tax Rate Breakdown (2020)	
Taxable Wage Base	\$137,700
Employees and Employers	7.65%
Self-Employed Individuals	15.3%
OASDI	6.20% on the maximum taxable wage base
Medicare	1.45% of all wages

7. How many quarters (credits of coverage) can be earned in one year

8. Illustration 6-3

Quarters of Coverage Example

One credit for each \$1,410 earned in 2020

Example 1: Worker earned \$4,230 ÷ \$1,410 = 3 credits earned

Example 2: Worker earned \$5,640 ÷ \$1,410 = 4 credits earned

Example 3: Worker earned \$7,000 ÷ \$1,410 = 4 credits earned (cannot exceed 4 credits)

9. How many quarters must be earned to be "fully insured."

10. What status would qualify for Social Security Disability Insurance

11. The primary insurance amount or PIA is the amount of Social Security benefits paid to an individual at what age or disability?

12. The full retirement age for 2020 is _____

13. Three major benefits of Social Security are:

14. A lump-sum death benefit is equal to what amount of the worker's PIA or a maximum of

15. Illustration 6-4

Social Security Benefit Chart			
	Survivor Benefits	Retirement Benefits	Disability Benefits
	PIA	PIA	PIA
Spouse - FRA	100%	50%	50%
Spouse - Age 62	-	Reduced amount	Reduced amount
Spouse w/Child - Any Age	75%	50%	50%
Child Under Age 18 (19, if in high school)	75%	50%	50%
Parents (2)	75%	-	-
Parent (1)	82½%	-	-

Unit 10

1. This person is independently elected and serves as the head of the DFS, and is a member of the Financial Services Commission.

2. The OIR is responsible for all activities concerning

- Insurance companies
- Licensing and certificate of authority
- Rates
- Policy forms
- Premium financing
- Claims
- Solvency
- Viatical settlements
- Administrative supervision
- Other provisions of the Insurance Code

3. Form filings must be completed how many days in advance of any such use or delivery.

4. The OIR has four major areas of responsibility, including:

- Organizing and licensing insurance companies, including establishing initial financial requirements
- Monitoring unauthorized insurance activities
- Maintaining and overseeing the regulation of company activities, such as policy forms, provisions, and rates (direct rate regulation does not apply to life insurance)
- Monitoring the financial condition of insurers, investment categories, and appropriate methodology for developing liabilities

5. During an investigation, the DFS or OIR can administer:

- _____
- _____
- _____
- _____

6. Any person who willfully obstructs the Department, the Office, or the examiner in any examination or investigation may be guilty of a

7. The OFR's purpose is to maintain public confidence and provide for the safe and sound business transactions of the financial institutions it oversees.

8. A complaint issued and served to any state financial institution ordering them to "stop what they are doing" is expressed in a

9. If the OFR finds that the conduct of the financial institution is likely to cause insolvency, the OFR may issue what requiring the institution to immediately cease and desist from the conduct.

10. An ECDO is effective when and for how long?

_____ and _____ days

11. An agreement enforceable by law that binds one or more parties to a certain promise in exchange for a form of consideration is known as an

12. The selling, soliciting, negotiating, and effectuation of a contract of insurance is known as an

13. When the originating insurance company (the ceding insurer) insures itself through another insurer (the assuming insurer) on the part of an insurance risk, the contract is called

14. A non-participating insurance company owned and organized for the purpose of making a profit for its stockholders, stakeholders, or shareholders is what type of company

15. A company that generally participates in policy dividends and is owned by its policyowners is known as what type of company

16. Issued to a company (carrier, insurer, or insurance company), this item is the OIR's permission to engage in insurance activities within the state.

17. Any agent licensed in Florida, who knowingly represents or aids an unauthorized company, commits a felony of what degree

18. The term "agent" includes

19. The term "agent" does NOT include

20. A viatical settlement broker is an individual who, on behalf of a viator and for a fee, commission, or other valuable consideration, offers or attempts to negotiate viatical settlement contracts between a viator resident in this state and one or more viatical settlement providers.

21. A viatical settlement broker must be, at a minimum, a licensed Florida

22. The term public adjuster does not include a licensed _____ insurance agent who assists an insured with coverage, billing, or claims processing issues.

23. An agent but is not appointed by or affiliated with any insurance company is known as an

24. An unaffiliated insurance agent may not

- Hold any appointment from an insurer for any license they hold.
- Transact, solicit, or service an insurance contract on behalf of an insurer.
- Interfere with the commission received by an insurer-appointed agent.
- Receive any compensation or any other thing of value from an insurer, appointed agent, or agency.

25. Appointments renew every _____ months unless suspended, revoked, or otherwise terminated at an earlier date.**26. An appointing entity may terminate its appointment of any appointee at any time with at least _____ days' advanced written notice.****27. An appointee may terminate their appointment at**

28. For an individual to become a licensed insurance producer in Florida, an applicant must

- Successfully complete a pre-licensing course
- Complete and sign an application under oath
- Obtain a background check (fingerprints)
- Pay all applicable fees

29. The application for an insurance license requires the applicant's

- Full legal name
- Age
- Social Security number
- Resident address
- Business address
- Mailing address
- Contact phone number
- E-mail address

30. An applicant who has committed a felony of the first degree, a capital felony, a felony involving money laundering, a felony of embezzlement, or a felony directly related to the financial services business is permanently barred from licensure.**31. Number of hours required for pre-licensing**

- Life and Annuity (2-14) _____
- Health Insurance (2-40) _____
- Health, Life & Annuity _____

32. Pre-licensing requirements do not apply to candidates who have a chartered life underwriter® (CLU®) or chartered property casualty underwriter® (CPCU®) designation.**33. Pre-licensure coursework is not required for an applicant who is a member or veteran of the United States Armed Forces (USAF) or the spouse of such a member or veteran.****34. Passing score on the Florida state examination is _____%.****35. Passing score on the Florida state examination is valid for _____ year.****36. Passing school certificate of completion is valid for _____ months.****37. A candidate may not re-take a state licensing exam for a license type more than _____ times in a _____ month period.****38. A newly licensed agent must complete a total of how many elective continuing education credits every two-years?**

39. Illustration 10-1

Florida Law Regarding Insurance Agents' CE Requirements		
Licensed 1-5 years	24 Credits every 2 years	<ul style="list-style-type: none"> • 5-Hr Law and Ethics Update • 19 Elective Credits
Licensed 6+ years	20 Credits every 2 years	<ul style="list-style-type: none"> • 5-Hr Law and Ethics Update • 15 Elective Credits
Licensed 25+ years And CLU, CPCU, Bachelor of Science in Risk Management - OR - 18+ semester hours in insurance-related courses	10 Credits every 2 years	<ul style="list-style-type: none"> • 5-Hr Law and Ethics Update • 5 Elective Credits

40. Insurance companies have _____ days to respond to the Department once a consumer complaint has been filed.

41. Agents are to notify the Department of Financial Services of any change in name, address, principal business street address, mailing address, contact telephone number, or email address within how many days?

42. Failure to notify the Department within the allotted period of 30 days will result in the following fines:

1st offense \$ _____

Subsequent offense \$ _____ or suspension or revocation

43. If the license of an individual who is eligible to hold a license issued by the DFS has been revoked resulting from the solicitation or sale of an insurance product to a person who is 65 years of age or older, the Department may not thereafter grant or issue any insurance license to such individual.

44. A person in a position of special trust and confidence is known as a

45. All monies belonging to an insurance company are trust funds received by the licensee in a

46. Any agent or insurance agency that diverts or misappropriates fiduciary funds commits the offense specified in the following:

If \$300 or less; misdemeanor of the 1st degree

If \$300 or more but less than \$20,000; felony of the 3rd degree

If \$20,000 or more but less than \$100,000; felony of the 2nd degree

If \$100,000 or more; felony of the 1st degree

47. Every agent who transacts an insurance policy must maintain all records in their office, or have them readily available by digital means, for at least how many years after the policy expiration?

48. A broad outline defining appropriate and inappropriate business behavior for insurance agents is known as

49. The purpose of this association is to protect policyowners, insureds, beneficiaries, annuitants, payees, and assignees of insurance policies and contracts against the failure of a company to perform its contractual obligations due to its impairment or insolvency.

50. A member company deemed by the Department to be potentially unable to fulfill its contractual obligations and not an insolvent company is known as an

51. A member insurance company authorized to transact insurance in this state and against which an order of liquidation, with a finding of insolvency, has been entered by a court of competent jurisdiction is known as

52. In the event of an insurer's insolvency, the association's liability shall not exceed:

- Life insurance: \$ _____ in net cash surrender and net cash withdrawal values
- Annuity: \$ _____ in net cash surrender and net cash withdrawal values
- Cash value: \$ _____ in benefits with respect to one life, including long-term care policies and cash values

53. The sliding definition is divided into three wrongdoings.

- Indicating that a product (ancillary coverage) is required by law in conjunction with the purchase of another product
- Representing that a specific ancillary coverage or product is included with the policy for which the applicant applied without an additional premium charge, when such a charge is required
- Charging an applicant for an ancillary product or coverage without their consent and indicating that the coverage is included in their premium

54. For advertising, an agent or insurance company may give to a prospective insured, insured, or other person any article of merchandise having a value of not more than

55. Knowingly making misleading statements for the purpose of inducing any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, convert, or take out another insurance policy with another carrier.

56. The practice where values in an existing insurance policy or annuity contract are used, directly or indirectly, to purchase another policy from the same carrier for the purpose of earning additional premiums, fees, commissions, or other compensation or consideration.

57. Illustrations 10-2

	Willful Violation (Each)	Willful Violation (Aggregate)*	Non-Willful Violation (Each)	Non-Willful Violation (Aggregate)*	Degree
Unfair Method of Competition	\$40,000	\$200,000	\$5,000	\$20,000	---
Twisting	\$75,000	\$250,000	\$5,000	\$50,000	Misdemeanor 1 st Degree
Churning	\$75,000	\$250,000	\$5,000	\$50,000	
Fraudulent Signatures	\$75,000	\$250,000	\$5,000	\$50,000	Felony 3 rd Degree

* Arising out of the same claim

58. A person who violates a cease and desist order (CDO) may be subject to a monetary penalty not to exceed \$ _____

59. An advertisement does not include:

- Material to be used solely for the training and education of an insurance company employee, agent, or broker
- Internal communication within an insurer's own organization that is not intended for dissemination to the public
- Individual communication with a current policyholder regarding existing coverage other than material that urges the policyholder to make changes to their coverage
- Communication between a prospective group or blanket policyholder and an insurance company during selling, soliciting, or negotiating a contract

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ILLUSTRATIONS

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Unit 1

Illustration 1-1

Examples of Risk	
Speculative Risk	Pure Risk
Betting at a racetrack	Job-related accidents
Investing in the stock market	Catastrophic medical expenses

Illustration 1-2

Examples of Perils		
Types of Policy	Peril	Benefit
Life	Death	Death Benefit
Health	Sickness	Medical Benefits

Illustration 1-3

Examples of Hazards		
Physical Hazards	Moral Hazards	Morale Hazards
Blindness	Alcoholism	Lack of concern about suffering an injury
Deafness	Drug addiction	Intentionally doing something reckless
Congenital disorder	Dishonesty	Attitude, state of mind

Unit 2

Illustration 2-1

Example of Insurability Receipt	
Event	Date
The client signed up and give the agent their check for the premium	January 10
The client took a medical exam	January 21
The insurance company issued the policy	February 15
The agent delivered the policy to the client	February 28
When was the policy in force?	January 21

Unit 3

Illustration 3-1

Product Characteristics			
	Adjustable Life	Universal Life	Variable Life
Key Features	<ul style="list-style-type: none"> • Can be term • Whole life • Can convert from one to the other (once) 	<ul style="list-style-type: none"> • Permanent insurance with renewable term protection component 	<ul style="list-style-type: none"> • Permanent insurance
Premium	<ul style="list-style-type: none"> • Can be increased or decreased by policyowner 	<ul style="list-style-type: none"> • Flexible • Minimum or target 	<ul style="list-style-type: none"> • Fixed (WL) • Flexible (UL)
Face Amount	<ul style="list-style-type: none"> • Flexible: Set by policyowner with proof of insurability 		<ul style="list-style-type: none"> • Can increase or decrease at a stated minimum
Cash Value	<ul style="list-style-type: none"> • Fixed-rate of return • General account 	<ul style="list-style-type: none"> • Guaranteed at a minimum level • General account 	<ul style="list-style-type: none"> • Not guaranteed • Separate account
Policy Loans	<ul style="list-style-type: none"> • Can borrow cash value 		

Illustration 3-2

ANNUITIES – REFERENCE GUIDE		
Phases	Accumulation Period	Pay-in period to insurer
	Annuitization Period	Pay-out period to insured
Parties	Annuitant	An individual (natural person) who receives the benefits or payments from the annuity.
	Beneficiary	The recipient of the annuity assets in the event the annuitant dies during the accumulation period, or a balance of annuity benefit needs to be paid out.
	Contract Owner	The policyowner is the purchaser of the annuity. The owner pays into the annuity.
	Issuer	Party that issues the annuity.
Types of Annuities	Fixed Annuities	Payments are guaranteed. Fixed payment amount. Premiums in a general account.
	Variable Annuities	Payments are not guaranteed. Premiums are in a separate account and vested in stocks and bonds.
	Indexed Annuities	Not as risky as variable annuities or mutual funds. Interest rates are tied to an index. Earn a higher rate than fixed annuities.
Premium Payments	Single	Lump-sum payment. The principal is created immediately.
	Flexible	Multiple payments. Annuity principal is created over time. Used for deferred annuities only.
Income Payments	Immediate	Income begins at the end of the first interval of the income period after purchase. Designed for people that are already retired.
	Deferred	Income payments start at a later date, frequently at a specified age. Designed for people that wish to save now and collect later in life.
Settlement Options	Straight Life	Pays an income to the annuitant for their life only and nothing after death.
	Cash Refund	Guarantees the annuitant an income for life. If the annuitant dies before the entire principal is paid out, a single cash payment is paid to the annuitant's beneficiary.
	Installment Refund	Similar to the cash refund option except instead of a lump-sum payment, the payments are made in installments.
	Life with Period Certain	Guarantees an annuitant income for life but only guarantees a minimum number of payments.
	Joint and Survivorship	Second-to-die. The annuity is written based on the lives of two annuitants.
	Period Certain	Not based on the lifespan of the annuitant. Payments are made for a specified period.

Unit 4

Illustration 4-1

Mode of Payment	Description
Annual	Premiums are paid once each year
Semi-Annual	Premiums are paid twice each year
Quarterly	Premiums are paid every three months
Monthly	Premiums are paid every month
EFT	Premiums are electronically submitted
Annuity Due	Single premium is paid for the contract

Unit 5

Illustration 5-1

QUALIFIED RETIREMENT PLAN	NONQUALIFIED RETIREMENT PLAN
Contributions are Tax Deductible	Contributions are Not Tax Deductible
Plan Approved by IRS	Plan Does Not Need IRS Approval
Plan Cannot Discriminate	Plan Can Discriminate
Earnings grow Tax Deferred	Earnings grow Tax Deferred
All WITHDRAWALS are TAXED	Excess over cost basis is Taxed

Illustration 5-2

Traditional IRA	ROTH IRA
Contribute 100% of income up to a specified limit (set by the IRS)	
Excess contribution penalty of 6%	
Grows tax-deferred	Grows tax-free (if account is open for five years)
Contributions are tax-deductible (made with "pre-tax dollars")	Contributions are NOT tax-deductible (made with "after-tax dollars")
10% penalty for early non-qualified distributions (some exceptions)	Qualified distributions cannot occur until the account is open for five years and the owner is 59½, dead, disabled, or distribution is used to purchase a first home
Payouts must begin by age 72	Payouts do not have to begin by age 72

Illustration 5-3

Individual Life Insurance Taxation Rules	
Premiums	Not tax-deductible
Death Benefit (lump-sum)	Tax-free if taken as a lump-sum distribution to a named beneficiary
Death benefit paid in installments	Principal is tax-free; interest is taxable (known as the annuity rule)

Unit 6

Illustration 6-1

OASDI = Old Age Survivors Disability Insurance Program	
OA	Old Age (retirement)
S	Survivors (death benefit)
DI	Disability Insurance (income replacement)

Illustration 6-2

FICA Tax Rate Breakdown (2020)	
Taxable Wage Base	\$137,700
Employees and Employers	7.65%
Self-Employed Individuals	15.3%
OASDI	6.20% on the maximum taxable wage base
Medicare	1.45% of all wages

Illustration 6-3

Quarters of Coverage Example

One credit for each \$1,410 earned in 2020

Example 1: Worker earned \$4,230 ÷ \$1,410 = 3 credits earned

Example 2: Worker earned \$5,640 ÷ \$1,410 = 4 credits earned

Example 3: Worker earned \$7,000 ÷ \$1,410 = 4 credits earned (cannot exceed 4 credits)

Illustration 6-4

Social Security Benefit Chart			
	Survivor Benefits	Retirement Benefits	Disability Benefits
	PIA	PIA	PIA
Spouse - FRA	100%	50%	50%
Spouse - Age 62	-	Reduced amount	Reduced amount
Spouse w/Child - Any Age	75%	50%	50%
Child Under Age 18 (19, if in high school)	75%	50%	50%
Parents (2)	75%	-	-
Parent (1)	82½%	-	-

Unit 7

Illustration 7-1

\$2,000 per month Disability Income (60%)	
Base Plan	Base Plan + SIS Rider
\$2,000	\$1,200 + 800 = \$2,000
	\$1,200 + 500 [SS] + 300 [SIS] = \$2,000
	\$1,200 + 0 [SS] + 800 [SIS] = \$2,000

Base plan always pays regardless of Social Security. However, a lower base plan with a SIS rider brings down the cost of the policy, still delivering the goal of 60% of earnings. (\$2,000).

Illustration 7-2

\$100,000; Accidental Death & Dismemberment Policy		
Event	Death	Dismemberment
Accidental Death	\$100,000	N/A
Loss of sight in one eye	N/A	25% of Principal (\$25,000)
Loss of one foot Loss of one hand	N/A	50% of Principal (\$50,000)
Loss of one arm Loss of one leg	N/A	66.7% of Principal (\$66,667)
Loss of both feet Loss of sight in both eyes	N/A	100% of Principal (\$100,000)

Illustration 7-3

HDHP Deductibles and Out-of-Pocket Limits			
	Year	Minimum Deductible	Maximum Out-of-Pocket
Individual	2020	\$1,400	\$6,900
Family	2020	\$2,800	\$13,800

Illustration 7-4

HSAs Contribution Limits			
	Year	Contribution	Catch-Up Contribution (Age 55 or Older)
Self	2020	\$3,550	\$1,000
Family	2020	\$7,100	

Illustration 7-5

COBRA Time Limits		
Termination of Employment		If disabled
- Voluntary	18 Months	up to 29 Months
- Reduction of hours	18 Months	up to 29 Months
- For reason of gross misconduct	NONE	NONE
Employment status change (full-time to part-time)	18 Months	
Employee divorces or legally separates	36 Months	
Employee Dies		
- Dependent coverage	36 Months	
Employee becomes eligible for Medicare		
- Dependent coverage	36 Months	

Illustration 7-6

DEDUCTIBLES	
Flat Deductible	Used with comprehensive policies. A stated amount that the insured must pay before any policy benefits are paid.
Corridor Deductible	Used with supplemental plans. The deductible imposed after all basic benefits have been paid but before any major medical benefits are paid. Requires a second deductible.
Integrated Deductible	Used with supplemental plans. The deductible satisfied may be used to offset other deductible based benefits of the policy.

Unit 8

Illustration 8-1

NAIC Uniform Health Insurance Policy Provisions			
Mandatory Provisions		Optional Provisions	
1	Entire contract	1	Change of occupation
2	Time limit on certain defense	2	Misstatement of age
3	Grace period	3	Other insurance in this insurer
4	Reinstatement	4	Insurance with other insurer
5	Notice of Claims	5	Insurance with other insurers
6	Claims forms	6	Relation of earnings to insurance
7	Proof of loss	7	Unpaid premiums
8	Time payment of claims	8	Cancellation
9	Payment of claims	9	Conformity with state statutes
10	Physical exam and autopsy	10	Illegal occupation
11	Legal action	11	Intoxicants and narcotics
12	Change of beneficiary		

Illustration 8-2

Free-Look Provision (Health)	
Health Insurance	10 days
Medicare Supplements and Long-Term Care	30 days

Illustration 8-3

Tax Treatment of Premiums	
	2020
Unreimbursed Medical Care Expenses	10%

Illustration 8-4

Tax Considerations for Health Insurance		
	Premiums	Benefits
Disability Income		
- Individual	Not deductible	Not taxable
- Group	Deductible for employer	Taxable
Medical		
- Individual	Not deductible*	Not taxable
- Group	Deductible for employer	Not taxable
Long-Term Care		
- Individual	Not deductible*	Not taxable
- Group	Deductible for employer	Not taxable
Medicare Supplement		
- Individual	Not deductible*	Not taxable
- Group	Deductible for employer	Not taxable
Buy-Sell	Not deductible*	Not taxable
Key-Person	Not deductible	Not taxable
Business Overhead Expense	Deductible for employer	Taxable

* Subject to tax-qualification limitations

Unit 9

Illustration 9-1

Medicare Part A - Benefits and Deductibles		
Paid by	Time Period	Summary
In-patient hospital services, including semi-private room and board, and nursing services.		
Medicare, with patient deductible	First 60 days of benefit period	All covered services; Patient pays deductible (\$1,408 in 2020)
Medicare, with patient co-pay	Days 61-90 of benefit period	Reduced covered services; Patient pays daily co-pay (¼ of the initial deductible)
Medicare with higher patient co-pay	Days 91-150 of benefit period Limited to 60 days total lifetime	Paid from 60-days lifetime reserve; Patient pays daily co-pay (½ of the initial deductible)
Post-hospital skilled nursing care in an accredited skilled nursing facility (SNF)		
Medicare	First 20 days after a minimum of 3 consecutive days in the hospital	Medicare pays n full for all covered services
Medicare with patient co-pay	Next 80 days (days 21-100)	Patient pays daily co-pay (⅛ of initial hospital deductible)
Patient	After 100 days (day 101+)	No Medicare benefits; Patient pays all
Hospice care, skilled nursing (hospital or home), medications, and respite for caregivers		
Medicare	Death expected within 7 months (210 days)	Medicare pays all covered services for terminally ill patients and families
Home health services, nursing care, therapy, medical supplies, and part-time home health aid		
Medicare	20 days per benefit period	Medicare pays home health benefits for services that are medically necessary

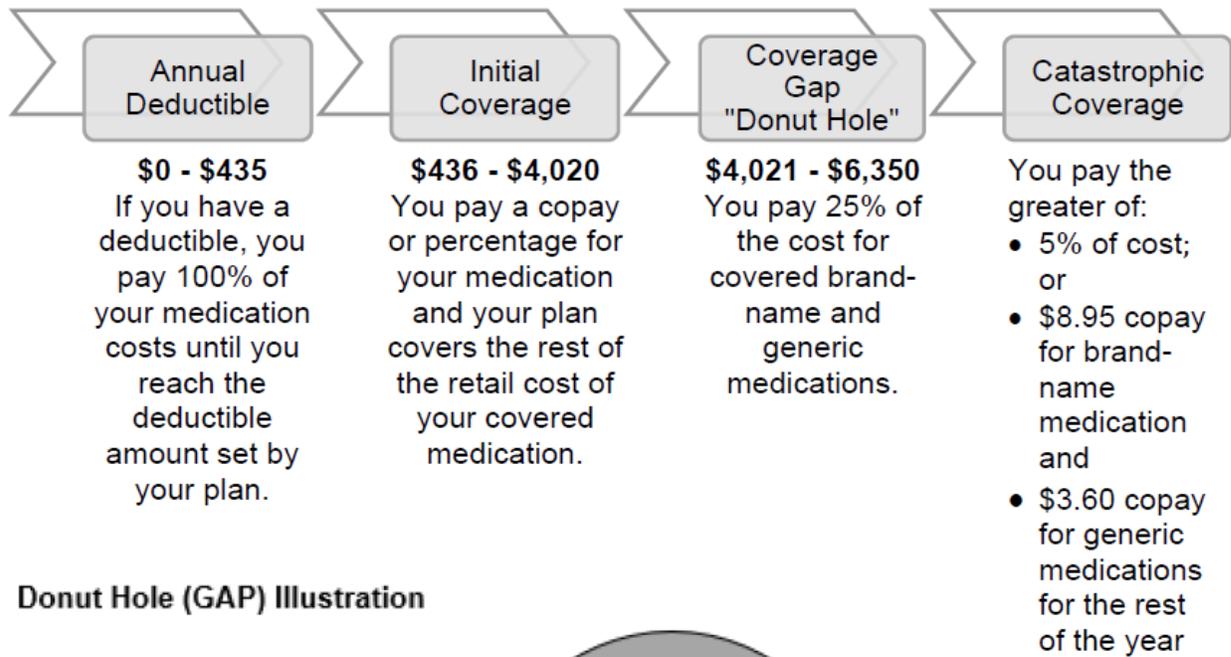
Illustration 9-2

Medicare Part B – Covered Services			
Services	Benefits	Medicare Pays	Patient Pays
Medical Expenses	Medicare pays for medical services in or out of the hospital	80% of approved amount after the deductible	Deductible* plus 20% of approved amount and limited charges above the approved amount
Clinical Laboratory Services	Unlimited if medically necessary	Generally, 100% of the approved amount	Nothing for services
Home Health Care	For as long as you meet Medicare requirements for home health care benefits	100% of approved amount; 80% of approved amount for durable medical equipment (DME)	Nothing for services; 20% of approved amount for durable medical equipment (DME)
Outpatient Hospital Treatment	Unlimited if medically necessary	Medicare payment to hospital based on hospital costs	20% of billed amount after the deductible
Blood	Unlimited in medically necessary	80% of approved amount after the deductible, and starting with 4 th pint	First 3 pints plus 20% of approved amount for additional pints after the deductible [^]

**To the extent that any of the three pints of blood are paid for or replaced under one part of Medicare during the calendar year, they do not have to be paid for or replaced under the other part.*

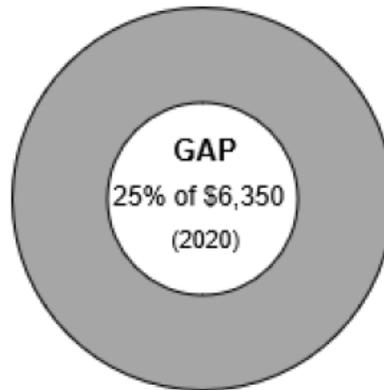
Illustration 9-3

2020 Donut Hole



Donut Hole (GAP) Illustration

Co-pays including total actual cost of drugs
\$4,020



Catastrophic Phase

Generic \$3.60
Brand Name \$8.95
or 5% whichever is higher

Unit 10

Illustration 10-1

Florida Law Regarding Insurance Agents' CE Requirements		
Licensed 1-5 years	24 Credits every 2 years	<ul style="list-style-type: none"> • 5-Hr Law and Ethics Update • 19 Elective Credits
Licensed 6+ years	20 Credits every 2 years	<ul style="list-style-type: none"> • 5-Hr Law and Ethics Update • 15 Elective Credits
Licensed 25+ years And CLU, CPCU, Bachelor of Science in Risk Management - OR - 18+ semester hours in insurance- related courses	10 Credits every 2 years	<ul style="list-style-type: none"> • 5-Hr Law and Ethics Update • 5 Elective Credits

Illustration 10-2

	Willful Violation (Each)	Willful Violation (Aggregate)*	Non-Willful Violation (Each)	Non-Willful Violation (Aggregate)*	Degree
Unfair Method of Competition	\$40,000	\$200,000	\$5,000	\$20,000	---
Twisting	\$75,000	\$250,000	\$5,000	\$50,000	Misdemeanor 1 st Degree
Churning	\$75,000	\$250,000	\$5,000	\$50,000	
Fraudulent Signatures	\$75,000	\$250,000	\$5,000	\$50,000	Felony 3 rd Degree

* Arising out of the same claim

Unit 11

Illustration 11-1

PENALTIES		
	Willful Violation	Non-Willful Violation
Unfair Method of Competition	≤ \$2,500	≤ \$20,000
Aggregate	\$10,000	\$100,000
Twisting and Churning	1 st Degree Misdemeanor + < \$5,000	≤ \$75,000*
Aggregate	\$50,000	\$250,000*
<i>*To impose an administrative fine for a willful violation of the practice of "twisting" or "churning," the act must involve fraudulent conduct.</i>		
Fraud signature of an application or policy document	3 rd Degree Felony + < \$5,000	≤ \$75,000
Aggregate	\$50,000	\$250,000

Illustration 11-2

Free-Look Provision	
Life Insurance	14 days
Annuity Contract*	21 days
<i>*The unconditional refund shall be equal to the cash surrender value provided in the annuity contract, plus any fees or charges deducted from the premiums or imposed under the contract; or a refund of all premiums paid.</i>	

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Taxation Quick Tips

Product	Answer
Close Corporation Buy-Sell Plan	Not Tax deductible. Proceeds when payable, received income tax-free
Key-Person Life Insurance (key person or key executive)	Premiums not deductible as a business expense. Benefits received tax-free
Retirement Plans & Pension Plans	Tax-deductible but taxed upon receipt as ordinary income
Split-Dollar Plans	Not tax-deductible – Proceeds received income tax-free
Deferred Compensation Plans Salary Reduction Plan	Lowers tax bracket in the present taxes paid at retirement
Salary Continuation Plans	Pays employee continuing salary at death, disability, or retirement.
Deferred Compensation	Employee funds this plan
Life Insurance personally owned	Enjoys favorable tax treatment regarding Income Taxes, however, not exempt from Federal Estate Tax
Charitable Insurance	Tax Deductible out of current income
Endowment Policies	1984 IRA affects the product with negative tax consequences
Universal Life Insurance	The cash value cannot become larger than the term insurance to comply as an insurance product under TAMRA
Group Permanent Plans Group Paid-up/Decreasing Group Paid-up/Level	Employer contributions are taxable to employees as additional compensation
The Exclusion Ratio in a Variable Annuity is always	100%
If an employee is given more than \$50,000 in group life insurance, he must	Declare the premium as taxable income
Life Insurance premiums paid for by an ex-husband or ex-wife per alimony decree	Are tax-deductible. Benefits are taxable.

Product	Answer
Cash values of permanent life insurance, if used for retirement purposes	Exempt from Federal Income Tax, up to return of principal invested
Group Term Life	Tax-deductible to employer as business expense Premiums paid by employer not taxable to employee
Group term life for employees	Benefits received income tax-free
Group term life (i.e., Sole Proprietors and Partners)	Premiums not tax-deductible. Benefits received tax-free
Personal Life Insurance held in Installments	Annuity Rule, used for taxation, Settlement Options: minus return of principal. Period (Fixed), Amount (Fixed)
Personal Insurance	Held in Interest payments are taxable as Interest Only option settlement ordinary income to the beneficiary
Business Insurance	Maturity Value or cash surrender
Paid at retirement or during lifetime	value in lump sum; payment less the cost basis taxed as ordinary income
Endowment Insurance: Left at maturity with Insurance Company under "Interest Only" option	The taxable amount is excess of proceeds over premiums paid: "Constructive Receipt Rule."
If dividends are left at interest	Interest earned is taxable
Accumulated Dividends	Included in insured's gross estate for tax purposes.
Annuities: "Exclusion Ratio"	Return of Principal not taxed. Interest earned is taxable.
Regarding the taxation of Social Security benefits	Up to 85% are taxable

General Rules – Only When Guessing

1. If anyone takes a tax deduction on the premiums paid, then the proceeds are taxable to the recipient
2. If there is no deduction on the premiums paid, the proceeds are received income tax-free

Days to Remember

3 Days	FCRA: All applicants must be notified that a report has been requested
5 Days	FCRA: Summary to applicant
7 Days	Grace period for industrial health
10 Days	Free-look period (health insurance only) HMO Grace period Cancellation notice for nonpayment of premium Sickness not covered on reinstated health policy
14 Days	Free-look period (Life insurance & fixed annuities)
15 Days	Company must send claims form
20 Days	Insured must send notice of claim
21 Days	Added to grace period for age 64 and older (ordinary life Only) Free-look period – (variable annuities)
28 Days	Grace Period for industrial life
30 Days	Grace period for ordinary life & fixed annuities Free-look period for Medigap & Long Term Care insurance (LTCi) Under temporary insurance agreement, death by accident will be paid if within 30 days Notice to Department of Financial Services of agent's change of name, address, etc.
31 Days	Grace period for group life Grace period for group health Grace period for individual health Group conversion time limit Group enrollment card time limit
45 Days	Written notice of cancelation Time payment of claim Automatic reinstatement of health policy
60 Days	Must pass before initiating legal action for a claim Must elect a settlement option at maturity of an endowment period Temporary coverage under binding (temporary) receipts Benefit period deductible under Part A of Medicare IRA rollover must occur within 60 days Number of lifetime reserve days under Medicare
63 Days	Regarding portability under HIPAA for preexisting conditions

- 90 Days** Insured must submit proof of loss forms
To accept an additional policy under the guaranteed insurance option
Under an AD&D "Ordinary" Policy, Death Must Occur Within
- 120 Days** Must pass before initiating legal action for a contested claim
- 0 – 180 Days** LTCi Elimination Period options

General Rules If you are in a guessing mode, only

- 1. If the number in the question or answer ends in a zero (0), then it is an action that must be completed by an agent or by a policyowner**

If the number in the question or answer ends in a five (5), then it is an action that must be completed by the insurance company

Exhibit "A" Annuities

Seven (7) Annuity Options Based on a sum of \$300,000*

Straight Life AKA "Life-Only"	Cash Refund	Life with "Period Certain"	Joint with "full Survivor"	Joint w/ Survivor and 3/4 or 2/3 or 1/2	Period Certain 10 or 20 or 30yrs
Cannot outlive Income	Cannot outlive Income	Cannot outlive Income	Cannot outlive Income	Cannot outlive Income	Can Outlive Income
Pays out the Highest Amount	If Annuitant has elected a guaranteed 15 year Payment period	If Annuitant has elected a guaranteed 15 year Payment period	Survivor's Income reduced to elected 3/4 or 2/3 or 1/2 of original monthly payment	Survivor's Income reduced to elected 3/4 or 2/3 or 1/2 of original monthly payment	If Annuitant has elected a guaranteed 30-year payment period
\$3,000/month*	\$2,750/month*	\$2,450/month*	\$2,000/month*	\$2,200/month*	
Annuitant Dies: Beneficiary will receive unpaid remaining balance of the original \$300,000 in <i>One Single Cash Lump Sum</i>	Annuitant Dies: Beneficiary will receive unpaid remaining balance of the original \$300,000 in <i>Same Monthly Payment</i> until Entire \$300,000 has been fully refunded	Annuitant Dies after only 5yrs: Beneficiary will continue to receive same monthly payment for remaining 10yrs Annuitant still alive after 15yrs... Monthly Payments will continue until Annuitant dies.	Annuitant Dies: Surviving Spouse will continue to receive same monthly payment until s/he dies	Annuitant Dies: Surviving Spouse will continue to receive reduced monthly payments until s/he dies	Will Pay Annuitant only for that 30yrs period. If Annuitant outlives 30-year payment period: Payment stop Example: Lottery Structured Payment
Annuitant Dies: Beneficiary will receive unpaid remaining balance of the original \$300,000 in <i>One Single Cash Lump Sum</i>	Annuitant Dies: Beneficiary will receive unpaid remaining balance of the original \$300,000 in <i>Same Monthly Payment</i> until Entire \$300,000 has been fully refunded	Annuitant Dies after only 5yrs: Beneficiary will continue to receive same monthly payment for remaining 10yrs Annuitant still alive after 15yrs... Monthly Payments will continue until Annuitant dies.	Annuitant Dies: Surviving Spouse will continue to receive same monthly payment until s/he dies	Annuitant Dies: Surviving Spouse will continue to receive reduced monthly payments until s/he dies	Will Pay Annuitant only for that 30yrs period. If Annuitant outlives 30-year payment period: Payment stop Example: Lottery Structured Payment

Florida Life, Health & Variable Contracts

Life & Health Questions & Answers with Rationales

Unit One**Purpose of Life & Health Insurance**

1. All of the following are essential parts of the concept of insurance EXCEPT:
 - A. A sharing of a similar risk by a number of persons
 - B. A contractual agreement between an insured and insurer
 - C. A policy combining several types of coverages
 - D. A payment of a periodic premium to the insurer
2. Which of the following terms is used to refer to a person's characteristics relating to financial history, marital stability, business ethics, and personal habits relating to drug and alcohol use?
 - A. Physical hazard
 - B. Morale hazard
 - C. Peril
 - D. Moral
3. Which of the following is a statistical concept used by insurance companies to increase their ability to predict losses accurately?
 - A. The Large Loss Principle
 - B. The Law of Large Numbers
 - C. The Large Predictor Principle
 - D. The Law of Large Risks
4. Which of the following is not an element of insurable risk?
 - A. The loss must be due to chance
 - B. The loss must be definite and measurable
 - C. The loss must not be predictable
 - D. The loss cannot be catastrophic
5. Any of the following would indicate MORAL HAZARD with a prospect, EXCEPT:
 - A. Poor credit rating
 - B. Excessive drinking
 - C. Use of drugs
 - D. Unmarried status
6. All of the following statements pertaining to risk are correct, EXCEPT:
 - A. Pure risk involves only the chance of loss; there is never a possibility of gain or profit
 - B. Uncertainty regarding financial loss is the definition of risk; therefore, it is characteristic of both pure and speculative risks
 - C. A stock market venture is an example of a pure risk
 - D. Only pure risks are insurable
7. Regarding the elements of insurable risk, which of the following statements is false?
 - A. The loss cannot be catastrophic
 - B. The loss exposures to be insured must be randomly selected
 - C. The loss must be predictable
 - D. The loss exposures to be insured must be small

Unit One*Purpose of Life & Health Insurance**Answer Key and Rationale*

1. B The contract is between the POLICYOWNER and the insurer

2. D Moral hazards: A morale hazard is more of an attitude problem toward risk (such as driving too fast)

3. B The larger and more homogeneous the group, the more certain the mortality predictions

4. C The loss must be predictable

5. D Marital status is not a moral hazard

6. C Investing in the stock market is an example of speculative risk

7. D The loss exposures to be insured must be large

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Unit Two**The Insurance Industry**

1. Participating and nonparticipating life insurance differs in which of the following contract provisions?
 - A. Nonforfeiture Option
 - B. Dividend Options
 - C. Settlement Options
 - D. Loan Provisions
2. What is the principal distinction between stock insurers, mutual insurers, and fraternal benefit societies?
 - A. Type of insurance written
 - B. Form of ownership
 - C. Geographic location
 - D. Claims policy
3. The following statements apply to stock life insurance companies, EXCEPT:
 - A. Stock companies sell only participating policies
 - B. Policyowner as such, do not have the right to vote for directors or trustees
 - C. These companies are owned by their stockholders
 - D. They may sell both par and non-par policies
4. Which of the following is not one of the objectives of the National Association of Insurance Commissioners?
 - A. To promote uniformity of insurance legislation among the states
 - B. To increase the efficiency of insurance regulation
 - C. To protect the interest of the insuring public
 - D. To promote Federal insurance regulation
5. Who is represented by a Life or Health Insurance BROKER?
 - A. The life or health insurance agency where the broker is employed
 - B. The life or health insurance company with whom the broker is under contract
 - C. The client with whom the broker is transacting business
 - D. The broker, as an individual contractor
6. What clearly defines the authority of a life or health insurance AGENT?
 - A. The company's charter
 - B. Agent's letter of authority
 - C. State law
 - D. A contract of agency
7. All of the following statements regarding the requirements of the Federal Fair Credit Reporting Act are true, EXCEPT:
 - A. An insurance company must inform an applicant for Life Insurance (in writing) that an investigative inspection will be conducted, and that the applicant is entitled to request additional information regarding the report
 - B. Upon written request by the applicant, the insurance company must furnish information with respect to the nature and scope of the investigation
 - C. The information furnished by the insurance company must contain medical information
 - D. If coverage is denied or a higher rate is charged because of information contained in a report, the insurance company must inform the applicant that the denial or the increased rate resulted from the report; in which case, it must give the name of the reporting agency to the applicant
8. Which of the following is not a reason the life or health insurance business is subject to governmental supervision?
 - A. The public interest makes insurance a public trust
 - B. The financial significance of the business impacts on the national economy
 - C. To protect the public when they do not read insurance contracts
 - D. To protect the public due to the technical nature of insurance contracts

9. What level of government is specifically responsible for regulating the insurance business?
- Federal
 - State
 - County
 - City
10. To qualify to sell Life and Health Insurance in most States, all of the following requirements must be met EXCEPT:
- The applicant must meet the minimum age requirement specified by the State at the time of the issuance of the license
 - The prospective Agent must be a salaried employee of an insurance company
 - A written examination must be passed
 - The character of the prospective Agent must be unimpeachable
11. Passage of the McCarran-Ferguson Act accomplished which of the following?
- Deemed life insurance a form of interstate commerce
 - Taxed life insurance companies for additional federal revenue
 - Assured continued state regulation of insurance
 - Encouraged less government regulation of all businesses, including insurance
12. To whom is the surplus of a mutual life insurance company distributed?
- The policy owners
 - The stockholders
 - The board of Directors
 - There is no surplus in a mutual insurer
13. Which of the following is considered "fraud?"
- Presenting a claim for the purpose of receiving money
 - Unknowingly making a false statement on an application for insurance
 - Knowingly making a false statement on an application for insurance
 - Misrepresenting your age on an application
14. In order to share a large financial risk, an insurance company will
- Transfer part of the risk to a reinsurer
 - Hire the services of a third-party administrator
 - Develop a fully operative branch office system
 - Incorporate as a company selling multiple coverages
15. A major function of the National Association of Insurance Commissioners (NAIC) is to
- Regulate the insurance industry in areas not covered by federal law
 - Promote some degree of uniformity in insurance regulations issued by the different states
 - Develop policy forms used by insurance companies nationwide
 - Make the laws that govern the insurance business
16. An insurance company which is incorporated or organized under the laws of any foreign nation or territory is known as:
- A Foreign Company
 - An Alien Company
 - A Mixed Company
 - A Domestic Company
17. An agent's authorized duties generally include all of the following, EXCEPT:
- Rendering service to policyowners
 - Signing minor endorsements or making minor changes in policies already issued
 - Soliciting applications for insurance
 - Explaining policies and their provisions to the buying public

18. In the event that a consumer report is to be used as a basis to deny coverage or charge higher rates, the Fair Credit Reporting Act requires insurance companies to do which of the following?
- A. Notify the applicant and furnish the name and address of the consumer-reporting agency
 - B. Obtain a second opinion from another consumer reporting agency before proceeding
 - C. Confirm the information on the report by seeking other sources of information about the applicant
 - D. Notify the consumer-reporting agency that its report is being used as the basis to deny coverage or charge higher rates
19. A company licensed to do business in Florida that has its home office IN ANOTHER STATE is classified as what type of company?
- A. Alien
 - B. Domestic
 - C. Native
 - D. Foreign
20. All of the following statements regarding a General Agent (GA) are correct EXCEPT
- A. The GA is contracted to represent the particular insurer in a specific area
 - B. The GA is responsible for recruiting, training, and supervising agents
 - C. The GA has a vested right in any business written by his or her agents
 - D. Gas may operate strictly as managers, or they may devote most of their time to sales

Unit Two

The Insurance Industry

Answer Key & Rationale

1. B Nonparticipating policies do not pay dividends. Both types provide nonforfeiture options, settlement options, and loan provisions
2. B Stock insurers are owned by stockholders; Mutual insurers are owned by the policyowners
3. A Stock companies may sell both par and non-par policies
4. D The primary objective is to preserve state regulation of the insurance business, not to promote Federal Legislation
5. C The Broker represents the client. The agent represents the company.
6. D A “contract of agency” is an agency agreement between the agent and the company
7. C Disclosing medical information is NOT required
8. C It is always the responsibility of consumers to read their contracts
9. B The regulation of insurance is the STATES responsibility
10. B The prospective agent need not be affiliated with any company until licensed when appointed, an agent may be salaried or be paid commissions
11. C Maintained state regulation; kept the federal government out of regulating insurance
12. A In a mutual insurance company, the policyowners are the “stockholders” therefore, the dividends are paid to the policyowners
13. C Knowingly making a false statement on an application for insurance
14. A Example: XYZ Insurance Companies insures Mr. Brown for \$1,000,000, but only wants to be responsible for \$500,000
 XYZ = \$500,000 REINSURING CO = \$500,000
15. B The NAIC does not make the laws The State Legislature makes them
16. B

<u>IN STATE</u>	<u>OUT OF STATE</u>	<u>OUT OF COUNTRY</u>
Domestic	Foreign	Alien
17. B An Agent may NEVER make changes
18. A Insurance Companies must make the name and address of the Reporting Agency available to the consumer
19. D

<u>IN STATE</u>	<u>OUT OF STATE</u>	<u>OUT OF COUNTRY</u>
Domestic	Foreign	Alien
20. D GAs may devote only part of their time to sales

Unit Three**Law & the Insurance Contract**

1. Vanguard Life issues a policy to Gerald L after receiving his application without a premium. Gerald pays the premium when the policy is delivered. Concerning OFFER and ACCEPTANCE, which statement is correct?
 - A. Gerald made the offer, and the company accepted it
 - B. Vanguard Life made the offer, and Gerald accepted it by paying the premium
 - C. There was no offer by Vanguard Life until the premium was paid
 - D. The company did not issue the policy until it had received Gerald's offer through the application
2. Which of the following describes business relationships where insurable interest is generally not recognized to exist?
 - A. Employer-Key Employee
 - B. Creditor-Unsecured Debtor
 - C. Business Partners
 - D. Small Business owner - Individual Customer
3. The term which is used to describe a person's relationship to others or to property such that if a loss occurred, the person would suffer financially is which of the following?
 - A. Utmost good faith
 - B. Bilateral interest
 - C. Insurable interest
 - D. Unilateral interest
4. A contract in which only one of the parties to the contract makes a legally enforceable promise is called which of the following?
 - A. Unilateral contract
 - B. Conditional contract
 - C. Contract of Adhesion
 - D. Aleatory contract
5. What is the legal term to describe an insurance contract which is drawn up unilaterally by the insurer and offered on an "accept or reject" basis to the applicant?
 - A. Aleatory contract
 - B. Contract of utmost good faith
 - C. Contract of Adhesion
 - D. Indemnity contract
6. Why is an insurable interest required in life and health insurance?
 - A. To prevent the spread of life and health insurance
 - B. To prevent profiteering upon death
 - C. To promote family and business relationships
 - D. To require that amount of loss be established at death
7. The authority that an insurer gives to its agents by means of the agent's contract is known as
 - A. Express authority
 - B. Implied authority
 - C. Fiduciary authority
 - D. Apparent authority
8. What kind of policy will protect an insurance agent against liability arising out of his or her professional capacity?
 - A. Malpractice Insurance
 - B. Errors and Omissions Insurance
 - C. P&C Liability Insurance
 - D. Contractual Liability Insurance
9. Which of the following is unique to insurance contracts?
 - A. Offer and Acceptance
 - B. Unilateral
 - C. Consideration
 - D. Legal Purpose

10. Gold Coast Life issues a substandard policy to Michael. After receiving his application with a premium, Michael pays the additional premium when the policy is delivered. Concerning OFFER and ACCEPTANCE, which statement is correct?
- Michael made the offer, and the company accepted it
 - Westside Life made the counteroffer, and Michael accepted it
 - There was no offer by Gold Coast Life until the premium was paid
 - The company did not issue the policy until it had received Michael's offer through the application
11. Which of the following statements about representations and warranties is (are) true?
- A warranty may be true insofar as the applicant is aware, but a representation must be absolutely and literally true
 - In order to invalidate a contract, a representation must be proved both incorrect and material, whereas a warranty must only be proved incorrect
 - Both A and B
 - Neither A nor B
12. All of the following have an insurable interest in you EXCEPT:
- A colleague whose chance of promotion could be less if you were disabled
 - Your business partners who would lose their best salesperson if you died or became disabled
 - Your spouse
 - Your parents
13. In life and health insurance, each party to the contract is legally entitled to rely upon the representations of the other party without an attempt to deceive or withhold material information. What legal term describes this type of contract?
- Indemnity contract
 - Aleatory contract
 - Contract of Adhesion
 - Contract of utmost good faith
14. When would a material misrepresentation by a policyowner offer an insurer the opportunity to rescind a life insurance contract?
- Only before the policy is issued
 - Only at death
 - Only during the contestable period
 - At any time
15. What is the legal status of statements of the applicant which are made in the application?
- Concealments
 - Representations
 - Warranties
 - Hearsay
16. Before a life insurance company can be compelled legally to act on their promises in a life insurance contract, the policyowner must perform certain specified acts such as paying the premiums when due. This describes which of the following types of legal characteristics of contracts?
- Utmost good faith contract
 - Unilateral contract
 - Conditional contract
 - Contract of Adhesion
17. The act of consciously withholding material information with the intent to defraud is called which of the following?
- Misrepresentation
 - Breach of warranty
 - Concealment
 - Aleatory action
18. Which of the following is not a legal prerequisite for the formation of a legally binding life insurance contract when the insured is also the policyowner?
- Mutual Assent (Offer and Acceptance between Insurer and Applicant)
 - Competency of Insurer and Applicant
 - Exchange of Consideration between Insurer and Applicant
 - Insurable Interest by Beneficiary in the life of the Insured

19. A written part of a contract relating to a fact or action to be taken relating to the contract which must be exactly true, or the contract can be declared void is called which of the following?
- A. Warranty
 - B. Representation
 - C. Concealment
 - D. Reliable statement
20. The requirement that an applicant have an insurable interest in the life to be insured supports life insurance as a contract to accomplish which of the following?
- A. Enrichment
 - B. Speculation
 - C. Indemnification
 - D. Profit
21. Regarding life and health insurance contracts, all of the following are true, EXCEPT:
- A. Life and health insurance contracts must conform to the same legal requirements as other contracts
 - B. The premium paid represents consideration on the part of the policyowner
 - C. In order to execute a life or health insurance contract, the insurer must make the offer, and the applicant must accept it
 - D. Life and health insurance contracts are both unilateral and conditional
22. Which of the following is normally not a factor in the determination of insurability of a life or health insurance applicant?
- A. Physical condition
 - B. Financial stability
 - C. Number of dependents
 - D. Occupation
23. A misrepresentation is not material unless it led the insurance company to issue coverage that would not have been issued if the true facts had been known. This statement is:
- A. False, a misrepresentation is always material
 - B. Valid only if there was a witness
 - C. True
 - D. False, a misrepresentation is considered a warranty
24. Which of the following terms refers to an agreement that, because of some imperfection, may be voided by one or more of the parties, but in the absence of action to void, the agreement will remain enforceable according to its terms?
- A. Valid Contract
 - B. Void Contract
 - C. Unilateral Contract
 - D. Voidable Contract

Unit Three*Law & the Insurance Contract**Answer Key & Rationale*

1. B The applicant makes the offer by submitting the application WITH THE PREMIUM
2. D The relationship between a small business owner and his customer would not constitute insurable interest
3. C The wording in the question aptly describes "insurable interest."
A person's relationship to others or to property such that if a loss occurred, the person would suffer financially
4. A Example: The company cannot sue the policyowner for premiums not paid; but the policyowner or beneficiaries can sue the company for failing to keep its promises
5. C The contract is drawn up by one party, the insurer, and the applicant either accepts or rejects it
6. B Without this requirement, people could purchase life insurance on the life of another and the policy would be nothing more than a wagering contract
7. A Expressed authority is the authority a principal intends to give to its agents, in writing or by contract.
8. B This policy protects agents in the event you are sued for professional services you rendered or failed to render. The insurer agrees to pay sums that the agent is legally obligated to pay
9. B Unilateral is a special feature of insurance contracts. The others are in all contracts
10. B Because Michael did not qualify for the policy as applied for, the company made a counteroffer and Michael made the acceptance by paying the additional premium needed
11. B A warranty is guaranteed to be true A representation is a statement believed to be true and in order to invalidate a contract, the company must prove that the statement is a material fact and that they would not have issued the policy if they had known beforehand
12. A The three categories of Insurable Interest are: Blood, Marriage, Business
13. D There shall be no concealment or deception on the part of the company or the applicant
14. C In Florida, the first two years of the contract is the contestable period
15. B Statements are considered to be representations
16. C An insurance contract is dependent on certain acts by the policyowner, such as the payment of premiums, supplying proof of death or disability, etc.
17. C There shall be no concealment on the part of the applicant

18. D An individual has an “insurable interest” in his/her own life; therefore, he/she may name anyone as beneficiary; no insurable interest on the part of the beneficiary is required (State Law)
19. A A warranty is a statement guaranteed to be true
A representation is a statement believed to be true to the best of one’s knowledge
20. C Indemnifies the person suffering the loss
21. C Offer or Acceptance may be made by either party
Example: John submitted the application with the premium, and the company issued the policy as applied for. In this case, John made the offer, and the company made the acceptance
22. C Common sense; why would the number of dependents be a factor in determining insurability?
IT WOULD NOT
23. C Example: The applicant answers “no” to the following question on the application:
“Have you ever suffered from any illness or disease of the heart?”
This misrepresentation would be considered to be material
24. D A voidable contract may be voided by either party

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Unit Four**Licensure, Ethics & the Insurance Producer**

1. TWISTING pertains to the illegal act of an agent who:
 - A. Induces a prospect to purchase more insurance than is needed to meet objectives
 - B. Persuades a prospect to lapse an existing policy in order to purchase a new policy through misrepresentation or fraudulent comparison
 - C. Shows the prospect one policy but has the prospect sign an application for a different policy
 - D. Persuades a prospect to buy more insurance than he or she can afford
2. TWISTING may involve any of the following actions on the part of an agent, EXCEPT:
 - A. Misrepresenting a proposed policy to a prospect
 - B. Making an incomplete comparison of policies
 - C. Misrepresenting a policyowner's existing policy
 - D. Converting a client's convertible Term policy to permanent insurance
3. An agent emphasizes the following points in a sales interview while recommending a participating Life Paid-Up at Age 65 policy to a prospect Which constitutes a MISREPRESENTATION?
 - A. The policy's cash value will build faster than a Whole Life policy
 - B. The policy will be fully paid up at age 65
 - C. Dividends are not guaranteed for the future
 - D. The policy also will endow at age 65
4. CHURNING pertains to the illegal act of an agent who:
 - A. Induces a prospect to purchase more insurance than is needed to meet objectives
 - B. Persuades a prospect to lapse an existing policy in order to purchase a new policy in the same company through misrepresentation or fraudulent comparison
 - C. Shows the prospect one policy but has the prospect sign an application for a different policy
 - D. Persuades a prospect to buy more insurance than he or she can afford
5. An Agent's license may be revoked or suspended for which of the following acts?
 - A. Rebating
 - B. Misrepresentation
 - C. Twisting
 - D. All of the above
6. Representing to the applicant that a specific ancillary coverage or product is required by law in conjunction with the purchase of insurance when such coverage or product is not required is an unfair trade practice called:
 - A. Twisting
 - B. Churning
 - C. Sliding
 - D. Coercion
7. All the following are part of a presentation, EXCEPT:
 - A. Explaining policies
 - B. Asking for referrals
 - C. Motivating the client
 - D. Discussing a policy's limitations
8. A person who acts in any way for an insurance company not licensed in the State of Florida is:
 - A. Allowed to do so with special permission
 - B. Required to obtain a special license
 - C. Guilty of a felony
 - D. All of the above

9. TWISTING is:
- A. An external replacement
 - B. An internal replacement
 - C. Both A & B
 - D. None of the above
10. Service to the client includes all of the following EXCEPT
- A. Educating the client before, during, and after the sale
 - B. Treating all information with confidentiality
 - C. Educating the client after the sale
 - D. Showing loyalty to prospects and clients
11. Regarding “full disclosure,” which of the following statements is correct?
- A. The goal is to explain, educate and make the sale
 - B. The producer is responsible for communicating all information, both relevant and irrelevant
 - C. The producer presents the facts and makes the decision for the client
 - D. Full and accurate disclosure is the cornerstone of the product presentation

Unit Four*Licensure, Ethics & the Insurance Producer**Answer Key & Rationale*

- 1 B Inducing a person to Lapse, Forfeit, Surrender, Terminate, Retain or Convert any insurance policy, or to take out a policy of insurance in another company
- 2 D A convertible term policy gives the client the Right to convert a term policy to a permanent policy and is an accepted practice on the part of the agent
- 3 D A Life Paid-Up at Age 65 policy endows at age 100. At age 100, the cash value equals the death benefit. Therefore, the policy has matured (endowed). This policy is a Limited Pay Whole Life Payments are limited to age 65 but protection extends to the insured's death or to age 100.
- 4 B Churning is the illegal replacement of one policy with another policy in the same company
- 5 D Rebating, Misrepresentation, and twisting are all violations
- 6 C You cannot "slide" untrue facts for personal gain to a prospect
- 7 B Asking for referrals is usually done after the sale
- 8 C As of October 1, 2002, any agent licensed in this state, who, in this state, represents or aids an unauthorized insurer commits a third-degree felony
- 9 A Twisting is replacing with a separate company through misrepresentation
- 10 C Educating the client before, during, and after the sale
- 11 D Full and accurate disclosure is the cornerstone of the product presentation

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Unit Five**Life Insurance Policies**

1. The following statements about a UNIVERSAL LIFE policy are true, EXCEPT:
 - A. It is a single contract containing renewable Term insurance and a cash value account
 - B. Premiums and/or amount of coverage may be increased or decreased at the policyowner's option
 - C. Its cash values generally are invested in a separate account
 - D. The interest rate used in crediting interest to the cash value account varies, although it usually is guaranteed for an initial period
2. What was the main reason VARIABLE LIFE insurance was developed?
 - A. To give policyowners an insurance policy in which they could "play the market."
 - B. To provide a life policy that would help offset the effects of inflation
 - C. To give insurance companies more flexibility to buy common stocks
 - D. To help insurers compete with mutual funds
3. Which of the following statements pertaining to a MODIFIED LIFE Policy is correct?
 - A. The benefits are always lower than those available in an Ordinary life Policy
 - B. It provides for a low Initial Premium for the first few years, and thereafter, requires a higher premium, which remains constant for the duration of the policy
 - C. The face amount of the policy is lower for the first few years; however, gradually, it increases to a higher specified amount; and thereafter, remains the same
 - D. The Cash Surrender Values are higher than under an Ordinary Life Policy
4. An ADJUSTABLE LIFE insurance policy has the following features, EXCEPT:
 - A. Policy adjustments are not retroactive
 - B. Without its adjustable features, it resembles an Endowment policy
 - C. Premiums may be increased or decreased by the policyowner
 - D. The face amount may be increased (usually subject to evidence of insurability) or decreased
5. A policy which affords coverage for two or more persons simultaneously, with the face amount of the policy payable when any one of the Insureds dies, at which time the policy terminates automatically (according to the provisions of the policies of most insurance companies), is known as:
 - A. Joint and Survivor Annuity
 - B. Double Duty Dollars Insurance
 - C. A Joint Life Policy
 - D. A Split Dollar Insurance Plan
6. Which is a correct statement concerning a GRADED PREMIUM LIFE policy?
 - A. It is a form of Term insurance
 - B. Premiums are reduced each year during the early policy years and then remain level
 - C. Premiums are payable to age 65
 - D. Premiums start low and increase each year during the early years of the contract and then remain constant
7. In a Joint Life contract, which of the following is true?
 - A. The face value is paid when the last insured dies
 - B. The face value is paid only if the two insureds die at the same time
 - C. The face value is paid when the first insured dies
 - D. The face value is paid only if both insureds survive to a stipulated age

8. Which of the following statements about variable insurance policies is incorrect?
- A. sales presentations must be preceded or accompanied by a prospectus
 - B. state laws protect consumers and promote meaningful communication
 - C. materials used in selling variable policies must be approved by the state Office of Insurance Regulation
 - D. full and fair disclosure must be provided to prospective policyowners
9. Under which of the following circumstances would the policyowner be required to make a one-time cash financial adjustment with the insurer?
- A. Conversion of term insurance on an original issue age basis
 - B. Conversion of term insurance on an attained age basis
 - C. Renewal of a ten-year term plan
 - D. Renewal of a 15-year term plan
10. Billy D, aged 6, is the insured in a \$10,000 JUMPING JUVENILE policy. When he reaches age 21, the policy will produce how much total protection?
- A. \$10,000
 - B. \$50,000
 - C. \$30,000
 - D. \$40,000
11. Why does the cash value in a LIMITED PAY LIFE policy grow faster during the premium-paying period and much slower thereafter?
- A. During the premium-paying period, the entire premium goes toward protection; thereafter, the premiums go into the cash value
 - B. During the premium-paying period, part of the premium goes into the cash value; after that, the cash value growth depends entirely on interest earnings
 - C. While premiums are paid and before the policy endows, interest and dividends increase the cash value
 - D. During the premium-paying period, the risk is greater; after that, when the risk is less, more funds can be put into the cash value
12. Which is true concerning a VARIABLE LIFE insurance policy?
- A. It provides a guaranteed minimum death benefit
 - B. Benefits vary and are linked to the Dow-Jones stock averages
 - C. It is made up of Endowment and Decreasing Term insurance
 - D. Premiums and benefits are both variables
13. In a JOINT AND LAST SURVIVOR life contract, which of the following is true?
- A. The face value is paid when the last insured dies
 - B. The face value is paid only if the two insureds die at the same time
 - C. The face value is paid when the first insured dies
 - D. The face value is paid only if both insureds survive to a stipulated age
14. Jane Smith has ample Life Insurance to meet her personal needs. However, she is instituting and will be responsible for a sales program for her corporation that will extend over a period of eight or nine years. The corporation wishes to insure her life for the duration of the sales program. What form of Insurance should the corporation purchase?
- A. A Ten-Year Endowment Policy
 - B. A Five-Year Renewable Nonconvertible Term Policy
 - C. A Five-Year Renewable Convertible Term Policy
 - D. A Decreasing Term Policy
15. Which of the following term insurance contracts is not typically sold as an individual, separate contract?
- A. Annually Renewable Term
 - B. Level term to 65
 - C. Decreasing term to 65
 - D. Increasing term to 65

16. So-called "Mortgage Insurance" is typically which of the following?
- Whole life insurance
 - Endowment insurance
 - Level term insurance
 - Decreasing term insurance
17. Features that may be included in most Term policies include which of the following?
- Convertibility and renewability
 - Waiver of Premium provision
 - All of the above
 - None of the above
- Questions 18-19**
James Phillips buys a \$25,000 Estate Builder (Jumping Juvenile) policy on his daughter, Jane. The payor provision clause to age 25 is attached to the policy. When Jane reaches the age of 21, the face amount of the policy will have increased to \$125,000
18. If James Phillips dies prior to his daughter's twenty-fifth birthday, the insurance company will
- Require that Jane continue to pay premiums at the same rate
 - Allow Jane to pay premiums at a reduced rate
 - Waive the premium until Jane reaches the age of 25 and then charge her for the unpaid premiums
 - Waive the premium until Jane reaches the age of 25 and then charge premiums as if there had been no interruption in payment
19. When Jane becomes the owner of the policy at the age of 25, she will have to do which of the following to maintain the policy?
- Take a physical examination to prove her insurability
 - Pay a higher premium rate for the policy based on her attained age
 - Pay the same premium that her father had paid for the coverage
 - Pay the same premium as her father had paid on the original \$25,000 of coverage and a higher rate on the additional \$100,000 of coverage
20. Insurance issued without a medical examination for a small amount on a weekly or monthly premium paying basis is known as:
- Group Insurance
 - Ordinary Insurance
 - Industrial Insurance
 - Franchise Insurance
21. If an insured carried a \$100,000 Ten-Payment Life Policy and a \$100,000 Twenty-Payment Life Policy (both issued at the same age), which would have the greater reserve in 30 years?
- The Ten-Payment Life
 - The Twenty-Payment Life
 - They would both have the same reserve
 - Neither of these policies require a reserve
22. All of the following apply to a UNIVERSAL LIFE policy, EXCEPT:
- The coverage includes an annual renewable term policy
 - There are no restrictions on it as far as receiving favorable tax treatment
 - There can be a flexible premium and an adjustable benefit
 - The accumulations in the policy grow on a tax-sheltered basis, gradually, it increases to a higher specified amount; and thereafter, remains the same
23. Which of the following statements are true?
- A Convertible Term Policy may be converted retroactively to the date the Term Policy was originally purchased
 - A Convertible Term Policy may be converted on a current(attained age) basis
 - The Premium for an Annual Renewable Term Policy increases at each additional renewable period
 - All of the above

24. Which of the following statements about a Renewable Term policy is true?
- A. It is renewable at the option of the insurance company
 - B. It is renewable at the option of the insured
 - C. It is renewable at the option of the insurance company, with proof of insurability
 - D. It is renewable at the option of the insured, with proof of insurability

Unit Five*Life Insurance Policies**Answer Key & Rationale*

1. C Cash values grow in the company's general account
2. B It is hoped that a Variable Life policy would provide a hedge against inflation. The death benefit, as well as the cash values, would increase or decrease depending on the portfolio of the Separate Account
3. B Example: 5 year modified life changes the way premiums are paid in the first year to the fifth year, for example - only slightly higher than term, thereafter--slightly higher than whole life (originally) for the life of the policy. Premium payments total out to be the same.
4. B Without its adjustable features, it resembles a Whole Life Policy
5. C A Joint Life policy pays when the first person dies. The survivor has the right to purchase an individual policy
6. D Example: 5 year graded; from year 1 to 5 increases each year slightly higher than term. Thereafter, slightly higher than the whole life premium (originally) payable to age 100.
7. C It pays when the first person dies. The survivor has the right to purchase an individual policy
8. C A prospectus is prepared and furnished by the insurance company and reviewed by the SEC
9. A In order to convert on an ORIGINAL ISSUE AGE basis and receive the benefit of the lower premium, the policyowner would have to make up the difference. e.g., The cash value that would have been in a Whole Life policy purchased at the original age
10. B The face amount "JUMPS" 5 times the original amount; with no increase in premium
11. B Limited Pay Policies require a higher premium. Therefore, more money is going into the cash reserves; resulting in a higher cash value during the premium paying period
12. A Variable Life provides for a guaranteed minimum death benefit. If the securities in the Separate Account perform favorably, then the death benefit as well as the cash value will increase. The premiums are fixed, not variable
13. A Also known as a second-to-die
14. B This would be the choice of the corporation as they would have the right to renew for another five years that would cover their needs There is no reason to pay a higher cost for the Five-Year Renewable Convertible Term Policy

15. D Increasing Term is usually sold as a rider to a base policy Used to provide for a Cost of Living Adjustment(COLA).
16. D As the mortgage decreases, so does the death benefit at the time of death the benefits would be enough to pay off the balance of the mortgage.
17. A The two important features that should be included are the right to renew and the right to convert These policies would cost more than ones without these features. The Waiver of Premium is a rider, not a feature
18. D The Payor Provision states that if the premium payor dies, the premiums would be waived until the child's 25th birthday, then the child becomes the owner and premium payer
19. C Premium remains the same
20. C Industrial Insurance, AKA Debit Insurance or Home Service Insurance, features low amount of insurance (\$1,000 to \$2,000) with premiums collected by debit agent at the home of the insured weekly or monthly
21. C Both of these policies are paid up. Therefore, the reserves would be equal at this Point. At the end of twenty years, they were equal.
22. B Must meet the definition of Life Insurance to receive favorable tax treatment (TAMRA, 1988) Must comply with the 7-pay test, or it will become a MEC
23. D Choice "A" describes converting on an Issue Age basis Choice "B" is the typical method Choice "C" describes an Annual Renewable Term Policy (ART).
24. B Guaranteed Renewable at the option of the insured without evidence of insurability "The Right to Renew"

Unit Six**Life Insurance Policy Provisions, Options & Riders**

1. Which provision in a life insurance policy may PREVENT a policy from lapsing?
 - A. Premium provision
 - B. Reinstatement provision
 - C. Automatic Premium Loan provision
 - D. Dividend provision
2. Which of the following riders would allow the policyowner to change term insurance to permanent insurance without proving insurability?
 - A. Guaranteed Insurability Rider
 - B. Guaranteed Renewable Rider
 - C. Conversion Rider
 - D. Accidental Death Benefit Rider
3. Which of the following riders would allow the policyowner to extend the period of term insurance without proving insurability?
 - A. Guaranteed Insurability Rider
 - B. Guaranteed Renewable Rider
 - C. Conversion Rider
 - D. Accidental Death Benefit Rider
4. Which one of the following is a characteristic of the "Guaranteed Insurability Benefit?"
 - A. Does not require any additional premium
 - B. When elected, proof of insurability is required
 - C. Any new insurance acquired does not carry a higher premium
 - D. Is usually a supplementary benefit for which a small additional premium is charged
5. The PAYOR BENEFIT typically waives premiums on a juvenile policy if the:
 - A. Insured child dies before reaching age 21
 - B. Insured child becomes disabled
 - C. Person who pays the premium dies or becomes disabled before the insured child reaches a certain age
 - D. Policy is converted before the payor reaches a specified age
6. Which one of the following statements about "Reinstatement" is correct?
 - A. Proof of insurability is generally never required
 - B. Companies have the right to require a medical examination
 - C. Reinstatement is not permitted in ordinary whole life policies
 - D. Premiums in arrears need not be paid prior to effecting reinstatement
7. Regarding the WAIVER OF PREMIUM provision, all of the following statements are correct, EXCEPT:
 - A. It can prevent a policy from lapsing for nonpayment of premiums while the insured is disabled and unable to work
 - B. The provision has a usual "waiting period" of 90 days or six months
 - C. Premiums paid by the company while an insured is disabled never have to be repaid by the policyowner
 - D. It remains in effect so long as policy premiums are paid
8. All of the following statements about "Assignments" are correct, except which one?
 - A. Assignments are valid regardless of company awareness or approval
 - B. Life insurance contracts are freely assignable unless some limitation is placed in the policy
 - C. An absolute assignment normally makes the assignee the owner of every right in the policy
 - D. A collateral assignment is a type of security arrangement between the policyowner and his or her creditor

9. If an Insured misstated his age on the application, indicating that he was younger than his actual age, which of the following would be true if he died ten months later?
- The insurance company will pay the Benefit that the Premium would have purchased at the correct age
 - The insurance company will pay the full-face amount of the policy since age is not a material fact
 - The insurance company will not pay the face amount of the policy since the death occurred within the contestable period
 - The insurance company will refund the premium paid plus interest and deny the claim on the grounds of fraud
10. Which of the following is a clause in a life insurance contract that precludes payment of the face value for a specified cause of death during the initial years of the policy?
- Incontestable Clause
 - Grace Period Clause
 - Misstatement of Age Clause
 - Suicide Clause
11. The purpose of the "Incontestable Clause" is best explained by which one of the following statements?
- Prevents the insured from contesting claim settlements
 - Prevents the estate from contesting the beneficiary designation
 - Prevents the insurer from denying a claim based on either statements contained in the application or on the grounds of concealment
 - Permits insurers to challenge the validity of a claim after two years on the grounds of fraud or concealment
12. Under the OWNERSHIP PROVISION of a life insurance policy, the policyowner has all of these rights, EXCEPT:
- Right to assign the policy
 - Right to amend or change the policy without an endorsement by the company
 - Right to change the beneficiary, except in the case of an irrevocable beneficiary
 - Right to select a nonforfeiture option
13. The NONFORFEITURE OPTIONS include all of the following, EXCEPT:
- Cash surrender payment
 - Reduced paid-up insurance
 - Extended Term insurance
 - Extra dividend payment
14. If a policyowner names an IRREVOCABLE BENEFICIARY, how does this affect the policyowner's rights in the contract?
- The policyowner temporarily relinquishes all rights to the insurance company
 - The policyowner has only those rights provided with the consent of the insured
 - The policyowner retains all rights under the policy
 - The policyowner cannot exercise any rights unless written consent of the beneficiary is obtained
15. Which of the following is not an advantage to the beneficiary of leaving proceeds under a life insurance settlement option?
- Safety of principal is guaranteed
 - Cost of living increases can be hedged through equity investments
 - Regularity of income is guaranteed
 - No personal investment decisions need to be made
16. Which of the following is not one of the standard nonforfeiture options?
- Cash
 - One Year Term Insurance
 - Reduced Paid-Up Permanent Insurance
 - Extended Term Insurance

17. All of the following statements are true EXCEPT:
- A. There are no automatic Nonforfeiture Provisions in Life Insurance Policies
 - B. Nonforfeiture Values are guaranteed
 - C. Nonforfeiture Values are present in all permanent forms of Life Insurance
 - D. The Cash Value may not be more than the face amount of a policy
18. All of the following are true statements concerning policy DIVIDENDS, EXCEPT:
- A. Fewer death claims during the year can help to provide dividends
 - B. Investment earnings also affect dividends
 - C. Dividends are paid with participating policies
 - D. Participating policyowners have a choice of two dividend options
19. Ways in which DIVIDENDS may be taken by policyowners include the following, EXCEPT:
- A. As stock in the company
 - B. Applied to reduce the premium
 - C. Be left to accumulate with interest
 - D. Be used to buy paid-up insurance
20. The time period covered by the 14 Day Free Look provision of a life insurance contract starts when the
- A. Contract is issued and mailed to the agency office from the home office of the insurance company
 - B. Contract is received in the agency office and given to the agent
 - C. Insured receives the contract and makes the first premium payment, if needed
 - D. Insured receives the contract and a "right to look" receipt
21. Which of the following statements about dividend payments under a participating policy is not true?
- A. Dividend payments are taxable income
 - B. Dividend payments are not guaranteed
 - C. Dividends are deemed to be a refund of an overcharge
 - D. Dividends can be used under several options
22. Interest on dividends that are left on deposit with the insurance company is taxable as income to the policyowner. Which common option permits the policyowner to leave dividends with the insurance company without incurring a taxable income responsibility?
- A. Cash Surrender
 - B. Accumulations
 - C. Paid-Up Additions
 - D. Premium Reduction
23. Which CLAUSE of a life insurance policy declares that the application is a part of the contract?
- A. Misstatement of Age provision
 - B. Entire Contract clause
 - C. Ownership provision
 - D. Insuring clause
24. If the interest on a policy loan is not paid at the end of the year, the insurance company may:
- A. Add the interest to the outstanding loan
 - B. Void the contract
 - C. Refuse additional loans
 - D. All of the above

Unit Six*Life Insurance Policy**Provisions, Options & Riders**Answer Key & Rationale*

1. C The Automatic Premium Loan provision authorizes the insurer to withdraw from the policy's cash value the amount of premium due if the premium has not been paid by the end of the grace period, therefore, preventing a lapse
2. C A Convertible Term policy gives the policyowner the Right to Convert a term policy to Whole Life without Evidence of Insurability
3. B A Guaranteed Renewable Rider gives the policyowner the Right to Renew a term policy without Evidence of Insurability
4. D For a small additional premium, the "Guaranteed Insurability Benefit" allows the policyowner to purchase additional insurance in the future without proving insurability
5. C The PAYOR BENEFIT guarantees that if the premium payor should die or become disabled, the premiums would be paid by the company until the child reaches a specified age (i.e., age 21 or 25)
6. B Proof of insurability may be required, and the company may require a medical examination. Past due premiums must be paid
7. D This benefit drops off at age 60 or 65; the rider has expired, and premiums for this rider are no longer due
8. A The company Must be Notified in Writing; NO approval by the company is needed; they comply with your wishes
9. A Under the Misstatement of Age provision, the benefits would be reduced to what the premiums would have purchased at the correct age
10. D If the insured commits suicide during the first two years of the issue date, the death benefit will not be paid
11. C After the policy has been in force for two years; the company must pay even in the case of material misstatement, concealment, or fraud
12. B The Owner cannot make changes without the company's approval
13. D Cash Surrender Extended Term Reduced paid-up
14. D This protects the irrevocable beneficiary
15. B Electing a settlement option would provide for a fixed income; therefore, inflation would diminish the buying power of that income.

-
16. B One Year Term Insurance is the fifth dividend option
17. A Nonforfeiture value are automatically attached to permanent life insurance policies
18. D THERE ARE FIVE DIVIDEND OPTIONS
Cash - Accumulate @ Interest - Reduce Premium - Paid-Up Additions - 1Yr Term
19. A B, C, and Dare three of the five dividend options available
20. C The 14 Day Free Look begins on the date of delivery to the insured. A delivery receipt may be required by the company
21. A Dividends are not taxable; they are considered to be a refund of an overcharge of premium cannot be guaranteed, and any one of the five dividend options may be used.
22. C Cash Surrender has no effect on dividend interest being taxable premium reduction is not leaving dividends with the company; by buying Paid-Up Additions, there is no dividend interest being earned
23. B The Entire Contract Provision found at the beginning of the policy states that the policy document, the application, and any attached riders constitute the entire contract
24. A The interest will be added to the loan

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Unit Seven**Life Insurance Beneficiaries**

1. An insured lists his wife as the beneficiary of the Accidental Death benefit of his A & H policy and has relinquished his right to change that designation. His wife is:
 - A. An irrevocable beneficiary
 - B. A revocable beneficiary
 - C. A contingent beneficiary
 - D. None of the above
2. Which of the following is true about the effect of a COMMON DISASTER clause?
 - A. If the insured and primary beneficiary are killed in the same accident, it is assumed that the insured died first
 - B. The primary beneficiary must outlive the insured by a definite period of time, or it is assumed that the insured died last
 - C. The clause gives beneficiaries greater control over who is to receive the policy benefits
 - D. The insured must outlive the primary beneficiary by a certain number of days; otherwise, it will be assumed that the beneficiary died last
3. Under the provisions of the Uniform Simultaneous Death Act of Florida, who would be presumed to have survived longest if the insured and beneficiary died simultaneously?
 - A. They would be presumed to have died at the same time
 - B. The beneficiary would be presumed to have survived
 - C. The insured would be presumed to have survived
 - D. A procedure is established to select a referee to decide who survived
4. Which term below would indicate that the children of a named BENEFICIARY are to share in policy proceeds if the named beneficiary is deceased?
 - A. Per Serita
 - B. Per Capita
 - C. Per Stirpes
 - D. Per Lineage
5. A policy's TERTIARY beneficiary is in which order to receive benefits when the insured dies?
 - A. Second inline
 - B. Third inline
 - C. First inline
 - D. Fourth inline
6. Which of the following beneficiary classes would have the most secure position in a life insurance contract?
 - A. Absolute Irrevocable Primary Beneficiary
 - B. Irrevocable Contingent Beneficiary
 - C. Revocable Primary Beneficiary
 - D. Revocable Contingent Beneficiary
7. Joe Davis wants to obtain a life insurance policy on his employee, Fred Harris, and to name Fred's wife, Amy Harris, as the beneficiary. Which of the following signatures would be legally required on the application?
 - A. Joe Davis and Amy Harris
 - B. Fred Harris and Joe Davis
 - C. Amy Harris and Fred Harris
 - D. Joe Davis and the agent
8. If a policyowner names an IRREVOCABLE BENEFICIARY, how does this affect the policyowner's rights in the contract?
 - A. The policyowner temporarily relinquishes all rights to the insurance company
 - B. The policyowner has only those rights provided with the consent of the insured
 - C. The policyowner retains all rights under the policy
 - D. The policyowner cannot exercise any rights unless written consent of the beneficiary is obtained
9. When someone other than the insured is the owner of a life insurance policy, the owner may do all of the following without the insured's consent EXCEPT:
 - A. Surrender the policy for its cash value
 - B. Increase the amount of insurance
 - C. Make a policy loan
 - D. Change the beneficiary

Unit Seven*Life Insurance Beneficiaries**Answer Key & Rationale*

1. A Once an irrevocable beneficiary is named, the owner of the policy cannot change the beneficiary without the permission of the irrevocable beneficiary
2. B If the beneficiary does not outlive the insured by the stipulated period of time, the proceeds will pass down to the contingent beneficiary or beneficiaries
3. C If they died simultaneously, it is presumed that the insured died last
4. C Per Stirpes means that a deceased beneficiary's share will be passed on down to his or her child or children
5. B Tertiary = third in line: Primary = first in line: Secondary = second in line
6. A Primary is first in line. Absolute Irrevocable Primary is even more secure
7. B The Applicant and the Insured must sign the application. The beneficiary does not sign
8. D Prime reason: To protect the beneficiary
9. B To increase the amount of insurance requires the insured's consent

Unit Eight**Life Insurance Premiums & Proceeds**

1. Which of the following describes the favorable TAX TREATMENT of key-employee life insurance?
 - A. Premiums are tax-deductible to the business
 - B. Death proceeds are received by the business tax-free
 - C. Premiums and death proceeds are tax-deductible
 - D. Death proceeds are tax-free to the insured's family survivors
2. Harold J withdraws \$2,000 of accumulated dividends from his life insurance policy. What will be the TAX RESULT?
 - A. The accumulated dividends and any interest credited to them will be tax-exempt
 - B. The accumulated dividends will be taxable income to Harold
 - C. The dividends will be exempt from income tax, but any interest credited will be taxable
 - D. If Harold withdraws the accumulated dividends in installments, they will not be tax-exempt
3. All PREMIUMS for health insurance (also life insurance) must be paid:
 - A. In advance
 - B. At the time of application
 - C. At the time policies are delivered
 - D. Before a policy is issued
4. Which RATING SYSTEM is used in this case? A policy is issued at standard rates on a substandard applicant with provision to reduce the amount of life insurance if the insured dies
 - A. Rate-Up in Age
 - B. Permanent Flat Extra Premiums
 - C. Extra Percentage Tables
 - D. Lien System
5. Interest payments to a surviving spouse or proceeds held under the INTEREST ONLY option are:
 - A. Exempt from federal income tax
 - B. Taxable as ordinary income
 - C. Subject to a capital gains tax
 - D. Not taxed until the proceeds are withdrawn
6. Which of the following is a true statement?
 - A. A policy may lapse if the Agent does not deliver (to the insurance company) a Premium collected by him within the Grace Period
 - B. A reduction in the Premium is not permitted for policies affording a large amount of insurance
 - C. An Agent always collects Premiums on policies sold by him
 - D. Premiums are based on mortality, interest assumed, and loading for expenses and contingencies
7. The greatest advantage of John T's naming his wife as owner of a Life Insurance Policy is:
 - A. The Premium payments are deductible as expenses for Federal Income Tax purposes
 - B. The proceeds are always exempt from estate taxes or gift taxes
 - C. The Cash Values or proceeds cannot be attached by creditors of the Insured during his lifetime or upon his death
 - D. The proceeds cannot be attached by creditors of the Beneficiary
8. A rated policy:
 - A. Is a Preferred Risk Policy
 - B. Can never be changed to a more favorable basis
 - C. Usually has higher Premium rates because of substandard health or a hazardous occupation
 - D. Is never a "good deal" for the applicant

9. One of the assumptions made by a life insurance company in establishing premium rates is that:
- A. All premiums will be paid near the end of the year
 - B. The company will earn a specific net rate of interest on all of its investments
 - C. The expense factor on all investments will not vary
 - D. The mortality rate will not equal the rate of interest earned
10. From a TAX standpoint, when a policyowner surrenders a life insurance policy and receives a lump-sum payment of the cash value, which of the following applies?
- A. A lump-sum payment is tax-exempt
 - B. The lump sum, less the policyowner's cost basis, is taxable as ordinary income
 - C. The full sum, less the policyowner's cost basis, is taxable as capital gains
 - D. The lump-sum payment is taxable under the annuity rule
11. With respect to a Life Income Option, which of the following factors affect the amount of monthly income available at the death of the Insured?
- A. Sex of the Beneficiary
 - B. Age of the Beneficiary
 - C. Use of a guaranteed payment period as opposed to no guarantee
 - D. All of the above
12. Which of the following options will pay the beneficiary the LARGEST monthly life income payment?
- A. Joint and Survivor
 - B. Installment Refund
 - C. Period Certain
 - D. Life Income Only
13. What are legal reserves in life insurance?
- A. Assets
 - B. Liabilities
 - C. Income
 - D. Expenses
14. The determination of insurance rates and the calculations of reserves are functions of a(an)
- A. Underwriter
 - B. Actuary
 - C. Investment consultant
 - D. Computer programmer
15. Which settlement option provides for the payment of a predetermined periodic amount of income until principal and interest are exhausted?
- A. Fixed Period Option
 - B. Interest Option
 - C. Life Income Option
 - D. Fixed Amount Option
16. Mr. X is insured by a \$10,000 whole life policy with the "Fixed-Period Settlement Option" elected on the application. If Mr. X is killed, how will his beneficiary receive the death proceeds?
- A. In annual installments until the proceeds are exhausted
 - B. In one lump sum after the expiration of a specified number of years
 - C. At a point in time and for a stipulated amount selected by the beneficiary
 - D. In equal monthly installments for a specified number of years
17. All of the following statements about "settlement options" are correct, except which one?
- A. If a lump-sum settlement is desired, it must be elected on the application before the policy matures or otherwise becomes payable
 - B. Under the interest Option, the proceeds are retained by the company to accumulate interest, which is periodically paid to the beneficiary
 - C. The interest rate on proceeds paid out through Settlement Options generally has no guaranteed minimum
 - D. Most policies provide for lump-sum settlements in the absence of some other direction by the insured or beneficiary

18. Under either a FIXED PERIOD or FIXED AMOUNT option, why is the total of all installment payments always larger than the original amount of proceeds?
- Because the sum of the proceeds always equals $1\frac{1}{2}$ times the principal
 - Because reimbursement is controlled by law
 - Because of investment or interest earnings on the unpaid proceeds
 - Because of dividend accumulations
19. Under a CASH REFUND LIFE INCOME option, what will the secondary beneficiary get if the primary beneficiary dies?
- Continuing installments of the same size received by the primary beneficiary, for life
 - Continuing installments of the same size received by the primary beneficiary, until payments equal original amount of proceeds
 - Income payments for the remaining period, equal to one-half the amount of the original proceeds
 - A cash payment equal to the amount of the original proceeds minus total payments already received by the primary beneficiary
20. In what major respect does the LIFE INCOME ONLY option differ from other Life Income options?
- The amount of each installment
 - The length of time payment is made
 - The amount of interest earned
 - The life insurance company's financial obligation should the primary beneficiary die
21. A SETTLEMENT OPTION is selected whereby the amount of each installment is specified, and the life insurance company pays these installments so long as the proceeds (and interest) last Which option has been selected?
- Interest option
 - Fixed Amount option
 - Fixed Period option
 - Life Income option
22. David White has a \$100,000 Whole Life policy that he purchased at age 30. His premiums are \$1,000 per year. He is now age 65 and wishes to cash surrender his policy. The cash surrender value is \$62,000. He is in the 15% tax bracket. How much income tax will David have to pay?
- \$15,000
 - \$0
 - \$9,300
 - \$4,050
23. Employer-paid premiums for employees' group life and health insurance are generally
- Tax-deductible to the employer
 - Nontaxable to the employees
 - Both (A) and (B)
 - Neither (A) nor (B)
24. Which of the following equals a NET PREMIUM?
- Mortality cost less interest
 - Expense factor plus mortality cost
 - Gross premium minus mortality cost
 - Expense cost less interest

Unit Eight*Life Insurance Premiums & Proceeds**Answer Key & Rationale*

1. B DEATH BENEFITS ARE NOT TAXABLE! PREMIUMS ARE NOT DEDUCTIBLE
2. C Dividends are not taxable; only the interest earned by the dividends are taxable
3. A Example: Monthly premium due Jan 1 pays for all of January
4. D Example:

Face Amount:	\$100,000
Lien due to rating:	<u>20,000</u>
Benefit Paid:	\$ 80,000
5. B Interest earned is always taxable; same as interest earned on bank accounts
6. D Basic Premium Factors are: MORTALITY—INTEREST—EXPENSES
7. B Because John is not the owner, the face amount of the policy will not be included in his estate, therefore, and there will be no estate taxes on this amount
8. C A rated policy is a policy issued at substandard rates (higher premium)
9. B In establishing premium rates, the Assumed Interest Rate is guaranteed
10. B The cost basis is the premiums paid for the base policy minus the dividends received
This amount is subtracted from the cash value, and the difference is taxed as ordinary income
11. D Male would receive higher monthly check because women live longer
The older person (same-sex) would receive the larger check
A guaranteed payment period, such as a Ten-Year Certain will result in a smaller monthly check than a no guarantee period
12. D Life Income AKA Straight Life Income gives the larger return (Larger Check)
13. B Reserves are carried as liabilities on the Insurance Company books because they must cover future claims
14. B Actuaries are mathematicians by education who are responsible for bringing together the financial and statistical data that have an influence on life and health insurance premium rates
15. D Fixed Amount Option provides for a guaranteed fixed payment (i.e., \$500 per month)
16. D Mr. X wants his beneficiary to receive monthly checks for a specified number of Years. (e.g., 10-yrs, 15-yrs, 20-yrs, etc.)
17. C The interest rate will never be lower than the guaranteed rate specified in the policy

18. C Under these options, Principal that has not yet been paid out continues to earn interest
19. D Under this option, the unpaid principal will be paid to the secondary beneficiary
20. D Under this option, when the primary beneficiary dies, the company has no further obligation to anyone THEY KEEP THE REST OF THE MONEY
21. B A fixed amount (i.e., \$500 per month) is paid until the money runs out
22. D
$$\begin{array}{rclclcl} \text{Cash Value} - \text{Premium Paid} & = & \text{Net} & \times & \text{Tax Bracket} & = & \text{Tax Due} \\ \$62,000 - \$35,000 & = & \$27,000 & \times & 15\% & = & \$4,050 \end{array}$$
23. C When employers provide benefits for employees and pay the premiums, it is considered to be a business deductible expense. The benefits are received by the employee tax-free
24. A The mortality cost is the pure cost of dying. Subtract the assumed rate of interest, and you have the NET PREMIUM (MC – I) Mortality Cost minus Interest

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Unit Nine**Life Insurance Underwriting & Policy Issue**

1. All of the following must appear on all applications EXCEPT
 - A. Your name and signature
 - B. Your beneficiaries' social security number
 - C. The name of the company
 - D. Your license number
2. Which of the following statements regarding the MEDICAL INFORMATION BUREAU (MIB) is true?
 - A. It was organized by the American Medical Association at the request of insurers
 - B. MIB is a paramedic center that examines applicants
 - C. A complete file of all applicants of member companies is maintained by the MIB
 - D. Its purpose is to serve as an aid to the underwriting of life and health insurance
3. The client is given an opportunity to inspect a policy (issued in his name) without being required to pay the premium. The applicant signed an Inspection Receipt, which allowed him 14 days within which to study the policy. During that 14 day period, the applicant was killed as a result of an accident. Under such circumstances, the insurance company would be liable for:
 - A. The face value of the policy since the client had possession thereof
 - B. Nothing, since the Premium had not been paid
 - C. Twice the face value of the policy, since the client was killed in an accident
 - D. The face value of the policy less the amount of one Annual Premium which was deducted to complete the payment for the policy
4. Tyrone K, an applicant who is rejected for life insurance, requests medical information about himself from the MEDICAL INFORMATION BUREAU (MIB). The MIB would honor Tyrone's request by sending the requested data to:
 - A. The insurance company
 - B. Tyrone's personal physician
 - C. Tyrone
 - D. The insurance agent
5. Mr. Walker makes an application for a life policy and pays his agent the initial premium. The agent gives Mr. Walker a conditional receipt His coverage becomes effective
 - A. When the agent delivers the policy
 - B. When the insurance company accepts the risk
 - C. When the insurance company requests a medical examination
 - D. On the date of application
6. If an application only is submitted, a life insurance policy becomes effective
 - A. On the date it is approved by underwriting
 - B. On the date the policy is mailed to the agent for delivery
 - C. On the date the applicant accepts the policy, signs a statement that he or she is in good health, and pays the initial premium
 - D. On the date of the application

7. Ray T had his agent submit an application for a life insurance policy WITHOUT PREMIUM. What would have happened if Ray had been killed in a car accident after the policy was issued but before it was delivered? The death benefit would have been paid because the policy was issued prior to the time of Ray's death.
- Ray's wife could have paid the premium and forced the company to pay the death benefit.
 - The company would have had a right to withdraw the policy because the lack of a paid premium indicated that the company's offer of a policy had not been accepted.
 - The company could have reissued the contract as an accident policy for a lesser premium.
 - None of the above.
8. Which of the following statements pertaining to preliminary term insurance is correct?
- If an applicant applies for preliminary term insurance on March 1 and the issue date of the principal policy is to be June 1 of the same year, the premium for the principal policy will be based on the applicant's age as of March 1.
 - The purpose of this type of insurance is to provide immediate protection for people who cannot afford to purchase permanent life insurance.
 - The premium for the principal policy is based on the age of the insured at the end of the interim period.
 - None of the above.
9. The primary distinction between the insurability and approval types of conditional receipts is when the
- Applicant pays the initial premium.
 - Coverage goes into effect.
 - A medical exam is given.
 - Applicant proves insurable.
10. Which of the following conditions must be met before a Conditional Receipt can be issued for an applicant?
- Medical examination must be passed.
 - Application must be signed, and the first premium must be paid.
 - A Conditional Receipt is given only after the insurance company agrees to accept the Risk.
 - All of the above.
11. Arnold Brown, 55 years of age, applied for a \$50,000 Ordinary Life Policy with the XYZ Insurance Company and paid the first Annual Premium at the time that the application was signed. The Agent gave him a receipt conditional upon the applicant passing a medical examination, which was scheduled for the following day. Before taking the physical examination, Mr. Brown died suddenly because of a heart attack. The insurance company probably will:
- Pay the face amount of the policy because the Conditional Receipt had been issued.
 - Refund the Premium tendered since all of the conditions required for the insurance to become effective had not been met.
 - Pay the claim only if the applicant had applied for the double Indemnity benefit.
 - Pay the claim if the applicant's medical history and other insurability requirements were satisfactory.
12. Which of the following statements about underwriting selection is (are) true?
- Insurance companies may use family history to rate an applicant if the history reveals a family characteristic that also appears in the applicant.
 - An applicant is required to furnish proof of age at the same time he applies for insurance.
 - Both A and B.
 - Neither A nor B.

13. Which of the following applicants for life insurance is most likely to obtain coverage as a standard risk?
- A. An obese person
 - B. A person employed as a steeplejack
 - C. A person who skydives
 - D. A traveling salesperson

Unit Nine*Life Insurance Underwriting & Policy Issue**Answer Key & Rationale*

1. B The name of the company; your name, signature, and license number must appear on all applications
2. D A reliable source of medical information concerning an applicant, available to member companies It was organized by a number of insurance companies
3. B An important part of CONSIDERATION is missing; THE PREMIUM The coverage is not effective until the premium is paid
4. B Medical information is released only to the applicant's personal physician. The physician decides how to relate this information to the applicant
5. D Coverage will be effective conditionally on the date of application
6. C Here, Offer and Acceptance, and Consideration come into play. The applicant, by not submitting the premium with the application, only invited the company to make an offer. The company then offered the coverage to the applicant, at which time the applicant accepted the policy by paying the premium and signing a statement of good Health; the coverage then became effective
7. C No Money, No Coverage (Consideration Clause)
8. C Designed for immediate protection for one to eleven months Premiums for the preliminary term are based on the age of the insured at the time of application. The premium for the principal policy is based on the age of the insured at the end of the interim period.
9. B Conditional insurability receipt is more liberal because the client must only meet the conditions stated Conditional Approval Receipt is more restrictive because coverage is not effective until the Home Office approves the application
10. B The Conditional receipt provides early coverage based on the conditions stated in The receipt and is given when the applicant signs the completed application and pays the first premium.
11. B No benefit Coverage is not effective until the date of the medical, which was not taken
12. A Proof of Age is NOT required at the time of application because the company has the protection of the MISSTATEMENT OF AGE clause
13. D A traveling salesperson is the least hazardous risk

Unit Ten**Group Life Insurance**

1. If the employer pays Life insurance Premiums for employees and the plan automatically covers all eligible employees, this is known as:
 - A. Contributory Group Insurance
 - B. Salary Savings Insurance
 - C. Noncontributory Group Insurance
 - D. Franchise Group Insurance
2. Which of the following is not a distinguishing characteristic of group insurance?
 - A. Individual underwriting
 - B. Experience rating
 - C. Coverage by master contract
 - D. Benefits determined by benefit schedule
3. All of the following statements about a group life insurance policy issued to an employer are true, except which one?
 - A. Precludes individual selection as to the amount of insurance
 - B. Covers at least 75 percent of the eligible employees if the plan is non-contributory
 - C. Is issued to all eligible employees if on a non-contributory basis
 - D. Issued solely for the benefit of the master policyholder
4. Which of the following is not an essential group characteristic for the group underwriting process to succeed?
 - A. A steady flow of lives in and out of the group
 - B. Insurance is an essential reason for the existence of the group
 - C. Benefit amounts determined by a method beyond individual group participant control
 - D. Participation by a large percentage of eligible group members
5. Regarding group credit life insurance, which of the following is false?
 - A. The amount of insurance must match the balance of the loan
 - B. The debtor pays the premium
 - C. The creditor is the beneficiary
 - D. The insured's beneficiary receives the benefit and pays off the loan
6. A group life insurance policy issued on a contributory plan must:
 - A. Provide that the covered employees pay none of the premium
 - B. Insure at least 75 percent of the eligible employees
 - C. Both A and B
 - D. Neither A nor B
7. Under a typical GROUP insurance plan, who is the applicant?
 - A. The employee
 - B. The enrollee
 - C. The employer
 - D. Both the employee and the employer
8. Individuals covered by a group plan receive
 - A. Certificates of insurance
 - B. Individual insurance policies
 - C. Notices of proposed insurance
 - D. a copy of the Master Insurance Policy
9. All of the following statements about CREDIT LIFE insurance are correct, except which one?
 - A. Is life insurance on the life of a debtor
 - B. The amount of insurance cannot exceed the amount of the debt
 - C. Debtors cannot under any circumstances choose their own credit life insurer
 - D. The insurance commences on the date the debtor becomes obligated to the creditor

10. Which of the following pertaining to Group Credit life insurance is correct?
- A. Form of Whole Life insurance
 - B. Insurance amount may exceed the amount of debt
 - C. Premiums may be paid wholly by insured
 - D. Policy proceeds paid to insured's spouse or other beneficiary
11. Credit life insurance
- A. Is considered to be A & H insurance
 - B. Pays Accidental Death benefits only
 - C. Pays Natural Death benefits only
 - D. None of the above is correct
12. A group life insurance policy must:
- A. Receive at least 200 new entrants per year
 - B. Pay the death proceeds of a deceased insured to a designated beneficiary
 - C. Provide that the death proceeds are payable only to the master policyholder
 - D. Provide no more than \$55,000 of life insurance on the life of any one employee
13. After termination of a GROUP plan, employees generally have continued protection for how long?
- A. 60 days
 - B. 10 days
 - C. 31 days
 - D. 21 days
14. How is an ASSOCIATION GROUP that meets the requirements for life insurance classified?
- A. As a fraternal group
 - B. As a natural group
 - C. As a special group
 - D. As a franchised group
15. All of the following statements pertaining to the Conversion Privilege of Group Life Insurance are true EXCEPT:
- A. Conversion must be requested within 31 days of termination of employment
 - B. Premiums for the Converted Policy are based on the insureds attained age
 - C. The Group Policy may only be converted to Individual Term Insurance
 - D. Medical examination is not required

Unit Ten*Group Life Insurance**Answer Key & Rationale*

1. C When the employer pays the entire premium, it is called NONCONTRIBUTORY GROUP
2. A The underwriting is done on the group, not the individuals in the group
3. D The coverage is issued for the benefit of the employees, not the employer (policyholder)
4. B You cannot form a group for the sole purpose of obtaining group insurance It must be a NATURAL GROUP formed for a purpose other than obtaining insurance
5. D Credit life insurance is designed to repay the loan automatically
6. D Both the employer and the employee share in the premium payment A Contributory Life plan does not require 75% participation of eligible employees Group health does require 75%
7. C Group insurance is a benefit offered to employees by the employer. The employer applies for the insurance on behalf of the employees and the employer receives the master policy
8. A The employees receive Certificates of Insurance The employer receives the master policy
9. C Debtors may choose their own insurer
10. C Typically, premiums for Credit Life are paid by the insured
11. D Credit Life will pay off the loan if the insured dies by Natural or Accidental Death
12. B The death benefits go to the deceased's beneficiary. The employer does not receive anything
13. C All group insurance provides 31 days coverage after termination, during which time the insured may convert to an individual plan
14. B A natural group is a group that has been organized for some purpose other than to obtain group insurance and the group must have been in existence for two years
15. C Group policies may only be converted to Permanent insurance You cannot convert term to term

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**Units Eleven & Twenty Eight
Annuities & Variable Contracts**

1. Which one of the following statements is correct?
 - A. Evidence of good health is usually required at older ages to purchase lump-sum annuities
 - B. The same mortality table is used to compute Life insurance rates and annuity rates
 - C. Annuity rates increase as the prospective annuitant grows older
 - D. Annuity Income becomes more favorable when purchased at the older ages
2. An Annuity is designed to provide which of the following financial features?
 - A. The liquidation of principal and interest
 - B. A favorable tax treatment for income received
 - C. Both A and B
 - D. Neither A nor B
3. A contract on which Annual Deposits are paid to a specified age after which a lifetime income is payable could be all of the following EXCEPT:
 - A. An Annual deposit Deferred Annuity
 - B. A Retirement Income Policy
 - C. An Immediate Annuity
 - D. A Retirement Annuity
4. Which of the following statements about tax-sheltered annuities is (are) true?
 - A. Employees may make withdrawals without penalty
 - B. Payouts are taxable at capital gains rates
 - C. Taxes on earnings are deferred
 - D. None of the above
5. Which of the following statements about a LIFE ANNUITY with 10 YEARS CERTAIN is (are) true?
 - A. If the annuitant lives for 20 years after the start of the income payment period, he will receive income payments for 20 years
 - B. If the annuitant dies five years after the start of the income payment period, the Beneficiary will receive income payments for an additional ten years
 - C. The annuitant will receive payments for ten years
 - D. If the annuitant dies within ten years, the company keeps the unused funds
6. All of the following individuals would be eligible to participate in a tax-sheltered annuity EXCEPT:
 - A. Maintenance engineer at a state university
 - B. Teacher in a public school system
 - C. Minister
 - D. The Vice-President of ABC Corporation
7. An investor is in the annuity stage of a variable annuity purchased 15 years ago. During the present month, the annuitant receives a check for an amount that is less than the previous month's payment. Which of the following events would have caused the annuitant to receive the smaller check?
 - A. The performance of the account was less than the previous month's performance
 - B. The performance of the account was greater than the previous month's performance
 - C. The performance of the account was less than the assumed interest rate
 - D. The performance of the account was greater than the assumed interest rate

8. Kirk Thomas is about to buy a variable annuity contract. He wants to select an annuity that will give him the largest possible monthly payment. Which of the following payout options would do so?
 - A. Life annuity with period certain
 - B. Unit refund life option
 - C. Life annuity with ten-year period certain
 - D. Life only annuity
9. Your client tells you he wants a source of retirement income that is stable, but that also could offer some protection against purchasing power risk in times of inflation. You should recommend
 - A. A variable annuity
 - B. A fixed annuity
 - C. A combination annuity
 - D. Common stocks and municipal bonds
10. Which of the following statements about a straight-life variable annuity is (are) true?
 - A. The number of annuity units a client redeems never changes
 - B. The number of accumulation units a client owns will never change
 - C. If the client dies during the annuity period, the remaining funds will be distributed to the beneficiary
 - D. The monthly payout is fixed to the Consumer Price Index
11. Ms. Charolais invests in a variable annuity. At age 65, she chooses to annuitize. Which of the following statements is true?
 - A. She will receive the entire value of the annuity in a lump-sum payment
 - B. The number of annuity units will vary each month
 - C. The value of the accumulation unit will be used to calculate the total number of Annuity units. The number of units then remains the same
 - D. The accumulation unit value is used to calculate the annuity unit value
12. The value of a variable annuity separate account fluctuates in relation to the
 - A. general account maintained by the insurance company
 - B. value of the separate account portfolio
 - C. Consumer Price Index
 - D. S&P 500 market index
13. At age 65, Fred Jacobs purchased an immediate variable annuity contract. Fred made a lump-sum \$100,000 initial payment and selected a life income with a ten-year period certain payment option. Fred lived until age 88. The insurance company made payments to Fred
 - A. Until his initial payment of \$100,000 was exhausted
 - B. For ten years
 - C. For 23 years
 - D. At a fixed rate for ten years and at a variable rate up until his death
14. The difference between a fixed annuity and a variable annuity is that the variable annuity
 - A. Offers a guaranteed return
 - B. Offers a payment that may not vary in amount
 - C. Will always pay out more money than a fixed annuity
 - D. Attempts to offer protection to the annuitant from inflation
15. The insurance company's separate account is
 - A. Used for the investment of moneys paid by variable annuity contract holders
 - B. Separate from the general investments of the insurance company
 - C. Operated in a manner similar to an investment company
 - D. All of the above

16. What will happen if a client, age 35, invests \$100 a month in a variable annuity for seven years and suddenly dies?
- The client's beneficiaries will not receive any money until the year in which the client would have turned 59½
 - The insurance company keeps all the contributions made to date because the contract was not annuitized
 - The client's beneficiaries will receive only the amount contributed
 - The client's beneficiaries would receive the greater of the contributions or current value of the account if the contract were insured
17. A mutual fund and a variable annuity's separate account are similar in that
- Payout plans guarantee the client income for life
 - The investment portfolio is professionally managed
 - The client may vote for the board of directors or board of managers
 - Investment yields are guaranteed
18. Your client is 68 years old, retired, and in good health. She is concerned about budgeting funds. She needs funds for day-to-day living expenses starting now. As her representative, you could suggest that she purchase
- As much whole life insurance as she can afford
 - A periodic-payment deferred variable annuity
 - A single-payment deferred variable annuity
 - An immediate annuity
19. Mildred Rossi assumes the risk involved with her variable annuity. All of the following are true EXCEPT:
- As an investor, she can be held liable for the debts incurred by the insurance company
 - She is not assured of the return of her invested principal
 - The underlying portfolio is primarily common stocks, which have no guaranteed return
 - None of the above
20. Which of the following factors may determine the amount of payout from a variable annuity?
- Mortality experience of the company
 - Age and sex of the annuitant
 - Insurability of the annuitant
 - Rate of return of the separate account
21. Angus Smith has been investing in a non-qualified deferred annuity through a payroll deduction plan offered at the school system where he works. Angus has invested a total of \$10,000. The annuity contract is currently valued at \$16,000, and he plans to retire. On what amount will Angus be taxed if he chooses a lump-sum withdrawal?
- \$6,000
 - \$10,000
 - \$16,000
 - He will not owe taxes because the annuity was non-qualified
22. If a client, age 52, chooses to cash in her annuity contract before pay-out begins, she will
- Be taxed at the ordinary income tax rate on the entire amount withdrawn
 - Have to pay a 10% penalty on the amount withdrawn that exceeds cost base
 - Have to pay a 5% penalty on the amount withdrawn that exceeds cost base
 - Be taxed at ordinary rates on the amount withdrawn that represents cost base, and will be taxed at capital gains rates on the amount withdrawn that exceeds cost base

23. An annuity may be purchased under all of the following methods EXCEPT:
- Single payment, deferred annuity
 - Periodic payment, immediate annuity
 - Single payment, immediate annuity
 - Periodic payment, deferred annuity
24. Mildred Rossi purchased a variable annuity with an immediate payout plan. In the first month, she received a payment of \$328. Which of the following statements about Mildred's investment is (are) true?
- Her next payment is guaranteed to be more than \$328
 - She made a lump-sum investment
 - She purchased a deferred variable annuity from a registered representative
 - She will receive her first check two years from the purchase date
25. Cosmo Insurance Company is facing a poor business year and a period of steep economic decline in general Cosmo's income payments to its fixed annuity contract holders will likely
- Increase
 - Decrease
 - Stay the same
 - Cease
26. Which of the following are true regarding BOTH variable annuities and mutual funds?
- They contain managed portfolios
 - The property of the owner must pass to his or her estate at the time of death
 - Variable annuities are not regulated by the Investment Company Act of 1940
 - All income realized by the portfolio through investment income and capital gains are taxable to the owner in the year in which it is generated
27. Gary Zins has just purchased a participating immediate variable annuity. All of the following are characteristic of Gary's investment EXCEPT:
- Lump-sum purchase
 - All variable annuities provide dividends
 - The amount of his check will vary
 - Accumulation and payment of dividends will occur during the payout period
28. All of the following statements about deferred variable annuities are true EXCEPT:
- Purchase payments can be either lump sum or periodic
 - Contract holders are guaranteed a rate of return
 - Earnings accumulate in the contract owner's account during the prepayment period
 - Taxes are deferred during the accumulation period
29. Doris is planning for retirement. She wants to be assured of a minimum income per month, and she wants some protection from inflation. Doris should consider a plan with
- Installments for a designated amount
 - Period certain
 - A combination fixed and variable pay-out
 - Installments for a designated period
30. A variable annuity contract guarantees a
- Fixed mortality expense
 - Fixed administrative expense
 - Both A and B
 - Neither A nor B
31. Bob Barrett, a registered representative, is discussing variable annuities with a client. He explains that under the contract, the annuitant receives payments for life. Bob is describing a(n)
- Payment guarantee
 - Insurance protection
 - Expense guarantee
 - Mortality guarantee

32. Harvey Kent has purchased a deferred variable annuity with monthly payments of \$150. What do his monthly payments purchase?
- A. Accumulation units
 - B. Annuity units
 - C. Unit investment trust certificates
 - D. Individual shares of stock held in the separate account portfolio
33. Harvey Kent's annuity has a portfolio that contains mostly common stocks. What does this mean for Harvey?
- A. In a rising market, the value of Harvey's account may rise
 - B. In a rising market, the value of an accumulation unit may fall
 - C. Harvey is protected from loss
 - D. The funds are held in the company's general account
34. The value of an individual's variable annuity is directly related to
- A. An amount determined by insurance regulations
 - B. The Consumer Price Index
 - C. The profits of the insurance company
 - D. The performance of the portfolio of the separate account
35. At retirement, Herman Miller decides to annuitize his variable annuity contract. After his final purchase payment, he had 1,857 accumulation units. Which of the following factors will be considered when determining the amount of a payout he will receive?
- A. The value of one annuity unit
 - B. The number of annuity units
 - C. Both A and B
 - D. Neither A nor B
36. John Jackson has been making periodic payments into a deferred variable annuity. John's annuity value is \$1,200, and the current value of an accumulation unit is \$3. How many accumulation units does John have?
- A. 0
 - B. 400
 - C. 1,200
 - D. 3,600
37. Annuity payments made to contract owners are
- A. Tax-exempt
 - B. Taxed only on the cost basis
 - C. Taxed only on the portion that represents investment earnings
 - D. Taxed as capital gains
38. Barry Sims is paying into his variable annuity plan. Last month he received a statement from his insurance company stating that his account had been credited with \$127 in net investment income and realized capital gains. How should Barry handle these earnings?
- A. Report them as ordinary income on this year's tax return
 - B. Report them as long-term gains on this year's tax return
 - C. Report them as an early withdrawal subject to the 5% penalty
 - D. Defer them from current taxation
39. Susan Swanson has paid \$14,000 into her variable annuity. Currently, her account is valued at \$20,000. If she were to terminate her contract and take the proceeds in a lump sum, she would need to know her cost basis. What is Susan's cost basis?
- A. \$6,000
 - B. \$14,000
 - C. \$20,000
 - D. \$34,000

40. Susan Swanson has paid \$14,000 into her variable annuity. Currently, her account is valued at \$20,000. If Susan surrendered her contract, how much would she report as taxable income received?
- A. \$6,000
 - B. \$14,000
 - C. \$20,000
 - D. \$34,000

Units Eleven & Twenty Eight*Annuities & Variable Contracts**Answer Key & Rationale*

1. D The older the person is at the time of purchase, the higher the monthly income will be the life expectancy of the older person is less, so the monthly income will be higher
2. A The portion of the income considered to be principal is received tax-free. The portion considered to be interest is taxable. An annuity is simply a vehicle for liquidating a sum of money
3. C A deferred annuity purchased with periodic payments is described here. This could also be called a retirement annuity Choice "C" is wrong because an immediate annuity can only be purchased by a Lump Sum Payment
4. C Tax deferral is a feature of an annuity
Choice "A" is wrong. There is a 10% penalty for early withdrawal
Choice "B" is wrong because payouts are taxable as ordinary income
5. A "A" is correct because the statement indicates the annuitant lived only 20 years and of course, is entitled to payments for life (In his case, 20 years) "B" is incorrect because in a 10 YEARS CERTAIN, if the annuitant died after five years, the beneficiary would receive payments for the remaining five years
6. D Designed for nonprofit charitable, educational, religious, and other 501(c)(3) organizations, including teachers in public school systems
7. A The income will vary depending on the performance of the securities in the "special account"
8. D Life only annuity will provide the largest monthly check because there is no refund option. When the annuitant dies, any principal remaining is kept by the company
9. C A combination annuity consists of part fixed (stability), part variable (inflation hedge)
10. A Once the accumulation units are converted to annuity units, the number of annuity units remain the same
11. C The annuitant receives payments for life. The value of the accumulation unit is used in the formula to calculate the number of annuity units
12. B The value of the account varies depending on the performance of the "separate account."
13. C The annuitant receives payment for life. Because of the ten-year period, certain payment option, if Fred had lived and collected for five years, the company would be obligated for five more years of payments to Fred's beneficiary
14. D A variable annuity does not offer a guaranteed return, and the return could be more or less than a fixed annuity

15. D Payments are invested in a separate account, similar to a mutual fund, as opposed to an insurer's general account
16. D A variable annuity owned by a client is the property of that client; a beneficiary is usually named to receive the value of the account or the contributions made, whichever is greater
17. B The mutual fund has no guarantees. The variable annuity will guarantee an income for life. Both are professionally managed
18. D A deferred annuity would not give this client the immediate income she needs for her everyday expenses
19. A She is not responsible for the debts of the insurance company
20. B Age and Sex of the annuitant is the best answer
21. A His cost basis is \$10,000 (amt invested) He will pay tax on the difference (\$16,000 - \$10,000 = \$6,000)
22. B A 10% penalty is imposed because of early withdrawal (before age 59½), and taxes are due on earnings above the cost basis Taxed as ordinary income
23. B An immediate annuity can be purchased only with a single payment
24. B She purchased a Single Payment Immediate Variable Annuity from a licensed insurance agent, who is also registered with the NASD
25. C Income payments are guaranteed in a fixed annuity contract
26. A Both are regulated by the Act of 1940. Upon the death of the owner, variable annuities pass to the owner's designated beneficiary Variable Annuities grow tax-deferred
27. B An Immediate Variable annuity is purchased with a single payment. Also, if this is a participating contract, dividends will be provided and included in the payout
28. B The two ways to purchase deferred annuities are: Single Payment and periodic payments (i.e., Flexible-Premium Deferred Annuity) Earnings accumulate on a tax-deferred basis There is no guaranteed rate of return
29. C The fixed annuity will provide a guaranteed income, and the variable annuity will provide an income that will vary each month
30. C The Company assumes the mortality risk and also guarantees the expenses. The client assumes the investment risk
31. A The company guarantees payments for the life of the annuitant
32. A Accumulation units = pay-in period: Annuity units = pay-out period

33. A The value of the unit and the value of the total account depend on the performance of the securities in the separate account
34. D The value of the variable annuity will increase or decrease according to the Investment performance of an underlying portfolio of equity investments
35. C Once the conversion is made, the number of annuity units remains the same
36. B Formula: value divided by unit value = number of units
 \$1,200 / \$300 = 400
37. C The part of the payment considered to be Principal is not taxed. The portion considered to be earnings is taxed.
38. D The earnings are tax-deferred. Upon withdrawal, earnings are taxed as ordinary income.
39. B The amount paid into the contract is considered to be her cost base Taxes are due on the amount that exceeds the cost base.
40. A Her cost base is \$14,000 (amt invested) She will pay tax on the difference (\$20,000 - \$14,000 = \$6,000)

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Unit Twelve**Social Security**

1. Which of the following types of benefits are not covered by the Social Security Program?
 - A. Retirement Benefits
 - B. Medical Expense Benefits for Workers
 - C. Survivors' Income Benefits
 - D. Disability Income Benefits
2. Social Security benefit amounts are based upon which of the following?
 - A. The total income of a worker
 - B. The wealth of a worker
 - C. The total earned income of a worker on which social security taxes have been paid
 - D. The "Needs" of a worker and dependents
3. Which "insured status" under the Social Security Program does an insured worker retain once it has been achieved regardless of work activities beyond that point?
 - A. Fully Insured
 - B. Currently Insured
 - C. Disability Insured
 - D. Medicaid Insured
4. All of the following statements regarding Social Security Retirement Benefits are true **EXCEPT**:
 - A. Payable at a reduced amount at age 62
 - B. Are not reduced if a retiree receives income from an Annuity
 - C. Are paid only if a worker is Fully Insured
 - D. Payable only at age 66
5. Which of the following must a worker have achieved to qualify to receive disability income benefits under the Social Security Program?
 - A. Fully Insured Status Only
 - B. Currently Insured Status Only
 - C. Fully and Disability Insured Status
 - D. Disability Insured Status Only
6. How long is the waiting period (elimination period) for disability income benefits under the Social Security Program?
 - A. 30 days
 - B. 60 days
 - C. 5 months
 - D. 6 months
7. Patrick K, an employee of the ABC Company, paid \$2,350 in SOCIAL SECURITY TAXES based on his earnings for the year. The company would have paid how much additional in Social Security taxes based solely on Patrick's earnings for the year?
 - A. \$1,250
 - B. \$1,825
 - C. \$1,175
 - D. \$2,350
8. How many quarters of coverage must be accumulated to achieve fully insured status under the Social Security Program?
 - A. 30
 - B. 40
 - C. 60
 - D. 100
9. A married man retires under OASDI at full retirement age. When his wife turns her full retirement age, is she entitled to receive an additional amount equal to a portion of his Monthly Retirement Benefit?
 - A. No
 - B. Yes, she will receive 50% of his monthly payment or hers, whichever is higher
 - C. Yes, she will receive 25% of his monthly payment
 - D. Yes, she will receive 75% of his monthly payment
10. The maximum monetary lump-sum death benefit under Social Security is:
 - A. \$400
 - B. \$255
 - C. \$391
 - D. \$500

11. To receive Social Security benefits, an individual must be currently insured or fully insured. If you are currently insured, for which benefits are you eligible?
 - A. Survivorship benefits
 - B. Disability benefits
 - C. Lump-sum death benefit
 - D. Old age retirement benefits

12. All of the following statements about SOCIAL SECURITY TAXES are true, EXCEPT:
 - A. Such taxes are paid each year by employees, employers, and self-employed persons
 - B. An employee pays a Social Security tax on his or her annual earned income up to the amount of a designated wage base
 - C. Social Security tax rates are subject to change
 - D. Self-employed persons pay a lower tax rate than do employed persons, although their tax is figured on the same wage base

13. Family needs not covered by Social Security include the following, EXCEPT:
 - A. Education funds
 - B. Mortgage insurance funds
 - C. Dependency period income
 - D. A solid base on which to build for family security

Unit Twelve*Social Security**Answer Key & Rationale*

1. B Social Security provides Retirement income, Survivors income, and Disability income
2. C Based on the Average Indexed Monthly Earnings (AIME) that were subject to the FICA tax
3. A If you have reached your required number of quarters, you are then considered to be "fully insured."
4. D "D" is wrong because reduced benefits are available at age 62
5. C You must be Fully Insured and must be considered disabled by Social Security definition
6. C 5 months **Memorize This One!** Social Security does not pay short term benefits
7. D The employee and the employer each pay .765% of the employee's wages each year. In this case \$2,350 each
8. B 40 quarters **Memorize**
9. B Spouse benefit at his or her full retirement age is 50% of the PIA, whichever is higher
10. B \$255 **Memorize**
11. C Lump sum death benefit only (\$255)
12. D Self-employed persons pay as an EMPLOYEE AND EMPLOYER (153%)
13. D A solid base on which to build for family security
DOES NOT COVER A-B-C Watch those double negatives

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Unit Thirteen
Retirement Plans

1. An employee has a non-qualified retirement program at her job. All of the following statements are true EXCEPT:
 - A. During the accumulation period, the employer will pay tax on any interest and/or capital gains earned by the account
 - B. The employer receives no deduction for payment until the money is transferred
 - C. Because the plan is non-qualified, the IRS does not care if the agreement is in writing
 - D. The employee must pay income tax upon constructive receipt
2. An artist defers taxes on part of the commissions she receives from her artwork through the use of a Keogh plan. She is also a part-time employee of a company without pension or profit-sharing benefits. The artist can
 - A. Combine the earned salary with her existing Keogh plan
 - B. Set up a new Keogh plan
 - C. Set up a new IRA and make deductible contributions
 - D. Do none of the above
3. A client of yours works full time for the XYZ Company. He is covered by a qualified pension plan. He also works for the local hardware store part-time to make a few extra dollars. The hardware store offers no retirement plan. Your client can
 - A. Deposit up to 25% of his income from the hardware store into his own Keogh plan
 - B. Not start any other plan
 - C. Ask XYZ to deposit extra money in his plan because of his other income
 - D. Start his own IRA
4. All of the following statements is (are) true regarding qualified pension funds EXCEPT:
 - A. Every month the employer must update the current status of all accounts
 - B. They must not discriminate
 - C. They must have a vesting schedule
 - D. They must be in writing
5. The contributions made to a qualified pension plan may be based on
 - A. Years of service
 - B. Compensation received
 - C. The employer's profit
 - D. All of the above
6. All of the following would be eligible under the Keogh plan EXCEPT:
 - A. Executive employed by a corporation who received \$5,000 in stock options
 - B. Self-employed doctor
 - C. Engineer receiving extra compensation as an outside consultant
 - D. Advertising executive who made \$5,000 during the year free-lancing
7. A husband and wife are both employed, and each qualifies to open an IRA. To make their maximum allowable contributions, they should open
 - A. A joint IRA and deposit \$3,000
 - B. A joint IRA and deposit \$6,000
 - C. Two separate IRAs and deposit up to the maximum allowable contribution each
 - D. Two separate IRAs and deposit \$3,250

8. Which of the following statements describes a disadvantage of a nonqualified deferred compensation plan?
- A. The funds accumulate under the plan on a tax-deferred basis
 - B. Funds are designed to aid the employees at retirement time
 - C. Deferred compensation plans are of value only to the highest-paid employees of the corporation
 - D. In the case of business bankruptcy, it might occur that there are no funds available to pay the deferred compensation to retired employees
9. All of the following statements concerning IRA contributions are true EXCEPT:
- A. Between January 1st and April 15th, contributions may be made for the current year, the past year or both
 - B. Contributions for the past year may be made after April 15th, provided an extension has been filed on a timely basis
 - C. If you pay your tax on January 15th, you can still deduct your IRA contribution even if not made until April 15th
 - D. Contributions can be paid into this year's IRA from January 1st of this year until April 15th of next year
10. What was the primary purpose for establishing ERISA?
- A. To establish a retirement fund for government employees
 - B. To establish a means for self-employed persons to provide for their own retirement
 - C. To protect employees from the mishandling of retirement funds by corporations and unions
 - D. To provide all employees, both government and non-government, with an additional source of retirement income in the event the Social security system defaults
11. Who is eligible to set up an INDIVIDUAL RETIREMENT ACCOUNT or ANNUITY (IRA)?
- A. Any individual between the ages of 21 and 75
 - B. Any person younger than age 72 who is self-employed or working for an employer
 - C. Anyone who is not participating in a formal pension or profit-sharing plan
 - D. Any person 21 years of age or over who is an employee or self-employed
12. In a defined benefit plan
- A. All employees receive the same benefits at retirement
 - B. All participating employees are immediately vested
 - C. High-income employees who are near retirement will benefit the most
 - D. The same amount must be contributed for each eligible employee
13. Which of the following are true about a qualified, noncontributory defined benefit plan?
- A. Distributions are taxable
 - B. Contributions are taxable
 - C. Contributions may vary
 - D. None of the above
14. All the following statements about a Qualified Pension Plan are true EXCEPT:
- A. It may include medical insurance for all participants
 - B. It must comply with various requirements of the IRS
 - C. It gives certain tax advantages to both the employer and employee
 - D. It may include life insurance
15. The Pension Plan in which the employee's retirement income is most easily determined is:
- A. Profit-Sharing
 - B. Defined Contribution
 - C. Defined Benefit
 - D. Guaranteed Renewable

-
16. An employer's allowable maximum annual contribution for an employee to a SIMPLIFIED EMPLOYEE PENSION (SEP) is:
- A. The lesser of 30% of compensation or \$15,000
 - B. 25% of compensation or a limit set by law, whichever is less
 - C. The lesser of 20% of salary or wages or \$10,000
 - D. The greater of \$20,000 or 10% of compensation
17. After receiving an IRA distribution, tax-free rollover to another IRA must be made within:
- A. 90 days
 - B. 60 days
 - C. 30 days
 - D. One year
18. Employees of the following type of organizations generally may participate in TAX-SHELTERED ANNUITY 403(b) plans:
- A. Professional sports associations
 - B. Small business enterprises
 - C. Professional corporations
 - D. Public school systems

Unit Thirteen*Retirement Plans**Answer Key & Rationale*

1. A Non-qualified plans do not require IRS approval. The accumulations are tax-deferred
2. C An IRA is available to anyone under the age of 72 who has earned income. Her part-time business also entitles her to have a Keogh plan
3. D Whether he has one job or two, he can still start his own IRA and make contributions up to \$2,000 per year. The deductible amount will depend on his total earned income from both jobs
4. A The update must be done every year(annually)
5. D Eligibility requirements are age 21 or older with one year of service Contributions made may be based on your salary, and it could be a profit-sharing plan
6. A A Keogh plan is a qualified retirement plan designed for unincorporated businesses
 - a. C Each one deposits up to the maximum allowable contribution in his/her IRA. They declare a contribution of twice that amount on their JOINT TAX RETURN
7. D No Funds; No Pay
8. B The contribution must still be made no later than April 15th. The extension is for filing only
9. C The purpose of ERISA is to protect the rights of workers covered under an employer-sponsored plan
10. B Remember, anyone under the age of 72 can set up a retirement plan
11. C The benefits are defined by formula or flat amount
12. A Distributions are fully taxable as ordinary income when received In a Defined benefit plan, only the benefits are defined
13. A Medical insurance is not included in a pension plan
14. C The benefit is defined by a formula, or it could be a flat benefit determined by the employer
15. B 25% of compensation or a limit set by law, whichever is less
16. B A distribution received is eligible for a tax-free rollover if done within 60 days
17. D Designed for nonprofit charitable, educational, religious, and other 501(c)(3) organizations, including teachers in public school systems

Unit Fourteen**Uses of Life Insurance**

1. All of the following are typical of a SPLIT-DOLLAR LIFE insurance policy purchased by an employer and employee, EXCEPT:
 - A. It provides low-cost life insurance for the employee
 - B. If the insured dies, the employer retrieves the money it paid for premiums
 - C. The premium cost is split 50-50 between the insured and the employee
 - D. The employer contributes to the premium each year an amount equal to the increase in the policy's cash value
2. A form of business life insurance under which the cost of the policy is divided between a key person in the business and the employer is known as:
 - A. Stock-Redemption Insurance
 - B. Split-Dollar Insurance
 - C. Cross-Purchase Insurance
 - D. Deferred Compensation Insurance
3. Which of the following is a form of Business Life Insurance?
 - A. Insurance to fund a Buy and Sell Agreement
 - B. Deferred Compensation
 - C. Key Person Insurance
 - D. All of the above
4. A partnership insurance plan may be established by which of the following arrangements?
 - A. A Cross-Purchase Plan
 - B. A Stock-Redemption Plan
 - C. A Stock-Purchase Plan
 - D. A Stock-Retirement Plan
5. Which of the following is not associated with the "Clean Up Fund"?
 - A. Readjustment Income
 - B. Burial Costs
 - C. Current Debts
 - D. Estate Taxes
6. The capitalized value (at the prevailing rate of interest) of the family's share of an Insured's current earning power, which is required for the support of his dependents, is known as:
 - A. Insurance Value
 - B. Net Worth
 - C. Human Life Value
 - D. Surplus
7. What is the name of the form of life insurance co-ownership used primarily by an employer to help an employee carry life insurance protection needed by the employee's family?
 - A. Key Person Insurance
 - B. Deferred Compensation Insurance
 - C. Split-Dollar Insurance
 - D. Business Continuation Insurance
8. With a relatively large number of stockholders in a close corporation, which type of BUY-SELL PLAN generally would be most efficient?
 - A. Cross-purchase plan
 - B. Entity plan
 - C. Qualified buy-sell plan
 - D. Stock-redemption plan
9. Several partners individually agree to purchase the interest of a potentially deceased partner. The executor of the deceased partner's estate is directed to sell the interest in the partnership directly to the surviving partners. Which BUY-SELL PLAN is this?
 - A. Entity plan
 - B. Qualified buy-sell plan
 - C. Cross-purchase plan
 - D. Heirs' purchase plan

10. Which of the following is not an income need period recognized for survivors in life insurance planning?
- A. Readjustment Period
 - B. Dependency Period
 - C. Emergency Period
 - D. Surviving Spouse Life Income Period
11. Which of the following is not classified as a cash need in life insurance planning?
- A. Clean up fund
 - B. Educational fund
 - C. Emergency fund
 - D. Retirement Income
12. The following are income needs with which life insurance planners must be concerned. Which of the following income needs is distinctive from the other three?
- A. Readjustment Income
 - B. Dependency Income
 - C. Life Income for Surviving Spouse
 - D. Retirement Income
13. Which of the following best describes the capitalization of the human life value? It is the:
- A. Amount that a family needs to live, subtracting the money which is required by the wage earner
 - B. The monetary value that can be attributed to human life in terms of that individual's earning power
 - C. Interest that can be earned annually on the income generated by interest on the death benefit
 - D. Calculation by the underwriter of future monetary needs of the family
14. According to one concept, a person's HUMAN LIFE VALUE can be expressed by:
- A. Discounting future family income and adding a reasonable amount for interest
 - B. Counting the number of years to retirement and multiplying that figure by estimated annual earnings
 - C. Discounting estimated future net earnings used for family purposes at a reasonable rate of interest
 - D. Estimating total family income and then subtracting spouse's income and personal expenses from the total
15. Consider an ENTITY PLAN in a four-person partnership worth \$400,000, in which each partner has an equal interest. How much life insurance would the partnership purchase on the life of each partner?
- A. \$25,000
 - B. \$50,000
 - C. \$100,000
 - D. \$400,000
16. What occurs in a PARTNERSHIP when there is no agreement between the partners, and one of the partners dies?
- A. The surviving partner has six months in which to reorganize the business and to choose a new partner
 - B. The heirs of the deceased partner retain that portion of the business and continue the partnership with the surviving partner
 - C. The surviving partner continues the business and shares the assets with the deceased partner's heirs
 - D. The partnership is dissolved, so this terminates the surviving partner's authority to act for the partnership except to wind up the firm's affairs
17. In a three-person partnership, a CROSS-PURCHASE PLAN requires how many different life insurance policies?
- A. Two policies
 - B. Three policies
 - C. Six policies
 - D. Nine policies

18. The programming of a client's Life Insurance enables an Agent to establish that Life Insurance is the most logical way to pay Clean-Up expenses. All of the following financial needs would be taken care of by a Clean-Up Fund EXCEPT:
- A. Funeral expenses
 - B. Unpaid bills for medical services
 - C. Provide for college education of children
 - D. Outstanding current bills
19. Which of the following are the objectives of Business Life Insurance?
- A. To provide for the orderly liquidation of the business at a fair value
 - B. To permit the continuation of a business for the benefit of the surviving business associates
 - C. Credit stabilization
 - D. All of the above
20. In a three-person partnership, a CROSS-PURCHASE PLAN requires how many different life and health policies to fund a "fully funded" BUY-SELL PLAN?
- A. Three
 - B. Six
 - C. Nine
 - D. Twelve

Unit Fourteen*Uses of Life Insurance**Answer Key & Rationale*

1. C The employer pays an amount equal to the increase in the policy's cash value and the employee pays the balance of the premium
2. B The question is the definition of Split-Dollar Insurance
3. D All fall in the category of Business Life Insurance
4. A A Cross-Purchase Plan would probably be used for a partnership of 3 or fewer partners. Otherwise, an Entity Plan would be advisable. In a Cross-Purchase Plan, the buy-sell agreement is between the partners. The partnership is not a party to the agreement
5. A Readjustment Income is not included in the "Clean Up Fund," aka "final expense fund" It is considered to be the "monthly income fund."
6. C The Human Life Value concept: determining the economic value of a person by discounting estimated future net earnings used for family purposes at a reasonable rate of interest
7. C The employer and employee share the premium costs. The employer pays the increase in the cash value each year, and the employee pays the balance of the premium
8. D A Cross-purchase plan would require too many policies
9. C Each partner would own policies on each of the other partners
10. C The Emergency Fund is for emergencies
11. D Retirement income is not an immediate cash need, as is the other choices
12. D A, B, and C provides income for the dependents if the insured should die Retirement Income need is to supplement Social Security or other retirement income
13. B The Human Life Value is the value today of an individual's future earnings that are devoted to his or her dependents
19. C The Human Life Value concept: determining the economic value of a person by discounting estimated future net earnings used for family purposes at a reasonable rate of interest
14. C The PARTNERSHIP would own a \$100,000 policy on the life of each partner. Only four policies would be needed
15. D The partnership is dissolved, and the surviving partner has the fiduciary responsibility to liquidate the assets of the partnership
16. C Formula: 3 Partners: $3 \times 3 - 3 = 6$ 4 Partners: $4 \times 4 - 4 = 12$, etc.

17. C The Education Fund does not fall in the category of “final expenses.”
18. D “A” and “B” describe funding a buy-sell agreement. Banks and suppliers, for example, look favorably upon a business that provides business life insurance. Also, business credit could be affected.
19. D 12--Six life policies and six health (Disability Income) policies

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Unit Fifteen**Introduction to Health Insurance**

1. Concerning GROUP health insurance plans, which of the following is a correct statement?
 - A. Experience-rated refunds are guaranteed
 - B. Group health insurance plans generally are nonparticipating
 - C. Plans issued by mutual companies usually provide for dividends
 - D. A group policy that is experience-rated does not make premium reductions retroactive
2. INDIVIDUAL health insurance policies usually are written on which basis?
 - A. Distinctive
 - B. Flexible
 - C. Average
 - D. Nonparticipating
3. A company's unpaid claim reserve is
 - A. The same as the unearned premium reserve
 - B. An estimate of the company's liability on open claims
 - C. Money held for those persons who have not applied for benefits under their policy
 - D. The same as the earned premium reserve
5. Benefits cannot be reduced, premiums cannot be raised, and coverage cannot be canceled
Answer _____
6. Jack Stevens has a health insurance policy that permits him to renew the policy to age 60 by payment of renewal premiums, and that permits the insurance company to change the premium for any class of insureds on any renewal date. Mr. Stevens' policy is
 - A. Optionally renewable
 - B. Adjustable
 - C. Non-cancelable
 - D. Guaranteed renewable
7. Each of the following is a function of accident insurance EXCEPT:
 - A. To provide benefits for the accidental loss of life, limb, or sight
 - B. To provide benefits for the accidental loss of time away from the job as a result of an accident
 - C. To provide benefits for the payment of hospital, surgical, and medical expenses incurred in the treatment of accidental injuries
 - D. To provide benefits for the loss of time away from the job as a result of sickness

Questions 4 & 5

Select the contract status listed below that best fits each of the descriptions

- A. Non-cancelable
 - B. Guaranteed Renewable
 - C. Conditionally Renewable
 - D. Optionally Renewable
4. The policyowner has no guarantee of renewal, and the insurance company may refuse to renew the policy at the next premium due date

Answer _____

Unit Fifteen*Introduction to Health Insurance**Answer Key & Rationale*

1. C Mutual companies provide for dividends: Stock companies provide for experience-rated refunds and may make reductions retroactive
2. D Today, due to the high cost of medical care and the desire to keep premiums affordable, individual health policies are issued on a nonparticipating basis
3. B The claim has occurred but has not been completed
4. D Renewable at the option of the company on the anniversary date or next premium Due date
5. A This policy cannot be changed in any way
6. D Must be renewed, but premiums may be raised on a class basis on the anniversary date
7. D Accident insurance covers accidents only, not sickness

Unit Sixteen**Health Insurance Providers**

1. All of the following statements apply to BLUE CROSS and/or BLUE SHIELD, EXCEPT:
 - A. Both are voluntary, nonprofit organizations
 - B. Under a Blue Cross hospital plan, the insured is billed directly for covered services received in a member hospital
 - C. Both Blue Cross and Blue Shield have contractual arrangements with hospitals and participating physicians as to rate or fee schedules
 - D. Blue Cross plans are designed primarily to provide hospital benefits

2. Which of the following statements about Medicaid is (are) true?
 - A. It is one of the benefits of Medicare
 - B. It is funded entirely by state governments
 - C. It is a state program
 - D. It is funded by both state and federal governments

3. Which is a correct statement concerning HEALTH MAINTENANCE ORGANIZATIONS (HMOs)?
 - A. They place special emphasis on preventive health care
 - B. Participants pay a one-time, fixed fee in advance for health-care services
 - C. HMOs generally are owned by life insurance companies
 - D. They primarily provide emergency type treatment for their members

4. WORKERS' COMPENSATION covers income loss resulting from:
 - A. Work-related disabilities
 - B. Plant closings
 - C. Any accidental injury
 - D. Workers being terminated

5. Generally, Social Security disability benefits are funded through
 - A. Employer-paid surcharges on gross income
 - B. Payroll taxes
 - C. Monthly premiums paid electively
 - D. Private insurance carriers

Questions 6-7-8

Directions: Select the health delivery program listed below that is most applicable to each of the following:

- A. Blue Shield
 - B. Medicare
 - C. Medicaid
 - D. Blue Cross
6. This program was established to help states expand their public assistance programs for individuals whose income and resources are insufficient

Answer _____
 7. This program was established originally to help hospitals collect bills and to protect their solvency

Answer _____
 8. This program is made up of two parts, and the insured helps to pay for one of these parts

Answer _____

9. How long is the waiting period before a person may file a claim for Social Security DISABILITY BENEFITS?
- A. Twelve months
 - B. Five months
 - C. Three months
 - D. Six months
10. A third party administrator is
- A. An outside consultant who evaluates the quality of group health and welfare benefits
 - B. An outside organization that manages employers' self-insurance funds
 - C. A legal entity that makes group insurance available to small employers
 - D. An arbitrator who works to settle high-value health insurance claims
11. Which of the following definitions of total disability is employed in the Social Security Program to determine eligibility for disability income benefits?
- A. Inability to engage in "any" substantial gainful activity
 - B. Inability to engage in "his or her own" occupation
 - C. Inability to engage in "any occupation for which he or she is qualified by education, training, or experience."
 - D. A and B combined
12. To be eligible for Social Security DISABILITY BENEFITS, an applicant must:
- A. Have a disability that can be expected to result in death or to last six months, or be the result of blindness
 - B. Be under the age of 60
 - C. Have a "fully insured" status
 - D. First, enroll in a state vocational rehabilitation program

Unit Sixteen*Health Insurance Providers**Answer Key & Rationale*

1. B Bills are sent to Blue Cross for hospital services. The Subscriber is billed only for deductibles or coinsurance, if any
2. D Medicaid, which provides medical care for the needy, is funded by both state and federal governments
3. A B is wrong because the fee is monthly, not one time C is wrong because HMO's are not insurance companies and were started by individuals as well as other organizations. D is wrong because HMO's stress preventive care as well as emergency treatment
4. A WORKERS' COMPENSATION covers on the job accidents and sickness
5. B FICA tax: a portion of this tax funds Social Security Disability benefits
6. C A state and federal program that provides medical care for the needy (low-income families and individuals)
7. D Payments for services are made directly by Blue Cross to the hospitals
8. B Medicare Part A is free Medicare Part B is voluntary, and a monthly premium is required by the participants
9. B Five months **MEMORIZE!**
10. B Employers who provide coverage through self-insured plans would have an outside organization manage the funds (i.e., process claims, etc.) AKA TPA
11. A Social Security Disability has a very strict definition. Most claims are denied
12. C Fully insured status (required number of quarters)
A is wrong because disability is expected to last twelve months, not six
B is not a good choice Applicant must be under age 65
D is not a requirement

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Unit Seventeen**Medical Expense Insurance**

1. In major medical insurance, the insured is required to continuously bear a percentage of the cost of health care services being received. This requirement is a claims control device and is called which of the following?
 - A. Deductible requirement
 - B. Accumulation requirement
 - C. Maximum benefit requirement
 - D. Participation requirement
2. Major medical insurance plans usually contain a stated maximum benefit period. This is the time period over which eligible expenses will be paid after a deductible has been satisfied. In the case of a continuing illness, what happens when the maximum benefit period expires?
 - A. All payments for that illness cease forever
 - B. A new deductible must be met to reestablish a new benefit period
 - C. The policy terminates
 - D. The policy continues to pay expenses without interruption
3. Mr. X is covered by a major medical expense policy with a 75%-25% co-insurance feature and a \$100 deductible. Mr. X has a total medical bill of \$21,000. How much is Mr. X required to pay?
 - A. \$1,500
 - B. \$600
 - C. \$1,600
 - D. \$100
4. All of the following statements about "basic coverage" under medical-expense policies are correct, except which one?
 - A. Basic coverage benefits are subject to very large deductibles
 - B. Benefits under basic coverage are on the "allocated" basis
 - C. Hospital benefits begin on the first day of confinement
 - D. Surgical coverage begins with the first dollar of professional fees for a surgical procedure
5. The "daily hospital-expense benefit" is designed to cover which of the following?
 - A. Charges for room and board, general nursing care, and other routine services covered by the hospitals per diem charge
 - B. All routine hospital expenses without regard to the number of days of hospital confinement
 - C. Unlimited room and board
 - D. None of the above
6. A "miscellaneous hospital-expense benefit" usually covers which of the following expenses?
 - A. Miscellaneous hospital expenses only with respect to out-patients
 - B. All hospital expenses above the normal internal limits set by the policy
 - C. All hospital expenses not applied toward the deductible
 - D. Charges for hospital services and supplies not within the scope of the hospital's per diem charge
7. Which of the following statements about "basic medical expense" policies is or are correct?
 - A. Under basic coverage, hospital confinement benefits begin with the seventh day of hospital stay
 - B. Under major medical policies, coverage is provided for the first dollar of medical expense
 - C. Miscellaneous expenses are covered under major medical policies
 - D. There are no deductibles and no coinsurance in basic medical policies
8. Many Hospital Expense policies do not state specific unit or dollar benefit amounts for items such as room and board or surgical procedures. Instead, upon what charges for like services in the same location are payments based?
 - A. Stated
 - B. Usual, or reasonable and customary
 - C. Designated
 - D. Percentage of stated

9. Concerning HOSPITAL INDEMNITY policies, all of the following statements are true, EXCEPT:
- A. They pay a daily, weekly, or monthly benefit of a specified amount
 - B. To receive benefits, the insured must be a patient in a hospital
 - C. Benefits usually are paid directly to the hospital
 - D. Claim costs are not always affected by increases in medical costs
10. The expression, FIRST DOLLAR, often used to describe benefits payable by which type of policy?
- A. Basic hospital
 - B. Disability Income
 - C. Business Overhead
 - D. Accidental Death and Dismemberment
11. Which of the following benefit sections of a basic medical expense insurance plan covers expenses billed by a hospital for services other than room and board?
- A. Surgical Expense Benefit
 - B. Miscellaneous Hospital Expense Benefit
 - C. Hospital Room and Board Benefit
 - D. Ambulatory Care Benefit
12. After an insured's out-of-pocket payments for eligible medical expenses reach a specified total, a STOP LOSS provision in a Major Medical policy provides for payment of what percentage of covered expenses?
- A. 75%
 - B. 100%
 - C. 80%
 - D. 50%
13. A Hospital Expense policy that pays a FLAT AMOUNT per day for hospital room and board pays benefits on what basis?
- A. Billing
 - B. Reimbursement
 - C. Automatic
 - D. Indemnity
14. In some policies, a "relative value schedule" for SURGICAL procedures shows which of the following for each type of operation?
- A. Benefit percentage
 - B. Unit value
 - C. Dollar amount
 - D. Customary charge
15. Rose M receives a hospital bill for \$9,500 after being released from the hospital. Her MAJOR MEDICAL policy has a \$500 deductible and an 80%-20% coinsurance feature. Of the total expense, how much will Rose have to pay?
- A. \$1,800
 - B. \$500
 - C. \$2,300
 - D. \$1,900
16. An insured has a MAJOR MEDICAL policy that calls for a flat \$2,000 deductible and 80 percent -20 percent participation. If the insured incurs medical expenses of \$6,000, he would receive benefits of
- A. \$2,000
 - B. \$3,200
 - C. \$4,800
 - D. \$5,000
17. How are benefits usually stated in a HOSPITAL EXPENSE policy?
- A. Daily Room and Board benefits are expressed as a stated amount per day with a maximum number of days paid
 - B. Miscellaneous Expense benefits are expressed as a multiple of the Daily Hospital benefit
 - C. Both A and B
 - D. Neither A nor B

18. An individual owns a Hospital Expense policy and a Surgical Expense policy. The Hospital policy pays \$100 a day for hospital room and board, and a maximum of \$1,000 for miscellaneous hospital charges. The Surgical policy pays a maximum of \$500 for any one operation. If the insured was hospitalized for ten days and had charges of \$200 a day for hospital room and board, \$1,500 for miscellaneous expenses, and \$2,000 for the surgical expense (a maximum procedure under the policy), what would the two policies pay?
- A. \$1,000
 - B. \$2,500
 - C. \$3,500
 - D. \$5,500
19. A basic medical expense health insurance policy covers all or part of the following expenses EXCEPT:
- A. Hospital costs for room and board
 - B. Physicians' charges
 - C. Surgery
 - D. Disability following hospitalization
20. James Brown has a hospital indemnity policy that has the following benefits:
Room and Board: \$200 per day, up to 60 days
Miscellaneous Expenses: 10 x the basic limit
Unscheduled Surgical Expense: \$1500
- If Mr. Brown is hospitalized for 20 days, has surgery that costs \$3,000, miscellaneous expenses of \$2,500, how much would his insurance policy pay?
- A. \$8,000
 - B. \$7,500
 - C. \$8,500
 - D. \$9,000

Unit Seventeen*Medical Expense Insurance**Answer Key & Rationale*

1. D Participation requirement is synonymous with "coinsurance" (i.e., 80%-20%). The company pays 80%, and the insured pays 20%
2. B This one pertains to "deductibles" For example, if an insured had a Calendar Year Deductible, he/she would be required to satisfy the deductible each year, so the maximum benefit period in this case is one year
3. B

Total bill	=	\$2,100	insured pays
Deductible	=	<u>-100</u>	\$100
Balance due	=	\$2,000 X 25% =	<u>\$500</u>
			\$600
4. A Basic Coverage provides for "first dollar" benefits. In other words, No Deductible and No Coinsurance
5. A These policies are usually limited in the number of days covered
6. D Miscellaneous expenses are usually a multiple of the Room and Board amount. (10 or 20 times Room and Board)
7. D Basic coverage provides for "first day," "first dollar" coverage. Major medical policies have deductibles and coinsurance
8. B Usual, or reasonable and customary for the geographic area
9. C Benefits are paid directly to the insured
10. A Basic hospital plans provide for FIRST DOLLAR coverage, meaning there are no deductibles nor is there any coinsurance to pay
11. B Miscellaneous Hospital Expense Benefit is covered under Basic Medical Expressed as a multiple of the daily Room and Board benefit
12. B

Example: Major Medical Plan with a STOP LOSS provision: AMT \$1,000
 Coinsurance 80% - 20% of the first \$5,000 (\$1,000)

Tot Bill	Insured Pays	Company Pays
\$50,000	\$1,000	\$49,000
13. D Pays a flat amount (i.e., \$100 per day) regardless of the actual hospital charge. This amount is paid to the insured
14. B

A number of points are assigned to surgical procedures
 Example: Triple heart bypass = 1000 points
 Appendectomy = 200 points
15. C

Subtract the deductible from the total bill (\$9500-\$500=\$9000)
 Rose M Pays \$9000 x 20% = \$1800 + \$500 (deductible) = \$2,300

16. B Bill Deductible Balance x Coinsurance Benefit
 $\$6,000 - \$2,000 =$ $\$4,000 \times 80\%$ (co Pays) = $\$3,200$
17. C Example: Room and Board = \$200 per day up to 20 days
 Misc Expense = 10 times room and board = \$2,000
18. B All of the charges were higher than the policy maximums, therefore, only the maximums would be paid \$100 per day for 10 days = \$1,000
 $\$1,000$ Misc Expense = \$1,000
 $\$ 500$ Surgery = \$ 500
 \$2,500
19. D Basic Medical covers medical expenses, not wages
20. B
- | Actual Expenses | Maximum Benefits | | |
|-----------------------------|------------------|---|----------------|
| Room and Board---\$4,000 | R&B \$200 x 20 | = | \$4,000 |
| Misc Expense-----\$2,500 | Misc \$200 x 10 | = | \$2,000 |
| Surgery----- <u>\$3,000</u> | Surgery \$1,500 | = | <u>\$1,500</u> |
| Total-----\$9,500 | Total | = | \$7,500 |

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Unit Eighteen**Disability Income Insurance**

1. The following are four specific definitions of "total" disability used in disability income insurance. From the insured's viewpoint, which of the following is most liberal?
 - A. The inability of the insured to engage in "any" occupation for wage or profit
 - B. The inability of the insured to engage in "his/her own" occupation for wage or profit
 - C. The inability of the insured to engage in "any occupation for which he or she is reasonably suited by education, training or experience" for wage or profit
 - D. A combination of two of the above using a more liberal definition for the initial period of disability then changing to a more strict definition for the remainder of the disability
2. Which of the following statements regarding the "elimination period" commonly found in disability income policies is correct?
 - A. The period of time immediately following the effective date of the policy during which no benefits are payable
 - B. The elimination period can be compared to a deductible in medical insurance
 - C. Elimination period is another term for Probationary period
 - D. The longer the elimination period, the higher the premium for comparable disability benefits
3. The "probationary period" commonly found in accident and health insurance policies is:
 - A. A provision that specified illnesses contracted within a certain number of days after the effective date of the policy are not covered
 - B. The period of time between the issue date of the policy and the acceptance by the insured for which no coverage exists for illnesses
 - C. The same as the "elimination period"
 - D. The specified number of days after an insurance policy's issue date during which coverage is not afforded for sickness of any kind
4. The "Waiver of Premium Provision" is characterized by which of the following?
 - A. If total disability continues beyond a stated period of time, all premiums thereafter will be waived during such period of total disability
 - B. Operation of this provision will prevent inadvertent lapsing of the policy
 - C. Both A and B
 - D. Neither A nor B
5. The following are four specific definitions of "total" disability used in disability income insurance. From the insured's viewpoint, which of the above is most strict?
 - A. The inability of the insured to engage in "any" occupation for wage or profit
 - B. The inability of the insured to engage in "his/her own" occupation for wage or profit
 - C. The inability of the insured to engage in "any occupation for which he or she is reasonably suited by education, training or experience" for wage or profit
 - D. A combination of two of the above using a more liberal definition for the initial period of disability then changing to a more strict definition for the remainder of the disability

6. Under some policies, an injury that DOES NOT QUALIFY the insured for monthly Disability Income benefits may make the insured eligible for:
- A. Outpatient treatment
 - B. An emergency room benefit
 - C. Medical expense reimbursement
 - D. A non-disabling injury benefit
7. PARTIAL DISABILITY benefits generally are payable to eligible insureds for a maximum of:
- A. Benefit period
 - B. Six weeks
 - C. One year
 - D. Two months
8. A recurrent disability is
- A. A total disability that recurs at periods of not less than 30 days
 - B. A partial disability that recurs at periods of not less than 60 days
 - C. A disability that is due to the same or related cause of prior disability
 - D. A total disability that is due to the same or related cause of prior disability
9. Under what conditions could an insured receive both total and partial disability benefits for the same accidental injury?
- A. The insured may be totally disabled for a period of time, then partially disabled for the remainder of the time
 - B. The insured may be totally disabled as the result of the accident, then partially disabled as the result of a sickness following the accident
 - C. Both A and B
 - D. Neither A nor B
10. What effect does a cost-of-living increase in Social Security have on benefits from disability income policies?
- A. The disability income payments would be proportionately reduced
 - B. No effect whatsoever
 - C. Both A and B
 - D. Neither A nor B
11. PARTIAL DISABILITY benefits generally represent what percentage of the maximum monthly benefits payable under Disability Income policies?
- A. 70%
 - B. 50%
 - C. 60%
 - D. 30%
12. Mary Adams owned a Disability Income policy providing a 10-year accident and 10-year sickness insurance benefit period. The policy had a 7-day Elimination (Waiting) Period provision for sickness plus a 30-day Probationary (Waiting) Period provision. If Ms Adams was hospitalized for an illness 9 days after the effective date of the policy, the maximum coverage immediately available would be which of the following, if any?
- A. 20 years of sickness benefits
 - B. 10 years of sickness benefits
 - C. 21 days of sickness benefits
 - D. None of the above
13. Disability income policies are characterized by which one of the following features.
- A. Provides weekly or monthly indemnity payments for a specified period during the continuance of total and permanent disability
 - B. Benefits are subject only to an elimination period
 - C. Cash indemnities are not common in disability
 - D. Offers no hedge against lost wages from occupation brought about by disability

14. Which of the following statements about the optional Change of Occupation provision in a DISABILITY INCOME policy is true?
- A. It requires the insurance company to deny benefits if the insured changes his occupation after the policy is in force
 - B. It establishes the formula by which adjustments are made in policy premiums in the event the insured changes to a more hazardous occupation
 - C. It voids the policy if the insured suffers an otherwise compensable loss while engaged in an illegal occupation
 - D. It sets forth the rights and obligations of the insurance company and the insured in the event the insured engages in a more hazardous occupation
15. Harry P signs an application for a Disability Income policy on June 10, pays the initial premium, and is given a CONDITIONAL RECEIPT. He takes a medical examination, as required, on June 13. The policy is issued as requested on June 20 and delivered to Harry on June 26. When did Harry's Disability Income coverage become effective?
- A. June 10
 - B. June 13
 - C. June 20
 - D. June 26

Unit Eighteen*Income Insurance**Answer Key & Rationale*

1. B "Own occupation" is the most liberal. If a typist cannot type, the claim cannot be denied because he/she can be a file clerk
2. B Benefits begin after the elimination period; often considered to as a deductible
3. D The probationary period is the specified number of days after an insurance policy's issue date during which coverage is not afforded for sickness of any kind
"A" is wrong because it stated specified illnesses
4. C After a waiting period of three or six months, the Waiver of Premium Rider exempts the policyowner from paying the premiums during periods of total disability. The policy will not lapse because the premium is being paid by the company through the rider
5. A The "any occupation" definition is the strictest EXAMPLE: If a surgeon cannot perform surgery but is able to teach, lecture, etc. no benefits will be paid
6. D Generally pays 10% of weekly or monthly income benefit for medical expense due to a non-disabling injury
7. A Partial disability benefits are payable for no longer than the benefit period
8. C A disability that is due to the same or related cause of prior disability Could be partial or total
9. A You are either totally disabled or partially disabled from accident OR sickness, not both
10. B A totally disabled person may receive benefits from his/her disability income policy and also qualify for social security disability benefits
11. B Partial disability benefit is 50% of the monthly benefit
12. D Mary became ill within the 30-day probationary period. No benefits are payable
13. A Benefits begin after the elimination period and are paid weekly or monthly
14. D It is the obligation of the insured to notify the company of a change of occupation
The company has the right to adjust the benefits accordingly
15. B Coverage became effective on the date the medical was completed

Unit Nineteen***Accidental Death & Dismemberment Insurance***

1. Which of the following accidental injuries would be eligible for dismemberment benefits under an A & H policy?
 - A. Loss of three fingers on the left hand
 - B. Partial loss of sight in one eye as the result of a welding accident
 - C. Loss of one leg, below the knee
 - D. All of the above
2. The amount paid to an insured for accidental dismemberment under an A & H policy is technically called
 - A. Capital sum
 - B. Principal sum
 - C. Total sum
 - D. Dismemberment sum
3. With regard to a typical dismemberment provision, the "Principal Sum" is best described by which one of the following?
 - A. Payment of a specific amount for the loss of life due to an accident
 - B. The principal amount payable by the insurer upon the insured's accidental sickness
 - C. Payment of a principal amount for the loss of a hand or foot
 - D. Payment of a minimum sum if death follows the loss of a hand, foot, or eye
4. An insured is covered by an Accidental Death and Dismemberment policy with a \$10,000 principal sum and benefits of one-half the principal sum for a single dismemberment. If she loses a leg due to cancer and seven months later dies from the same illness, the benefits payable under her policy would be which of the following?
 - A. \$0
 - B. \$5,000
 - C. \$10,000
 - D. \$5,000
5. Which of the following statements about Accidental Death and Dismemberment coverage are true?
 - A. Death benefits are paid only if death occurs within 24 hours of an accident
 - B. Dismemberment benefits are paid for certain disabilities that are presumed to be total and permanent
 - C. Accidental Death benefits are paid only if death results from an accidental bodily injury as defined in the policy
 - D. None of the above
6. The beneficiary of an Accidental Death and Dismemberment (AD&D) policy receives \$25,000 after the insured is killed in an auto accident. The \$25,000 death benefit otherwise could be identified as the policy's:
 - A. Primary benefit
 - B. Principal sum
 - C. Maximum figure
 - D. Capital sum
7. Under the terms of the typical individual ACCIDENTAL DEATH and DISMEMBERMENT policy, which of the following would qualify as a dismemberment?
 - A. Gert Gravel loses all the fingers on her left hand in a sledding accident
 - B. Bob Plenty, who is right-handed, permanently loses the use of his right hand and arm as a result of a motorcycle accident
 - C. Both A and B
 - D. Neither A nor B

Unit Nineteen*Accidental Death &**Dismemberment Insurance**Answer Key & Rationale*

1. C Loss of one or more body members or loss of sight in one or both eyes would be eligible for benefits
2. A Capital Sum is the amount paid for an accidental dismemberment. Principal Sum is the amount paid for accidental death
3. A Capital Sum is the amount paid for an accidental dismemberment. Principal Sum is the amount paid for accidental death
4. A AD&D covers loss due to accidents only, not loss due to sickness
5. C Death benefits are paid if death occurs within 90 days of the accident
Dismemberment benefits are paid for the loss of a body member, defined as the actual severance from the body
6. B Capital Sum is the amount paid for an accidental dismemberment Principal Sum is the amount paid for accidental death
7. D No benefit for loss of fingers Dismemberment may be defined as the actual severance of a hand or foot, not loss of use

Unit Twenty**Government Health Insurance Programs**

1. Which of the following types of benefits is not covered by Part B of the Medicare program?
 - A. Surgical Services
 - B. Non-surgical Physicians Services
 - C. Medical Services such as X-rays tests and therapy
 - D. Hospital Room and Board Services

2. Medicare is divided into which of the following parts?
 - A. Comprehensive Medical-Expense Insurance (Part 1) and Hospital/Surgical Insurance (Part 2)
 - B. Accident Insurance (Part A) and Sickness Insurance (Part B)
 - C. Hospital Insurance Plan (Part A) and Medical Insurance (Part B)
 - D. Major-Medical Insurance (Part I) and Hospital Reimbursement Insurance (Part II)

3. Medicare is divided into Parts A (HI) and B (SMI). The following coverages are provided under Part A EXCEPT:
 - A. Inpatient hospital
 - B. Physician services
 - C. Post-hospital home health service
 - D. Post-hospital skilled nursing facility

4. The voluntary Medical Insurance Plan (Part B) of Medicare covers all of the following expenses, except which one?
 - A. Office and house calls
 - B. Diagnostic X-ray and laboratory tests
 - C. Rental of medical equipment
 - D. Prescription drugs

Unit Twenty

Government Health

Insurance Programs

Answer Key & Rationale

1. D Hospital Room and Board Services are covered under Part A
2. C Part A is free (HI) Part B (SMI) is voluntary, and a monthly premium is deducted from Social Security payments from the retirees
3. B Part B covers physician services
4. D Prescription drugs are covered under Part D of Medicare

Unit Twenty-One**Private Insurance Plan for Seniors**

1. Help in walking, getting in and out of bed, dressing and eating is defined as:
 - A. Skilled nursing care
 - B. Custodial care or Activities of Daily Living (ADL's)
 - C. Generally unneeded by the elderly
 - D. Required home health care
2. People generally have to pay some medical costs:
 - A. Only when they do not have a Medicare supplement
 - B. Only when Medicare benefits expire
 - C. Only when they have purchased a basic Medicare supplement with limited coverage
 - D. Even when they have purchased a liberal Medicare supplement with fairly comprehensive coverage
3. If Susan had spent 20 days in the skilled nursing facility, the total co-payment paid by Susan or a supplement is:
 - A. \$255
 - B. \$670
 - C. \$740
 - D. \$0
4. The practice of telling prospects that you are a representative of the US Government promoting the sale of a Medicare supplement policy is:
 - A. An effective selling technique
 - B. Sanctioned by Medicare
 - C. Particularly effective among retired women
 - D. Illegal
5. What is the maximum amount of days of skilled nursing facility care for which Medicare will pay benefits?
 - A. 25
 - B. 60
 - C. 75
 - D. 100
6. The "core policy" (Plan A) developed by the NAIC as a standard Medicare supplement policy Includes all of the following EXCEPT
 - A. Coverage for Part A copayment amounts
 - B. The first three pints of blood each year
 - C. The 20 percent Part B coinsurance amounts for Medicare-approved services
 - D. Coverage for Part B deductible
7. Which of the following is/are a common benefit trigger for a long-term care policy?
 - A. Prior hospitalization
 - B. Acute Illness
 - C. Both a and b
 - D. Neither a nor b
8. Skilled nursing care differs from intermediate care in which of the following ways?
 - A. Skilled care must be performed by skilled medical professionals, whereas intermediate care does not require medical training
 - B. Skilled care must be available 24 hours a day while intermediate care is daily but not 24-hour care
 - C. Skilled care is typically given in a nursing home, while intermediate care is usually given at home
 - D. Skilled care encompasses rehabilitation, while intermediate care is for meeting daily personal needs, such as bathing and dressing
9. All of the following conditions are typically covered in a long-term insurance policy EXCEPT:
 - A. Alzheimer's disease
 - B. Senile dementia
 - C. Non-organic mental conditions
 - D. Parkinson's disease

10. "A broad range of medical, personal and environmental services designed to assist individuals who have lost their ability to remain completely independent in the community."

This statement is best described as

- A. In-house care
- B. Chronic care
- C. Long-term care
- D. Specified care

Unit Twenty-One*Private Insurance Plan for Seniors**Answer Key & Rationale*

1. B Typically, the need for LTC arises when physical or mental conditions, whether acute or chronic, impair a person's ability to perform the basic activities of everyday life
2. D Even with a comprehensive policy, they have to pay some costs
3. D Medicare allows the first 20 days free After 20 days, Susan would pay a copayment
4. D Misrepresentation is always illegal
5. D First 20 days free, the next 80 days requires a co-payment, after 100 days no coverage
6. D "Core" pays a, b, and c, except the Medicare Part B deductible
7. D The benefit "trigger" as a result of HIPAA can only be "chronically ill."
8. B Skilled nursing care "around the clock."
Intermediate nursing care "But 24-hour, supervision not required"
9. C Non-organic mental conditions are excluded
10. C Definition of long-term care

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Unit Twenty-Two**Health Insurance Policy Provisions**

1. The Time Limit on Certain Defenses provision allows an insurance company to contest the validity of an insurance claim for which of the following reasons?
 - A. The insured's age was misstated on the application
 - B. The insured did not disclose on the application a condition that would have affected the insurance company's underwriting decision
 - C. The insured changed occupations before a specified time limit
 - D. All of the above
2. Which of the following statements is (are) true about the Grace Period in a disability insurance policy?
 - A. It continues coverage for a specified time from the premium due date
 - B. It may be waived by the insured
 - C. It need not be included in a cash value policy
 - D. None of the above
3. If reasonably possible, the insured must notify the insurance company about a claim under an A & H policy within
 - A. 30 days
 - B. 20 days
 - C. 45 days
 - D. 90 days
4. How many days must an insured wait after submission of Proof of Loss before taking legal action against an insurance company?
 - A. 30
 - B. 60
 - C. 90
 - D. 180
5. The "Insuring Clause" is designed to do which one of the following?
 - A. List the Exceptions, Exclusions, and Reductions of the policy
 - B. List the policy's limitations and define the risks
 - C. Illustrate the bylaws of the company
 - D. Set forth the Mandatory Uniform Policy Provisions
6. To reinstate a policy, the insured
 - A. Will not have to pay back premiums but will have to submit an application for reinstatement
 - B. Will have to pay all back premiums and may be required to submit an application for reinstatement
 - C. Must reapply for the policy, showing proof of insurability, and an increase in premium will be necessary
 - D. Must apply directly to an executive officer of the company as policies are not normally reinstated
7. An insured has an A & H policy, which the insurance company declines to renew at the policy anniversary date. This policy is
 - A. A guaranteed renewable policy
 - B. A cancelable policy
 - C. A renewable policy
 - D. An optional renewable policy
8. What is a cancelable policy?
 - A. A policy that only the insured may cancel
 - B. A policy that the company may cancel at any time by returning the unearned premium
 - C. A policy that only the insured may cancel at the policy anniversary date
 - D. A policy which the company may not cancel unless the insured has failed to make all premium payments when due

9. What must an insurer do when it receives notice of a claim?
- A. Nothing, wait for further information
 - B. Initiate contact with the providers of health care services
 - C. Supply the insured with proof of loss forms within a specified time period
 - D. Send out a claims' investigator immediately
10. Under the optional provision, ILLEGAL OCCUPATION, which of the following applies if a loss occurs while the insured is participating in a felony or an illegal occupation?
- A. The insured's policy is automatically canceled
 - B. The insurer is not liable for the loss
 - C. Benefits are reduced 50%
 - D. The insurer has the right to increase the premiums
11. The insured is required to submit a notice of claim to the insurance company within how many days after a loss?
- A. 20
 - B. 30
 - C. 60
 - D. 90
12. Which statement describes the purpose of the Uniform Provisions Law?
- A. To provide each state with a law that will permit the use of uniform standard policy provisions, resulting in some standardization of policy forms
 - B. To provide each state with a law that will specify requirements for policy coverage, amount of benefits, and grace periods
 - C. Both A and B
 - D. Neither A nor B
13. An insured's individual health insurance policy was reinstated effective June 1st. On June 8th, the insured became ill, was hospitalized, and returned to work on June 15th. The insured's policy would provide which of the following?
- A. No benefits
 - B. Full benefits
 - C. Benefits from June 11 through June 15
 - D. Partial benefits from June 8 through June 15
14. The Entire Contract provision in an A & H policy states which of the following?
- A. The entire contract is on file with the agent and may be examined by the applicant at any time
 - B. The policy, with attached endorsements and other papers, constitutes the entire contract between the policyowner and the insurance company
 - C. Specific rules, regulations, and procedures concerning the policy are maintained in the insurance company's home office
 - D. The policy delivered to the insured is a brief summary of the entire contract, which is on file with the appropriate state insurance department
15. The Misstatement of Age provision gives the insurance company the right to
- A. Cancel the contract
 - B. Bring suit for fraud
 - C. Reduce dividends payable
 - D. Adjust benefits payable
16. The section of a health policy that states the causes of eligible loss under which an insured is assumed to be disabled is the
- A. Probationary (Waiting) Period provision
 - B. Insuring clause
 - C. Incontestability clause
 - D. Consideration clause

17. If an insurance company fails to notify an applicant that a reinstatement application was not approved, insurance will be placed back in force within how many days?
- A. 90
 - B. 45
 - C. 60
 - D. 20
18. Under the TIME OF PAYMENT OF CLAIMS provision, policies that provide for periodic payment of benefits (e.g., disability income) must pay such benefits at least:
- A. Quarterly
 - B. Monthly
 - C. Bimonthly
 - D. Semiannually
19. When may the wording of a UNIFORM POLICY PROVISION in policies be changed by a company?
- A. Whenever the modified provision is not less favorable to the company
 - B. All that's necessary is that the company's executive committee approve the change
 - C. Such a provision can be changed only when the Chief Financial Officer directs that it be changed
 - D. Whenever the provision, as changed, is not less favorable to the insured or beneficiaries
20. Under the required CLAIM FORMS provision, it is the company's responsibility to supply claim forms to an insured within how many days after receiving notice of claim?
- A. 21
 - B. 7
 - C. 30
 - D. 15

Unit Twenty-Two*Health Insurance Policy Provisions**Answer Key & Rationale*

1. B The Time Limit on Certain Defenses provision consists of the two following parts:
Part I- The policy is incontestable after it has been in force for a certain period of time, usually two years.
Part II- Preexisting conditions (conditions not disclosed on the application) will not be covered during the first two years
2. A Per the Grace Period Provision, the policyowner is given a number of days after the premium due date during which time the premium payment may be delayed without penalty, and the policy continues in force
3. B MEMORIZE: Insured has 20 days to submit notice of claims
4. B Legal action may be taken after 60 days and within five years. If the claim is contested, the insured must wait 120 days before filing suit
5. B Basically, the “insuring clause” represents a company’s “promise to pay benefits” for specific kinds of losses resulting from sickness or accidents
6. B All back premiums must be paid. The company may or may not request an application
7. D An optionally renewable policy is renewable at the option of the company
8. B The insurer has the right to cancel the policy at any time. Must give 45 days’ written notice and must refund any advanced premium paid
9. C It is the company’s responsibility to supply a claims form to an insured within 15 days after receiving notice of claim
10. B The insurer is not liable for the loss
11. A Memorize: Notice of Claim = 20 days
12. A The purpose of the law was to establish uniform or model terms, provisions, and wording standards for inclusion in all health insurance contracts
13. A Sickness is not covered until ten days after the reinstatement date
14. B Nothing outside of the contract can be considered part of the contract; that is, nothing can be “incorporated by reference.”
15. D Benefit amounts payable in such cases will be what the premiums paid would have purchased at the correct age
16. B The Insuring Clause is the company’s promise to pay benefits for specific kinds of Losses resulting from sickness or accidents

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17. B Florida law! If a reinstatement application is not acted upon within 45 days, the policy is automatically reinstated.
18. B Disability Income payments must be paid at least monthly May be paid at more frequent intervals (For example - every two weeks)
19. D Companies may use different wording as long as the protection is provided and is no less favorable to the insured than the law stipulates
20. D The company must provide claim forms to the insured within 15 days

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Unit Twenty-Three**Health Insurance Underwriting & Premiums**

1. In which of the following situations is a medical examination virtually never required in the health insurance underwriting process?
 - A. When an application is made for large amounts of disability income coverage
 - B. When an application is made for limited accident coverage
 - C. When an application is made for comprehensive medical expense coverage by an older applicant
 - D. When an application uncovers dubious information about an applicant's personal health history
2. In what type of insurance situation is a medical examination virtually never required as part of the application process?
 - A. Accidental Death and Dismemberment Insurance
 - B. Disability Income Insurance
 - C. Major Medical Insurance
 - D. Comprehensive Medical Insurance
3. UNDERWRITING TECHNIQUES commonly used by insurers in issuing policies to applicants who do not measure up to a standard rating include the following, EXCEPT:
 - A. Attaching an exclusion rider or waiver to a policy
 - B. Averaging total risks pending
 - C. Charging an extra premium
 - D. Limiting the type of policy
4. The premium for which of the following policies or riders may be a tax-deductible expense?
 - A. A personal Major Medical policy
 - B. A personal Disability Income policy
 - C. A personal Accidental Death and Dismemberment rider
 - D. A personal Waiver of Premium rider under a life policy
5. Which type of policy generally would require the most comprehensive underwriting?
 - A. Accident
 - B. Non-cancelable and Guaranteed Renewable Disability Income
 - C. Limited Risk
 - D. Hospital Indemnity
6. All of the following statements about sources of underwriting information are true EXCEPT:
 - A. The contents of an inspection report cannot be disclosed to the applicant
 - B. A medical examination is typically used when benefits are large
 - C. An attending physician's statement is a good source of information
 - D. The application is typically the principal source of information
7. Insurers typically recognize that all of the following affect the degree of OCCUPATIONAL RISK, EXCEPT:
 - A. Irregular working hours
 - B. Applicant's degree of education
 - C. Sporadic nature of employment
 - D. Heavy machinery in the work environment
8. With health insurance, all of the following are PREMIUM FACTORS, EXCEPT:
 - A. Occupation
 - B. Reserves
 - C. Interest
 - D. Expense
9. What type of individual health insurance is provided for a variety of benefits, with limited benefit amounts, and on which premiums are paid weekly?
 - A. Ordinary health insurance
 - B. Blanket health insurance
 - C. Franchise health insurance
 - D. Industrial health insurance

10. Which of the following is not a type of information which a health insurance application attempts to gather?
 - A. Other health insurance owned by the applicant
 - B. Personal physicians of family members
 - C. Personal health history
 - D. Personal information as age, occupation, address, etc.

11. How are medical expense insurance premiums to be deducted for INCOME TAX purposes?
 - A. Ten percent of such premiums may be deducted from adjusted gross income
 - B. The premiums are fully deductible from gross income
 - C. When premiums are lumped with other medical expenses, the total amount deductible is the amount that exceeds 10% of the taxpayer's adjusted gross income
 - D. Any premium amount that exceeds 3% of adjusted gross income is deductible

12. Riders or endorsements may do which of the following to a health insurance policy?
 - A. Add benefits
 - B. Restrict benefits
 - C. Limit coverage
 - D. All of the above

Unit Twenty-Three*Health Insurance Underwriting & Premiums**Answer Key & Rationale*

1. B An Accident policy is not concerned with the health of an applicant since the coverage is for loss due to accident only
2. A AD&D covers accidents only; therefore, the company is not concerned with the health of the applicant
3. B An individual risk is underwritten independently. If an applicant is rated, the company may: 1)attach an exclusion rider; 2) charge an extra premium; 3) limit benefits
4. A Current tax law states: all unreimbursed medical expenses that exceed 10% of adjusted gross income may be deducted. Included in this calculation is the premium the taxpayer pays for a medical expense policy
5. B Because a non-cancellable and Guaranteed Renewable Disability Income Policy cannot be changed in any way, the underwriting is more comprehensive
6. A Due to the Fair Credit Reporting Act, the applicant is entitled to information contained in the report
7. B The applicant's degree of education is not an underwriting factor
Example: Occupation involves the use of heavy machinery
Applicant #1 has a college degree Applicant #2 has a High School Diploma
The degree of occupational risk is the same for both applicants
8. B The Three primary factors are MORBIDITY, INTEREST, and EXPENSES
Secondary premium factors are Benefits; past claims experience; the age and sex of the insured; the insured's occupation and hobbies
9. D Industrial health insurance (debit insurance) is collected by debit agents weekly at the home of the insured
10. B Personal physicians of family members is not an underwriting factor
Underwriting is done on the applicant only
11. C Current tax law states: all unreimbursed medical expenses that exceed 10% of adjusted gross income may be deducted
12. D Examples: Disability Income Policy with a Guaranteed Insurability Rider is an added benefit with an additional premium. Illness is excluded by a waiver or rider. Sickness or injury caused by hobbies excluded by waiver or rider

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Unit Twenty-Four
Group Health Insurance

1. With GROUP health insurance, two major factors that influence dividends or experience-rating refunds are:
 - A. Reserves and taxes
 - B. Competition and size of case
 - C. Expenses and claims costs
 - D. Type of employer and number of employees
2. Which of the following is not an advantage provided to employers and employees by the group insurance mechanism?
 - A. A cost-effective technique to provide for employees' welfare
 - B. Provision of insurance to individuals who are individually uninsurable
 - C. Insurance coverage tailored to the individual's needs
 - D. Reduction of the rate of governmental encroachment in the benefits area
3. Which of the following statements about group A & H provisions and practices is (are) true?
 - A. Insurance company practices are generally less liberal under group policies than under individual policies
 - B. Experience rating is generally utilized under group policies
 - C. Both A and B
 - D. Neither A nor B
4. The primary purpose of the coordination of Benefits provision found in group Medical Expense coverage is to
 - A. Prevent lengthy lawsuits between insurance companies
 - B. Motivate hospitals to keep their charges reasonable and customary
 - C. Prevent the claimant from profiting from an injury or sickness
 - D. Ensure equal payment of a claim by all insurance companies
5. Concerning GROUP MEDICAL EXPENSE policies, all of the following statements are applicable, EXCEPT:
 - A. Deductible and coinsurance provisions usually do not apply to dental insurance coverage
 - B. Major medical coverage may be superimposed on a Group Hospital plan
 - C. Hospital room-and-board benefit periods generally range from 31 days to 365 days
 - D. Surgical Expense benefits usually are included
6. An individual has two group health insurance plans, both of which have Coordination of Benefits provisions. A claim occurred with eligible expenses of \$1,000. Each policy would normally have paid \$800. How much would the secondary policy pay?
 - A. \$0
 - B. \$200
 - C. \$800
 - D. \$1,000
7. Which of the following statements about Voluntary Group Accidental Death and Dismemberment Insurance is true?
 - A. It is paid for by the employer
 - B. The employee chooses the amount of coverage
 - C. It usually is a part of the basic Group Life contract
 - D. It covers only non-business related accidents
8. Which of the following statements about group Disability Income benefit schedules is (are) true?
 - A. The most widely used benefit schedule is that which bases the amount of insurance on employees' earnings
 - B. The position schedule provides naming amounts of insurance for employees depending upon their employment positions
 - C. Both A and B
 - D. Neither A nor B

9. In explaining FRANCHISE insurance, an agent may say that:
- A. Such plans may be either contributory or noncontributory
 - B. It is sometimes called "rental" insurance
 - C. Small groups of persons can be covered in a master policy
 - D. There is a savings in underwriting expense because a group of persons is insured in a single policy
10. Which of the following statements about group insurance is true?
- A. A small group is rated based on its own experience
 - B. Group insurance is essentially reduced-cost mass protection
 - C. Group insurance is issued after each prospect has had a medical examination
 - D. Each person insured in a group is issued a policy

Unit Twenty-Four

Group Health Insurance

Answer Key & Rationale

1. C Expenses and claims costs are major factors that influence dividends or experience-rating refunds
2. D Choice A is an advantage due to the lower costs involved
Choice B is an advantage because the insurer evaluates the group as a whole, rather than individuals within the group, Choice C is an advantage; in some plans, coverage could be tailored to individual needs (Cafeteria Plans)
3. B Group insurance involves experience rating, which is a method of establishing a premium for the group based on the group's previous claims experience
Choice "A" is incorrect; insurance company practices are more liberal
4. C The purpose is to avoid duplication of benefit payments and over-insurance when an individual is covered under more than one group health plan Under the COB provision, the individual would not be able to collect any more than 100% of allowable medical expenses no matter how many group plans he or she is covered by.
5. A Deductible and coinsurance features are typical in dental insurance coverage
6. B Under COB, the secondary policy would pay what the primary policy did not pay
7. C It usually is a part of the basic Group Life contract and is paid for by the employee
8. C Group plans usually specify benefits in terms of a percentage of the individual's earnings Benefits may be specified according to position such as supervisors, managers, etc.
9. A Franchise insurance plans provide the employees with an individual policy. The plan may be contributory or noncontributory. There is no master policy.
10. B Law of Large Numbers; administrative and selling expenses involved with group

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Unit Twenty-Five**Uses of Health Insurance**

1. All of the following statements regarding BUSINESS OVERHEAD EXPENSE insurance are correct, EXCEPT:
 - A. The maximum benefit period normally is one or two years
 - B. The coverage generally is sold on a group basis
 - C. These policies pay for eligible expenses, such as office rent, utilities, and leased equipment, while the insureds are disabled
 - D. Premiums are tax-deductible, but benefits are treated as taxable income
2. With three partners in a business, how many health insurance policies would be required to insure an entity buy-sell plan?
 - A. Three
 - B. Six
 - C. Eight
 - D. Nine
3. Insurance purchased and owned by a business on the life of a valuable employee to indemnify the business for losses it would incur by death of the employee is called which of the following?
 - A. Key Person Insurance
 - B. Business Continuation Insurance
 - C. Deferred Compensation Insurance
 - D. Employer Indemnification Insurance
4. Business Insurance can be used to protect which of the following
 - A. Sole Proprietorship
 - B. Close Corporation
 - C. Partnership
 - D. All of the above
5. Which of the following types of business organizations is required by law to be dissolved at the death of an owner?
 - A. Publicly held corporation
 - B. Partnership
 - C. Close corporation
 - D. Sub-chapter S corporation
6. Business continuation agreements and their funding are normally concerns associated with all except one of the following types of businesses Which is the exception?
 - A. Publicly held corporations
 - B. Close corporations
 - C. Partnerships
 - D. Sole Proprietorships
7. Disability coverages designed to cover a disabled owner's business expenses other than income and wages, the cost of capital goods, and other specified expenses are known as
 - A. Business Overhead Expense insurance
 - B. Disability Income Expense insurance
 - C. Business Purchase Expense insurance
 - D. None of the above
8. Which of the following is/are the main objectives of key person disability income insurance?
 - A. To offset lost profits resulting from the disability of a key employee
 - B. To help pay for the expense of hiring a replacement for the disabled key employee
 - C. Both A and B
 - D. Neither A nor B
9. Which of the following describes business relationships where insurable interest is generally not recognized to exist?
 - A. Employer-Key Employee
 - B. Creditor-Unsecured Debtor
 - C. Business Partners
 - D. Small Business-owner-Individual Customer
10. A plan under which the surviving partners of a partnership agree to buy the interest of a deceased partner is known as a
 - A. Buy and Sell Agreement
 - B. Key Employee Life policy
 - C. Surviving Shareholder plan
 - D. Deferred Compensation plan

Unit Twenty-Five

Uses of Health Insurance

Answer Key & Rationale

1. B The coverage is sold on an individual basis to cover overhead expenses in the event a business owner becomes disabled
2. A In an Entity plan, the partnership purchases a policy on each of the partners. The partnership is the owner, premium payor and beneficiary of the policies
3. A Protects a business against financial loss caused by the death or disablement of a valuable employee
4. D Example: All three may have a need for business insurance; or the funding of a buy sell agreement; or Business Overhead insurance
5. B By law, partnerships are dissolved automatically upon the death of a partner
6. A Publicly held corporations never die These corporations are owned by stockholders
7. A Business Overhead Expense insurance is designed to reimburse a business for overhead expenses in the event a business owner becomes disabled
8. C Indemnifies the business in the event the key person becomes disabled
9. D Remember the three categories: BLOOD—MARRIAGE—BUSINESS
10. A Under such an agreement, the interest of any partner who dies will be sold to and purchased by the surviving partners

Law Units**Twenty-Six, Twenty-Seven, Twenty-Nine, & Thirty**

1. Which of the following statements pertaining to health maintenance organizations (HMOs) is/are correct?
 - A. An insurance company that markets group health insurance also is known as an HMO
 - B. If a person joins an HMO and undergoes a physical examination, he or she will be billed for the exam and each subsequent medical service as it is performed
 - C. Both A and B
 - D. Neither A nor B
2. Persons participating in an HMO
 - A. Pay for health care services as they are incurred
 - B. Negotiate health care service fees with contracted HMO providers
 - C. Pay a fixed periodic fee whether or not health care services are used
 - D. Pay for health care services as they are incurred, at a rate discounted for the HMO
3. Which of the following statements concerning HMOs is correct?
 - A. They place special emphasis on preventive health care
 - B. Participants pay a one-time, fixed fee in advance for health-care services
 - C. HMOs generally are owned by life insurance companies
 - D. They primarily provide emergency medical treatment for their members
4. The type of HMO that employs its own physicians and that requires its members to use these physicians is known as a(n)
 - A. Closed-panel HMO
 - B. Open-panel HMO
 - C. Nonparticipating HMO
 - D. General HMO
5. Preferred provider organizations
 - A. Operate on a fee-for-service rendered basis
 - B. Offer health care services to their members at discounted rates that are negotiated in advance
 - C. Both a and b
 - D. Neither a nor b
6. All of the following are features of both an HMO and a PPO EXCEPT:
 - A. Subscribers pay a fixed periodic fee
 - B. Stress preventive care
 - C. Subscribers may choose their doctor from a list of doctors who are under contract
 - D. Doctors are paid on a fee for service basis
7. If an insurance company wants to cancel a cancelable policy, it must
 - A. Mail notice of cancellation and the unearned premium at least one month in advance to the current address of the insured
 - B. Mail only the notice of cancellation to the last known address of the insured at least ten days prior to cancellation
 - C. Mail notice of cancellation and the unearned premium to the last known address of the insured Cancellation is effective not less than 45 days from the date of the notice
 - D. Inform the insured by registered letter not less than ten days prior to the effective date of the cancellation

8. When selling or replacing Medicare Supplement policies, agents are generally required to do all of the following except which one?
- A. Deliver a Buyer's Guide to the applicant or insured prior to taking the application
 - B. Identify him or herself as a Medicare Representative
 - C. Identify the insurance company whom he or she represents
 - D. If required, fully disclose the purchaser's medical history on the application
9. The Legal Actions provision of an A & H policy requires that
- A. An arbitrator be used to settle disputes between the insurance company and the insured
 - B. Claims be settled promptly
 - C. An insured wait at least 60 days after submission of Proof of Loss before initiating a lawsuit
 - D. The insurance company settle a claim within 60 days after receipt of Proof of Loss
10. Which of the following statements regarding POLICY REPLACEMENT is correct?
- A. All state laws prohibit policy replacement
 - B. Twisting and replacement are synonymous terms
 - C. When policyowners desire to replace existing policies, agents must strictly follow any replacement regulation in their state
 - D. Premiums for replacement policies are generally lower than for the existing policies they replace
11. When a life or health insurance agent is without any company appointments for 48 continuous months, his or her license:
- A. Continues for 60 days and then expires
 - B. Terminates
 - C. Remains unaffected
 - D. May be continued by paying a special fee
12. Which of the following would be grounds for the Chief Financial Officer to suspend, revoke, or refuse to renew a license?
- A. The agent has conducted an insurance business in a dishonest manner
 - B. The agent has been convicted of a felony
 - C. Both A and B
 - D. Neither A nor B
13. All of the following may be imposed as penalties for a violation of the Insurance Law by the Chief Financial Officer EXCEPT:
- A. Fine
 - B. Imprisonment
 - C. Suspension of License
 - D. Revocation of License
14. What two authorities can impose penalties for violation of state insurance laws?
- A. Chief Financial Officer and the legislature
 - B. Chief Financial Officer and the courts
 - C. Legislature and the courts
 - D. Courts and the National Association of Insurance Commissioners
15. Which of the following constitutes an act of REBATING?
- A. Persuading a policyowner to lapse an existing policy in order to buy a new policy
 - B. Telling an applicant that a policy has no exclusions when it does
 - C. Mailing birthday cards to clients
 - D. Paying all expenses for a new policyowner's two-week trip to Canada
16. All of the following statements are correct, EXCEPT:
- A. No agent is allowed to change a policy
 - B. Any change to a policy must be made with the approval of an executive officer of the insurance company, whose approval must be endorsed on the policy or attached in a rider
 - C. An agent is allowed to waive certain provisions of the policy, where authorized
 - D. An agent may not change provisions of the policy, even with the insured's consent

17. Select the correct statement
- A. A company with its home office in Ohio is referred to as a foreign company in Ohio and a domestic company in all other states
 - B. A company with its home office in Michigan is referred to as a domestic company in Michigan and an alien company in all other states
 - C. A company with its home office in Indiana is referred to as a domestic company in Indiana and a foreign company in all other states
 - D. None of the above is correct
18. What is the purpose of the FLORIDA COMPREHENSIVE HEALTH ASSOCIATION? (FCHA)
- A. A less expensive alternative to the high cost of health insurance
 - B. Coverage for persons who cannot secure coverage any other way
 - C. Coverage for persons not eligible for employer group insurance
 - D. Coverage for temporary needs of persons "between jobs."
19. If a health insurance policy terminates coverage for dependent children at age 18, what happens if an 18-year-old dependent child continues to be disabled because of a physical or mental handicap?
- A. The dependent coverage portion of the contract will terminate on schedule
 - B. The policy must continue coverage on the dependent
 - C. Both A and B
 - D. Neither A nor B
20. The Chief Financial Officer and the Office of Insurance Regulation has the power to do which of the following?
- A. Conduct investigations
 - B. Enforce insurance laws
 - C. Conduct examinations
 - D. All of the above are correct
21. Which of the following statements about the Chief Financial Officer and the Office of Insurance Regulation examination authority is or are correct?
- A. The financial condition, affairs, and management of any person or company may be examined by the Chief Financial Officer and the Office of Insurance Regulation
 - B. The Chief Financial Officer and the Office of Insurance Regulation may issue subpoenas and summon witnesses to aid in his examination
 - C. Both A and B
 - D. Neither A nor B
22. All of the following statements regarding a FRATERNAL BENEFIT SOCIETY are correct, EXCEPT:
- A. To qualify, a fraternal society must have a representative form of government
 - B. It must have a lodge system that includes ritualistic work and must hold regular or stated meetings
 - C. It is a profit-making organization that operates for the benefit of its members and their families
 - D. Typically, the society issues life insurance certificates with many of the same provisions found in policies written by commercial companies
23. All of the following are examples of MISREPRESENTATION, EXCEPT:
- A. Using a policy name that does not denote the true nature of the policy
 - B. Failing to explain truthfully a policy's terms or benefits
 - C. Unintentionally telling an applicant that a straight Whole Life Policy will be paid up at age 65
 - D. Pointing out to a prospect that dividends are not guaranteed
24. The term "LOADING" refers to all of the following insurer expenses, EXCEPT:
- A. Federal, state, and local taxes
 - B. Mortality expense
 - C. Interest earned
 - D. Administrative expense

25. All of the following statements concerning REBATE are correct, EXCEPT:
- A. In some states, both the agent and the recipient are subject to penalties for a rebating violation
 - B. Rebating is not a form of discrimination
 - C. An agent who is convicted of rebating may lose his or her license
 - D. Rebating occurs if an agent gives a buyer anything of significant value as an inducement to purchase a policy
26. Concerning AGENT LICENSING, which of the following statements is true?
- A. Agent licenses are to be renewed annually
 - B. A person may not be licensed without a company appointment
 - C. There are no temporary licenses
 - D. In some states, a specified number of approved pre-licensing study hours are required
27. Regarding a company's RESERVES for life and health insurance, all of the statements below are true, EXCEPT:
- A. Minimum requirements for the reserves are stipulated by federal law
 - B. The reserves reflect the insurer's liability for future claims
 - C. Part of each policy premium is designated for the reserves
 - D. Reserves are invested by the insurer and held until needed to pay claims
28. Which of the following statements about the application form and the role of the agent in A & H insurance is (are) true?
- A. In underwriting applicants, the agent must understand the importance of moral risk
 - B. Problems with claims may occur because the agent failed to include all of the facts on the application form
 - C. Both A and B
 - D. Neither A nor B
29. The objective of the churning law that applies to life insurance and annuities is to protect the clients from agents that might attempt to earn additional commissions or premiums under any of the following conditions:
- A. Without an objectively reasonable basis for believing that the new policy will result in an actual and demonstrable benefit
 - B. Without informing the client that the policy value of the existing policy will be used to purchase the new policy
 - C. Without informing the applicant that the new policy will not be a paid-up policy or that additional premiums will be due
 - D. All of the Above
30. Which of the following is not one of the three general qualifications specified by Florida law for obtaining an insurance agent's license?
- A. Applicant must be an honest and trustworthy person
 - B. Applicant must be appointed by an authorized insurer
 - C. Applicant must be 21 years of age or older
 - D. Applicant must successfully pass the appropriate agent's licensing examination

Law Units

Twenty-Six, Twenty-Seven,
Twenty-Nine & Thirty
Answer Key

The Florida Law answer key does NOT include rationales; students are required to know the Florida Law

- | | | | |
|-----|---|-----|---|
| 1. | D | 16. | C |
| 2. | C | 17. | C |
| 3. | A | 18. | B |
| 4. | A | 19. | B |
| 5. | C | 20. | D |
| 6. | D | 21. | C |
| 7. | C | 22. | C |
| 8. | B | 23. | D |
| 9. | C | 24. | B |
| 10. | C | 25. | B |
| 11. | B | 26. | D |
| 12. | C | 27. | A |
| 13. | B | 28. | C |
| 14. | B | 29. | D |
| 15. | D | 30. | C |

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Florida Life, Health & Variable Contracts

Life Insurance Practice Exam Questions & Answer Key

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Unit One**Purpose of Life & Health Insurance**

1. With regard to insurance, risk can be defined as
 - A. Certainty regarding loss
 - B. Uncertainty regarding Loss
 - C. Uncertainty regarding Financial Loss
 - D. Certainty regarding Financial Gain

2. The risk that involves the chance of both loss and gain is
 - A. Pure Risk
 - B. Impure Risk
 - C. Speculative Risk
 - D. Whole Risk

3. Which of the following risks is/are insurable?
 - A. Speculative risks
 - B. Pure risks
 - C. Whole risks
 - D. All of the above

4. Self-insurance is an example of what risk treatment method?
 - A. Avoid
 - B. Reduce
 - C. Retention
 - D. Transfer

5. To be insured, a group must be randomly selected in order to avoid
 - A. Chance of loss
 - B. Catastrophic loss
 - C. Adverse selection
 - D. Increase in premium

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Unit Two**The Insurance Industry**

1. Which of the following statements concerning the Fair Credit Reporting Act is not correct?
 - A. It relates to investigative reports on applicants, which are frequently needed for underwriting purposes
 - B. The agent is required to obtain the applicant's signature on an appropriate disclosure form
 - C. It is state law
 - D. The law gives applicants the right to challenge the validity of information about themselves that is included in a consumer report
2. The result of the Unfair Trade Practices Act was to empower state insurance departments with all of the following authority, EXCEPT:
 - A. Investigating false financial statements
 - B. Issuing cease and desist orders
 - C. Imposing penalties
 - D. Licensing insurers and producers
3. Which of the following is not a reason the life insurance business is subject to governmental supervision?
 - A. The public interest makes insurance a public trust
 - B. The financial significance of the business impacts on the national economy
 - C. To protect the public when they do not read insurance contracts
 - D. To protect the public due to the technical nature of insurance contracts
4. What level of government is specifically responsible for regulating the insurance business?
 - A. Federal
 - B. State
 - C. County
 - D. City
5. Which of the following statements pertaining to life insurance companies is/are correct?
 - A. If you are told that a certain life insurance company is owned by its policyholders, you know it is a stock company
 - B. The primary purpose of a life insurance company that is organized as a stock company is to earn a profit for its stockholders
 - C. A stock company that issues both participating and nonparticipating life insurance policies is classified as a full-lines company
 - D. All of the above

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Unit Three**Law & the Insurance Contract**

1. An agent in the XYZ Insurance Company, equipped with business cards, sample XYZ policies, and an XYZ rate book, informs a prospect that XYZ has given him unlimited binding authority. The prospect assumes this is true. Given the prospect's assumption, which of the following correctly defines the agent's authority in this case?
 - A. Express authority
 - B. Implied authority
 - C. Apparent authority
 - D. Binding authority
2. What is the document that defines the AUTHORITY of an agent?
 - A. Contract of Agency
 - B. Rules of Authority
 - C. Agent's Agreement
 - D. Code of Ethics
3. "An insurance contract is prepared by one party, the insurer, rather than by negotiation between the contracting parties" Which of the following statements explains this feature of insurance contracts?
 - A. The insurance contract is an aleatory contract
 - B. The insurance contract is a conditional contract
 - C. The insurance contract is a contract of adhesion
 - D. The insurance contract is a unilateral contract
4. For an insurance contract to be enforceable, which of the following parties must be considered "competent"?
 - A. The applicant
 - B. The insured
 - C. The beneficiary
 - D. All of the above
5. Which of the following would be grounds for the Chief Financial Officer to suspend, revoke, or refuse to renew a license?
 - A. The agent has conducted an insurance business in a dishonest manner
 - B. The agent has been convicted of a felony
 - C. Both A and B
 - D. Neither A nor B
6. Legally speaking, voluntary relinquishment of a known right is called
 - A. Waiver
 - B. Concealment
 - C. Warranty
 - D. Withdrawal
7. The fact that an insurance contract promises to pay benefits contingent on a future uncertainty (i.e., death or illness) makes it what type of contract?
 - A. Estoppel
 - B. Adhesion
 - C. Aleatory
 - D. Conditional
8. Which LEGAL TERM used to describe a life insurance policy indicates that a policy contains the enforceable promises of one party only, the insurer?
 - A. Executory
 - B. Valued
 - C. Aleatory
 - D. Unilateral
9. If insurance is to be issued on the life of someone other than the applicant, such other person is required to:
 - A. Sign the application
 - B. Have an insurable interest
 - C. Both A and B
 - D. Neither A nor B

10. A voidable contract

- A. Lacks one of the basic elements of a legal contract
- B. Is binding unless the party with the right to set it aside wishes to do so
- C. Was never in effect
- D. Cannot be enforced by either party

Unit Four**Licensure, Ethics & the Insurance Producer**

1. A person who acts in any way for an insurance company not licensed in his State is:
 - A. Violating the Insurance Law
 - B. Violating the Penal Law
 - C. Guilty of a felony
 - D. All of the above
2. The making of misleading statements, misrepresentations, and incomplete comparisons for the purpose of inducing an Insured to drop his present Life Insurance and to replace it with other Life Insurance is known as:
 - A. Rebating
 - B. Twisting
 - C. Churning
 - D. None of the above
3. To pay a prospect an inducement to purchase insurance is otherwise known as:
 - A. Discounting
 - B. Good business
 - C. Rebating
 - D. Twisting
4. Making a statement to an insured or applicant which misrepresents the benefits of a life insurance policy (for the purpose of making the insured surrender his or her policy) is otherwise known as:
 - A. Twisting
 - B. Rebating
 - C. Defamation
 - D. Discrimination
5. Advertisements which are untrue, deceptive, or misleading are:
 - A. Prohibited by State insurance laws
 - B. Not scrutinized by the Chief Financial Officer and the Office of Insurance Regulation
 - C. Both A and B
 - D. Neither A nor B
6. Unreasonable failure to remit premiums to the insurance company is
 - A. Not an offense that could result in the loss of an insurance license
 - B. An offense that could result in the loss of an insurance license
 - C. An oversight deserving a reprimand
 - D. None of the above

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Unit Five**Life Insurance Policies**

1. Which of the following whole life contracts would have the lowest premium rate assuming they were all issued at age 30?
 - A. Straight Life
 - B. Life Paid Up at 65
 - C. Life Paid Up at 85
 - D. 30 Pay Life
2. Which of the following endowment insurance contracts would have the highest premium rate assuming they were all issued at age 30?
 - A. Endowment at 65
 - B. 15-Pay Endowment at 65
 - C. Endowment at 60
 - D. 15 Pay Endowment at 60
3. Which of the following whole life contracts would have the most rapid rate of cash surrender value accumulation during the premium payment period assuming the same face value and issue age 30?
 - A. Straight Life
 - B. Life Paid Up at 65
 - C. Life Paid Up at 85
 - D. 30 Pay Life
4. Which of the following endowments would have the highest premium rate assuming all were issued at age 25?
 - A. Endowment at 45
 - B. Endowment at 50
 - C. Endowment at 55
 - D. Endowment at 60
5. What are two types of life insurance contracts prepackaged to form a typical FAMILY PLAN policy?
 - A. Whole Life and Endowment
 - B. Family Policy and Juvenile Policy
 - C. Term and Whole Life
 - D. Whole Life and Deferred Annuity
6. The purpose of a Payor Clause is best explained by which one of the following statements.
 - A. To provide for additional coverage on the life of a juvenile's parent
 - B. To assure that insurance of the parent of a juvenile will be kept in force during the lifetime of the child
 - C. Provides double indemnity if the juvenile dies prior to reaching age 25
 - D. Assures that the insurance on the juvenile's life will be kept in force until reaching a specified age
7. Which POLICY listed below has premiums payable for 20 years, insurance protection to age 100, and endowment at age 100?
 - A. 20-YEAR ENDOWMENT policy
 - B. WHOLE LIFE policy
 - C. 20-PAY LIFE policy
 - D. RETIREMENT INCOME AT AGE 65 policy
8. What happens on a LIFE PAID UP AT 65 whole life policy at age 65?
 - A. The cash value equals the face value
 - B. The face value is paid to the surviving insured
 - C. The total premiums paid equal the face value
 - D. The policy becomes paid up
9. In a LIMITED PAY LIFE policy, to what age of the insured does the protection extend?
 - A. To age 100
 - B. To age 90
 - C. To age 60
 - D. To age 65
10. Which of the following life insurance contracts provides protection for life with level premiums payable for 20 years?
 - A. 20-Payment Endowment at age 70
 - B. 20-Payment Whole Life
 - C. 20-Payment Term to 65
 - D. 20 Payment 20-Year Endowment

11. A policy that provides a high amount of protection for a temporary period during which a prospect may have limited financial resources is known as:
 - A. Ordinary Life
 - B. Term Insurance
 - C. Group Insurance
 - D. Endowment Insurance
12. Some policies, the premium for which is paid by a person other than the Insured, contain a clause that provides for the waiver of premium payments if the Premium payer dies before the policy matures. This clause is known as a:
 - A. Disability Premium Waiver Clause
 - B. Payor Clause
 - C. Retroactive Premium Waiver Clause
 - D. Supplemental Payment Clause
13. In a typical Family Policy, coverage on the children is usually provided by which of the following?
 - A. Whole Life
 - B. Renewable term
 - C. Convertible term
 - D. Decreasing term
14. An amendment to an insurance contract that modifies its provisions is called a/an
 - A. Insuring Agreement
 - B. Option
 - C. Rider
 - D. Application
15. All of the following are correct statements EXCEPT:
 - A. The Cash Values of a Twenty-Year Endowment Policy are greater than those of a Whole Life Policy
 - B. Premiums for Whole Life Insurance are less than for Endowment Policies
 - C. There is a higher risk element for the insurance company involved in connection with Endowment policies than with Whole Life Policies
 - D. Whole Life Insurance and Endowment Insurance serve different purposes
16. All of the following statements about term insurance are correct, except which one?
 - A. Is usually not convertible to any form of permanent insurance
 - B. Offers protection for only a limited period
 - C. If the insured survives the term period, the policy expires
 - D. Can be purchased on either a group or individual basis
17. Which of the following is a whole life policy on which premiums in the initial years are level and lower than the level premiums payable in later contract years?
 - A. Graded premium whole life
 - B. Straight Life
 - C. Modified premium whole life
 - D. Limited Payment Life
18. What decreases in decreasing term insurance?
 - A. The premium
 - B. The period of protection
 - C. The loan value
 - D. The face value
19. All of the following are characteristics of ordinary Whole Life insurance except:
 - A. Premiums are usually paid throughout the insured's lifetime
 - B. Premiums remain uniform throughout the insured's lifetime
 - C. Pays the policy's face amount if death occurs any time during the policy period
 - D. Dividends are not structured to reduce the amount of the premium
20. The policyowner determines the length of the premium-paying period when selecting the type of LIMITED PAY LIFE policy desired. In what type of policy is the period the shortest and the premium the largest?
 - A. SINGLE PREMIUM LIFE policy
 - B. 10-PAY LIFE policy
 - C. 20-PAY LIFE policy
 - D. 30-PAY LIFE policy

21. In juvenile insurance, the provision that provides for waiver of premiums in the event of death or total, permanent disability of the premium payor is called which of the following?
- A. Disability Income Rider
 - B. Accidental Death and Dismemberment Rider
 - C. Payor Rider
 - D. Guaranteed Insurability Rider
22. Assuming the same face value, which of the following whole life contracts would have the largest cash value at age 65?
- A. Life Paid Up at 65
 - B. 30 Pay Life issued at age 35
 - C. 20 Pay Life issued at age 45
 - D. They would have the same cash value
23. When a whole life policy becomes paid up, which of the following is true?
- A. The cash value equals the face value
 - B. The cash value is less than the face value
 - C. The cash value is more than the face value
 - D. The face value is paid to the surviving insured
24. A plan of insurance which generally provides \$1,000 of protection on the life of a child up to age 21, at which time it increases automatically to \$5,000 of protection with no increase in premium, is commonly known as:
- A. An Option to Purchase Additional Insurance
 - B. Modified Five Plan
 - C. Jumping Juvenile Insurance
 - D. Modified Whole Life
25. In a JOINT AND LAST SURVIVOR life contract, all of the following are true EXCEPT:
- A. The face value is paid when the last insured dies
 - B. The face value is paid if the two insureds die at the same time
 - C. The face value is paid when the first insured dies
 - D. The face value is paid if both insureds survive to a stipulated age

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Unit Six**Life Insurance Policy Provisions, Options & Riders**

1. To qualify for accidental death benefits, death must occur within
 - A. 30 days after the accident
 - B. 45 days after the accident
 - C. 60 days after the accident
 - D. 90 days after the accident
2. What is the common name for a policy provision, which stipulates that under defined circumstances, a policy will pay twice the stipulated benefit amount?
 - A. Double Jeopardy
 - B. Multiple Protection
 - C. Double Indemnity
 - D. Twice Times Benefit
3. An insured commits SUICIDE. How long must the policy be in force before the proceeds are paid?
 - A. Usually three years, but sometimes four
 - B. Usually one or two years
 - C. Four years
 - D. Five years
4. Which of the following amounts are paid by the insurance company in the event death of the insured results from suicide during the first year the contract is in force?
 - A. Face Value
 - B. Cash Surrender Value
 - C. Premiums Paid to Date of Death
 - D. Cash Surrender Value Plus Premiums Paid to Date of Death
5. The Misstatement of Age Provision:
 - A. Is not operative after two years since the Incontestable Clause becomes effective at that time
 - B. Is a part of the Incontestable Clause
 - C. Is applicable even after two years have expired
 - D. Voids the contract if the age is misstated
6. Peter decides to stop paying premiums on his \$60,000 whole life policy at age 60 and exchanges it for extended term insurance. What face value will the term insurance have?
 - A. \$10,000
 - B. \$30,000
 - C. \$45,000
 - D. \$60,000
7. According to the "Suicide Clause" of most life insurance policies:
 - A. An unsuccessful attempt at suicide will void the policy
 - B. If the insured commits suicide within the period of the Suicide Clause, the company will be liable only for the premiums paid on the policy
 - C. The company is liable for the death benefit where an insured's suicide was the result of insanity
 - D. The period of exclusion is generally five years from the policy's issue date
8. Which of the following statements regarding a cost of living rider on a life insurance policy is/are correct?
 - A. A cost of living rider seeks to protect against inflation's erosion of life insurance policy values
 - B. An inflation index determines the amount of inflation adjustment that must be made to the policy up to a maximum percentage increase
 - C. Both A and B
 - D. Neither A nor B

9. The term “entire contract” means that the
- A. Policy and any attached papers constitute the entire policy
 - B. Policy, its endorsements, and any attached papers constitute the entire policy
 - C. Policy must use the exact wording of the Uniform Provisions Law throughout the entire policy
 - D. The entire contract must use the exact wording of the Uniform Provisions Law in all attached papers
10. All of the following statements pertaining to life policy assignment are correct, EXCEPT:
- A. To secure a loan, the policy temporarily can be transferred to the lender as security for the loan
 - B. The policyowner must obtain approval from the insurance company before a policy can be assigned
 - C. The life insurance company assumes no responsibility for the validity of an assignment
 - D. The policyowner must notify the company, in writing, of any assignment
11. Nancy stopped paying premiums on her permanent life insurance policy eight years ago though she never surrendered it. She is still insurable and has no outstanding loan against the policy. The company probably will decline to reinstate the policy because the time limit for reinstatement has expired. The limit usually is
- A. One or two years
 - B. Two or five years
 - C. Two or four years
 - D. Three to seven years
12. All of the following statements pertaining to reinstatement of a life insurance policy are correct, EXCEPT:
- A. A suicide exclusion period is renewed with a reinstated policy
 - B. When reinstating a policy, the company must charge the policyowner for past-due premiums
 - C. When reinstating a policy, the company may charge the policyowner for interest on past-due premiums
 - D. A new contestable period becomes effective in a reinstated policy
13. All of the following statements pertaining to the insuring clause in a life insurance policy are correct, EXCEPT:
- A. It specifies how much the company will pay and when payment will be made
 - B. It is usually the first clause in a life insurance policy
 - C. It names the insured
 - D. It gives the policyowners the right to return the policy if not satisfied
14. Which of the following perils is insured under a Waiver of Premium Rider?
- A. Death of the insured
 - B. Partial disability of the insured
 - C. Only temporary disability of the insured
 - D. Total and permanent disability of the insured
15. The “Waiver of Premium Provision” provides:
- A. That all persons under the maximum age limit may be covered for a small extra premium
 - B. That all premiums are waived during a period of total and permanent disability prior to reaching a specified age
 - C. That all future premiums will be waived during a period of partial disability
 - D. That the insured may waive his or her right to the policy’s cash value in lieu of purchasing a higher premium plan of insurance

16. All of the following apply when a policy is to be Reinstated, Except:
- A. All back premiums must be paid
 - B. Any outstanding loan may be required to be paid
 - C. Interest on past due premiums may be required to be paid
 - D. A new contestable period does not apply
17. Roberta is the insured in a \$30,000 life insurance policy for which she pays an annual premium of \$700. There is an outstanding policy loan of \$2,500. Her last premium due has not been paid, and she dies during the grace period. How much will her beneficiary receive?
- A. \$26,800
 - B. \$27,500
 - C. \$29,300
 - D. \$30,000
18. Where life insurance policies include "accidental death benefits," double the face amount of the policy is paid if the death of the insured is caused:
- A. Solely by external, violent, and accidental means within 90 days after the accident
 - B. By an automobile crash as the result of a sudden heart attack
 - C. By unexplained sickness
 - D. Solely by internal, nonviolent, and non-accidental means within 90 days after the issuance of the policy
19. Does the election of the Automatic Premium Loan Provision have a cost to the policyowner?
- A. Yes, each company has its own premium for adding this provision
 - B. Yes, the State sets the premium for this provision
 - C. No, the option has no cost unless it is used by the policyowner
 - D. No, basically because the option is worthless
20. Third-party ownership of a life insurance contract is usually brought about by virtue of:
- A. An absolute assignment or an Ownership Clause
 - B. A Conditional receipt
 - C. A contingent beneficiary designation
 - D. An implied warranty
21. All of the following statements about policy loans are correct, except which one?
- A. Are available after premiums have been paid for at least ten years
 - B. Cannot exceed the loan value of the policy
 - C. Insurers are required to notify policyowners of any change in policy loan interest rates
 - D. Insurers are prohibited from calling in policy loans
22. Which of the following riders allows a policyowner to purchase additional insurance amounts in the future without proof of insurability?
- A. Renewability Rider
 - B. Guaranteed Insurability Rider
 - C. Conversion Rider
 - D. Double Indemnity Rider
23. All of the following statements about Extended Term Insurance, a nonforfeiture option, are true, EXCEPT:
- A. The amount of Term insurance is equal to the face value of the original policy
 - B. With this option, all supplementary benefits included with the original policy are dropped
 - C. Premiums payable on the term insurance are for a reduced amount
 - D. If the original policy is an Endowment policy, the Extended Term insurance will not provide protection beyond the original policy's maturity date
24. To what age is the Waiver of Premium Provision usually available?
- A. Age 55 or 60
 - B. Age 50 or 55
 - C. Age 60 or 65
 - D. Age 70 or 75

Unit Seven

Life Insurance Beneficiaries

1. The purpose of a Common Disaster Clause in a Life Insurance Policy is to assure:
 - A. Prompt payment to the next of kin in the event that the Insured is killed in a common disaster, such as a flood or a tornado
 - B. That the insurance proceeds are paid to the Insured's estate if he and his Beneficiary are killed simultaneously in the same accident
 - C. That the insurance proceeds will be payable to the Beneficiary's estate if the Beneficiary dies before the Insured in the same accident
 - D. That the government will receive the estate taxes on the proceeds from the estate of the Insured and from the estate of the Beneficiary if both are killed in a common accident
2. A Common Disaster Clause in a Life Insurance Policy is effective if:
 - A. The Insured and the Beneficiary are killed in the same accident even though the Beneficiary survives the Insured but dies within the fixed period stipulated in the policy, for example, 15 days or 30 days
 - B. The Insured survives his Beneficiary in the same accident
 - C. The Insured's estate is the Named Beneficiary
 - D. Both the Primary and Secondary Beneficiary are killed in a common accident
3. All of the following statements about Beneficiaries are true Except:
 - A. Secondary beneficiaries are contingent beneficiaries
 - B. More than one beneficiary may be named in each category
 - C. In certain cases, policy proceeds are paid automatically to the policyowner's estate
 - D. Beneficiaries should be designated by name only
4. Which of the following gives the best example of an "irrevocable" beneficiary?
 - A. The contingent beneficiary shares the death proceeds equally with the primary beneficiary
 - B. A person chosen by the insurer to receive the policy proceeds upon death of the insured
 - C. The rights of the beneficiary cannot be impaired without first obtaining the beneficiary's consent
 - D. Both the beneficiary and the insured are joint owners in the death proceeds of the policy
5. What is the proper term to describe the person who is designated to receive the benefits provided by a life insurance contract at the insured's death?
 - A. Insured
 - B. Policyowner
 - C. Beneficiary
 - D. Policyholder
6. Which term best describes a beneficiary who is third in line to receive death benefits?
 - A. Alternate
 - B. Tertiary
 - C. Secondary
 - D. Substitute
7. Mary Smith is named by the insured, John Smith, as the first in line to receive the death benefit of John's accident policy. Their son, Bill, is named as the second in line to receive the benefits
 - A. Mary is the contingent beneficiary, and John is the primary beneficiary
 - B. Mary is the primary beneficiary, and Bill is the contingent beneficiary
 - C. Both Mary and Bill are primary beneficiaries
 - D. John is the primary beneficiary, and Bill is the contingent beneficiary

8. If a beneficiary has been so designated that he or she acquires a vested right in the policy immediately upon its issuance, the designation is termed
- A. Vested
 - B. Contractual
 - C. Irrevocable
 - D. Primary
9. A policyholder designates his wife as the Primary Beneficiary and his sister as a Contingent beneficiary. Under these circumstances, which one of the following statements is correct?
- A. The wife may (at any time) designate a different Contingent Beneficiary in lieu of the sister
 - B. The policyowner may change either Beneficiary without obtaining her approval
 - C. Both the wife and the sister may take out a loan on the policy
 - D. The sister would receive one-half of the proceeds upon the Insured's death
10. All of the following statements regarding Life Insurance Beneficiaries are correct EXCEPT:
- A. An Irrevocable Beneficiary of a policy may also be a party to the policy
 - B. A Revocable Beneficiary cannot make changes in the contract during the Insured's lifetime
 - C. An Irrevocable Beneficiary designation protects the Beneficiary's interests in the policy
 - D. An Irrevocable Beneficiary may name Secondary Beneficiaries on the policy

Unit Eight**Life Insurance Premiums & Proceeds**

1. Which of the following age groups normally experiences the largest number of deaths in a year?
 - A. 20-year-olds
 - B. 30-year-olds
 - C. 40-year-olds
 - D. 50-year-olds
2. Mortality, Interest, and Expense are three factors taken into account when:
 - A. Choosing a type of life insurance policy
 - B. Classifying an insurance risk
 - C. Computing a basic premium for life insurance
 - D. Determining the death rate per 1,000 people in any age group
3. What is the most common approach for “rating” life insurance applicants who are determined to be substandard risks?
 - A. Issuing a policy in the amount applied for, with a higher than standard premium
 - B. Issuing a policy of less than applied for, with a lower than standard premium
 - C. Issuing a policy in the amount applied for but reducing the amount paid out as a death benefit
 - D. Issuing a policy in the amount applied for but crediting its values with lower interest rates
4. The reserve basis is:
 - A. The assumed interest rate
 - B. The mortality table and interest assumption used
 - C. Mortality, interest, and loading for expenses assumed
 - D. The cash required to be set aside by Federal Law to meet all claims as they may become payable
4. All of the following can be considered advantages of life insurance ownership, EXCEPT:
 - A. The face value of the policy is guaranteed payable at the death of the insured
 - B. The proceeds of life insurance payable to a named beneficiary pass outside of the probate process
 - C. The proceeds of life insurance are exempt from income taxation, no matter to whom or how they are paid
 - D. Life insurance can provide “living benefits” in the form of loan collateral or the building of cash values for retirement
6. In which of the following situations would premium payments be tax deductible?
 - A. Randy is the owner and premium payer of a life insurance policy covering his wife, Ellen
 - B. Janet is the owner and premium payer of a mortgage policy that covers the outstanding mortgage on her home
 - C. The ABC Company provides \$25,000 of life insurance coverage to each of its 15 employees and pays the full premium
 - D. The ABC Company is the owner and premium payer of a \$250,000 key executive policy covering the life of its president

7. All of the following statements concerning the Tax Treatment of life insurance premiums are true, Except:
- A. Premiums for personal or business individual life insurance policies generally are not deductible
 - B. Premiums paid for life insurance policies owned by a qualified charitable organization are deductible
 - C. Premiums for Group Term life insurance paid by an employer on behalf of employees generally are deductible as a business expense
 - D. Life insurance premiums paid by an ex-husband in accordance with an alimony decree are not deductible
8. Payment of life insurance proceeds to a beneficiary are totally exempt from Federal Income Tax, Except:
- A. Death benefits paid in a lump sum
 - B. Payments from the proceeds of paid-up additions
 - C. Payments made under a double indemnity provision
 - D. Death benefits paid in installment payments
9. All of the following may be disadvantages in having POLICY PROCEEDS paid to the policyowner's estate, EXCEPT:
- A. Settlement options cannot be used
 - B. Creditors can readily attach the proceeds
 - C. The expense of administering the estate may be increased
 - D. Insurance proceeds may be used to meet estate obligations
10. Suppose Charles wanted to arrange the distribution of his life insurance proceeds so that his wife, as beneficiary, would receive monthly payments for as long as she lived. Which of the following settlement options would meet this need?
- A. Life income option
 - B. Fixed-period option
 - C. Fixed-amount option
 - D. Interest-only option

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Unit Nine**Life Insurance Underwriting & Policy Issue**

1. From a legal standpoint, CONSTRUCTIVE DELIVERY of a policy is accomplished when:
 - A. The company sends the policy to the agent with instructions to obtain a statement attesting to the insured's good health
 - B. The agent delivers a policy for inspection, but the initial premium has not yet been paid
 - C. The company relinquishes all control over the policy and turns it over to someone acting for the policyowner, including the company's own agent
 - D. The agent mails a policy to the policyowner with a note that he or she will stop by later to collect the premium
2. Under which of the following situations is interim insurance provided between the date of application (or medical examination, if later) and the date the company accepts or rejects the application?
 - A. Submission of an application without first premium
 - B. Submission of an application with first premium payment and issuance of binding receipt
 - C. Submission of an application with first premium payment and issuance of conditional premium receipt
 - D. Submission of an application with first premium but without issuance of any premium receipt
3. An APPLICANT'S SIGNATURE generally is required on the following forms, EXCEPT:
 - A. Agent's Report
 - B. Fair Credit disclosure notice
 - C. Authorization to request medical information
 - D. Application
4. How should the agent double-check an applicant's AGE?
 - A. Ask to see a driver's license
 - B. Measure the given age against the date of birth when filling in the application
 - C. Ask the applicant's spouse or close relative to confirm the age
 - D. Check the given age against a copy of the birth certificate
5. All of the following statements pertaining to adverse selection are correct EXCEPT:
 - A. Adverse selection is selection against the insurance company
 - B. Adverse selection is the underwriting duty of the insurance company
 - C. Adverse selection is in favor of the insurance company
 - D. Adverse selection is the tendency of poor risks to buy more insurance
6. A policy may be dated back to take advantage of a lower age rate. The maximum period of time a policy may be dated back is:
 - A. One year
 - B. To the applicant's last birthday
 - C. Six months
 - D. One day beyond the applicant's age change date
7. The purpose of the AGENT'S REPORT is to:
 - A. Report premium collections to the home office
 - B. Keep a record of sales interviews conducted each month
 - C. Furnish additional information about an applicant to home office underwriters
 - D. Keep a supervisor informed of the agent's progress on a weekly basis

8. All of the following are sound reasons for agents to conduct POLICY DELIVERY interviews with their clients, EXCEPT:
 - A. Helps to build a solid relationship with clients
 - B. Should be part of continuing service to clients
 - C. Provides a welcome break from routine paperwork in the office
 - D. Solidifies the sale
9. All of the following conditions are required to place a Life Insurance Policy in force EXCEPT:
 - A. Completion of the application, including the applicant's signature
 - B. Payment of the Initial Premium
 - C. Approval of the applicant's health history
 - D. Delivery of the policy to the applicant by the agent
10. Which statement best describes an application?
 - A. A written statement made by the applicant to the insurance company requesting the issuance of an insurance policy on the basis of the information furnished in the application
 - B. An oral request of the company to issue an insurance policy based on the information furnished in the insuring clause
 - C. A form furnished by the company by which the company requests certain information to become part of the company's request for an insurance policy
 - D. All of the above are correct
11. All of the following are reasons that an application is important, EXCEPT:
 - A. The application becomes a part of the policy, if a copy is attached
 - B. The application serves to fully identify the applicant
 - C. Statements made in the application become the basis for issuance of the policy
 - D. The application becomes a part of the insuring clause
12. An APPLICATION for life insurance is most important:
 - A. As proof of the applicant's desire to purchase a policy
 - B. As a source of insurability information
 - C. For company record keeping purposes
 - D. As a sales aid for the agent
13. Agent Sam Broke makes an error while completing an application on a proposed insured Sam should
 - A. Apologize for the error and mark through it
 - B. Erase the error and write it incorrectly
 - C. Obtain a new application and start over
 - D. Mark through the error and not make any mention of it to the applicant
14. A life insurance contract is considered legally delivered when:
 - A. The company approves the application
 - B. It is manually handed over to the applicant by the agent
 - C. Both A and B
 - D. Neither A nor B

Unit Ten
Group Life Insurance

1. Which of the following statements with regard to group term life insurance is correct?
 - A. Since group term coverage is an employee benefit, employers can randomly select which employees will be covered
 - B. Premiums paid by the employer are tax-deductible by the employer and taxable to the employee
 - C. Most group term policies contain a conversion privilege, allowing insureds to convert the coverage to an individual plan if they leave the group
 - D. Group insurance plans must be noncontributory
2. An employee is covered by a Group insurance plan installed by the employer. Which conversion privilege does the covered employee have when leaving the company?
 - A. Within a limited period (usually 31 days), the employee may convert the group insurance coverage into an individual policy with a premium applicable to the employee's attained age and without regard to insurability
 - B. The employee may retain the same status under the policy, even though employment terminated, until retirement from any and all employment and so long as the premiums are paid
 - C. Within one year of termination of employment, if the employee can prove insurability, the group insurance coverage may be converted into an individual policy with a premium applicable to the employee's attained age
 - D. With payment of additional premium, the employee may convert the policy to permanent insurance of no more than twice the face value of the group insurance
3. A typical group life insurance "conversion provision" provides:
 - A. Conversion to a regular payment plan within 31 days after employment termination
 - B. A death benefit; should the insured die within 31 days after employment termination
 - C. Both A and B
 - D. Neither A nor B
4. The criteria least likely to be used (by most companies) to determine the amount of Group Life insurance for which an employee qualifies is:
 - A. Earnings
 - B. Job classification
 - C. Length of service
 - D. Age
5. Group insurance is issued to cover
 - A. Any number of persons having a common employer
 - B. Any number of persons, all of whom have an interest in obtaining insurance
 - C. A specified minimum number of persons having the same employer or common affiliation of interests, other than for the specific purpose of securing insurance
 - D. A specified minimum number of persons having the same employer or common affiliation of interests, for the purpose of securing insurance
6. Ways in which employees may be classified to form a group for GROUP LIFE insurance include all of the following, for example, EXCEPT:
 - A. By department
 - B. By plant or office
 - C. By sex or age
 - D. By duties

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7. An employer may use the following factors in determining a class of employees for Group Insurance:
 - A. Conditions of employment
 - B. Location of employment
 - C. Nature or length of employment
 - D. All of the above

 8. After a GROUP life insurance plan has been established, what action, if any, may the life insurance company take?
 - A. It may cancel the insurance of those of the group who have developed serious illnesses or impairments
 - B. It may adjust the premium from time to time to bring it in line with costs
 - C. It may not make any changes in the group membership or in the insurance contract
 - D. It may refuse to insure those of the group who have had too many claims, regardless of the size of the claims

 9. The minimum number of employees who may constitute a GROUP for insurance purposes is specified under which laws or rules?
 - A. Federal laws
 - B. Anti-discrimination laws
 - C. State laws
 - D. Life Insurance Company underwriting rules

 10. Each of the following is a principal factor in determining group premium rates, EXCEPT:
 - A. Location of the business
 - B. Waiting period involved
 - C. Average age of the group
 - D. Number of female lives involved

**Units Eleven & Twenty Eight
Annuities & Variable Contracts**

1. A person with a DEFERRED ANNUITY reaches age 65 and decides to receive a "LIFE ANNUITY 10 YEARS CERTAIN" The annuity payment is \$1,000 per month. If the person lives five years, the insurer will pay out a total of:
 - A. \$60,000
 - B. \$120,000
 - C. \$50,000
 - D. \$100,000
2. All of the following are ANNUITY PREMIUM FACTORS, EXCEPT:
 - A. Age
 - B. Assumed interest rate
 - C. Inflation rate
 - D. Sex
3. Your client could purchase each of the following types of annuity contracts EXCEPT
 - a
 - A. Periodic payment deferred annuity contract
 - B. Periodic payment immediate life annuity contract
 - C. Lump-sum payment immediate life annuity contract
 - D. Lump-sum payment deferred annuity contract
4. All of the following are offered by both a Conventional and Variable Annuity, Except:
 - A. Guaranteed interest yield
 - B. Expense guarantee
 - C. Payments on a deferred basis
 - D. Payments on an immediate basis
5. A person age 65 invests \$80,000 in an Immediate Straight Life Annuity, which will pay him \$1,000 per month. If he dies twelve months later, the insurer's total of payments to the insured and his beneficiaries will be:
 - A. \$80,000
 - B. \$120,000
 - C. \$12,000
 - D. \$68,000
6. Which of the following is not one of the income guarantee features used with life annuities?
 - A. Period Certain Guarantee
 - B. Installment Refund Guarantee
 - C. Double Indemnity Guarantee
 - D. Cash Refund Guarantee
7. Under which of the following annuity agreements would the periodic annuity payments change in dollar value based upon the investment experience of a portfolio of equity-type investments?
 - A. Fixed straight life annuity
 - B. Variable life annuity
 - C. Fixed Joint and Last Survivor Annuity
 - D. Deferred fixed life annuity
8. An annuitant receives payments from a variable annuity under a Joint and Two-Thirds Survivor Life Annuity. If the annuitant dies, what will the beneficiary receive?
 - A. Two-thirds of the annuitant's last monthly installment until the beneficiary reaches the age of normal life expectancy of the annuitant
 - B. Two-thirds of the dollar value of the annuity units on which the annuitant's installments are based, for life
 - C. Two-thirds of the annuitant's last monthly installment for the length of the beneficiary's normal life expectancy
 - D. Two-thirds of the annuity units accumulated by the annuitant during the payout period
9. The death benefit of a Retirement Annuity prior to the commencement of income payments is:
 - A. None
 - B. The face amount of the Annuity
 - C. The Cash Value or Premiums paid whichever is greater
 - D. The Commuted Value of the income payable

10. Which of the following types of insurance is designed principally to systematically liquidate principal sums of money plus interest?
- Annuities
 - Endowments
 - Whole Life
 - Term
11. Which of the following annuities promises to pay a fixed income for the life of an annuitant, with payments stopping when the annuitant dies?
- Temporary life annuity
 - Straight life annuity
 - Annuity Certain
 - Joint and last survivor annuity
12. Which type of annuity is tied to increases in a specific equity or stock index?
- A fixed annuity
 - A variable annuity
 - An equity-indexed annuity
 - None of the above
13. Which of the following straight life annuities would provide the largest monthly income amount per \$1,000 of premium paid?
- Immediate Annuity at 70
 - Immediate Annuity at 65
 - Immediate Annuity at 60
 - Immediate Annuity at 55
14. Which one of the following annuities not only promises a lifetime income but guarantees a minimum number of income payments?
- Variable annuity
 - Immediate annuity
 - Life annuity-period certain
 - Refund life annuity
15. Following an annuitant's death, the insurer agrees to do which one of the following under an installment refund annuity?
- Refund the purchase price should death occur in the first year of coverage
 - Make periodic income payments to the annuitant's estate after his or her death
 - Increase the death proceeds if taken in a lump sum
 - Continue periodic payments until the combined benefits paid to both the annuitant and the beneficiary have equaled the remaining total fund of the annuity
16. The term "certain" in an Annuity Certain is best explained by which one of the following?
- The promised income will be received for the number of years specified regardless of the annuitant's premature death
 - The purchase price of the annuity will be paid to the annuitant if death occurs prematurely
 - Life expectancy is a certain factor in determining the total payable benefits
 - The payments are certain, but not the amount of each payment
17. Which of the following regarding equity-indexed contracts is correct?
- They guarantee that cash values will grow a minimum amount each year
 - They are a type of variable annuity
 - They guarantee a certain rate of growth
 - They are for individuals willing to risk principal in order to receive market-based earnings
18. Regarding equity-indexed annuities, which of the following statements is correct?

-
- A. Equity indexed annuities are subject to inflation risk
- B. The rate of growth is not guaranteed
- C. The values will go down due to the drop in the stock index
- D. They offer potential for market-linked rates of return with a guarantee that the owner's principal is protected
19. All of the following are characteristics of a Joint-And-Last-Survivorship Annuity except
- A. When one annuitant dies, the contract terminates
- B. Is payable throughout the joint lifetimes of both annuitants and continues throughout the lifetime of the last survivor
- C. Guarantees income to both annuitants for as long as either lives
- D. Often provides for a reduction in income payments upon the death of the first annuitant
20. An individual takes out a fixed annuity. All else being equal, which one of the following settlement options will pay him more per month than will the others?
- A. Life income with ten-year certain
- B. Straight life annuity
- C. Joint annuity
- D. Last-survivor annuity
21. The income from a variable annuity:
- A. Is paid at varying times and at a fixed rate
- B. Is paid annually in variable amounts
- C. Fluctuates as the investment experience of the company increases or decreases
- D. Is not dependent on the mortality and interest experience of the company
22. The statistical unit used to determine the amount of monthly pay-out of a variable annuity is the:
- A. Dow-Jones Average
- B. Cost-of-Living Index
- C. Accumulation unit
- D. Annuity unit
23. A feature of equity-indexed annuities that guarantees that past increases in accumulated cash value will not be lost is called
- A. A spread
- B. Ratcheting
- C. A floor
- D. A cap
24. The index to which most equity-indexed annuities are tied is the
- A. The Dow-Jones index
- B. The Prime Rat
- C. Moody's Corporate Bond Index
- D. Standard & Poor's 500 Composite Stock Price Index

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Unit Twelve
Social Security

1. Under Social Security, an eligible spouse at Full Retirement Age is entitled to an old-age benefit equal to what percentage of a retired or disabled worker's PIA?
 - A. 50%
 - B. 75%
 - C. 100%
 - D. 60%
2. Social Security benefits are financed by a special TAX paid by:
 - A. Employers who have more than 25 employees
 - B. All corporations, regardless of size
 - C. Employees, employers, and those who are self-employed
 - D. Persons earning \$25,000 a year or more
3. Which of the following types of employees typically are covered by Social Security?
 - A. Policemen and firemen
 - B. Full-time college students working for a fraternity or sorority
 - C. Student nurses
 - D. State employees hired in 1983
4. A person who is currently insured under Social Security is eligible for which of the following?
 - A. Limited death benefits
 - B. Disability and old-age benefits
 - C. Educational and disability benefits
 - D. Death, old age, and disability benefits
5. Under Social Security, a covered worker's PIA is:
 - A. An amount equal to the worker's retirement benefit at age 62
 - B. Equal to the person's full retirement at full retirement age or for disability
 - C. A fraction used to calculate disability benefits for eligible insureds
 - D. Equal to a percentage of the insured's potential disability or death benefit
6. The Maximum Taxable Wage Base under Social Security is:
 - A. The principal sum of which a percentage is paid as a death benefit
 - B. A covered worker's total annual income, which is subject to the social security tax
 - C. The maximum annual income level on which social security taxes are paid and on which benefits are calculated
 - D. The first \$30,000 of a covered worker's annual income on which Social Security tax is computed
7. At what age is a fully insured worker entitled to 100% of his or her PIA or retirement benefits under Social Security?
 - A. 59 ½
 - B. 62
 - C. Full retirement age
 - D. 70 ½
8. Whether a person is fully or currently insured under the Social Security program depends upon his or her
 - A. Average Indexed Monthly Earnings
 - B. Quarters of coverage under the system
 - C. Number of dependents
 - D. Annual salary
9. Lee has a Social Security PIA of \$800 at the time of his death. How much is payable to his surviving spouse as a lump-sum death benefit under Social Security?
 - A. \$0
 - B. \$255
 - C. \$500
 - D. \$800

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Unit Thirteen
Retirement Plans

1. A schoolteacher has placed money into a tax-qualified variable annuity over the past twelve years. The teacher has contributed \$26,000, and the value of the annuity today is \$36,000. If the teacher withdraws \$15,000 today, what would be the tax consequences if the teacher is in the 15% tax bracket?
 - A. \$1,500
 - B. \$2,250
 - C. \$4,500
 - D. There are no taxes due on this withdrawal
2. In a nonqualified plan, all the following are true **EXCEPT**:
 - A. The plan is a trust
 - B. Contributions are made after-tax
 - C. The plan must be in writing
 - D. The plan can be discriminatory
3. When establishing a Keogh plan, the plan must include
 - A. All full-time employees with at least one year of service
 - B. All full-time employees with two years of service or more
 - C. All employees
 - D. The proprietor only because employees can start their own IRAs
4. Linda is a retired teacher participating in a qualified tax-sheltered annuity. Contributions made on her behalf total \$15,000. This year she received a lump-sum payment of \$21,000. How would this payment be taxed?
 - A. As a capital gains distribution
 - B. As ordinary income
 - C. \$6,000 as capital gains and the remainder as ordinary income
 - D. As ordinary income, except for the \$15,000, which represents return of her distribution?
5. Diane Smith had payroll deductions totaling \$10,000 placed into a tax-qualified deferred annuity, and her current value in the account is \$16,000. For tax purposes, her cost base would be
 - A. \$0
 - B. \$6,000
 - C. \$10,000
 - D. \$16,000
6. Earl is the sole owner of a business. He earns \$160,000 a year. What is the maximum contribution to a SEP (Simplified Employee Pension) plan that he can make?
 - A. \$0
 - B. 25% up to a maximum limit
 - C. \$15,000
 - D. \$30,000
7. Harry is 61 years old. He would like to take a lump-sum distribution from his Keogh. What would be the tax treatment of this lump-sum distribution?
 - A. It will be taxed as ordinary income
 - B. It will be taxed at long-term capital gains rates
 - C. There will be a 10% penalty
 - D. There will be a 50% penalty
8. Which one of the following statements best illustrates the tax advantage of a Tax Sheltered Annuity Plan?
 - A. Tax deferment until the employee reaches age 62½
 - B. Tax is deferred until the employee receives payments under the annuity contract
 - C. Tax is exempt until the employee changes plans
 - D. Tax is postponed until the employee begins receiving Social Security benefits

9. When a client withdraws money from an IRA after age 59½, the
- Amount withdrawn is subject to a 10% penalty
 - Amount withdrawn is subject to taxes at the capital gains rate
 - The entire amount in the IRA is subject to taxation at the ordinary rate, regardless of the amount withdrawn, at age 59½
 - Amount withdrawn is subject to taxation at ordinary income tax rates
10. When referring to employee retirement plans, the term nonqualified refers to plans
- That requires IRS approval
 - That offers tax-deductible contributions and tax-deferred growth
 - Under which the employer may discriminate as to the inclusion of employees within the plan
 - Where the employer may deduct contributions made on behalf of the employee as the contributions are made
11. If an employer installs a Keogh plan, that plan must include all full-time employees, age 21, with how many years of service?
- One
 - Two
 - Three
 - None of the above
12. Which of the following persons may set up a Keogh plan?
- Accountant who works for a large corporation
 - Chemical engineer employed by Dow Chemical Co
 - Single proprietor who owns a hardware store
 - Doctor who is employed by Humana Hospital and has no outside practice
13. A teacher has a 403(b) tax-qualified deferred annuity. The school system he works for deposits \$10,000 for him into the plan over a twelve-year period. Now, at retirement, the teacher withdraws the total value of \$16,000. On what amount does he pay tax?
- \$6,000
 - \$8,000
 - \$10,000
 - \$16,000
14. Sam and Janet filed a joint tax return. Both contributed to their IRAs. Only Janet was an active participant in her employer's plan at work. Which of the following statements is true?
- Sam can contribute the maximum and take the full deduction
 - Both can contribute the maximum and take the full deduction on their joint tax return
 - Both can contribute the maximum, but the deduction will be subject to the phase-out
 - Janet cannot contribute
15. Doug McDonald has begun saving periodically by having a portion of his paycheck invested into a mutual fund he selected from a range of investments offered by his employer. The money invested is automatically deducted from his paycheck. What type of plan is being described here?
- Payroll deduction
 - Fixed annuity
 - Variable annuity
 - Deferred compensation
16. Which of the following investments could not be used as a funding vehicle for an IRA?
- Mutual fund shares
 - Variable annuities
 - Fixed annuities
 - Collectibles

17. A non-qualified employee retirement plan is different from a qualified employee retirement plan in that a nonqualified plan
- Is approved by the IRS
 - May not discriminate as to participation
 - Allows the employer to deduct contributions as they are made
 - Allows the employer to deduct contributions when they are paid to the employee
18. Which of the following are no longer available for IRA investment?
- Individual retirement bonds
 - Individual retirement income contracts
 - Individual endowment contracts
 - All of the above are correct
19. Karen Smith decides to take a well-earned vacation to celebrate her 30th birthday. She withdraws \$4,000 from her IRA to pay for a cruise. What will be the penalty on the amount withdrawn?
- \$0
 - \$240
 - \$400
 - \$2,500
20. Karen Smith withdraws \$4,000 from her traditional IRA to pay for a cruise. How will she treat the withdrawn amount on her income tax return?
- She will report \$4,000 as ordinary income
 - The \$4,000 is a return of her contribution and therefore not taxable
 - Only that portion considered investment earnings will be reported as a long-term gain
 - She will report \$3,600 as ordinary income
21. At age 52, Mike changed jobs and received a lump-sum distribution of \$44,000 from his previous employer's pension plan. Mike opened an IRA for \$34,000 and invested the remaining \$10,000 in a Treasury bill. How will Mike report the distribution on his tax return?
- \$10,000 as ordinary income
 - He may average \$44,000 over four years and report \$11,000 in ordinary income for each of the next four years
 - \$44,000 as ordinary income
 - The amounts received are tax-deferred until age 59 ½
22. Which of the following individuals would be eligible to participate in a tax-sheltered annuity?
- Maintenance engineer at a state university
 - Teacher in a public school system
 - Minister
 - All of the above
23. Which of the following is a feature of an HR-10 Plan?
- Full-time employees must be included after one year of service (employment)
 - Employees must retire no later than age 70½
 - Contributions for employees are fully and immediately vested
 - Employer contributions cannot exceed \$2,000 per year

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Unit Fourteen
Uses of Life Insurance

1. With a KEY-EMPLOYEE Insurance policy, who is the beneficiary?
 - A. The family of the insured
 - B. The business
 - C. The insured's estate
 - D. The key employee
2. Who is the owner and premium-payor of a KEY-EMPLOYEE life insurance policy?
 - A. The insured employee
 - B. The business
 - C. The insured's family
 - D. The business partner
3. All of the following represent advantages of KEY-EMPLOYEE cash value life insurance, EXCEPT:
 - A. It is a simple method of gradually accumulating a reserve fund for emergency purposes
 - B. The cash value represents a constantly increasing business asset
 - C. The policy may be used as collateral for a bank loan
 - D. It provides security for the key employee's family
4. Which of the following statements pertains to key employee life insurance?
 - A. Is purchased by the firm
 - B. Issued on the life of a key employee who contributes substantially to the success of the business
 - C. Offers financial protection to the firm against the death of a key employee
 - D. All of the above are correct
5. Which of the following statements pertaining to buy-sell plans in close corporations is/are correct?
 - A. A close corporation that has four stockholder-employees, plans to set up an insured buy-sell agreement. A stock redemption plan will require fewer policies than a cross-purchase plan
 - B. A corporation has an insured cross-purchase buy-sell plan agreed to by the corporate president and vice president, the two owners. The president and vice president own and pay the premiums for the life insurance policies in the plan
 - C. A corporation finalizes a stock redemption agreement for its three officers, all stockholder-employees. The firm's total stock is valued at \$600,000 and held in equal shares by the three officers. A \$200,000 policy will be purchased by the corporation on the life of each of its three officers
 - D. All of the above
6. With a STOCK REDEMPTION PLAN, to what is the amount of insurance carried by the corporation on the lives of the stockholders' equivalent?
 - A. Each stockholder's share of the purchase price
 - B. 50% of each stockholder's holdings
 - C. The total amount of personal insurance carried by each shareholder
 - D. The total amount of the purchase price
7. What is the name of the form of life insurance co-ownership used primarily by an employer to help an employee carry life insurance protection needed by the employee's family?
 - A. Key Person Insurance
 - B. Deferred Compensation Insurance
 - C. Split-Dollar Insurance
 - D. Business Continuation Insurance

8. A business continuation agreement in which the business owners buy insurance on each other's lives to fund the agreement is called which of the following?
- Multiple Policy Agreement
 - Entity Agreement
 - Single Policy Agreement
 - Cross-Purchase Agreement
9. Don Flood has entered into an agreement with his employer stating that if he remains with the company until age 65, the company will pay Doug \$75,000 at the rate of \$10,000 per year. The payments will commence at age 65 or death, whichever comes first. What type of plan is described here?
- Payroll deduction
 - Fixed annuity
 - Variable annuity with installments for a designated amount
 - Deferred compensation
10. All of the following statements describe nonqualified deferred compensation plan EXCEPT:
- It requires no approval from IRS
 - It does not allow the employer to deduct the cost of the plan
 - It allows the employer to deduct the cost of the plan when the employee has constructive receipt of the benefits
 - It allows the employee to receive the benefit of deferral if he/she signs a contract stating the funds are to use for retirement and then abides by the contract
11. An insured BUY-SELL AGREEMENT in a partnership can have a stabilizing or positive effect mostly on the following, EXCEPT:
- Creditors
 - Employees
 - Customers or clients
 - City officials
12. Which of the following statements pertaining to sole proprietor buy-sell plans is correct?
- Concerning disposition of the business at his or her death, the only alternatives open to a sole proprietor are to dissolve the business or leave it to an heir as a bequest
 - A buy-sell agreement for a sole proprietor can be drafted by the proprietor or his or her life insurance agent
 - Life insurance is an ideal medium for funding a buy-sell agreement because, for a reasonable premium, it makes money available when needed to activate the sale of the business
 - In a sole proprietor buy-sell agreement, the sole proprietor is the owner of the policy
13. Which of the following statements pertaining to partnership buy-sell plans is/are correct?
- By law, a partnership ceases to exist when a partner dies
 - Homer and Wilbur are partners. Each buys an insurance policy to insure the life of the other; therefore, their buy-sell agreement is an entity plan
 - In a cross-purchase plan, the partnership is a party to the buy-sell agreement
 - All of the above
14. The social significance of Life Insurance is best illustrated by which of the following statements?
- It provides funds in times of financial distress to widows, children, and elderly beneficiaries
 - It guarantees the right to borrow from the insurance company immediately after the issuance of the policy
 - It makes people more dependent on public charity
 - Policyholders have the privilege of obtaining mortgage money for home building at lower rates than non-policy holders

15. Who drafts the buy-sell agreement for a sole proprietor?
- An attorney
 - The proprietor
 - An insurance agent
 - Any of the above
16. Which of the following best describes the capitalization of the human life value? It is the:
- Amount that a family needs to live, subtracting the money that is required by the wage earner
 - The monetary value that can be attributed to human life in terms of that individual's earning power
 - Interest that can be earned annually on the death benefit
 - Calculation by the underwriter of future monetary needs of the family
17. If John Jones enters into a deferred compensation plan with Ajax Corporation and before John Jones's retirement, Ajax goes bankrupt
- Ajax is still required to pay the deferred compensation
 - Ajax could terminate the deferred compensation plan without penalty
 - Ajax could terminate the deferred compensation plan but would be liable for penalties
 - None of the above apply
18. John Jones entered into a deferred compensation plan with his employer. The plan states that John will receive \$12,000 per year after retirement (at age 65) from the company. If John terminates his employment with the company before age 65
- The company is still obligated to make the \$12,000 annual payments after age 65
 - The company is obligated to make payments as soon as John leaves
 - John forfeits his right to the deferred compensation
 - John can roll the deferred accumulations into his IRA
19. Fred Dorsey's deferred compensation plan states that he does not have constructive receipt of the benefits until age 65 or death. This means that
- Before age 65, he can receive the benefits in any form other than cash
 - He does not have the right or guarantee of payments and cannot claim them as an asset until he receives them
 - He cannot specify a beneficiary until age 65
 - The benefits are held in a trust account in his name, but he cannot claim them until age 65
20. All of the following usually are included in a final expense fund when determining the life insurance needs of a family, EXCEPT:
- Last illness and funeral costs
 - Outstanding debts
 - Funds to pay off a mortgage
 - Unpaid federal and state taxes

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Units Twenty-Six & Twenty-Seven**Life Law**

1. A Legal Reserve Life Insurance Company is desirable from a policyholder's viewpoint because:
 - A. It is backed by the Federal Government
 - B. Due to its size and age, it is reasonable to assume that the insurance company can pay all claims as they become due
 - C. The Legal Reserve is calculated scientifically using proper mortality and interest assumptions to assure the maturity of a policy (issued at any age) in accordance with its terms
 - D. It can pay all claims even if the claims become payable simultaneously
2. Assignments of ownership rights in group life insurance contracts are:
 - A. Permitted only in group term insurance contracts
 - B. Strictly prohibited
 - C. Generally permitted
 - D. Generally, not permitted
3. A "Spendthrift Clause" in a life insurance contract:
 - A. Prevents the insurer from paying the death benefit until six months after the insured's death
 - B. Protects the death proceeds from the claims of the beneficiary's creditors
 - C. Both A and B
 - D. Neither A nor B
4. A company licensed to sell insurance in a state is called:
 - A. An admitted company
 - B. An alien company
 - C. A domestic company
 - D. A domiciled company
5. A "Certificate of Authority" is
 - A. Issued to a licensee upon passing the state licensing exam
 - B. Issued by the Office of Insurance Regulation as a requirement before starting an HMO
 - C. A contract that defines the agent's scope of authority on behalf of the principal
 - D. A legal document issued by the principal that authorizes the agent to act in a fiduciary capacity when accepting premiums on behalf of the insurer
6. The term "transaction," as applied to insurance, includes all of the following except
 - A. Solicitation of insurance
 - B. Inducement to purchase insurance
 - C. Execution of a contract of insurance
 - D. Negotiations preliminary to execution of an insurance contract
7. Which of the following is considered "fraud?"
 - A. Presenting a false claim for the purpose of receiving money
 - B. Knowingly making a false statement on an application for insurance
 - C. Both A and B
 - D. Neither A nor B
8. The act of making a false oral or written statement which is maliciously critical of or derogatory to the financial condition of any insurance company is otherwise known as:
 - A. Fraud
 - B. Defamation
 - C. Libel
 - D. Intimidation

9. All of the following are characteristics of Fraternal Benefit Societies except which one?
- A. Formed without capital stock
 - B. Organized for the benefit of its members and beneficiaries
 - C. Carried on for the purpose of making a profit
 - D. Has a lodge system with a representative form of government
10. A foreign insurance company is:
- A. An American company not organized under the laws of your State
 - B. A company issuing only foreign policies
 - C. A non-admitted company
 - D. A company organized under the laws of a foreign country
11. An alien insurance company is:
- A. A company organized under the laws of a foreign country
 - B. A non-admitted company
 - C. A company issuing only foreign policies
 - D. An American company not organized under the laws of your State
12. A domestic insurance company is one which
- A. Is organized under the laws of your State
 - B. Has a regional, district, or home office in your State
 - C. Operates exclusively in your State
 - D. May be organized under the laws of another State
13. All of the following are characteristics of a mutual insurance company except
- A. Assumes the insurable risks of its policyholders, charging them a premium
 - B. Usually issues participating policies
 - C. Controls itself through a board of stockholders
 - D. Is owned by its policyholders
14. An ADMITTED insurance company is:
- A. One that admits its obligations to pay all losses promptly
 - B. An incorporated insurer not authorized to transact life insurance
 - C. One which the Office of Insurance Regulations has licensed to transact business in Florida under the provisions of the state laws
 - D. One that is admitted to not in good financial standing
15. Which of the following is required to start an HMO in Florida?
- A. A Certificate of Authority
 - B. An appointment
 - C. Approval by the NAIC
 - D. Approval by the SEC
16. Which of the following is not one of the state agencies involved with the regulation of the insurance business?
- A. State Legislature
 - B. Better Business Bureau
 - C. Chief Financial Officer and the Office of Insurance Regulation
 - D. State Courts
17. Which of the following properly identifies a "foreign" life insurance according to recognized insurance regulatory terminology?
- A. A company whose home office is in another country
 - B. A company whose home office is in another state
 - C. A company that has no local representative
 - D. A company that issues contracts written in a foreign language

18. One insurance company assumes 3½% interest in calculating premiums. Another assumes 4% interest. Which of the following is a correct statement?
- A. The insurance company assuming 4% interest will require a larger reserve
 - B. The insurance company assuming 3½% will require have a larger reserve
 - C. The reserve will be the same for both insurance companies since it is solely dependent upon mortality
 - D. Interest is not an important factor in determining the reserve for Life Insurance Policies
19. Which of the following statements about an agent's fiduciary responsibilities is or are correct?
- A. Money held by the agent that belongs to the company may be commingled with the agent's own personal funds
 - B. To divert, commingle or otherwise misappropriate fiduciary funds is illegal
 - C. Both A and B
 - D. Neither A nor B
20. Personal and controlled insurance includes insurance covering all of the following except which one?
- A. The licensee, his spouse, and his employer's spouse
 - B. The licensee's grandmother
 - C. The licensee's cousin
 - D. The licensee's partner if the license is in the name of a corporation
21. Agents may split commissions with one another under which of the following circumstances?
- A. If at least one of the agents is properly licensed to receive the commission
 - B. If both agents are duly appointed and are properly licensed to receive the commission
 - C. Both A and B
 - D. Neither A nor B
22. A Policy Summary is a written statement that describes the contents and features of a life insurance policy, including, but not limited to, all of the following except which one?
- A. The name and address of both the agent and the company
 - B. The generic name of the basic policy and each attached rider
 - C. The amount of the premium
 - D. The bylaws of the company
23. Charging an applicant for a specific ancillary coverage or product in addition to the cost of the insurance coverage applied for, without the informed consent of the applicant is the practice of:
- A. Churning
 - B. Coercion
 - C. Twisting
 - D. Sliding
24. A replacement that takes place on the basis of incorrect or incomplete representations between two different companies is considered to be
- A. Churning
 - B. Coercion
 - C. Twisting
 - D. Sliding

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Life Answer Key

Unit 1	9. A	Unit 7	4. D	Unit 13	18. A
1. C	10. B	1. B	5. C	1. B	19. B
2. C	11. B	2. A	6. C	2. A	20. C
3. B	12. B	3. D	7. D	3. A	
4. C	13. C	4. C	8. B	4. B	Units 26 & 27
5. C	14. C	5. C	9. C	5. A	1. C
	15. C	6. B	10. D	6. B	2. C
Unit 2	16. A	7. B		7. A	3. B
1. C	17. C	8. C	Units 11 & 28	8. B	4. A
2. D	18. D	9. B	1. B	9. D	5. B
3. C	19. D	10. D	2. C	10. C	6. B
4. B	20. A		3. B	11. A	7. C
5. B	21. C	Unit 8	4. A	12. C	8. B
	22. D	1. D	5. C	13. D	9. C
Unit 3	23. A	2. C	6. C	14. C	10. A
1. C	24. C	3. A	7. B	15. A	11. A
2. A	25. C	4. B	8. B	16. D	12. A
3. C		5. C	9. B	17. D	13. C
4. A	Unit 6	6. C	10. A	18. C	14. C
5. C	1. D	7. D	11. B	19. C	15. A
6. A	2. C	8. D	12. C	20. A	16. B
7. D	3. B	9. A	13. A	21. A	17. B
8. D	4. C	10. A	14. C	22. D	18. B
9. C	5. C		15. D	23. A	19. B
10. B	6. D	Unit 9	16. A		20. C
	7. B	1. C	17. C	Unit 14	21. B
Unit 4	8. C	2. C	18. D	1. B	22. D
1. D	9. B	3. A	19. A	2. B	23. D
2. B	10. B	4. B	20. B	3. D	24. C
3. C	11. D	5. C	21. D	4. D	
4. A	12. A	6. C	22. D	5. D	
5. A	13. D	7. C	23. B	6. A	
6. B	14. D	8. C	24. D	7. C	
	15. B	9. D		8. D	
Unit 5	16. D	10. A	Unit 12	9. D	
1. A	17. A	11. D	1. A	10. B	
2. D	18. A	12. B	2. C	11. D	
3. D	19. C	13. C	3. A	12. C	
4. A	20. A	14. D	4. A	13. A	
5. C	21. A		5. B	14. A	
6. D	22. B	Unit 10	6. C	15. A	
7. C	23. C	1. C	7. C	16. B	
8. D	24. C	2. A	8. B	17. B	
		3. C	9. B		

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Florida Life, Health & Variable Contracts

Health Insurance Practice Exam Questions & Answer Key

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Unit One**Purpose of Life & Health**

1. Treating risk by purchasing insurance is an example of
 - A. Avoiding risk
 - B. Transferring risk
 - C. Reducing risk
 - D. Retaining risk
2. All forms of insurance are alike in all of the following ways, EXCEPT:
 - A. All are based on the law of large numbers
 - B. All are implemented through a contractual agreement between the insurance owner and insurer
 - C. The nature of the perils covered is the same
 - D. All indemnify financial loss
3. Alcoholism is an example of a
 - A. Peril
 - B. Physical hazard
 - C. Moral hazard
 - D. Morale hazard
4. Which of the following best summarizes the function of insurance?
 - A. It is a form of legalized gambling
 - B. It spreads financial risk over a large group so as to minimize the loss to any one individual
 - C. It protects against living too long
 - D. It spreads the financial risk over a diverse group of people who are exposed to different risks
5. The law of large numbers states that
 - A. The smaller the number of risks combined into one group, the less uncertainty there will be as to the amount of loss that will be incurred
 - B. The larger the number of risks combined into one group, the less uncertainty there will be as to the amount of loss that will be incurred
 - C. The smaller the number of risks combined into one group, the larger the loss will be to any one individual in that group
 - D. The larger the number of risks combined into one group, the smaller the loss will be to any one individual in that group
6. Assume there are four different morbidity tables. Of these, the most reliable would be the morbidity table covering
 - A. 100,000 lives
 - B. 500,000 lives
 - C. 4,000,000 lives
 - D. 10,000,000 lives

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Unit Two**The Insurance Industry**

1. All of the following statements are incorrect EXCEPT:
 - A. A company with its home office in Florida is referred to as a domestic company in Florida and a foreign company in all other states
 - B. A company with its home office in Puerto Rico is considered an alien company in the United States
 - C. A company with its home office in Ohio is considered to be a foreign company in Ohio and a domestic company in all other states
 - D. A company with its home office in Michigan is referred to as a domestic company in Michigan and an alien company in all other states

2. How does an independent insurance agent differ from a broker?
 - A. The agent works exclusively for one insurer
 - B. Brokers represent a large insurance company that sells many different products
 - C. Agents are salaried employees of a company who are involved in direct selling
 - D. Brokers represent the buyer rather than an insurer

3. The following statements regarding the Fair Credit Reporting Act are correct, EXCEPT:
 - A. Restricts the use for which investigative consumer reports may be used
 - B. Requires correction of erroneous data
 - C. Enables consumers to file civil suits for actual and punitive damages caused by willful noncompliance
 - D. Affects credit applications directly but not life insurance

4. Which of the following Federal regulations established that insurers had to get applicant authorization to carry out an inspection report as part of the underwriting process?
 - A. Public Law 15
 - B. ERISA
 - C. Fair Credit Reporting Act of 1970
 - D. Inspection Authorization Act of 1981

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Unit Three**Law & the Insurance Contract**

1. In a health insurance policy, the Consideration clause states that the policyowner's consideration consists of signing the application and
 - A. Signing the medical authorization form
 - B. Accepting the policy
 - C. Surrendering existing insurance policies
 - D. Paying the initial premium
2. Select the correct statement of the power of "agency."
 - A. Insurance companies usually give their agents some extra authority by writing it into their agency contracts
 - B. When a properly authorized agent guarantees coverage, it's automatically binding on the company
 - C. No insurance company can be compelled to honor a promise made by an agent unless that agent provides proper notice in advance
 - D. The actions of an insurance agent may be taken to be the actions of his or her company
3. The following statements about INSURABLE INTEREST are true, EXCEPT:
 - A. Brothers and sisters have an insurable interest in each other
 - B. A creditor can have insurable interest in a debtor limited to the amount of indebtedness
 - C. An insurable interest must exist between the policyowner and the insured at the time of claim
 - D. People are considered to have an insurable interest in themselves
4. A BROKER'S CONTRACT is required for an agent who:
 - A. Sells policies to corporations
 - B. Places policies with insurance companies other than the one with which he or she is under contract
 - C. Places a policy with a broker
 - D. Makes joint sales with another agent
5. Which one of the following statements about a "representation" is correct?
 - A. A statement made by the applicant that they believe to be true
 - B. When false in a material way, the policy is unaffected
 - C. Found only in the printed text of the policy
 - D. Not commonly found in the application
6. Which one of the following statements about a "warranty" is or are correct?
 - A. In life and disability insurance, all answers in an application are deemed to be warranties and not representations
 - B. A representation is false when the facts fail to correspond with its assertions and stipulations
 - C. Both A and B
 - D. Neither A nor B
7. Which of the following are necessary in order to establish a valid contract?
 - A. Competent parties
 - B. Offer and Acceptance
 - C. Valid consideration
 - D. All of the above
8. Which of the following terms describes an agreement, which is not legally enforceable under any circumstances?
 - A. Informal contract
 - B. Formal contract
 - C. Void contract
 - D. Voidable contract
9. Which of the following does not potentially have a legal effect on a person's competency to enter into a contract?
 - A. Poor business reputation
 - B. Insanity
 - C. Drunkenness
 - D. Underage

10. Which statement lists the ingredients of a valid contract?
- A. Offer, acceptance, consideration, legal purpose, and competent parties
 - B. Offer, counteroffer, acceptance, explicit purpose, and competent parties
 - C. Offer, acceptance, agreement, legal purpose, and competent parties
 - D. Consent, consideration, agreement, explicit purpose, and competent parties
11. Concerning the CONSIDERATION for a health insurance policy, all of the following statements are correct **EXCEPT**:
- A. The Consideration Clause may specify the insured's right to renew the policy
 - B. Two principal elements of the consideration are the premium payment and the application
 - C. The amount and frequency of premium payment are stated in the Consideration Clause
 - D. A Consideration Clause is not mandatory in all health insurance policies
12. In common with other contracts, insurance contracts have all the following components EXCEPT:
- A. Any person, regardless of age, may enter into a legal contract
 - B. The persons involved mutually consent to the contents of the contract
 - C. The purpose of the contract is a legal one
 - D. Something of value is exchanged for a consideration, usually a sum of money

Unit Fifteen**Introduction to Health Insurance**

1. Concerning the "Right to Renew," all of the following statements are incorrect, EXCEPT:
 - A. The premium remains the same
 - B. The policyowner must prove insurability
 - C. The policyowner may renew the policy up to the age specified in the policy
 - D. The company could refuse to renew at any anniversary date
2. Distinctions can be made among health carriers in the area(s) of
 - A. Reimbursement procedures
 - B. Services provided
 - C. Contractual arrangements
 - D. All of the above
3. All of the following are correct concerning Group Health Insurance EXCEPT:
 - A. Group health plans issued by mutual companies usually provide for dividends
 - B. Stock companies frequently issue experience-rated plans
 - C. Dividends or experience-rating refunds are influenced by competition, reserves, and taxes
 - D. Dividends or experience-rating refunds are influenced by expenses and claims costs
4. Which of the following statements regarding MORBIDITY are correct?
 - A. Morbidity figures reveal when and how long an individual will be disabled
 - B. Morbidity statistics indicate the average number of persons at various age levels who are expected to become disabled each year
 - C. Morbidity is a sub-factor in premium calculations for health insurance
 - D. Morbidity tables need not be based on large numbers of persons
5. Regarding a company's RESERVES for health insurance, all of the statements below are false, EXCEPT:
 - A. Minimum requirements for the reserves are stipulated by state law
 - B. The reserves are carried as assets on the company's books
 - C. The total premium paid is designated for the reserves
 - D. Reserves are invested by the insurer to increase their profits
6. Which of the following statements about group A & H provisions and practices is (are) true?
 - A. Insurance company practices are generally less liberal under group policies than under individual policies
 - B. Experience rating is generally utilized under group policies
 - C. Both A and B
 - D. Neither A nor B
7. Which of the following tasks are performed by claims personnel?
 - A. Review claims submitted to assure that benefits applied for are covered by the policy
 - B. Maintain close communications with medical and legal departments of the insurer
 - C. Both A and B
 - D. Neither A nor B
8. An insurer uses the premiums paid by policyholders for which of the following purposes?
 - A. To meet initial and continuing expenses
 - B. To create a pool of money from which to pay claims
 - C. To contribute to the insurer's investment income
 - D. Both B and C

9. Which of the following is a correct statement about health insurance benefits?
- A. Claims and not benefits affect premium rates
 - B. The greater the benefits, the higher the premium
 - C. Each policy has a single type of benefit
 - D. Policyowners who have policies with identical benefits pay the same premiums
10. The amount of money an insurer sets away to pay future claims is called
- A. Premium
 - B. Reserve
 - C. Dividend
 - D. Accumulated interest

Unit Sixteen**Health Insurance Providers**

1. All of the following may be classified as voluntary Service Organizations, EXCEPT:
 - A. Fraternal benefit societies
 - B. Health insurance companies
 - C. Blue Cross and Blue Shield
 - D. Health Maintenance Organizations (HMOs)
2. Which of the following types of work-related benefits is not covered by the typical provisions of Workers' Compensation Programs?
 - A. Retirement Benefits
 - B. Disability Benefits
 - C. Survivor's Income Benefits
 - D. Medical Expense Benefits
3. Workers' compensation covers income loss resulting from
 - A. Work-related disabilities
 - B. Any accidental injury
 - C. Both a and b
 - D. Neither a nor b
4. Which of the following is/are examples of health plan administrators?
 - A. HMOs
 - B. ASOs and TPAs
 - C. MPPs
 - D. All of the above
5. Which of the following statements best describes Medicaid?
 - A. An assistance program funded by money from federal and state taxes
 - B. A welfare program of medical-expense insurance funded by state government
 - C. Supplemental medical care insurance attached to accident and health insurance policies
 - D. Medicaid is identical to Medicare except that the premium is lower
6. Which one of the following medical expenses are excluded from coverage under Medicaid?
 - A. In-patient care
 - B. Prescribed drugs and eyeglasses
 - C. Clinical services and intermediate care facility services
 - D. All expenses which are paid for by Medicare
7. Where Blue Cross plans are community-sponsored, Blue Shield plans are:
 - A. Physician-sponsored through medical societies
 - B. Federally-sponsored through government agencies
 - C. Both A and B
 - D. Neither A nor B
8. All of the following statements regarding Multiple Employer Trusts (METs) are true, EXCEPT:
 - A. They are established to provide group benefits to employers within a specific industry, such as construction
 - B. An employer desiring coverage for its employees from a MET must subscribe by becoming a member of the trust
 - C. METs provide coverage only on a self-funded basis
 - D. METs are most typically used by smaller employers
9. Which of the following plans use an outside, non-insurance organization to handle the paperwork for a self-insurance plan?
 - A. Multiple Employer Trust (MET)
 - B. Administrative-Services-Only (ASO) plan
 - C. Third-Party Administrator (TPA) plan
 - D. Minimum Premium Plan (MPP)

10. An independent, nonprofit membership association that provides protection against the cost of hospital care in a limited geographical area is
- A. A Multiple Employer Trust
 - B. Blue Cross
 - C. Blue Shield
 - D. A fraternal benefit society

Unit Seventeen
Medical Expense Insurance

1. All of the following statements about “miscellaneous coverage” under an individual hospital/surgical-expense policy is or are correct EXCEPT:
 - A. Drugs, anesthetics, operating room services, medical equipment, and supplies are covered
 - B. The payable benefits are usually subject to a co-insurance feature
 - C. The maximum benefit is usually expressed as a multiple of the daily room and board benefit
 - D. The maximum benefit may be a stated dollar amount
2. Which of the following statements is or are correct regarding the term “deductible”?
 - A. Is the total amount of initial medical expenses that the insured must pay within a specified period.
 - B. Represents the amount of total indemnities deducted from a benefit-year
 - C. Both A and B
 - D. Neither A nor B
3. The “surgical-expense benefit” under medical-expense insurance pays for surgical procedures:
 - A. Only on a reimbursement basis
 - B. Subject to a schedule of limits
 - C. Except those procedures performed by an assistant surgeon
 - D. In an amount which bears no relationship to what surgeons normally charge for such surgical procedure
4. The hospital-expense benefit is based on actual hospital charges, whereas the hospital-indemnity benefit is based:
 - A. Solely on the period of out-patient status
 - B. Strictly on hospital rules
 - C. Solely on the period of hospital confinement
 - D. Primarily on the Mandatory Uniform Policy Provisions
5. When benefits are paid to a policyowner covered under a Hospital Expense policy, the policy is considered to be which of the following?
 - A. Service
 - B. Limited Accident
 - C. Reimbursement
 - D. Special Risk
6. William T has a Major Medical policy with a \$500 DEDUCTIBLE and an 80%-20% COINSURANCE provision. He has a hospital bill for \$6,200 of covered expenses. How much of the hospital bill does William have to pay?
 - A. \$1,640
 - B. \$2,420
 - C. \$1,240
 - D. \$1,320
7. All the following apply to the deductible provisions in medical expense policies EXCEPT:
 - A. Deductible provisions eliminate a large number of small claims
 - B. Deductible clauses provide that initial covered medical expenses up to a specified amount must be paid by the insured
 - C. Such provisions are not used in group insurance
 - D. Such provisions help to maintain the lowest possible premium rates
8. In Major Medical and Comprehensive policies, a COINSURANCE provision:
 - A. Helps to satisfy the deductible amount
 - B. Provides for percentage participation by the insured
 - C. Has no effect on claims
 - D. Does not apply until benefit amounts exceed \$2,000

9. Which of the following statements about Surgical Expense benefits is (are) true?
- A. The amount on the benefit schedule is typically expressed in terms of the maximum benefit payable
 - B. The benefits are typically subject to deductibles of \$250 or more
 - C. Both A and B
 - D. Neither A nor B
10. Which Hospital Expense policy pays benefits on an INDEMNITY basis? One that pays;
- A. Whatever the hospital room charges are up to a stated maximum
 - B. For total hospital expenses, less a deductible
 - C. A flat amount per day for hospital room and board
 - D. Only for surgery and miscellaneous hospital expenses
11. The owner of a Medical Expense policy has all of the following rights EXCEPT to
- A. Add coverage for a spouse without providing proof of insurability
 - B. Assign the benefits to the provider of the medical services
 - C. Sue, the insurance company if there is a disagreement over a claim
 - D. Return the policy to the insurance company within the Free Look Period
12. True statements about Major Medical Expense insurance include which of the following?
- A. It covers potentially catastrophic losses and has high maximum limits
 - B. It pays all covered expenses, up to the maximum benefit provided by the contract
 - C. Deductibles may prevent the payment of small losses
 - D. All of the above
13. COMPREHENSIVE MAJOR MEDICAL EXPENSE insurance combines which of the following coverages in one policy?
- A. Basic Hospital/surgical and Major Medical
 - B. Disability Income and Accidental Death and Dismemberment
 - C. Disability Income and Basic Hospital/Surgical
 - D. Major Medical and Accidental Death and Dismemberment
14. All of the following expenses usually are covered by a comprehensive major medical health insurance policy, EXCEPT:
- A. Accidental loss of a limb
 - B. Surgical removal of a kidney
 - C. Cosmetic surgery
 - D. Diagnostic and x-ray services
15. Jim O'Hara was hospitalized for two weeks and received a bill for \$2,100. He has a Major Medical policy with a \$100 deductible. His Coinsurance is 80/20, figured after reducing the bill by the deductible amount, Mr. O'Hara is expected to pay a total of
- A. \$400
 - B. \$500
 - C. \$520
 - D. \$1,600
16. Which of the following is not a characteristic of a typical basic Medical Expense Insurance Plan?
- A. Relatively modest maximum benefit amounts
 - B. Coinsurance (participation) requirements
 - C. No first dollar deductible
 - D. Specifically, scheduled benefits for each item of covered medical treatment

17. An individual owns a Hospital Expense policy and a Surgical Expense policy. The Hospital policy pays \$100 a day for hospital room and board, and a maximum of \$1,000 for miscellaneous hospital charges. The Surgical policy pays a maximum of \$500 for any one operation. If the insured was hospitalized for ten days and had charges of \$200 a day for hospital room and board, \$1,500 for miscellaneous expenses, and \$2,000 for the surgical expense (a maximum procedure under the policy), what would the two policies pay?
- A. \$1,000
 - B. \$2,500
 - C. \$3,500
 - D. \$5,500
18. Alex Marks has a \$100,000 Supplemental Major Medical Policy in which the Basic Medical Expense Plan has a limit of \$5,000. The policy has an 80/20 coinsurance provision and a major medical integrated deductible of \$2,000. If Alex incurred covered expenses of \$20,800, how much of the deductible would he pay?
- A. \$2,000
 - B. \$5,000
 - C. \$0
 - D. \$2,800
19. Harriet Baker has a \$1,000,000 Supplemental Major Medical Policy in which the Basic Medical Expense Plan has a limit of \$5,000. The policy has a corridor deductible of \$500 and an 80/20 coinsurance provision. The policy also has a stop loss feature of \$2,000. Harriet's expenses were \$22,000. How much would Harriet have to pay?
- A. \$2,500
 - B. \$4,360
 - C. \$3,360
 - D. \$3,400
20. Linda Mason has a Supplemental Major Medical Policy that will pay as follows:
- 100% of the 1st \$10,000
 - \$200 Corridor Deductible
 - 80% of the next \$10,000 / 100% thereafter
- Linda's policy also contains a Stop-Loss provision. If Linda incurred expenses of \$50,000, how much would the company have to pay?
- A. \$44,000
 - B. \$7,960
 - C. \$22,000
 - D. \$47,800

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Unit Eighteen**Disability Income Insurance**

1. Following an accident, the insured is unable to perform any of the duties of his occupation. This condition is called
 - A. Accidental means
 - B. Partial disability
 - C. Total disability
 - D. Temporary partial disability
2. An insured is totally disabled because of an accident and then is totally disabled by illness at the same time
 - A. The insured can collect total disability for both the accident and the sickness
 - B. The insured can collect total disability once, as there has been only one loss of time, or income
 - C. The insured could collect total disability for both the accident and the sickness only if it was shown that the accident preceded the sickness and was the direct cause of the sickness
 - D. The insured can collect total disability for both the accident and the sickness only if it is shown that the sickness preceded the accident and caused the accident
3. ELIMINATION PERIODS in disability Income policies are designed to:
 - A. Eliminate claims for long-term disabilities
 - B. Last generally for one year
 - C. Help keep premium rates at a profitable level
 - D. Specify a limited period of time at the start of disability when benefits are not payable
4. John H is totally and permanently disabled. His agent informs him he does not have to pay his premium while his disability lasts. John's policy contains which provision?
 - A. Accidental death
 - B. Waiver of premium
 - C. Double indemnity
 - D. Grace Period
5. Janet Gainer has a disability income policy that provides for \$800 per month, a 60-day waiting period, and a five-year benefit period. Janet is totally and permanently disabled for life. Her policy will
 - A. Pay \$800 per month for five years
 - B. Pay \$800 per month during total or partial disability
 - C. Pay \$800 per month for life
 - D. Pay \$800 from the first day of disability
6. Which of the following would normally be classified as earned income for the purpose of calculating Disability income benefits?
 - A. Income from real estate holdings
 - B. Income from stocks and bonds
 - C. Income from wages and/or Income from self-employment
 - D. All of the above
7. Which one of the following best defines the term "Partial Disability"?
 - A. The insured's inability to work more than 20 hours per week
 - B. The insured's inability to perform one or more of the material or important duties of his or her occupation
 - C. The insured's inability to perform any material or important duties of his or her occupation
 - D. None of the above are correct
8. The provision of a disability policy that is designed to encourage the client to return to work without fear of having to re-qualify for benefits if they suffer a relapse is known as which of the following?
 - A. Partial disabilities
 - B. Preexisting conditions
 - C. Residual disabilities
 - D. Presumptive disabilities

9. Select the correct statement regarding the benefits paid for non-disabling injuries
- A. Some policies pay a small percentage (often 10%) of the total disability payment if the insured loses time away from work to obtain medical or surgical treatment
 - B. Some policies pay 50% of the total disability payment if the insured loses time away from work to obtain medical or surgical treatment
 - C. Both A and B
 - D. Neither A nor B
10. Which of the following statements about the Waiver of Premium provision in an A & H policy is true?
- A. It provides for payment of benefits to the beneficiary when the insured becomes sick or disabled
 - B. It allows the insured to resume coverage under a lapsed policy
 - C. It waives the liability of the insurance company for excessive losses
 - D. It waives the payment of premiums after the insured has been totally disabled for the specified period of time

Unit Nineteen**Accidental Death & Dismemberment Insurance**

1. Which of the following statements is true about changing a beneficiary of an AD&D policy?
 - A. A change of beneficiary is automatic if the insured remarries
 - B. A request for a change of beneficiary must be made in writing to the insurance company
 - C. A change of beneficiary may be made by verbally notifying the insured's agent
 - D. A change of beneficiary may be made in the insured's will

2. Which of the following policies combines life and health coverage?
 - A. Hospital Indemnity
 - B. Major Medical
 - C. Accidental Death and Dismemberment
 - D. Dread Disease and Medical Expense

3. Which of the following is considered a hybrid product?
 - A. Indemnity contract
 - B. Stated amount contract
 - C. AD&D insurance contract
 - D. Arbitrary contract

4. Which of the following statements pertaining to a life insurance contract known as AD&D is correct?
 - A. As to a life insurance contract, "unilateral" refers to the legal obligations of the policyowner
 - B. The term "adhesion" indicates that a life insurance contract involves no exchange of equivalent values
 - C. Both A and B
 - D. Neither A nor B

5. All of the following types of policies may require a medical examination EXCEPT:
 - A. Accidental Death and Dismemberment Insurance
 - B. Disability Income Insurance
 - C. Major Medical Insurance
 - D. Comprehensive Medical Insurance

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Unit Twenty**Government Health Insurance Programs**

1. Which of these statements regarding Medicare is correct?
 - A. Medicare Part B—Supplement Medicare Insurance (SMI)—is voluntary
 - B. Under Medicare Part B, payments for physicians' services are unlimited
 - C. Medicare recipients are billed for their Medicare Part A premiums on a semiannual basis
 - D. Medicare Part A Hospital Insurance (HI)—carries no deductible
2. Under Medicare Part A, the participant must pay his or her deductible
 - A. Annually
 - B. Once per benefit period
 - C. Monthly
 - D. Twice per benefit period
3. Under Medicare Part B, the participant must
 - A. Pay 20 percent of covered charges above the deductible
 - B. Pay a per benefit deductible
 - C. Pay 80 percent of covered charges above the deductible
 - D. Pay a yearly premium
4. Lynn is insured under Medicare Part A and enters the hospital for surgery. Medicare will help pay her hospital bill for up to how many days, assuming that Glynn has not yet tapped into her lifetime reserve days
 - A. 60
 - B. 90
 - C. 120
 - D. 150
5. Under Part B coverage, Medicare will pay:
 - A. 80 percent of the actual charge
 - B. 100 percent of the allowable charge
 - C. 100 percent of the reasonable charge
 - D. 80 percent of the allowable charge
6. The major gaps in Medicare occur in
 - A. Part A in the way skilled nursing care is covered
 - B. Part B in the way physical therapy is covered
 - C. Part B in the way Medicare expenses are covered
 - D. Part A in the way hospice coverage is handled
7. Which of the following statements pertaining to Medicare is correct?
 - A. Paul is covered under Medicare Part B. He submitted a total of \$2,100 of approved medical charges to Medicare after paying the required deductible. Of that total, Paul must pay \$1,880
 - B. Each individual covered by Medicare Part A is allowed one 90-day benefit period per year
 - C. For the first 90 days of hospitalization Medicare Part A pays 100 percent of all covered services, except for an initial deductible
 - D. Medicare Part A is automatically provided when a qualified individual applies for Social Security benefits
8. In computing "allowable charges" for Medicare, all the following figures are compared EXCEPT:
 - A. The doctor's customary charge
 - B. The highest amount the insurer is willing to pay
 - C. The actual bill
 - D. The prevailing charge in the community for that service

9. Retirees apply for Medicare:
- A. Six months before their 65th birthday
 - B. Automatically when they apply for Social Security retirement benefits or age 65 if retiring later
 - C. By appearing in person at the Social Security regional office nearest their residence
 - D. None of the above
10. Medicare Part B covers:
- A. Medical expenses
 - B. Hospital expenses
 - C. Survivors' benefits
 - D. Medical and hospital expenses
11. In all of the situations described in the textbook, the largest expense covered by Part A is:
- A. Doctor's fees
 - B. Skilled nursing care
 - C. Laboratory and diagnostic procedures
 - D. Daily hospital room and board
12. Individuals claiming a need for Medicaid must prove that they cannot pay for their own nursing home care. In addition, the potential recipient must
- A. Be at least 65 years old
 - B. Need the type of care that is provided only in a nursing home
 - C. Both A and B
 - D. Neither A nor B
13. The Supplementary Medical Insurance plan (Part B) of Medicare is voluntary and provides benefits designed to
- A. Meet part of the cost of physician and related services
 - B. Pay the hospital's charges for normal and emergency care
 - C. Coordinate with OASDI
 - D. Coordinate with Medicaid
14. Medicare is divided into two basic coverage categories, Parts A and B. Which combination below represents these two basic categories?
- A. Hospital Insurance and Medicaid
 - B. Supplementary Medical Insurance and Medicaid
 - C. OASDI and Supplementary Medical Insurance
 - D. Hospital Insurance and Supplementary Medical Insurance
15. Which of the following statements about Medicare is (are) true?
- A. Payments are made directly to the hospital providing services rather than to the insured
 - B. Benefits can continue beyond the hospitalization period
 - C. Both A and B
 - D. Neither A nor B
16. What is the monthly penalty if a Medicare enrollee does not enroll for part B during the initial enrollment?
- A. 1%
 - B. 5%
 - C. 10%
 - D. None of the above

Unit Twenty-One**Private Insurance Plans for Seniors**

1. New product development has been affected by all of the following social and economic trends EXCEPT:
 - A. Increased consumer demand for long-term health care services
 - B. Development of health care management systems
 - C. Increased life expectancy
 - D. Increase insurance company profits
2. Medicare supplement (Medigap) policies are designed to pay
 - A. Medical costs associated with extended custodial (nursing home) care
 - B. Most or all of Medicare's deductibles
 - C. Benefits provided under Medicare Part A
 - D. Benefits to those who cannot afford Medicare Part B coverage
3. Since "guaranteed issue" Medicare supplement policies are issued to anyone who applies for coverage:
 - A. They are generally sold to good risks
 - B. They are designed to pick up where Medicare leaves off
 - C. They are sold by all companies who sell Medicare supplements
 - D. Their coverage is very comprehensive
4. The sales of Medicare supplement policies should be based on:
 - A. Ability to pay a premium
 - B. The prospect's need for the product
 - C. The commissions to be earned
 - D. The prospect's willingness to buy more coverage
5. People generally have to pay some medical costs:
 - A. Only when they do not have a Medicare supplement
 - B. Only when Medicare benefits expire
 - C. Only when they have purchased a basic Medicare supplement with limited coverage
 - D. Even when they have purchased a liberal Medicare supplement with fairly comprehensive coverage
6. Knowingly selling duplicate Medicare supplement coverage is:
 - A. A way of making sure every contingency is covered
 - B. Inevitable in an area as complex as Medicare Supplements
 - C. Illegal and subject to criminal and civil penalties
 - D. A marketing strategy guaranteed to increase commissions
7. Which of the following is/are a benefit trigger in a long-term care policy?
 - A. Prior hospitalization
 - B. Acute illness
 - C. Totally disabled
 - D. Chronically ill
8. Long-term care policies are:
 - A. Renewable at the company's option
 - B. Conditionally renewable
 - C. Non-cancelable
 - D. Guaranteed renewable
9. All of the following statements about long-term care health policies is correct EXCEPT:
 - A. Some newer policies can be sold to people up through age 89
 - B. Due to HIPAA, all long-term care policies sold today must be guaranteed renewable
 - C. The maximum benefit period is two years
 - D. Some policies provide unlimited lifetime benefits

10. Which of the following statements about long-term care policies is incorrect?
- A. LTC policies are issued to persons up to and including age 89
 - B. LTC policies are guaranteed renewable
 - C. Prior hospitalization is no longer required
 - D. ADLs are not important in LTC policies

Unit Twenty-Two
Health Insurance Policy Provisions

1. An agent delivers a health policy to a client who had paid the initial premium at the time the application was written. The client reads the policy provisions and, seven days after delivery, decides to return the policy to the insurance company for a full refund of the premium. The client is exercising which of the following policy provisions?
 - A. Grace Period
 - B. Right of Reinstatement
 - C. Consideration Clause
 - D. Free Look Provision
2. The common elements of consideration identified in an A & H policy's Consideration clause are the
 - A. Insured's health history and present condition
 - B. Application and premium
 - C. Policy delivery and 14 Day Free Look
 - D. Commission and policy fee
3. An insured entered the hospital for treatment on July 10 and notified his insurance company on July 15. As of August 2, he has not received the proper claim forms from the company. The insured has the right
 - A. To refuse to submit the required proof of loss
 - B. To submit a description of the loss, in his own words, in any form, as proof of loss
 - C. To receive immediate payment of his claim
 - D. To hire an attorney to file a suit against the insurance company immediately
4. The policy provision that prevents an insurance company from altering its agreement with a policyowner by referring to documents or other items not contained in the policy is called the
 - A. Incontestable provision
 - B. Benefits provision
 - C. Entire contract provision
 - D. Legal actions provision
5. Which one of the following statements best describes the "Free Look Provision?"
 - A. Provides applicants with ten days' free coverage
 - B. Provides ten days' free coverage while completing the application
 - C. Provides an opportunity to inspect the policy for up to 20 days with the option of returning the policy if the applicant is dissatisfied with it for any reason (10 days in Florida)
 - D. A provision found only in single-premium trip accident policies
6. Concerning the "notice of claim," all of the following statements are true EXCEPT:
 - A. The insured must file the notice of claim within 15 days, or as soon thereafter, as is reasonably possible
 - B. Notice given to any authorized agent of the insured is considered the same as notification of the insured
 - C. Notice may be given by a beneficiary of the insured, on behalf of the insured
 - D. The insured must file the notice of claim within 20 days or as soon thereafter as is reasonably possible
7. All of the following statements are correct, EXCEPT:
 - A. No agent is allowed to change a policy
 - B. Any change to a policy must be made with the approval of an executive officer of the insurance company, whose approval must be endorsed on the policy or attached in a rider
 - C. An agent is allowed to waive certain provisions of the policy, where authorized
 - D. An agent may not change provisions of the policy, even with the insured's consent

8. All of the following are REQUIRED policy provisions, EXCEPT:
- Proof of Loss
 - Entire Contract and Changes
 - Change of Beneficiary
 - Misstatement of Age
9. Under the 10 Day Free Look Provision, an insured may
- Return the policy within ten days from the date of delivery and receive a full refund
 - Request changes be made in the policy
 - Cancel the policy after twenty days and receive a full refund
 - Request additional time to look over the policy
10. The Time Limit on Certain Defenses provision allows
- The company to void the policy due to material misstatements in the application
 - The company to make changes in the policy
 - The insured to challenge the company's refusal to pay a claim
 - The company to void the policy due to misstatements in the application
11. At the time a policy is REINSTATED, insured losses are covered immediately when:
- All back premiums are paid
 - A physician certifies the injury or illness
 - They result from accidental injuries
 - A claim is submitted
12. Exclusions for PREEXISTING CONDITIONS help to avoid:
- Claims for long hospital confinements
 - More complicated underwriting procedures
 - Adverse selection against a company
 - Insuring persons who are accident-prone
13. According to the optional MISSTATEMENT OF AGE provision, the following statements are true, EXCEPT:
- If the insured actually was younger at the time of application than shown in the policy, benefits would be increased
 - If the insured really was older at the time of application than shown in the policy, benefits would be reduced
 - If the insured actually was older at the time of application than shown in the policy, the excess premiums paid would be refunded
 - If the age of the insured is misstated at the time of application, all amounts payable under the policy would be what the premiums paid would have purchased at the correct age
14. All of the following items are usually contained on the policy face except the
- Name of the insurance company
 - Name of the insured
 - 10 Day Free Look provision
 - Exclusions section
15. Which of the following is true regarding the Misstatement of Age provision used in health insurance?
- It provides for cancellation of insurance if the insured's age is misstated
 - It provides a right to the insured to change premiums to keep full coverage if age is misstated
 - Health insurance contracts do not contain a misstatement of age provision
 - It provides for an adjustment of benefit amounts based upon the insured's correct age
16. If an application is filed for REINSTATEMENT of a policy, but the company takes no action on such reinstatement, the policy is automatically reinstated after how many days?
- 30
 - 45
 - 14
 - 20

17. ALL of the following statements concerning PREEXISTING CONDITIONS are true EXCEPT:
- A. Insurers consider a preexisting condition to be one that manifested prior to the policy's effective date
 - B. A preexisting condition is one that the insured disclosed on the application
 - C. A preexisting condition is one that the insured did not disclose on the application
 - D. Disability Income policies commonly include a probationary period to help control the risk of preexisting conditions
18. Dependents covered in a family health insurance policy who normally would become eligible for a Conversion Policy include the following, EXCEPT:
- A. A spouse who obtains a divorce
 - B. A 17-year-old daughter who marries
 - C. A 19-year-old, unmarried son
 - D. A 16-year-old, unmarried son
19. With an OPTIONALLY RENEWABLE policy, the company reserves the right to:
- A. Cancel the policy anytime
 - B. Increase the premium on a policy if benefits paid to an insured exceed a stated amount
 - C. Modify the coverage if claims filed by the insured are excessive
 - D. Terminate coverage at any policy anniversary date or premium due date
20. Under the required PROOF OF LOSS provision, a claimant normally is to submit proof of loss within 90 days; however, the maximum time limit is one year, and that does not apply if the claimant:
- A. Did not find it reasonably possible to file proof of loss within one year
 - B. Did not have the legal capacity to comply
 - C. Moved from one state to another after loss occurred
 - D. Had a recurring loss within six months
21. Which of the following are common exclusions in an A & H policy
- A. War or any act of war
 - B. Self-inflicted injuries
 - C. Pre-existing illness
 - D. All of the above
22. A broad statement that generally appears on the first page of a health insurance policy and specifies conditions under which benefits will be paid is known as the:
- A. Assurance clause
 - B. Warranty provision
 - C. Insuring Clause
 - D. Guaranty provision
23. After a health policy is REINSTATED, which of the following would apply?
- A. Losses resulting from accidental injuries would be covered immediately
 - B. There would be a 14-day waiting period before any loss would be covered
 - C. Losses would be covered immediately, whether resulting from sickness or accidental injury
 - D. Insured losses due to sickness would be covered after a seven-day Probationary Period
24. As to RENEWABILITY, which type of policy prevents the company from changing the premium rate or modifying the coverage in any way?
- A. Guaranteed Renewable
 - B. Conditionally renewable
 - C. Non-cancelable
 - D. Optionally renewable
25. Which of the following is not a typical exclusion in health insurance policies?
- A. Cosmetic surgery
 - B. Intentional self-inflicted injury
 - C. Injuries associated with military service
 - D. Injuries associated with automobile accidents

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Unit Twenty-Three
Health Insurance Underwriting & Premiums

1. Mr. Kline owns and pays the premiums on a Disability Income policy. On November 1, 2018, Mr. Kline became disabled and remained disabled until February 1, 2019. Because his policy pays him \$500 in benefits for each of the months he is disabled, he received a total of \$1,500 in benefits. When he files his 2020 income tax return, which of the following amounts of the benefit income will be subject to federal income tax?
 - A. \$0
 - B. \$1,500
 - C. \$1,400
 - D. \$1,600
2. Which of the following are components of an insurable risk?
 - A. A loss resulting from a self-inflicted injury
 - B. A loss resulting from an expected and intended event
 - C. A loss resulting from a disaster, such as an act of war
 - D. A loss of significant monetary value
3. Which of the following is a PREMIUM FACTOR with health insurance?
 - A. Number of insureds
 - B. Claims experience
 - C. Size of field force
 - D. Number of states in which the company is licensed
4. An insured has an agreement attached to the policy, which alters the coverage provided. This agreement is
 - A. An endorsement
 - B. Not allowed with A and H policies
 - C. A rider
 - D. Binding only on the insured and not the insurance company
5. Why are PREMIUM COMPUTATIONS more complex for health insurance than life insurance?
 - A. Competition among insurers has made it so
 - B. The average is much smaller
 - C. There are too many different morbidity tables
 - D. Health insurance involves more than one type of benefit, and claims are filed more frequently
6. Based on experience, insurance companies have graded risks for insurance according to certain factors, such as
 - A. Age, sex, and place of residence
 - B. Place of residence, family history, and salary
 - C. Occupation, place of residence, and size of town
 - D. Age, sex, and occupation
7. Bill Harris applied for an A & H policy and was classified as a substandard risk due to a minor physical condition. The company probably would
 - A. Decline Bill's application
 - B. Issue the policy at a standard rate and exclude coverage for that particular illness
 - C. Issue a sickness only policy
 - D. Exclude coverage for the particular illness and charge a higher premium
8. In the underwriting of health insurance, a primary consideration as to occupational risk is the:
 - A. Past work experience
 - B. Length of employment
 - C. Mortality experience
 - D. Probability of disability

9. A proposed insured works in a hazardous occupation. The company would probably
- Issue a commercial policy
 - Issue the policy at standard rates
 - Issue the policy at standard rates and collect the premium on an annual basis
 - Issue an industrial policy
10. In health insurance underwriting, RISK FACTORS also include the following, EXCEPT:
- Age
 - Sex
 - Type of residence
 - Type of policy requested
11. Concerning Federal INCOME TAX, premiums paid for personal Disability Income insurance are:
- Fully deductible
 - Not deductible
 - Deductible for one-half the amount
 - Sometimes deductible
12. All of the following are alternatives a company has when asked to insure a sub-standard risk, EXCEPT:
- Reject the risk
 - Charge a lower than normal premium rate
 - Attach a rider to the policy, excluding certain coverages
 - Charge a higher than normal premium rate
13. When an individual has an existing IMPAIRMENT that increases the risk, most insurance companies:
- Refuse to review the health insurance application
 - Issue the policies without regarding the impairment
 - Attempt to issue the policy with a waiver for impairment
 - Reduce the premium for the impairment
14. Premium is best defined as
- Money an insured pays an insurance company in consideration for the benefits provided in the policy
 - Money, an insurance company, pays an insured for benefits provided in the policy
 - Money paid by the insured to legalize an insurance contract
 - Money invested by the insurance company to increase its earnings
15. In the classification of risks, all of the following would present OCCUPATIONAL HAZARDS in a work environment, EXCEPT:
- Heavy machinery
 - Strong chemicals
 - High electrical voltage
 - Office equipment
16. Income received by an insured from a disability income policy is regarded by the IRS as:
- Taxable income
 - Tax-free income
 - Both A and B
 - Neither A nor B
17. Benefits payable from hospital, surgical, major medical, or other medical-expense coverages, whether individual or group, are considered by the IRS as:
- Taxable income
 - Tax-free income
 - Both A and B
 - Neither A nor B

18. Concerning the TAXATION of accident and health insurance benefits, all of the following statements are true, EXCEPT:
- A. The benefits of personal medical expense policies are not subject to income tax
 - B. Five percent of Disability Income benefits must be included in taxable income
 - C. Benefits received as reimbursement for medical expenses deducted in a prior year must be included in gross income for tax purposes
 - D. Benefits received from accident policies are not taxable
19. A primary consideration as to occupational risk in the underwriting of health insurance is
- A. Length of employment
 - B. Type of employment
 - C. Past work experience
 - D. All of the above
20. Which of the following statements pertaining to risk factors is/are correct?
- A. Kimberly's job requires manual labor in a manufacturing plant. Betsy is an office supervisor who does no manual labor. Kimberly would probably be considered to have a higher disability risk than Betsy
 - B. Christopher, an office manager, would represent a lower disability risk to an insurance company than Ezekiel, a foreman in a farm equipment factory
 - C. Both A and B
 - D. Neither A nor B

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Unit Twenty-Four Group Health Insurance

1. Which of the following statements is usually true about the benefits of a group Short-term Disability Income policy?
 - A. They are not payable for accidents covered by Workers Compensation
 - B. They are payable for accidents covered by Workers Compensation
 - C. They are payable when expenses exceed Workers Compensation benefits
 - D. They are not affected by Workers Compensation
2. So-called "franchise" health insurance is individual health insurance protection sometimes provided to groups of persons who:
 - A. Cannot otherwise obtain the insurance through regular channels
 - B. Cannot otherwise be written on a group basis
 - C. Face only the least amount of risk from occupational hazards
 - D. Are too small to qualify for regular group coverage
3. Which of the following statements regarding the tax treatment of disability premiums in group insurance is/are correct?
 - A. Premiums paid for personal disability income insurance are deductible by the individual
 - B. Premiums paid by an employer for a group disability plan are considered a taxable benefit to the employee
 - C. Premiums paid by an employer for a group disability plan are deductible by the employer
 - D. All of the above
4. Which of the following statements regarding BLANKET health insurance is true?
 - A. Benefits change as the group changes
 - B. Persons insured are named in the policy
 - C. Each policy covers a specific number of insureds
 - D. A blanket policy covers a changing group of people
5. Which of the following is not a characteristic of franchise health insurance?
 - A. Individual insurability required in underwriting
 - B. Coverage under an individual policy
 - C. Uniform coverage required for all insureds
 - D. Individual applications are required for insurance
6. When available, DENTAL and VISION CARE coverages generally are issued in what type of health insurance policies?
 - A. Group
 - B. Blanket
 - C. Individual
 - D. Franchise
7. What authority establishes the minimum number of persons to be insured under a group health insurance policy?
 - A. Federal law
 - B. The insurance company
 - C. State law
 - D. The employer
8. Which of the following is a common feature of GROUP Major Medical insurance?
 - A. Double indemnity
 - B. Dismemberment benefits
 - C. Coinsurance
 - D. Disability income
9. Janet Peoples was hospitalized for seven days, and her total bill was \$9,000. She has a Group Major Medical Policy that has an 80/20 coinsurance clause with a \$200 flat deductible. Which one of the following would be true?
 - A. Janet would pay \$1,960
 - B. The Policy would pay \$8,800
 - C. Janet would pay \$1,760
 - D. The policy would pay \$8,600

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10. Which of the following statements is/are true concerning Group Dental coverage?
- A. Provides benefits for oral surgery, root canal therapy, and orthodontia
 - B. There are no deductibles or coinsurance
 - C. Maximum yearly benefit amounts up to \$5,000
 - D. Unlimited yearly benefits are provided
11. The right of an employee to exchange his group insurance for an individual policy within 31 days from termination of employment is provided by the
- A. Insurability provision
 - B. Conversion provision
 - C. Reinstatement provision
 - D. Renewability provision
12. Which of the following statements about converting group insurance to individual insurance is correct?
- A. Evidence of insurability is required at the time of conversion
 - B. Conversion must take place within 31 days
 - C. Both A and B
 - D. Neither A nor B

**Unit Twenty-Five
Uses of Health Insurance**

1. In the Business Overhead Expense policy, which of the following tax statements are true:
 - A. Regardless of business entity, the beneficiary and policyowner are the same person
 - B. Regardless of the business entity, the premiums are deductible, and the benefits are reportable as income
 - C. Although the proceeds are theoretically taxable, they are applied to business expenses that are deductible
 - D. all of the above
2. Regarding the income taxation of key person Disability Income policy, premiums are tax-deductible when
 - A. a sole proprietor pays the premium
 - B. a partnership pays the premium
 - C. a corporation pays the premium
 - D. None of the above
3. All of the following are provisions of a Cafeteria plan, EXCEPT:
 - A. also known as section 125 plan
 - B. employees can pick and choose their own benefits
 - C. employer allocates a certain amount of money for the purchase of benefits
 - D. employer and employee cannot choose an HMO
4. All of the following are advantages of key person coverage EXCEPT:
 - A. Owner employees can replace 100 percent of their salaries
 - B. Key person benefits are in addition to individual coverage
 - C. Key-person policies can produce income for the business during a buy-sell elimination period
 - D. Key person coverage is an alternative when the business owner will not insure his or her own risk of disability
5. When a client becomes disabled, what is the first thing that the agent should do?
 - A. See what other disability benefits are available to the client
 - B. Verify the client's disability with the client's physician
 - C. Ask the client's physician to send a medical statement to the insurance carrier
 - D. None of the above
6. All of the following accurately describe the benefits of group long-term disability plans EXCEPT:
 - A. They are easy to administer
 - B. They can be written on a guaranteed issue basis
 - C. They protect the business client against policy cancelation
 - D. Premiums are relatively low
7. Brent is covered by his employer's group disability plan, which is noncontributory. He was involved in a car accident and was unable to work for six months. During that time, Brent received \$9,000 in disability income payments. Based on these facts, which of the following statements is correct?
 - A. The disability income payments are not considered taxable income to Brent
 - B. Brent will be able to deduct the amount of premiums associated with his coverage but will be taxed on the benefit payments
 - C. The disability income payments will be fully taxable to Brent
 - D. The disability benefit payments are deductible by Brent's employer

8. If the maximum benefit limits of a company's existing group long-term disability plan are set so low that the plan discriminates against the firm's principals, what would be the recommended solution?
- A. Boost the overall maximum benefits for all employees
 - B. Add a supplemental group long-term disability plan
 - C. Add supplemental individual disability protection for the principals only
 - D. None of the above
9. Which of the following is NOT required to qualify for disability benefits?
- A. The claimant must fully complete the appropriate forms
 - B. The claimant's physician must complete an attending physician's statement documenting the disability
 - C. A second opinion from a disinterested physician must always verify the disability
 - D. The benefits applied for must be included in the contract
10. Which of the following types of insurance could be used as part of a group employee benefit plan?
- A. Medical Expense Insurance and Dental Expense
 - B. Disability Income Insurance
 - C. HMOs or PPOs
 - D. All of the above
11. Which of the following statements regarding the income taxation of disability income in a salary continuation plan is false:
- A. If the benefits are paid to the employee and premiums are paid by the employer, the premiums paid by the employer are not deductible as a business expense
 - B. If the benefits are paid to the employee, and the premiums are shared by the employee and employer, then the employee-paid portion of benefits is nontaxable
 - C. If the benefits are paid to the employee and premiums are paid by the employee, the premiums paid by the employee are not deductible
 - D. If the benefits are paid to the employee and premiums are paid by the employer, then the benefits received by the employee are taxable
12. Walter wants to assume the disability risk himself. Each of the following statements about his options are true, EXCEPT
- A. He could tap his personal savings; however, this would mean that this money would no longer be available for his other goals and objectives
 - B. He could rely upon government programs such as worker's compensation and state cash sickness programs to which he has contributed
 - C. He could borrow money from his bank or relatives, assuming these sources would lend him money
 - D. He could sell his property, assuming someone would want to buy it at the price he has set for it
13. Business uses of disability insurance include which of the following?
- A. Fund a disability buy-sell agreement
 - B. Key-person disability insurance
 - C. Business overhead insurance
 - D. All of the above

14. All of the following are covered expenses under Overhead Expense policies EXCEPT:
- A. Income taxes
 - B. Employee salaries
 - C. Rent or mortgage payments
 - D. Utilities

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Unit Thirty**Health Maintenance Organizations Law**

1. The policy of the Office of Insurance Regulation is to examine records of all HMO's every
 - A. 5 years
 - B. 3 years
 - C. 18 months
 - D. 12 months
2. All of the following can sell HMO contracts EXCEPT
 - A. A full-time employee
 - B. An Agent
 - C. A Broker
 - D. A Registered Representative (Series 6 or 7)
3. It will be considered an unfair claim practice if the provider fails to settle a claim within how many days after receiving "proof of loss"?
 - A. 45 days
 - B. 30 days
 - C. 60 days
 - D. 120 days
4. "Extension of Benefits" must be granted to subscribers, without prejudice, by all HMO terminated contracts for a period no longer than
 - A. 12 months
 - B. 18 months
 - C. 6 months
 - D. 24 months
5. When must the members handbook be delivered after enrollment is approved by the HMO?
 - A. 10 days
 - B. 15 days
 - C. 30 days
 - D. 20 days
6. Regarding "Pre-Paid Health Clinics," which of the following identifications may they use in their advertising?
 - A. HMO
 - B. Mutual
 - C. Insurance / Assurance
 - D. None of the above
7. Which of the following health plans would be the most costly?
 - A. HMO
 - B. PPO
 - C. EPO
 - D. Pre-paid clinic
8. A network of Physicians who work out of their own private offices and participate in an HMO part-time are called
 - A. Open Panel
 - B. Closed Panel
 - C. Self-contained plans
 - D. Administrative Service plans
9. An employer offering health insurance to its 1,000 employees as a fringe benefit must
 - A. Pay the entire premium
 - B. Seek contribution
 - C. Offer an HMO
 - D. Offer an EPO
10. All of the following groups contract with PPOs EXCEPT
 - A. Employers
 - B. Insurance companies
 - C. Health benefit providers
 - D. Condo associations
11. If a client wishes to go outside of his PPO for services and they had a \$100 deductible per year, they may pay
 - A. The deductible
 - B. The deductible plus any excess
 - C. A \$500 deductible
 - D. A \$500 deductible plus any excess

12. All of the following Service Providers may be sponsored by insurance companies EXCEPT
 - A. HMO
 - B. PPO
 - C. Blue Cross/Blue Shield
 - D. EPO
13. Basic Health services of a Pre-Paid Health Clinic can provide all of the following EXCEPT
 - A. Emergency care
 - B. Physicians care
 - C. Preventive health care / Diagnostic treatment
 - D. Hospital inpatient physicians service
14. All of the following organizations can underwrite A&H coverage EXCEPT:
 - A. Multiple Employer Trusts
 - B. Blue Cross/Blue Shield
 - C. Health Maintenance Organizations
 - D. Credit Unions
15. People who belong to a prepayment HMO plan that participates in the Medicare Part C program
 - A. Must always have a Medicare supplement plan since coverage is always incomplete
 - B. May not have any need for the supplemental coverage
 - C. Can readily afford additional coverage
 - D. Are barred by law from buying supplemental coverage
16. People age 65 or older who enroll in Medicare Part B may also select Medicare HMO coverage during a/an
 - A. Open enrollment period
 - B. Free-look period
 - C. Grace period
 - D. Free-enrollment period
17. Which is a correct statement concerning Health Maintenance Organizations?
 - A. They place special emphasis on preventive health care
 - B. Participants pay a one-time fee in advance for health care services
 - C. HMOs generally are owned by life insurance companies
 - D. They primarily provide emergency type treatment for their members
18. Which of the following statements about a Health Maintenance Organization is or are correct?
 - A. Finances and delivers basic health care services to voluntarily enrolled subscribers for a fixed pre-paid fee
 - B. Once legally formed, the HMO is not required to supply health care services other than routine physical examinations
 - C. Both A and B
 - D. Neither A nor B
19. Under Florida insurance law, which of the following HMO actions are Unfair Claims Practices?
 - A. Attempting to settle claims based on an application that was altered without the knowledge or consent of the insured
 - B. Failing to acknowledge communications regarding claims promptly
 - C. Failing to settle claims promptly when liability is evident
 - D. All of the above
20. The primary purpose of the Health Insurance Guaranty Fund is to do which of the following?
 - A. Avoid financial loss to claimants or policyowners
 - B. Guarantee individuals the right to purchase insurance regardless of the risk involved
 - C. Promote the sale of disability income policies
 - D. Ensure prompt resolution of complaints against insurance companies

21. When advertising health insurance or an HMO, an insurance company is NOT permitted to state which of the following?
- A. It is authorized to conduct business by the *Chief Financial Officer and the Office of Insurance Regulation* of Insurance
 - B. Its products are best because they are endorsed by the state
 - C. Its financial rating is excellent
 - D. It has millions of satisfied HMO customers
22. Eligibility for the "Portability Provision" is limited to workers who have had previous qualifying coverage continually to a date not more than how many days before the effective date of the new coverage?
- A. 45 days
 - B. 60 days
 - C. 63 days
 - D. 90 days
23. What are the moral obligations of an Agent to an Insured?
- A. To help him/her select the right coverage for his needs
 - B. To keep him/her informed of all the latest developments in his insurance coverage and to keep his/her coverage up-to-date
 - C. To make certain that coverage for dependents is added when necessary
 - D. All of the above
24. How long must you have been enrolled to be allowed to convert to an HMO from your group plan?
- A. 6 months
 - B. 3 months
 - C. 12 months
 - D. 18 months

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**Units Twenty-Six & Twenty-Nine
FL Laws & Rules Pertinent to Health Insurance**

1. In Florida, an applicant for an insurance producer license must have reached a minimum of what age?
 - A. 16
 - B. 18
 - C. 19
 - D. 21
2. Concerning the Cancellation Provision, which of the following statements is/are true?
 - A. If the insured requests cancelation, the unearned premiums are refunded on a short-rate basis
 - B. If the company cancels the policy, the unearned premiums are refunded on a pro-rata basis
 - C. The insured must be notified in writing if the policy is canceled by the company
 - D. All of the above
3. Which statements about the time limit on certain defenses provision is true?
 - A. It may prohibit an insurance company from denying a claim on the basis of misstatements in the application
 - B. It usually expires after the first year of the policy
 - C. It is applicable to group health contracts only
 - D. It limits the duration of an exclusion rider to a maximum of 2 years
4. What can the insurer do if its disability income policy contains the change of occupation provision and the Insured changes to a more hazardous job?
 - A. The insurer can do nothing as long as the policyowner pays the premiums
 - B. Policy benefits will be reduced to an amount the premium would have purchased originally, based on the more hazardous occupation
 - C. The policyowner will have to pay an additional premium to cover the higher risk
 - D. A penalty will be charged against the benefits when a claim is filed
5. Which of the following renewal provisions is virtually never used in medical expense insurance plans?
 - A. Guaranteed Renewable
 - B. Noncancelable
 - C. Optionally Renewable
 - D. Cancelable
6. Each of the following is a provision pertaining to group policies, EXCEPT:
 - A. A provision explaining eligibility
 - B. The misstatement of Age provision
 - C. A provision setting forth the amounts of coverage group members are entitled to
 - D. Provisions relative to the duties of the master policyowner
7. The clause in a health insurance policy that spells out the terms and conditions, if any, under which the contract can be continued beyond the current contract period is called which of the following?
 - A. Consideration Clause
 - B. Insurance Clause
 - C. Participation Clause
 - D. Renewal Provision
8. All of the following are true in a coordination of benefits situation EXCEPT:
 - A. The group insurer for the person with the claim is primary
 - B. The spouse's group insurer is secondary
 - C. To prevent over-insurance, the secondary insurer does not pay benefits
 - D. Where children are concerned, the group insurer for the parent whose birthday comes first is primary

9. Which statements about the "Proof of Loss" provision is correct?
- A. Failure to furnish proof of loss within the required time would void a claim after one year even if the claimant was legally incapacitated
 - B. Failure to furnish proof of loss within the required time will automatically void any claim
 - C. Written proof of loss must be furnished within 90 days after either the date of loss or after termination of the period for which the company is liable
 - D. Except in the absence of legal incapacity, written proof of loss must be furnished within two years from the time written proof of loss is otherwise required
10. Under the Mandatory Uniform Provision captioned "Payment of Claims," which of the following statements best applies?
- A. The company must pay the death benefit to a person designated by the insured as his or her beneficiary
 - B. Requires an "irrevocable" designation before the death proceeds can be paid by the company
 - C. Both A and B
 - D. Neither A nor B
11. According to the Mandatory Uniform Provision captioned "Physical Examination and Autopsy," can insurers require an autopsy of a deceased insured?
- A. Yes, under all circumstances
 - B. Positively not
 - C. Yes, where it is not prohibited by law
 - D. Usually not, unless permission is obtained from the insured's estate
12. Under the Mandatory Uniform Provision captioned "Legal Action," an insured cannot bring legal action against a company to recover a claim prior to what period of time?
- A. 30 days after the occurrence of a loss
 - B. 60 days after written proof of loss has been furnished
 - C. 90 days after written proof of loss is required to be furnished
 - D. 120 days after written proof of loss has been furnished
13. Under the Mandatory Uniform Provision captioned "Change of Beneficiary," unless the policyowner has designated his or her beneficiary as "irrevocable."
- A. The policyowner reserves the right to change the beneficiary
 - B. The policy cannot be canceled
 - C. The beneficiary cannot collect the policy proceeds upon the insured's death
 - D. The insurer reserves the right to designate a secondary beneficiary should the primary beneficiary predecease the insured
14. What effect will there be on an individual policy containing the Optional Uniform Provision captioned "Change of Occupation," should an insured change his or her occupation to one more hazardous than that shown on the original application?
- A. Benefits payable for claims would be increased one half
 - B. Benefits payable for claims would be reduced accordingly
 - C. Both A and B
 - D. Neither A nor B

15. Under the Optional Uniform Provision captioned "Misstatement of Age," which one of the following will occur if the age of an insured is found to be misstated on the application?
- A. The elimination period would be extended
 - B. The probationary period would be terminated
 - C. The contract would be invalid
 - D. All amounts payable under the contract would be such as the premium would have purchased at the insured's correct age
16. Which one of the following statements best applies to the Optional Uniform Provision captioned "Other Insurance in this Insurer?"
- A. The total amount of payable indemnity is restricted under this provision
 - B. Permits the insured to recover any benefits owed to him by the company before the expiration of the policy
 - C. Protects the company from illegal acts by the insured
 - D. Prohibits the insured from purchasing any other insurance through other insurers
17. Which of the following statements about the "Exclusions Provision" of most accident and health insurance policies is or are correct?
- A. Classifies the insured's occupation and states the conditions for which certain occupational hazards are not covered
 - B. Defines the coverage by naming the disabilities and the conditions for which the insurance company does not accept liability
 - C. Both A and B
 - D. Neither A nor B
18. Which one of the following statements about the Mandatory Uniform Provision captioned "Entire Contract" is correct?
- A. The policy, including the attached papers, constitutes the entire contract of insurance
 - B. The policy, not including endorsements, if any, constitute the entire contract
 - C. Any alteration of the policy must be approved by the Chief Financial Officer before being issued
 - D. Agents can alter the policy with or without the applicant's permission
19. Which one of the following statements best pertains to the Mandatory Uniform Provision captioned "Time Limit on Certain Defenses?"
- A. Part (a) pertains to misstatements other than fraudulent misstatements in the application
 - B. Part (b) pertains to disease or physical condition commencing after the effective date of coverage
 - C. Gives a four-year incontestable provision for misstatements made by the insured on the application
 - D. Provides a time limit by which an insured person can recover on a claim payable by the company
20. Under the Mandatory Uniform Provision captioned "Grace Period," insurance companies must provide for a period of grace of not less than:
- A. 7 days for monthly-premium policies
 - B. 30 days for weekly-premium policies
 - C. 10 days for annual-premium policies
 - D. 7 days for weekly-premium policies
21. A registered agent must notify the Department of Financial Services in writing of a change in his/ her business address within a maximum of how many days after the change?
- A. 10
 - B. 60
 - C. 30
 - D. 45

22. The Mandatory Uniform Provision captioned "Reinstatement" provides that when an insurance company requires a formal application for reinstatement and issues a conditional receipt, it must reinstate a lapsed policy under which of the following circumstances?
- A. Upon approval of the application
 - B. On the 45th day following the date of the conditional receipt
 - C. Both A and B
 - D. Neither A nor B
23. When taking an application to replace an insurance policy, an insurance producer must do which of the following?
- A. Advise the applicant to contact her existing insurance company
 - B. Hold the application until the applicant has consulted the insurance producer who sold the policy being replaced
 - C. Submit a notice to both the applicant and the insurance producer's own company regarding the replacement
 - D. All of the above
24. Under the Mandatory Uniform Provision captioned "Claim Forms," the first or preliminary notice of injury or sickness under an accident and health insurance policy must contain:
- A. A complete physician's report
 - B. A statement sufficient to identify the insured and the nature of the sickness or injury
 - C. A statement from the insured's employer showing the date the insured left his or her employment
 - D. An estimate of the claim and the nature of the loss
25. Under the Mandatory Uniform Provision captioned "Proof of Loss," an insured person must furnish written proof of loss to the company within what period of time?
- A. 60 days after the date of any loss covered by the policy
 - B. 30 days after the expiration of the policy period
 - C. 60 days after the occurrence or commencement of a loss
 - D. 90 days after the termination of the period for which the company is liable, if the policy provides any periodic payments contingent upon continuing loss

Health Answer Key**Unit 1**

1. B
2. C
3. C
4. B
5. B
6. D

Unit 2

1. A
2. D
3. D
4. C

Unit 3

1. D
2. D
3. C
4. B
5. A
6. D
7. D
8. C
9. A
10. A
11. D
12. A

Unit 15

1. C
2. D
3. C
4. B
5. A
6. B
7. C
8. B
9. B
10. B

Unit 16

1. B
2. A
3. A
4. B
5. A
6. D
7. A

8. C

9. A

10. B

Unit 17

1. B
2. A
3. B
4. C
5. C
6. A
7. C
8. B
9. A
10. C
11. A
12. D
13. A
14. C
15. B
16. B
17. B
18. C
19. A
20. D

Unit 18

1. C
2. B
3. D
4. B
5. A
6. C
7. B
8. A
9. A
10. D

Unit 19

1. B
2. C
3. C
4. D
5. A

Unit 20

1. A
2. B
3. A

4. D

5. D

6. A

7. D

8. B

9. B

10. A

11. D

12. C

13. A

14. D

15. C

16. A

Unit 21

1. D
2. B
3. B
4. B
5. D
6. C
7. D
8. D
9. C
10. D

Unit 22

1. D
2. B
3. B
4. C
5. C
6. A
7. C
8. D
9. A
10. A
11. C
12. C
13. C
14. D
15. D
16. B
17. B
18. D
19. D
20. B
21. D

22. C

23. A

24. C

25. D

Unit 23

1. A
2. D
3. B
4. C
5. D
6. D
7. B
8. D
9. D
10. C
11. B
12. B
13. C
14. A
15. D
16. B
17. D
18. B
19. B
20. C

Unit 24

1. A
2. D
3. C
4. D
5. C
6. A
7. C
8. C
9. A
10. A
11. B
12. B

Unit 25

1. D
2. D
3. D
4. D
5. D
6. C

7. C

8. C

9. C

10. D

11. A

12. B

13. D

14. A

Unit 30

1. A
2. D
3. B
4. A
5. A
6. D
7. B
8. A
9. C
10. D
11. D
12. D
13. D
14. D
15. B
16. A
17. A
18. A
19. D
20. A
21. B
22. C
23. D
24. B

Unit 26 & 29

1. B
2. D
3. A
4. B
5. B
6. D
7. D
8. C
9. C
10. A
11. C
12. B

13. A

14. B

15. D

16. A

17. C

18. A

19. A

20. D

21. C

22. C

23. C

24. B

25. D

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