CISR | LIFE & HEALTH ESSENTIALS

STUDY GUIDE

EXAM PREP AND ANSWER KEY

- **Knowledge Checks**
- **Check-Ins**
- **Self-Quizzes**
- **Sample Exam Questions**
- **Glossary of Terms**

THE NATIONAL ALLIANCE
for Insurance Education & Research

Published in the United States by

The National Alliance for Insurance Education & Research

P.O. Box 27027

Austin, Texas 78755-2027

Telephones: 512.345.7932

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www.TheNationalAlliance.com

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Insurance policy forms, clauses, rules, court decisions, and laws constantly change. Policy forms and underwriting rules vary across companies.

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STUDY GUIDE

EXAM PREP AND ANSWER KEY

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-in questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but *do not* mistake it for a comprehensive "short-cut" to preparing for the final exam.

Be sure to take a look at the Appendix that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.

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Answer Key

Appendix

Tools to Assess Your Knowledge

Check-Ins, Knowledge Checks,
and Self-Quizzes by Topic

Section 1: Introduction to Life Insurance

Basic Life Insurance Contract Concepts

Check-In

Directions: Write the term that matches each definition.

assignee	**beneficiary**	**insured**	**premium payor**
assignor	**insurance company**	**owner**	

_____ **1.** the person or entity whose life is insured

_____ **2.** the policy owner who transfers the benefits as collateral, ensuring the payment of a debt

_____ **3.** the individual or entity identified in a life insurance policy as the recipient of the death benefit

_____ **4.** the individual, business, or trust that controls a life insurance policy

_____ **5.** the person or entity who pays the premium that keeps a life insurance policy in force

_____ **6.** the individual or entity to whom the title, rights, and benefits under a life insurance policy are assigned and who is also the beneficiary

_____ **7.** the insurer that evaluates an applicant for life insurance and makes or declines to make an offer of insurance

Check-In

Directions: Read each statement. Then select True or False.

1. Risk is assessed on both medical and non-medical factors.

True **False**

2. Underwriters consider matters such as applicants' driving records, criminal records, and credit standing.

True **False**

3. Some states allow incomplete or unsigned applications to be processed and then completed at a later date.

True **False**

4. Clients must grant permission in writing for their medical histories to be accessed by underwriters.

True **False**

Check-In

Directions: Select the term that completes each sentence.

1. A(n) _____ clause stipulates that if the insured and the insured's primary beneficiary die at the same time, benefits skip the primary beneficiary and are paid to the contingent beneficiary.

survivorship **irrevocable** **premium payor**

2. A policy owner may change a(n) _____ beneficiary at any time.

contingent **revocable** **irrevocable**

3. The _____ is always the first in line for a death benefit.

primary beneficiary **premium payor** **contingent beneficiary**

4. A(n) _____ has no guaranteed rights to receive a death benefit upon the death of a policy owner.

contingent beneficiary **premium payor** **revocable beneficiary**

5. A policy owner cannot remove a(n) _____ from a life insurance policy without that individual's/entity's consent.

assignor **contingent beneficiary** **irrevocable beneficiary**

Knowledge Check

If a survivorship clause is used when paying a death claim, which beneficiary receives the death benefit? Explain why.

_____

_____

_____

The Application Process

Check-In

Directions: Read each statement. Then select True or False.

1. A policy constitutes a complete contract.

True **False**

2. Riders may amend policy coverage.

True **False**

3. A conditional receipt can provide temporary life insurance coverage until the insurance company has issued a policy.

True **False**

4. Underwriting addresses the determination of risk.

True **False**

Check-In

Directions: Match each rate to its explanation.

A. preferred rate **B. standard rate** **C. substandard rate**

_____ **1.** the rate common to most individuals seeking life insurance policies

_____ **2.** the rate associated with excellent health

_____ **3.** the rate that goes into effect when individuals seeking life insurance policies are deemed ineligible for standard rates

Knowledge Check

What factors make up the basis for determining whether an insured is offered a preferred rate, standard rate, or substandard rate for life insurance?

_____

_____

_____

Section 1 Self-Quiz

Directions: List the parties involved in a life insurance contract.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

Directions: Match each description to the appropriate term.

A. insurable interest **B.** absolute assignment of benefits **C.** the insured **D.** irrevocable beneficiary **E.** premium payor **F.** primary beneficiary **G.** contingent beneficiary **H.** assignee **I.** assignor **J.** policy	_____ An individual/entity to whom the title, rights, and benefits under a life insurance policy are assigned and who is also a beneficiary
	_____ The recipient of benefits if the first recipient dies before or at the same time as the insured
	_____ The owner of a life insurance policy who transfers policy benefits as collateral
	_____ The individual/entity who pays the policy premium
	_____ A policy is transferred to another party without any terms or conditions
	_____ When a person or entity derives a financial benefit from an insured's continued survival
	_____ Explains the terms and conditions under which insurance applies
	_____ The first recipient of benefits after the death of an insured
	_____ The person/entity whose life is insured
	_____ A beneficiary that cannot be removed from a policy without consent

Directions: List six actions a policy owner has the power to take (with possible exceptions):

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

Directions: Read each statement. Then select True or False.

1. An individual's hobbies are a consideration in the rate classification for a life insurance policy.

True **False**

2. A life insurance contract always has an application and the policy.

True **False**

3. An applicant's credit history is a non-medical consideration when determining risk.

True **False**

4. Most individuals seeking life insurance policies receive a preferred rating.

True **False**

5. Individuals who fall into the decline coverage category generally have high-risk health conditions.

True **False**

Section 2: Term and Permanent Life Insurance

Term Life Insurance

Check-In

Directions: Match each term to its explanation.

Fixed Period Level Term | **Renewable Term** | **Decreasing Term**

_____ **1.** The death benefit decreases over the policy period, reaching zero at the end.

_____ **2.** An insured chooses to renew a policy for a specified period of time.

_____ **3.** The death benefit and premium remain level.

Knowledge Check

A prospect has three children, ages 9, 12, and 18. The prospect is concerned that costs for the children's education will not be paid if the prospect dies prior to all three children completing four years of college. The prospect is also concerned about insurance costs. What product would you suggest and why?

_____

_____

_____

Permanent Life Insurance

Check-In

Directions: Select the term that best completes each sentence.

1. Permanent life insurance is in effect as long as _____ are paid.

death benefits **premiums** **partial surrenders**

2. Permanent life insurance can generate _____ with a favorable tax treatment.

renewable death benefits **disability income payments** **cash value**

3. Two types of permanent life insurance policies are whole life and _____ life.

variable **universal** **guaranteed**

Knowledge Check

A client is concerned that by making his grown children beneficiaries of his and his spouse's permanent life insurance policies, the children could have a large income tax liability upon receipt of the death proceeds. How could you respond to your client's concern?

_____

_____

_____

Whole Life Insurance

Check-In

Directions: Choose the term that best completes each sentence. Write the term on the line.

guarantees	**limited payment**	**permanent life**
single premium	**straight life**	

1. Whole life insurance is a type of _____ insurance.

2. Whole life insurance is characterized by _____ such as fixed premiums.

3. Whole life insurance is also called _____ insurance.

4. A shorter pay period and higher premiums are associated with a(n) _____ whole life policy.

5. In a(n) _____ life policy, the premium is paid in a one-time payment.

Check-In

Directions: Match each term to its explanation.

A. cash surrender

B. reduced paid-up insurance

C. extended term life insurance

_____ **1.** The ability to relinquish cash value in exchange for a term life insurance policy at the original face amount

_____ **2.** The surrender of a policy for its guaranteed cash value

_____ **3.** The ability to relinquish a policy's cash value to receive a paid-up, reduced face amount whole life policy

Knowledge Check

A prospect asks two questions. First, what can be done with the cash value of a whole life insurance policy? Second, when does she have to pay tax on any interest earned? How would you respond to this prospect's questions?

_____

_____

_____

_____

Universal Life Insurance

Check-In

Directions: Read each statement. Then select True or False.

1. First-to-die plans insure only one individual.

True **False**

2. Underwriting considerations in a first-to-die plan are influenced by the oldest individual or the individual with the poorest health.

True **False**

3. In cases of a common disaster, a second-to-die plan will pay a death benefit for each individual under the plan.

True **False**

4. A second-to-die plan insures only two individuals.

True **False**

5. Underwriting considerations in a second-to-die plan are influenced by the younger or healthier insured individual.

True **False**

6. Of the first-to-die, second-to-die, and graded benefit life insurance plans, the most medical underwriting occurs in the graded benefit plan.

True **False**

Knowledge Check

Your client wishes to purchase life insurance that guarantees a certain amount of money will be available to pay toward your client's final expenses. Which type of life insurance policy would you recommend—a universal life or a whole life insurance policy? Explain your decision.

_____

_____

_____

_____

Section 2 Self-Quiz

Directions: Check each statement that describes fixed period term life insurance.

- ☐ It is set for a fixed number of years.
- ☐ Premiums increase over time, as the insured ages.
- ☐ The death benefit increases over time.
- ☐ The policy can be converted to a permanent life insurance policy.
- ☐ The insured must reapply and re-qualify when the policy expires.

Directions: Check each statement that describes renewable term life insurance.

- ☐ It is active for a specified number of years.
- ☐ The insured may renew.
- ☐ The death benefit increases over time.
- ☐ Premiums rise as the insured ages.
- ☐ The insured must re-qualify for renewal.

Directions: Check each statement that describes decreasing term life insurance.

- ☐ It is in effect for a fixed number of years.
- ☐ Premiums increase over time.
- ☐ The death benefit increases over time.
- ☐ No death benefit is paid if the insured dies after the term expires.

Directions: Read each statement. Then select True or False.

1. Permanent life insurance is in effect as long as the premiums are paid.

True **False**

2. Term life insurance can generate cash value.

True **False**

3. Accelerated death benefits are a feature of permanent life insurance.

True **False**

4. A long-term care rider attached to a permanent life insurance policy can provide benefits to an insured while the insured is living.

True **False**

5. Cash value is accessible as a loan with permanent life insurance.

True **False**

6. Whole life and universal life insurance policies are types of permanent life insurance.

True **False**

7. All whole life insurance policies have a fixed level premium, a fixed death benefit, a guaranteed death benefit, and a cash value.

True **False**

Directions: Use the following terms to fill in the blanks. Some terms may be used more than once. Others may not be used at all.

all	**longer**	**shorter**
any time	**lower**	**single premium**
extended	**lump sum**	**some**
higher	**one-time**	**whole life insurance**
limited payment	**reduced**	

1. A(n) _____ whole life policy has a(n) _____ pay period and _____ premiums because it is designed for the premiums to be paid during an insured's income earning years. This type of policy has the same characteristics as a whole life insurance policy, but its premiums are at much _____ rates because they are paid in _____ amounts of time.

2. A(n) _____ whole life insurance policy is designed so that the premium is paid in a(n) _____ payment. This is for an insured who has a(n) _____ available to pay _____ of the premium up front. This policy has all of the same characteristics as a(n) _____ policy.

Directions: Read and respond to each item.

1. Explain the annual cash value growth of a whole life insurance policy.

_____

_____

_____

_____

2. Explain how universal life insurance works differently than whole life insurance in terms of cash value growth.

_____

_____

_____

_____

Section 3: Common Characteristics of Life Insurance Concepts

Premium Payment Options

Knowledge Check

A prospect wants to apply for the life insurance you proposed. She asks if it is cheaper to pay the premium with a monthly bank draft or to pay twice a year, like she pays for her auto insurance. Explain which choice you recommend.

_____

_____

Standard Components to a Life Insurance Contract

Check-In

Directions: Write the term that best matches each description.

application **exclusion rider** **policy**

provision **rider**

_____ **1.** a provision that modifies a policy

_____ **2.** a clause in a policy that describes coverage

_____ **3.** a kind of provision added at the time a policy is issued

_____ **4.** includes definitions

_____ **5.** a statement of information

Check-In

Directions: Read each statement. Then select True or False.

1. An entire contract provision refers to a policy, an attached copy of the original application, and riders.

   True **False**

2. In most states, a free-look period spans a period of one calendar week, or seven days, from the time a policy is delivered.

   True **False**

3. Some states allow a death claim to be challenged more than two years after an insured's death if the insured committed intentional fraud.

   True **False**

4. Almost half of all states require a policy reinstatement provision.

   True **False**

Check-In

Directions: Select the term that best completes each sentence.

1. A(n) _____ allows an insurance company to invoke the clause if an insured is killed as a result of war-like action.

war clause exclusion | **cause of death exclusion rider** | **flat extra premium rider**

2. This clause is used in place of a cause of death exclusion:

_____

war clause exclusion | **death by suicide exclusion** | **flat extra premium rider**

3. This clause is usually reserved for an insured who engages in a dangerous job, sport, or other activity. _____

war clause exclusion | **cause of death exclusion rider** | **flat extra premium rider**

Check-In

Directions: Match each rider to its description.

A. Payor benefit rider	_____ Provides a return of a paid premium if the policy owner outlives the length of a term life insurance policy
B. Living benefit rider	_____ Waives future premiums if the payor dies or becomes disabled prior to a juvenile insured reaching a specific age
C. Accidental death benefit rider	_____ Allows for the payment of a percentage of a death benefit should the insured be diagnosed with an irreversible or terminal medical condition
D. Term rider	_____ Provides additional temporary term life coverage for the insured and is typically attached to a permanent life insurance policy
E. Return of premium rider	_____ Provides for the payment of a multiple of a policy's face amount in the event of an insured's death resulting from accidental bodily injury

Knowledge Check

A married client has two children. Both children will be enrolled in college in three years. The client is concerned about not having any life insurance other than the coverage provided by his employer. The amount of premium is a significant concern. Explain what type of life insurance coverage you would offer your client.

_____

_____

_____

_____

Taking Payment

Check-In

Directions: Select the term that best completes each sentence.

1. A beneficiary who selects a(n) _____ option receives interest from a death benefit held in an interest-bearing account.

interest income **fixed period** **fixed amount** **life income period certain**

2. A beneficiary who selects a(n) _____ option receives guaranteed payments over a lifetime but within a certain period of time.

interest income **fixed period** **fixed amount** **life income period certain**

3. A beneficiary who selects a(n) _____ option receives periodic payments over a certain time until funds are exhausted.

interest income **fixed period** **fixed amount** **life income period certain**

4. A beneficiary who selects a(n) _____ option receives equal installments until all proceeds are exhausted.

interest income **fixed period** **fixed amount** **life income period certain**

Knowledge Check

A policy owner wishes to withdraw $30,000 from her universal life insurance policy. The total premiums currently paid into the policy are $28,000. The total available cash amount is $40,000. The policy owner, who is concerned about the income taxes due on the withdrawal, asks if there is a way to withdraw $30,000 tax free. What answer do you give your client?

_____

_____

_____

_____

Section 3 Self-Quiz

Directions: List four examples of traditional premium payment methods.

1. _____
2. _____
3. _____
4. _____

Directions: Name five components of a life insurance contract.

1. _____
2. _____
3. _____
4. _____
5. _____

Directions: Match each provision to its explanation.

A. Entire contract provision **B.** Misstatement of age/sex provision **C.** Right to examine provision **D.** Grace period provision **E.** Incontestable clause **F.** Suicide provision **G.** Reinstatement provision	_____ An error of this kind is correctable before and after an insured's death. _____ A policy remains in force for a period of time following late premium payments. _____ The insurer has a limited time to contest the accuracy of an insured's information. _____ An insurer may deny death benefits. _____ State law stipulates conditions under which policies can be restored. _____ No agent can waive or amend a complete contract of insurance. _____ An insured has time to reject a policy and be reimbursed for premium already paid.

Directions: Explain the purpose of the flat extra premium rider.

_____

_____

_____

_____

Directions: Use the following terms to fill in the blanks.

guaranteed insurability	**living benefit rider**	**payor benefit**	**waiver of premium rider**
term rider	**return of premium rider**	**family rider**	**accidental death benefit rider**

1. A(n) _____ allows for the payment of a percentage of the death benefit to the insured in the case of an irreversible medical condition or illness that will result in death.

2. A(n) _____ allows an insured who becomes disabled to suspend premium payment for a period of time or until the insured's death.

3. A(n) _____ provides additional coverage in cases when an insured wants some permanent insurance but cannot afford the full premium for a permanent policy.

4. A(n) _____ attached to a policy on a juvenile waives future premiums until the juvenile reaches a specific age following the death of the person paying for the policy.

5. A(n) _____ provides additional coverage for spouses or children.

6. A(n) _____ provides premium reimbursement if the insured outlives the length of a term policy.

7. A(n) _____ gives an insured the right to purchase more insurance at specific future intervals, regardless of insurability.

8. A(n) _____ provides for the payment of a multiple of a policy's face amount in cases where an accidental bodily injury results in the insured's death.

Directions: List five death benefit settlement options.

1. _____

2. _____

3. _____

4. _____

5. _____

Directions: Read each statement. Select True or False.

1. Under IRS section 264, life insurance premiums for individual policies are tax-deductible.

True **False**

2. Under IRS section 101, if an insured is also the owner of an insurance policy, death benefits may be included in the deceased's estate for estate tax calculation.

True **False**

3. Under IRS section 101, death benefits payable to a beneficiary are tax free.

True **False**

Section 4: Healthcare Policies

Basic Policy Information

Check-In

Directions: Match each policy category to its characteristic.

A. Comprehensive Medical Policy **B. Short-term Medical Policy** **C. Critical Illness Policy**

_____ **1.** coverage is usually limited to emergency services, hospitalization, diagnostic tests, and follow-up care

_____ **2.** combines basic and major medical coverage

_____ **3.** may require diagnosis or confirmation from a specialist to be triggered

_____ **4.** a temporary policy that bridges coverage gaps during times of transition

_____ **5.** may provide lump sum payments to policy owners or pay health care providers directly

_____ **6.** commonly provides for inpatient care, surgical expenses, physician expenses, and prescriptions

_____ **7.** does not meet the minimum essential coverage requirements under the ACA

_____ **8.** may require an insured to remain alive for a specified number of days

Check-In

Directions: Read each clue. Then select the term that matches the clue.

1. This department establishes rating rules for insurance companies.

Department of Labor | **Department of Health and Human Services** | **Internal Revenue Service**

2. This department establishes essential benefits and minimum coverage requirements.

Department of Labor | **Department of Health and Human Services** | **Internal Revenue Service**

3. This department takes responsibility for ACA compliance.

Department of Labor | **Department of Health and Human Services** | **Internal Revenue Service**

4. This department addresses subsidies, penalties, and tax provisions.

Department of Labor | **Department of Health and Human Services** | **Internal Revenue Service**

5. This law sets minimum standards for most voluntarily established pension and health plans offered by private sector employers.

ERISA | **ACA** | **COBRA**

Check-In

Directions: Read each statement. Then select True or False.

1. The ACA prohibited insurers from imposing ANY preexisting condition exclusions in health insurance contracts.

   True **False**

2. Health insurance carriers that participate in ACA health insurance plans may not use any insured person's medical history or any criteria such as tobacco use or residential location in their rate calculations.

   True **False**

3. Gender can be used in rate calculations.

   True **False**

4. Under the ACA, coverage can have no restrictions on annual or lifetime limits.

   True **False**

5. Provided plans must be available on a guaranteed issue basis.

   True **False**

Check-In

Directions: Match each provision category to its characteristic.

A. Minimum essential coverage (MEC)

B. Minimum value (MV) requirement

_____ **1.** a standard of minimum coverage

_____ **2.** employer responsibilities apply to all ALEs

_____ **3.** employers have at least 50 full-time employees or combination of part-time employees

_____ **4.** plan must pay at least 60% of the total costs of medical services for a "standard population"

_____ **5.** mandates coverage for dependents under age 26

_____ **6.** plan must be deemed affordable

_____ **7.** In 2024, a plan can not exceed 8.39% of an employee's W-2, Box 1, wages.

Knowledge Check

While unlimited annual and lifetime maximum benefits were popular changes to health care brought about by the ACA, what major underwriting consideration was eliminated?

_____

_____

_____

Systems, Provisions, and Features

Check-In

Directions: Read each statement. Then select True or False.

1. Health care plans usually require employers to contribute toward their employees' premiums.

   True **False**

2. Employees who "opt-out" of employer-sponsored health care may have medical coverage from a different source or are seasonal workers.

   True **False**

3. Employers of 50 or more full-time employees are responsible for paying 100% of their employees' dependents' premiums.

   True **False**

4. Employees are eligible for medical coverage beginning on the first day of employment.

   True **False**

5. Ordinarily, 75% of employees represent a minimum level of employee participation in a group medical plan.

   True **False**

Check-In

Directions: Write the term that matches each definition.

pre-admission testing **pre-admission review** **second surgical opinion**

_____ **1.** an assessment of an insured's needs before the insured is admitted for inpatient care

_____ **2.** a second evaluation of an insured's health problem and treatment plan

_____ **3.** procedures used for diagnostic purposes before an outpatient is admitted to a hospital

Knowledge Check

A health care plan participant discovers that his group plan covers acupuncture, but the participant does not believe that the procedure provides any medical benefits. The participant approaches his employer to ask that the coverage be removed from the health care plan and for the participant to receive a premium reduction. How should the health care plan administrator respond?

_____

_____

_____

Benefit Payment Provisions

Knowledge Check

An individual's health plan has an in-hospital coinsurance ratio of 80/20 for covered expenses. The individual does not understand why the hospital's parking garage cost that was added to his bill was not paid by the insurance company. How would you explain this unpaid charge to the individual?

_____

_____

_____

Section 4 Self-Quiz

Directions: Check each true statement.

- ☐ A comprehensive medical policy combines basic and major medical coverage.
- ☐ Insureds bear more financial responsibility for health care through higher deductibles and copays.
- ☐ COBRA works as a short-term medical policy that bridges gaps in coverage during times such as retirement that precedes Medicare eligibility.
- ☐ Coverage under the terms of a short-term medical policy are comprehensive.
- ☐ A short-term medical policy is intended to cover critical illnesses, such as cancer or stroke.
- ☐ Critical illness policies pay lump sum cash benefits to policy owners or make direct payments to health care providers.

Directions: Check each statement that describes an aim of the ACA.

- ☐ To provide easy and universal access to health care
- ☐ To improve the overall quality of health care in the U.S.
- ☐ To educate consumers as to available health care choices
- ☐ To assist federal-level departments in their oversight
- ☐ To provide credits to moderate and low income individuals who don't qualify for Medicaid
- ☐ To help control health care costs
- ☐ To establish minimum coverage requirements
- ☐ To establish regulations for the private insurance industry
- ☐ To expand Medicaid
- ☐ To encourage employers to offer health insurance

Directions: Use the following terms to fill in the blanks.

age	**claims experience**	**individual**	**residential location**
annual or lifetime limits	**gender**	**medical history**	**size**
average age	**guaranteed issue basis**	**preexisting condition limitations**	**tobacco usage**
canceled	**group**	**premiums**	

1. Health insurance carriers that participate in ACA health insurance plans may not use any insured person's _____ in the rate calculation for any _____ or group health insurance contract. Nor can _____ be used in rate calculations. The only criteria that may be used in rate calculation for ACA plans are _____, family composition, _____, and _____.

2. Under the ACA, a plan can have no _____, and coverage cannot have any restrictions on _____.

3. The cost of _____ medical policies is determined by coverage, group _____, geographic location, _____, and _____.

4. Any provided plan must be made available on a(n) _____. Although a policy may not be _____ on the renewal date, the _____ may be increased.

Directions: Read each direction and respond.

1. Define the term *affordability* in regards to affordable health plans.

_____

2. Explain two things a health plan must do to meet the minimum value requirement.

_____

_____

3. List three of the ten service categories the federal HealthCare.gov website deems essential.

_____

_____

_____

Directions: Match each metal tier to one of its characteristics.

A. Bronze	_____ Yearly deductibles are usually lower than those of other plans.
B. Silver	_____ High monthly premium, but low costs when care is necessary
C. Gold	_____ Highest monthly premium, but lowest costs when care is necessary
D. Platinum	_____ Lowest monthly premium, but highest costs when care is necessary

Section 5: Federal Regulation and Consumer-Driven Health Plans

Federal Regulations

Check-In

Directions: Select the term that best completes each sentence.

1. COBRA allows for the continuation of health insurance coverage at a covered person's expense for _____ for a spouse and dependents after an employee becomes eligible for Medicare.

   24 months **36 months** **48 months**

2. Under the terms of COBRA, an employer or administrator may collect up to _____ of the cost of coverage for an employee.

   98% **100%** **102%**

3. Participants have the right to sue for _____ and breaches of fiduciary duty.

   exemption **benefits** **Social Security disability**

Check-In

Directions: Read each statement. Then select True or False.

1. Under the HIPAA, the Privacy Rule addresses how organizations manage individuals' private health information (PHI).

   True **False**

2. The right to privacy relates to how an individual's personal health information is used.

   True **False**

3. PHI includes medical history and information gained during an individual's application for life insurance.

   True **False**

4. Employers are required to discuss the potential dangers of a privacy breach with their employees.

   True **False**

Check-In

Directions: The following statements relate to the Family and Medical Leave Act of 1993 (FMLA). Write the term that best completes each statement.

continuous	**covered**	**eligible**
exigency	**intermittent**	**unpaid**

1. Under the FMLA, _____ employers generally have 50 or more employees.

2. Generally speaking, employees are _____ for the FMLA if they have worked for a covered employer for at least one year.

3. The FMLA grants eligible employees up to 12 work-weeks of _____, job-protected leave during any 12-month period.

4. Birth and bonding leave must be taken as a(n) _____ block of leave unless the employer allows _____ leave.

5. An example of a qualifying _____ is the deployment of an employee's spouse, child, or parent with the armed forces.

Knowledge Check

Ms. Smith is leaving her employer and has been informed that under the terms of the federal law known as COBRA, her group health insurance may be continued for up to 18 months after her employment termination date. Ms. Smith does not understand why she will be paying so much more in premium than when she was employed. How will you explain the increased cost to Ms. Smith?

_____

_____

_____

Health Plans

Check-In

Directions: Read each statement. Then select True or False.

1. The term, "Cafeteria Plan," is another name for a Flexible Spending Account.

True **False**

2. An employee with a health care FSA is permitted to withdraw funds from a FSA to cover the cost of any medical expense.

True **False**

3. An employee's salary reduction agreement means that funds in a FSA account are subject to income and Social Security taxes.

True **False**

4. Since the passage of the CARES Act, over-the-counter (OTC) drugs are now approved QMEs.

True **False**

5. The IRS permits individuals to carry over up to $640 (2024) from one enrollment period to another, if the employer has amended her/his plan.

True **False**

Check-In

Directions: Match the letter of each category to its corresponding characteristics. Some characteristics belong to both categories.

A. Health Reimbursement Arrangements (HRAs)	B. Health Savings Accounts (HSAs)

_____ **1.** These funds are controlled and owned by an eligible account holder.

_____ **2.** This allows employers to pay medical expenses on behalf of employees.

_____ **3.** This arrangement pays for unreimbursed health care expenses.

_____ **4.** For an employer, payments are considered ordinary business expenses.

_____ **5.** This accumulates tax-deferred interest similar to an IRA.

_____ **6.** Participants can choose their own medical care providers.

_____ **7.** Employees are not required to report plan reimbursements as income.

_____ **8.** This plan cannot duplicate a payment if a qualified medical expense (QME) is covered by an insurance contract.

Check-In

Directions: Check each true statement.

- ☐ Anyone can contribute to a HSA.
- ☐ The same tax treatments apply to all HSA contributors.
- ☐ HSA contributions are tax deductible for employers.
- ☐ Individuals' HSA contributions do not have to be itemized to be tax deductible.
- ☐ HSA distributions apply to QMEs incurred after a HSA is established.
- ☐ If a HSA holder dies and the account transfers to a spouse, the transfer has tax or penalty implications.

Knowledge Check

Explain why it would be an advantage to an employer to make a Health Savings Account available to all employees and to contribute $500 to each employee's account.

_____

_____

_____

Section 5 Self-Quiz

Directions: Use the following terms to fill in the blanks. Some terms may be used more than once. Not all terms will be used.

COBRA	**group**	**temporary**	**15**	**100**
continuation	**liberal**	**voluntary**	**20**	**102**
divorce	**restrictive**	**work**		

1. The Consolidated Omnibus Budget Reconciliation Act (_____) gives workers and their families the right to choose to continue _____ health benefits provided by their _____ health plan for limited periods of time under certain circumstances, such as _____ or involuntary job loss, reduction in _____ hours, and transition between certain life events, such as _____. Qualified individuals may be required to pay the entire premium for coverage plus an administrative fee for a cost of _____ percent of the cost of the plan.

2. COBRA generally requires that group health plans provided by employers with _____ or more employees offer employees and their families _____ extension of health coverage, or _____ coverage, in certain instances where coverage under the plan would otherwise end.

3. Some states have their own versions of COBRA. The federal government allows state plans to be more _____ but not more _____ than federal COBRA.

Directions: Write the number of months that COBRA allows for the continuation of health insurance coverage at a covered person's expense:

10	**12**	**25**	**36**
32	**18**	**29**	**44**

1. _____ months for separation of service

2. _____ months for a spouse or family due to an employee's death or due to divorce or legal separation from the employee

3. _____ months if Social Security disability applies (in some situations)

4. _____ months for a spouse and dependents after the date an employee becomes entitled to Medicare

Directions: Check each reason an eligible employee would have access to leave under the terms of the Family and Medical Leave Act of 1993.

- ☐ for the adoption of a child
- ☐ for the birth and care of a newborn child
- ☐ for the placement of a child in foster care
- ☐ for coverage in a period of transition after a divorce or legal separation
- ☐ to deal with a serious health condition
- ☐ for coverage following involuntary job loss
- ☐ to provide care for an immediate family member suffering from a serious health condition
- ☐ to care for an Armed Forces service member with a serious injury or illness

Directions: Match each health plan to one of its characteristics.

A. Holders can set aside tax-deductible contributions. **B.** Holders can use funds to reimburse the cost of over-the-counter and prescription drugs. **C.** Employers may contribute to the account. **D.** Holders may choose their own medical care providers. **E.** Employers set aside funds for their employees to use on a nondiscriminatory basis. **F.** Employers establish plans to pay or reimburse employees for qualified medical expenses (QMEs). **G.** Holders can have aggregate or embedded deductibles. **H.** Holders can use funds for qualifying dental and vision expenses. **I.** Holder agrees to a salary reduction plan to fund the account. **J.** Holders can carry over up to $640 (2024) from one year to the next. **K.** Employers treat benefit payments as ordinary business expenses.	**Health Savings Account (HSA)** **Health Flexible Spending Account (FSA)** **Limited Purpose Flexible Spending Account (FSA)** **Health Reimbursement Arrangement (HRA)**

Section 6: Medicare

The Medicare Policy

Check-In

Directions: Write the number or term that completes each statement.

3	6	20	60
benefit periods	**personal services**	**skilled nursing facility**	

1. In Part A, there is no limit to the number of _____.

2. A benefit period begins the day a patient is admitted to a hospital or skilled nursing facility (SNF) as an inpatient and ends the day the patient has been out of the hospital or SNF for _____ consecutive days.

3. Inpatient status begins in a(n) _____ when an individual is admitted to the facility based on a doctor's orders and after being hospitalized for a related illness or injury for a minimum of three days.

4. In a skilled nursing facility, a patient pays nothing for the first _____ days.

5. Medicare home health care does not pay for _____ unrelated to skilled care.

6. Medicare covers hospice care if a patient is expected to live less than _____ months.

7. Under Medicare, an insured pays 100% of the cost of the first _____ pints of blood.

Check-In

Directions: Read each statement. Then select True or False.

1. Medicare Part B covers costs associated with home health care.

True **False**

2. No deductibles are attached to Medicare Part B plans.

True **False**

3. Enrollees in Medicare Part B have yearly limits on out-of-pocket expenses.

True **False**

4. If health care providers accept Medicare, all preventive services are covered under the Part B plan.

True **False**

Check-In

Directions: Write the term that completes each statement.

benefits	formularies	networks	premium	refuse

1. Enrollees in Medicare Advantage Plans usually pay a monthly _____ for that plan in addition to their Part B premium.

2. PPO Plans usually offer more _____ than Original Medicare.

3. Enrollees in PPO and HMO Plans are usually required to receive services from health care providers in the plans' _____.

4. Under PFFS Plans, health care providers may _____ to treat patients at any time.

5. Lists of brand-name and generic drugs are called _____

Check-In

Directions: Check each out-of-pocket cost that counts toward reaching the end of a coverage gap.

- ☐ the yearly drug plan premium
- ☐ the costs of drugs not covered by the plan
- ☐ an individual's yearly deductible
- ☐ discounts on covered brand-name drugs

Knowledge Check

Mr. Thomas is one of your clients. He asks if coverage under Medicare Part A includes long-term care in a Medicare-approved skilled nursing facility. How will you answer Mr. Thomas' question?

_____

_____

_____

_____

Medicare Supplement Policies

Knowledge Check

In a conversation with your client, Mr. Lowell, he asks if a Medigap Plan G provided by the Blue Cross Blue Shield company is the same as Plan G from the United Healthcare company. How will you answer Mr. Lowell's question?

_____

_____

_____

Section 6 Self-Quiz

Directions: Read each statement. Then select True or False.

A 65-year-old person is eligible for full Medicare benefits if:

1. She is a U.S. citizen.

True **False**

2. He has worked a sufficient period of time to be eligible for Social Security benefits.

True **False**

3. She has lived in the U.S. for at least five years as a legal resident.

True **False**

4. His spouse is eligible for railroad retirement benefits.

True **False**

5. She paid no Social Security or Medicare payroll taxes but worked for a specific time for the government.

True **False**

Directions: Check each true statement about people's eligibility for Medicare benefits if they are under the age of 65.

- ☐ They may qualify on the work record of a divorced spouse.
- ☐ They qualify if they have permanent kidney failure, regardless of whether their spouses have paid Social Security for a certain length of time.
- ☐ They have Lou Gehrig's disease.

Directions: Read each statement. Then select True or False.

Under Medicare Part A,

1. A hospitalized patient pays a deductible and daily coinsurance for the first 60 days.

True **False**

2. A patient is limited to 90 days in a lifetime for inpatient psychiatric care in a freestanding psychiatric hospital.

True **False**

3. Coverage for some medically necessary services and supplies kicks in after a patient is admitted to a hospital for three days, including the day of discharge.

True **False**

4. Covered skilled nursing care must be for the same condition that caused a patient's hospitalization.

True **False**

5. A patient receiving approved care in a skilled nursing facility pays nothing for the first 20 days of care in a benefit period.

True **False**

6. "Intermittent" care refers to home health care during a 60-day episode of care.

True **False**

7. The insured pays 50% of the cost of the first three pints of blood administered in a transfusion.

True **False**

Directions: Use the following percentages and terms to fill in the blanks. Some terms may be used more than once. Others will not be used at all.

all costs	**home health**	**nothing**	**preventive**	**65%**
both	**Medicare**	**no yearly limit**	**20%**	
deductible	**mental health**	**outpatient care**	**50%**	

1. The optional Medicare Part B helps cover medically necessary doctors' services, _____, _____ services, durable medical equipment, _____ services, and other medical services. It also covers many _____ services.

2. If the Part B deductible applies, an individual pays _____ (up to the _____-approved amount) until the yearly Part B _____ is met. At that point, _____ begins to pay its share and the individual typically pays _____ of the Medicare-approved amount of the service (if the doctor or other health-care provider accepts Medicare). There is _____ for out-of-pocket expenses.

3. With Part B, individuals pay _____ for most covered preventive services if those services are provided by doctors or other qualified health-care providers who accept Medicare. However, for some _____ services, individuals may have to pay a deductible, coinsurance, or _____.

Directions: Check each true statement about PPO plans.

- ☐ They are offered by private insurance companies.
- ☐ Participants must receive referrals from primary care physicians before being permitted to see other providers.
- ☐ Participants pay less if they receive care from in-network providers.
- ☐ Participants must receive approval prior to receiving health-care services.
- ☐ Participants receive more benefits than those in Original Medicare, but the insured may have to pay more for those benefits.
- ☐ Plans are restricted to individuals with specific diseases.

Directions: Provide a response to each question.

1. What coverage does Medicare Part D provide?

_____

_____

2. What is the coverage gap, or "donut hole"?

_____

_____

_____

3. What is the purpose of a Medigap policy?

_____

_____

Answer Key

Section 1: Introduction to Life Insurance

Basic Life Insurance Contract Concepts

Check-In

Directions: Write the term that matches each definition.

assignee	**beneficiary**	**insured**	**premium payor**
assignor	**insurance company**	**owner**	

insured **1.** the person or entity whose life is insured

assignor **2.** the policy owner who transfers the benefits as collateral, ensuring the payment of a debt

beneficiary **3.** the individual or entity identified in a life insurance policy as the recipient of the death benefit

owner **4.** the individual, business, or trust that controls a life insurance policy

premium payor **5.** the person or entity who pays the premium that keeps a life insurance policy in force

assignee **6.** the individual or entity to whom the title, rights, and benefits under a life insurance policy are assigned and who is also the beneficiary

insurance company **7.** the insurer that evaluates an applicant for life insurance and makes or declines to make an offer of insurance

Check-In

Directions: Read each statement. Then select True or False.

1. Risk is assessed on both medical and non-medical factors.

True **False**

2. Underwriters consider matters such as applicants' driving records, criminal records, and credit standing.

True **False**

3. Some states allow incomplete or unsigned applications to be processed and then completed at a later date.

True **False**

An incomplete or unsigned application is unacceptable.

4. Clients must grant permission in writing for their medical histories to be accessed by underwriters.

True **False**

Check-In

Directions: Select the term that completes each sentence.

1. A(n) survivorship clause stipulates that if the insured and the insured's primary beneficiary die at the same time, benefits skip the primary beneficiary and are paid to the contingent beneficiary.

survivorship **irrevocable** **premium payor**

2. A policy owner may change a(n) revocable beneficiary at any time.

contingent **revocable** **irrevocable**

3. The primary beneficiary is always the first in line for a death benefit.

primary beneficiary **premium payor** **contingent beneficiary**

4. A revocable beneficiary has no guaranteed rights to receive a death benefit upon the death of a policy owner.

contingent beneficiary **premium payor** **revocable beneficiary**

5. A policy owner cannot remove a(n) irrevocable beneficiary from a life insurance policy without that individual's/entity's consent.

assignor **contingent beneficiary** **irrevocable beneficiary**

Knowledge Check

If a survivorship clause is used when paying a death claim, which beneficiary receives the death benefit? Explain why.

Sample Answer:

Both the primary beneficiary and the insured would have died at the same time. The survivorship clause assumes that the primary beneficiary predeceases the insured. Under these circumstances, the contingent beneficiary receives the death benefit.

The Application Process

Check-In

Directions: Read each statement. Then select True or False.

1. A policy constitutes a complete contract.

   True **False**

   An application, plus a policy, plus riders constitute a complete contract.

2. Riders may amend policy coverage.

   True **False**

3. A conditional receipt can provide temporary life insurance coverage until the insurance company has issued a policy.

   True **False**

4. Underwriting addresses the determination of risk.

   True **False**

Check-In

Directions: Match each rate to its explanation.

A. preferred rate **B. standard rate** **C. substandard rate**

__B__ **1.** the rate common to most individuals seeking life insurance policies

__A__ **2.** the rate associated with excellent health

__C__ **3.** the rate that goes into effect when individuals seeking life insurance policies are deemed ineligible for standard rates

Knowledge Check

What factors make up the basis for determining whether an insured is offered a preferred rate, standard rate, or substandard rate for life insurance?

Sample Answer:

Health, occupation, avocation, and personal data including family history

Section 1 Self-Quiz

Directions: List the parties involved in a life insurance contract.

1. owner
2. insured
3. premium payor
4. beneficiary
5. assignee
6. insurance company

Directions: Match each description to the appropriate term.

A. insurable interest **B.** absolute assignment of benefits **C.** the insured **D.** irrevocable beneficiary **E.** premium payor **F.** primary beneficiary **G.** contingent beneficiary **H.** assignee **I.** assignor **J.** policy	**H** An individual/entity to whom the title, rights, and benefits under a life insurance policy are assigned and who is also a beneficiary
	G The recipient of benefits if the first recipient dies before or at the same time as the insured
	I The owner of a life insurance policy who transfers policy benefits as collateral
	E The individual/entity who pays the policy premium
	B A policy is transferred to another party without any terms or conditions
	A When a person or entity derives a financial benefit from an insured's continued survival
	J Explains the terms and conditions under which insurance applies
	F The first recipient of benefits after the death of an insured
	C The person/entity whose life is insured
	D A beneficiary that cannot be removed from a policy without consent

Directions: List six actions a policy owner has the power to take (with possible exceptions):

1. name beneficiaries
2. change the policy
3. control cash values
4. select dividend options
5. select settlement options
6. assign or change policy ownership

Directions: Read each statement. Then select True or False.

1. An individual's hobbies are a consideration in the rate classification for a life insurance policy.

   True **False**

2. A life insurance contract always has an application and the policy.

   True **False**

3. An applicant's credit history is a non-medical consideration when determining risk.

   True **False**

4. Most individuals seeking life insurance policies receive a preferred rating.

   True **False**

   Most have a standard rating.

5. Individuals who fall into the decline coverage category generally have high-risk health conditions.

   True **False**

Section 2: Term and Permanent Life Insurance

Term Life Insurance

Check-In

Directions: Match each term to its explanation.

	Fixed Period Level Term	Renewable Term	Decreasing Term

C 1. The death benefit decreases over the policy period, reaching zero at the end.

B 2. An insured chooses to renew a policy for a specified period of time.

A 3. The death benefit and premium remain level.

Knowledge Check

A prospect has three children, ages 9, 12, and 18. The prospect is concerned that costs for the children's education will not be paid if the prospect dies prior to all three children completing four years of college. The prospect is also concerned about insurance costs. What product would you suggest and why?

Sample Answer:

The product offering should be decreasing term insurance for 15 years. The premium would be lower than level term insurance and coverage could be structured to meet the projected need as children graduate.

Permanent Life Insurance

Check-In

Directions: Select the term that best completes each sentence.

1. Permanent life insurance is in effect as long as **premiums** are paid.

death benefits	premiums	partial surrenders

2. Permanent life insurance can generate **cash value** with a favorable tax treatment.

renewable death benefits	disability income payments	cash value

3. Two types of permanent life insurance policies are whole life and **universal** life.

variable	universal	guaranteed

Knowledge Check

A client is concerned that by making his grown children beneficiaries of his and his spouse's permanent life insurance policies, the children could have a large income tax liability upon receipt of the death proceeds. How could you respond to your client's concern?

Sample Answer:

There is no tax liability on the death proceeds, as the premiums were not income tax deductible expenses.

Whole Life Insurance

Check-In

Directions: Choose the term that best completes each sentence. Write the term on the line.

guarantees	limited payment	permanent life
single premium	straight life	

1. Whole life insurance is a type of permanent life insurance.
2. Whole life insurance is characterized by guarantees such as fixed premiums.
3. Whole life insurance is also called straight life insurance.
4. A shorter pay period and higher premiums are associated with a limited payment whole life policy.
5. In a single premium life policy, the premium is paid in a one-time payment.

Check-In

Directions: Match each term to its explanation.

A. cash surrender

B. reduced paid-up insurance

C. extended term life insurance

__C__ **1.** The ability to relinquish cash value in exchange for a term life insurance policy at the original face amount

__A__ **2.** The surrender of a policy for its guaranteed cash value

__B__ **3.** The ability to relinquish a policy's cash value to receive a paid-up, reduced face amount whole life policy

Knowledge Check

A prospect asks two questions. First, what can be done with the cash value of a whole life insurance policy? Second, when does she have to pay tax on any interest earned? How would you respond to this prospect's questions?

Sample Answer:

The cash value of a whole life policy accrues interest tax-deferred. No taxes are due unless the policy is surrendered. The owner may borrow the cash value with no tax liability. And she may stop paying premiums and surrender the policy for the cash value and pay tax on the excess amount of cash over the premium paid. She may use the cash value to purchase a reduced face amount paid-up policy or use the cash value to purchase an extended term policy for the full face amount of the original life insurance policy.

Universal Life Insurance

Check-In

Directions: Read each statement. Then select True or False.

1. First-to-die plans insure only one individual.

True **False**

First-to-die plans insure multiple individuals.

2. Underwriting considerations in a first-to-die plan are influenced by the oldest individual or the individual with the poorest health.

True **False**

3. In cases of a common disaster, a second-to-die plan will pay a death benefit for each individual under the plan.

True **False**

A second-to-die plan pays one death benefit after both insureds have passed away.

4. A second-to-die plan insures only two individuals.

True **False**

5. Underwriting considerations in a second-to-die plan are influenced by the younger or healthier insured individual.

True **False**

6. Of the first-to-die, second-to-die, and graded benefit life insurance plans, the most medical underwriting occurs in the graded benefit plan.

True **False**

Medical underwriting may be minimal in a graded benefit plan.

Knowledge Check

Your client wishes to purchase life insurance that guarantees a certain amount of money will be available to pay toward your client's final expenses. Which type of life insurance policy would you recommend—a universal life or a whole life insurance policy? Explain your decision.

Sample Answer:

A whole life insurance policy would be a better recommendation because the policy is guaranteed to provide a death benefit no matter when death occurs, as long as premiums are paid.

Section 2 Self-Quiz

Directions: Check each statement that describes fixed period term life insurance.

- [x] It is set for a fixed number of years.
- [ ] Premiums increase over time, as the insured ages.
- [ ] The death benefit increases over time.
- [x] The policy can be converted to a permanent life insurance policy.
- [x] The insured must reapply and re-qualify when the policy expires.

Directions: Check each statement that describes renewable term life insurance.

- [x] It is active for a specified number of years.
- [x] The insured may renew.
- [ ] The death benefit increases over time.
- [x] Premiums rise as the insured ages.
- [ ] The insured must re-qualify for renewal.

Directions: Check each statement that describes decreasing term life insurance.

- [x] It is in effect for a fixed number of years.
- [ ] Premiums increase over time.
- [ ] The death benefit increases over time.
- [x] No death benefit is paid if the insured dies after the term expires.

Directions: Read each statement. Then select True or False.

1. Permanent life insurance is in effect as long as the premiums are paid.

True **False**

2. Term life insurance can generate cash value.

True **False**

Permanent life insurance can generate cash value.

3. Accelerated death benefits are a feature of permanent life insurance.

True **False**

4. A long-term care rider attached to a permanent life insurance policy can provide benefits to an insured while the insured is living.

True **False**

5. Cash value is accessible as a loan with permanent life insurance.

True **False**

6. Whole life and universal life insurance policies are types of permanent life insurance.

True **False**

7. All whole life insurance policies have a fixed level premium, a fixed death benefit, a guaranteed death benefit, and a cash value.

True **False**

Directions: Use the following terms to fill in the blanks. Some terms may be used more than once. Others may not be used at all.

all	**longer**	**shorter**
any time	**lower**	**single premium**
extended	**lump sum**	**some**
higher	**one-time**	**whole life insurance**
limited payment	**reduced**	

1. A(n) limited payment whole life policy has a(n) shorter pay period and higher premiums because it is designed for the premiums to be paid during an insured's income earning years. This type of policy has the same characteristics as a whole life insurance policy, but its premiums are at much higher rates because they are paid in reduced amounts of time.

2. A single premium whole life insurance policy is designed so that the premium is paid in a(n) one-time payment. This is for an insured who has a lump sum available to pay all of the premium up front. This policy has all of the same characteristics as a(n) whole life insurance policy.

Directions: Read and respond to each item.

1. Explain the annual cash value growth of a whole life insurance policy.

Sample Answer:

Annual cash value growth will equal or exceed the annual premium in the 10th or 20th year of the contract. The insurance company recovers initial expenses early in the policy period. Then, over time, the power of compounding interest and deferred taxation enables faster growth of the policy's cash value.

2. Explain how universal life insurance works differently than whole life insurance in terms of cash value growth.

Sample Answer:

The premium is paid into the policy account. Administrative expenses related to issuing and maintaining the contract are deducted from the premium. The insurer deposits the remainder of the premium into a cash value account that earns interest. There is a guaranteed interest rate and an insurance company declared rate, which may be higher than the guaranteed rate.

Section 3: Common Characteristics of Life Insurance Concepts

Premium Payment Options

Knowledge Check

A prospect wants to apply for the life insurance you proposed. She asks if it is cheaper to pay the premium with a monthly bank draft or to pay twice a year, like she pays for her auto insurance. Explain which choice you recommend.

Sample Answer:

Pay a monthly bank draft, because it is cheaper.

Standard Components to a Life Insurance Contract

Check-In

Directions: Write the term that best matches each description.

application **exclusion rider** **policy**

provision **rider**

rider **1.** a provision that modifies a policy

provision **2.** a clause in a policy that describes coverage

exclusion rider **3.** a kind of provision added at the time a policy is issued

policy **4.** includes definitions

application **5.** a statement of information

Check-In

Directions: Read each statement. Then select True or False.

1. An entire contract provision refers to a policy, an attached copy of the original application, and riders.

   True **False**

2. In most states, a free-look period spans a period of one calendar week, or seven days, from the time a policy is delivered.

   True **False**

   Most states require a minimum review period of 10 days, beginning on the date the policy is delivered.

3. Some states allow a death claim to be challenged more than two years after an insured's death if the insured committed intentional fraud.

   True **False**

4. Almost half of all states require a policy reinstatement provision.

   True **False**

   Insurance law in all 50 states requires a policy reinstatement provision.

Check-In

Directions: Select the term that best completes each sentence.

1. A war clause exclusion allows an insurance company to invoke the clause if an insured is killed as a result of war-like action.

war clause exclusion | **cause of death exclusion rider** | **flat extra premium rider**

2. This clause is used in place of a cause of death exclusion: flat extra premium amendment

war clause exclusion | **death by suicide exclusion** | **flat extra premium rider**

3. This clause is usually reserved for an insured who engages in a dangerous job, sport, or other activity: cause of death exclusion rider

war clause exclusion | **cause of death exclusion rider** | **flat extra premium rider**

Check-In

Directions: Match each rider to its description.

A. Payor benefit rider	___E___ Provides a return of a paid premium if the policy owner outlives the length of a term life insurance policy
B. Living benefit rider	___A___ Waives future premiums if the payor dies or becomes disabled prior to a juvenile insured reaching a specific age
C. Accidental death benefit rider	___B___ Allows for the payment of a percentage of a death benefit should the insured be diagnosed with an irreversible or terminal medical condition
D. Term rider	___D___ Provides additional temporary term life coverage for the insured and is typically attached to a permanent life insurance policy
E. Return of premium rider	___C___ Provides for the payment of a multiple of a policy's face amount in the event of an insured's death resulting from accidental bodily injury

Knowledge Check

A married client has two children. Both children will be enrolled in college in three years. The client is concerned about not having any life insurance other than the coverage provided by his employer. The amount of premium is a significant concern. Explain what type of life insurance coverage you would offer your client.

Sample Answer:

Offer a base policy with a term rider (a 10-year term) to cover the time the children are in college. Also add a waiver of premium rider. The cost of this rider is minimal.

Taking Payment

Check-In

Directions: Select the term that best completes each sentence.

1. A beneficiary who selects a(n) interest income option receives interest from a death benefit held in an interest-bearing account.

interest income **fixed period** **fixed amount** **life income period certain**

2. A beneficiary who selects a(n) life income period certain option receives guaranteed payments over a lifetime but within a certain period of time.

interest income **fixed period** **fixed amount** **life income period certain**

3. A beneficiary who selects a(n) fixed period option receives periodic payments over a certain time until funds are exhausted.

interest income **fixed period** **fixed amount** **life income period certain**

4. A beneficiary who selects a(n) fixed amount option receives equal installments until all proceeds are exhausted.

interest income **fixed period** **fixed amount** **life income period certain**

Knowledge Check

A policy owner wishes to withdraw $30,000 from her universal life insurance policy. The total premiums currently paid into the policy are $28,000. The total available cash amount is $40,000. The policy owner, who is concerned about the income taxes due on the withdrawal, asks if there is a way to withdraw $30,000 tax free. What answer do you give your client?

Sample Answer:

As the policy owner, your client may borrow the $30,000, but she must be sure that the interest on the loan is paid. She may also withdraw up to $28,000 (the amount paid into the policy) and borrow $2,000 with no tax liability. She must also be sure that the policy doesn't lapse, leading to a lack of funds to pay for mortality and expense charges.

Section 3 Self-Quiz

Directions: List four examples of traditional premium payment methods.

1. monthly
2. quarterly
3. semi-annual
4. annual

Directions: Name five components of a life insurance contract.

1. application
2. policy
3. provisions
4. exclusions
5. riders

Directions: Match each provision to its explanation.

A. Entire contract provision **B.** Misstatement of age/sex provision **C.** Right to examine provision **D.** Grace period provision **E.** Incontestable clause **F.** Suicide provision **G.** Reinstatement provision	__B__ An error of this kind is correctable before and after an insured's death.
	__D__ A policy remains in force for a period of time following late premium payments.
	__E__ The insurer has a limited time to contest the accuracy of an insured's information.
	__F__ An insurer may deny death benefits.
	__G__ State law stipulates conditions under which policies can be restored.
	__A__ No agent can waive or amend a complete contract of insurance.
	__C__ An insured has time to reject a policy and be reimbursed for premium already paid.

Directions: Explain the purpose of the flat extra premium rider.

Sample Answer:

The flat extra premium rider is issued in lieu of the cause of death exclusion. Based on the hazardous degree of an insured's job or activity, the rider allows the insurer to charge an extra premium until the insured changes jobs or stops the activity, when the insured may request that the extra premium be removed.

Directions: Use the following terms to fill in the blanks.

guaranteed insurability	**living benefit rider**	**payor benefit**	**waiver of premium rider**
term rider	**return of premium rider**	**family rider**	**accidental death benefit rider**

1. A(n) living benefit rider allows for the payment of a percentage of the death benefit to the insured in the case of an irreversible medical condition or illness that will result in death.

2. A(n) waiver of premium rider allows an insured who becomes disabled to suspend premium payment for a period of time or until the insured's death.

3. A(n) term rider provides additional coverage in cases when an insured wants some permanent insurance but cannot afford the full premium for a permanent policy.

4. A(n) payor benefit rider attached to a policy on a juvenile waives future premiums until the juvenile reaches a specific age following the death of the person paying for the policy.

5. A(n) family rider provides additional coverage for spouses or children.

6. A(n) return of premium rider provides premium reimbursement if the insured outlives the length of a term policy.

7. A(n) guaranteed insurability rider gives an insured the right to purchase more insurance at specific future intervals, regardless of insurability.

8. A(n) accidental death benefit rider provides for the payment of a multiple of a policy's face amount in cases where an accidental bodily injury results in the insured's death.

Directions: List five death benefit settlement options.

1. Lump sum payment
2. Interest income
3. Fixed period payments
4. Equal installments
5. Life Income or Life Income Period Certain

Directions: Read each statement. Select True or False.

1. Under IRS section 264, life insurance premiums for individual policies are tax-deductible.

   True **False**

   Under IRS section 264, life insurance premiums for individual policies are not tax-deductible.

2. Under IRS section 101, if an insured is also the owner of an insurance policy, death benefits may be included in the deceased's estate for estate tax calculation.

   True **False**

3. Under IRS section 101, death benefits payable to a beneficiary are tax free.

   True **False**

Section 4: Healthcare Policies

Basic Policy Information

Check-In

Directions: Match each policy category to its characteristic.

A. Comprehensive Medical Policy **B. Short-term Medical Policy** **C. Critical Illness Policy**

__B__ **1.** coverage is usually limited to emergency services, hospitalization, diagnostic tests, and follow-up care

__A__ **2.** combines basic and major medical coverage

__C__ **3.** may require diagnosis or confirmation from a specialist to be triggered

__B__ **4.** a temporary policy that bridges coverage gaps during times of transition

__C__ **5.** may provide lump sum payments to policy owners or pay health care providers directly

__A__ **6.** commonly provides for inpatient care, surgical expenses, physician expenses, and prescriptions

__B__ **7.** does not meet the minimum essential coverage requirements under the ACA

__C__ **8.** may require an insured to remain alive for a specified number of days

Check-In

Directions: Read each clue. Then select the term that matches the clue.

1. This department establishes rating rules for insurance companies.

Department of Labor	**Department of Health and Human Services**	Internal Revenue Service

2. This department establishes essential benefits and minimum coverage requirements.

Department of Labor	**Department of Health and Human Services**	Internal Revenue Service

3. This department takes responsibility for ACA compliance.

Department of Labor	Department of Health and Human Services	Internal Revenue Service

4. This department addresses subsidies, penalties, and tax provisions.

Department of Labor	Department of Health and Human Services	**Internal Revenue Service**

5. This law sets minimum standards for most voluntarily established pension and health plans offered by private sector employers.

ERISA	ACA	COBRA

Check-In

Directions: Read each statement. Then select True or False.

1. The ACA prohibited insurers from imposing ANY preexisting condition exclusions in health insurance contracts.

   True **False**

2. Health insurance carriers that participate in ACA health insurance plans may not use any insured person's medical history or any criteria such as tobacco use or residential location in their rate calculations.

   True **False**

   The only criteria that may be used in rate calculations for ACA plans are age, family composition, tobacco usage, and residential location.

3. Gender can be used in rate calculations.

   True **False**

   Neither medical history nor gender can be used in the rate calculation for any individual or group health insurance contract.

4. Under the ACA, coverage can have no restrictions on annual or lifetime limits.

   True **False**

5. Provided plans must be available on a guaranteed issue basis.

   True **False**

Check-In

Directions: Match each provision category to its characteristic.

A. Minimum essential coverage (MEC)

B. Minimum value (MV) requirement

__B__ **1.** a standard of minimum coverage

__A__ **2.** employer responsibilities apply to all ALEs

__A__ **3.** employers have at least 50 full-time employees or combination of part-time employees

__B__ **4.** plan must pay at least 60% of the total costs of medical services for a "standard population"

__A__ **5.** mandates coverage for dependents under age 26

__B__ **6.** plan must be deemed affordable

__B__ **7.** In 2024, a plan can not exceed 8.39% of an employee's W-2, Box 1, wages.

Knowledge Check

While unlimited annual and lifetime maximum benefits were popular changes to health care brought about by the ACA, what major underwriting consideration was eliminated?

Sample Answer:

The underwriting consideration of preexisting conditions was eliminated.

Systems, Provisions, and Features

Check-In

Directions: Read each statement. Then select True or False.

1. Health care plans usually require employers to contribute toward their employees' premiums.

   True **False**

2. Employees who "opt-out" of employer-sponsored health care may have medical coverage from a different source or are seasonal workers.

   True **False**

3. Employers of 50 or more full-time employees are responsible for paying 100% of their employees' dependents' premiums.

   True **False**

   The employee is normally responsible for up to 100% of their dependents' premiums.

4. Employees are eligible for medical coverage beginning on the first day of employment.

   True **False**

   Employers can impose a maximum 90-day waiting period for new employees to be eligible for medical coverage.

5. Ordinarily, 75% of employees represent a minimum level of employee participation in a group medical plan.

   True **False**

Check-In

Directions: Write the term that matches each definition.

pre-admission testing | **pre-admission review** | **second surgical opinion**

pre-admission review	**1.**	an assessment of an insured's needs before the insured is admitted for inpatient care
second surgical opinion	**2.**	a second evaluation of an insured's health problem and treatment plan
pre-admission testing	**3.**	procedures used for diagnostic purposes before an outpatient is admitted to a hospital

Knowledge Check

A health care plan participant discovers that his group plan covers acupuncture, but the participant does not believe that the procedure provides any medical benefits. The participant approaches his employer to ask that the coverage be removed from the health care plan and for the participant to receive a premium reduction. How should the health care plan administrator respond?

Sample Answer:

Coverage is automatic, meaning the only decision left to the participant is whether or not to participate in the group plan. Only a group plan administrator can change a plan's coverage.

Benefit Payment Provisions

Knowledge Check

An individual's health plan has an in-hospital coinsurance ratio of 80/20 for covered expenses. The individual does not understand why the hospital's parking garage cost that was added to his bill was not paid by the insurance company. How would you explain this unpaid charge to the individual?

Sample Answer:

Coinsurance only covers the covered expenses defined in the plan policy, and parking expenses are not defined as covered.

Section 4 Self-Quiz

Directions: Check each true statement.

- [x] A comprehensive medical policy combines basic and major medical coverage.
- [x] Insureds bear more financial responsibility for health care through higher deductibles and copays.
- [x] COBRA works as a short-term medical policy that bridges gaps in coverage during times such as retirement that precedes Medicare eligibility.
- [ ] Coverage under the terms of a short-term medical policy are comprehensive.
- [ ] A short-term medical policy is intended to cover critical illnesses, such as cancer or stroke.
- [x] Critical illness policies pay lump sum cash benefits to policy owners or make direct payments to health care providers.

Directions: Check each statement that describes an aim of the ACA.

- [x] To provide easy and universal access to health care
- [x] To improve the overall quality of health care in the U.S.
- [x] To educate consumers as to available health care choices
- [ ] To assist federal-level departments in their oversight
- [x] To provide credits to moderate and low income individuals who don't qualify for Medicaid
- [x] To help control health care costs
- [x] To establish minimum coverage requirements
- [ ] To establish regulations for the private insurance industry
- [x] To expand Medicaid
- [x] To encourage employers to offer health insurance

Directions: Use the following terms to fill in the blanks.

age	**claims experience**	**individual**	**residential location**
annual or lifetime limits	**gender**	**medical history**	**size**
average age	**guaranteed issue basis**	**preexisting condition limitations**	**tobacco usage**
canceled	**group**	**premiums**	

1. Health insurance carriers that participate in ACA health insurance plans may not use any insured person's medical history in the rate calculation for any individual or group health insurance contract. Nor can gender be used in rate calculations. The only criteria that may be used in rate calculation for ACA plans are age, family composition, tobacco usage, and residential location.

2. Under the ACA, a plan can have no preexisting condition limitations, and coverage cannot have any restrictions on annual or lifetime limits.

3. The cost of group medical policies is determined by coverage, group size, geographic location, average age, and claims experience.

4. Any provided plan must be made available on a(n) guaranteed issue basis. Although a policy may not be canceled on the renewal date, the premiums may be increased.

Directions: Read each direction and respond.

1. Define the term *affordability* in regards to affordable health plans.

The term ***affordability*** refers to the cost of the plan to the employee.

2. Explain two things a health plan must do to meet the minimum value requirement.

It must pay at least 60% of the total costs of medical services for a "standard population." It must include coverage of physician and inpatient hospital services.

3. List three of the ten service categories the federal HealthCare.gov website deems essential.

Ambulatory patient services; emergency services; hospitalization; pregnancy, maternity, and newborn care; mental health and substance abuse disorder services; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; pediatric services

Directions: Match each metal tier to one of its characteristics.

A. Bronze **B.** Silver **C.** Gold **D.** Platinum	__B__ Yearly deductibles are usually lower than those of other plans.
	__C__ High monthly premium, but low costs when care is necessary
	__D__ Highest monthly premium, but lowest costs when care is necessary
	__A__ Lowest monthly premium, but highest costs when care is necessary

Section 5: Federal Regulation and Consumer-Driven Health Plans

Federal Regulations

Check-In

Directions: Select the term that best completes each sentence.

1. COBRA allows for the continuation of health insurance coverage at a covered person's expense for 36 months for a spouse and dependents after an employee becomes eligible for Medicare.

24 months **36 months** **48 months**

2. Under the terms of COBRA, an employer or administrator may collect up to 102% of the cost of coverage for an employee.

98% **100%** **102%**

3. Participants have the right to sue for benefits and breaches of fiduciary duty.

exemption **benefits** **Social Security disability**

Check-In

Directions: Read each statement. Then select True or False.

1. Under the HIPAA, the Privacy Rule addresses how organizations manage individuals' private health information (PHI).

   True **False**

2. The right to privacy relates to how an individual's personal health information is used.

   True **False**

3. PHI includes medical history and information gained during an individual's application for life insurance.

   True **False**

4. Employers are required to discuss the potential dangers of a privacy breach with their employees.

   True **False**

Check-In

Directions: The following statements relate to the Family and Medical Leave Act of 1993 (FMLA). Write the term that best completes each statement.

continuous	**covered**	**eligible**
exigency	**intermittent**	**unpaid**

1. Under the FMLA, covered employers generally have 50 or more employees.

2. Generally speaking, employees are eligible for the FMLA if they have worked for a covered employer for at least one year.

3. The FMLA grants eligible employees up to 12 work-weeks of unpaid, job-protected leave during any 12-month period.

4. Birth and bonding leave must be taken as a continuous block of leave unless the employer allows intermittent leave.

5. An example of a qualifying exigency is the deployment of an employee's spouse, child, or parent with the armed forces.

Knowledge Check

Ms. Smith is leaving her employer and has been informed that under the terms of the federal law known as COBRA, her group health insurance may be continued for up to 18 months after her employment termination date. Ms. Smith does not understand why she will be paying so much more in premium than when she was employed. How will you explain the increased cost to Ms. Smith?

Sample Answer:

An employee who leaves her/his employment is expected to pay 100% of the premium. When Ms. Smith was employed, her employer paid a percentage of the plan's cost. In addition, a 2% additional administrative fee is added to the premium to pay for additional administrative expenses. The total cost to Ms. Smith is 102%.

Health Plans

Check-In

Directions: Read each statement. Then select True or False.

1. The term, "Cafeteria Plan," is another name for a Flexible Spending Account.

True **False**

2. An employee with a health care FSA is permitted to withdraw funds from a FSA to cover the cost of any medical expense.

True **False**

Employees may withdraw funds to cover the cost of qualified medical expenses (QMEs) as defined by the IRS.

3. An employee's salary reduction agreement means that funds in a FSA account are subject to income and Social Security taxes.

True **False**

The salary reduction agreement means that any funds set aside in a Flexible Spending Account escape both income tax and Social Security tax.

4. Since the passage of the CARES Act, over-the-counter (OTC) drugs are now approved QMEs.

True **False**

5. The IRS permits individuals to carry over up to $640 (2024) from one enrollment period to another, if the employer has amended her/his plan.

True **False**

Check-In

Directions: Match the letter of each category to its corresponding characteristics. Some characteristics belong to both categories.

A. Health Reimbursement Arrangements (HRAs)	B. Health Savings Accounts (HSAs)

B **1.** These funds are controlled and owned by an eligible account holder.

A **2.** This allows employers to pay medical expenses on behalf of employees.

A & B **3.** This arrangement pays for unreimbursed health care expenses.

A **4.** For an employer, payments are considered ordinary business expenses.

B **5.** This accumulates tax-deferred interest similar to an IRA.

B **6.** Participants can choose their own medical care providers.

B **7.** Employees are not required to report plan reimbursements as income.

A & B **8.** This plan cannot duplicate a payment if a qualified medical expense (QME) is covered by an insurance contract.

Check-In

Directions: Check each true statement.

- [x] Anyone can contribute to a HSA.
- [ ] The same tax treatments apply to all HSA contributors.
- [x] HSA contributions are tax deductible for employers.
- [x] Individuals' HSA contributions do not have to be itemized to be tax deductible.
- [x] HSA distributions apply to QMEs incurred after a HSA is established.
- [ ] If a HSA holder dies and the account transfers to a spouse, the transfer has tax or penalty implications.

Knowledge Check

Explain why it would be an advantage to an employer to make a Health Savings Account available to all employees and to contribute $500 to each employee's account.

Sample Answer:

The employer's $500 contribution to each account is a tax-deductible expense. Plus, a HSA program encourages an employee to be sensitive to personal health care expenditures, given that the employee pays her/his money into the HSA account.

Section 5 Self-Quiz

Directions: Use the following terms to fill in the blanks. Some terms may be used more than once. Not all terms will be used.

COBRA	**group**	**temporary**	**15**	**100**
continuation	**liberal**	**voluntary**	**20**	**102**
divorce	**restrictive**	**work**		

1. The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances, such as voluntary or involuntary job loss, reduction in work hours, and transition between certain life events, such as divorce. Qualified individuals may be required to pay the entire premium for coverage plus an administrative fee for a cost of 102 percent of the cost of the plan.

2. COBRA generally requires that group health plans provided by employers with 20 or more employees offer employees and their families temporary extension of health coverage, or continuation coverage, in certain instances where coverage under the plan would otherwise end.

3. Some states have their own versions of COBRA. The federal government allows state plans to be more liberal but not more restrictive than federal COBRA.

Directions: Write the number of months that COBRA allows for the continuation of health insurance coverage at a covered person's expense:

10	**12**	**25**	**36**
32	**18**	**29**	**44**

1. __18__ months for separation of service

2. __36__ months for a spouse or family due to an employee's death or due to divorce or legal separation from the employee

3. __29__ months if Social Security disability applies (in some situations)

4. __36__ months for a spouse and dependents after the date an employee becomes entitled to Medicare

Directions: Check each reason an eligible employee would have access to leave under the terms of the Family and Medical Leave Act of 1993.

- ☑ for the adoption of a child
- ☑ for the birth and care of a newborn child
- ☑ for the placement of a child in foster care
- ☐ for coverage in a period of transition after a divorce or legal separation
- ☑ to deal with a serious health condition
- ☐ for coverage following involuntary job loss
- ☑ to provide care for an immediate family member suffering from a serious health condition
- ☑ to care for an Armed Forces service member with a serious injury or illness

Directions: Match each health plan to one of its characteristics.

A. Holders can set aside tax-deductible contributions. **B.** Holders can use funds to reimburse the cost of over-the-counter and prescription drugs. **C.** Employers may contribute to the account. **D.** Holders may choose their own medical care providers. **E.** Employers set aside funds for their employees to use on a nondiscriminatory basis. **F.** Employers establish plans to pay or reimburse employees for qualified medical expenses (QMEs). **G.** Holders can have aggregate or embedded deductibles. **H.** Holders can use funds for qualifying dental and vision expenses. **I.** Holder agrees to a salary reduction plan to fund the account. **J.** Holders can carry over up to $640 (2024) from one year to the next. **K.** Employers treat benefit payments as ordinary business expenses.	**Health Savings Account (HSA)** A, B, C, D, G, H **Health Flexible Spending Account (FSA)** A, B, C, F, G, H, I, J, L **Limited Purpose Flexible Spending Account (FSA)** A, C, G, H, I, J **Health Reimbursement Arrangement (HRA)** E, K

Section 6: Medicare

The Medicare Policy

Check-In

Directions: Write the number or term that completes each statement.

3	6	20	60
benefit periods	**personal services**	**skilled nursing facility**	

1. In Part A, there is no limit to the number of benefit periods.
2. A benefit period begins the day a patient is admitted to a hospital or skilled nursing facility (SNF) as an inpatient and ends the day the patient has been out of the hospital or SNF for 60 consecutive days.
3. Inpatient status begins in a skilled nursing facility when an individual is admitted to the facility based on a doctor's orders and after being hospitalized for a related illness or injury for a minimum of three days.
4. In a skilled nursing facility, a patient pays nothing for the first 20 days.
5. Medicare home health care does not pay for personal services unrelated to skilled care.
6. Medicare covers hospice care if a patient is expected to live less than 6 months.
7. Under Medicare, an insured pays 100% of the cost of the first 3 pints of blood.

Check-In

Directions: Read each statement. Then select True or False.

1. Medicare Part B covers costs associated with home health care.

True **False**

2. No deductibles are attached to Medicare Part B plans.

True **False**

Part B has a deductible.

3. Enrollees in Medicare Part B have yearly limits on out-of-pocket expenses.

True **False**

There is no yearly limit for out-of-pocket expenses.

4. If health care providers accept Medicare, all preventive services are covered under the Part B plan.

True **False**

For some preventive services, individuals may have to pay a deductible, coinsurance, or both.

Check-In

Directions: Write the term that completes each statement.

benefits	formularies	networks	premium	refuse

1. Enrollees in Medicare Advantage Plans usually pay a monthly premium for that plan in addition to their Part B premium.

2. PPO Plans usually offer more benefits than Original Medicare.

3. Enrollees in PPO and HMO Plans are usually required to receive services from health care providers in the plans' networks.

4. Under PFFS Plans, health care providers may refuse to treat patients at any time.

5. Lists of brand-name and generic drugs are called formularies.

Check-In

Directions: Check each out-of-pocket cost that counts toward reaching the end of a coverage gap.

- ☐ the yearly drug plan premium
- ☐ the costs of drugs not covered by the plan
- ☑ an individual's yearly deductible
- ☑ discounts on covered brand-name drugs

Knowledge Check

Mr. Thomas is one of your clients. He asks if coverage under Medicare Part A includes long-term care in a Medicare-approved skilled nursing facility. How will you answer Mr. Thomas' question?

Sample Answer:

Coverage is provided for a limit of 20 days following a three-day hospital visit. After 20 days, the patient's condition must be improving. Then, rehabilitative care is covered. If the patient's condition is not improving and the patient requires custodial care, coverage ends.

Medicare Supplement Policies

Knowledge Check

In a conversation with your client, Mr. Lowell, he asks if a Medigap Plan G provided by the company Blue Cross Blue Shield is the same as Plan G from the company, United Healthcare. How will you answer Mr. Lowell's question?

Sample Answer:

Both companies provide the same Plan G benefits, but the premiums may differ.

Section 6 Self-Quiz

Directions: Read each statement. Then select True or False.

A 65-year-old person is eligible for full Medicare benefits if:

1. She is a U.S. citizen.

True **False**

2. He has worked a sufficient period of time to be eligible for Social Security benefits.

True **False**

3. She has lived in the U.S. for at least five years as a legal resident.

True **False**

4. His spouse is eligible for railroad retirement benefits.

True **False**

5. She paid no Social Security or Medicare payroll taxes but worked for a specific time for the government.

True **False**

She is required to have paid Medicare payroll taxes while working.

Directions: Check each true statement about people's eligibility for Medicare benefits if they are under the age of 65.

- ☐ They may qualify on the work record of a divorced spouse.
- ☐ They qualify if they have permanent kidney failure, regardless of whether their spouses have paid Social Security for a certain length of time.
- ☑ They have Lou Gehrig's disease.

Directions: Read each statement. Then select True or False.

Under Medicare Part A,

1. A hospitalized patient pays a deductible and daily coinsurance for the first 60 days.

True **False**

The patient pays no coinsurance.

2. A patient is limited to 90 days in a lifetime for inpatient psychiatric care in a freestanding psychiatric hospital.

True **False**

The limit is 190 days.

3. Coverage for some medically necessary services and supplies kicks in after a patient is admitted to a hospital for three days, including the day of discharge.

True **False**

The day of discharge does not count as one of the three days.

4. Covered skilled nursing care must be for the same condition that caused a patient's hospitalization.

True **False**

5. A patient receiving approved care in a skilled nursing facility pays nothing for the first 20 days of care in a benefit period.

True **False**

6. "Intermittent" care refers to home health care during a 60-day episode of care.

True **False**

7. An insured pays 50% of the cost of the first three pints of blood administered in a transfusion.

True **False**

The insured pays 100% of the cost.

Directions: Use the following percentages and terms to fill in the blanks. Some terms may be used more than once. Others will not be used at all.

all costs	**home health**	**nothing**	**preventive**	**65%**
both	**Medicare**	**no yearly limit**	**20%**	
deductible	**mental health**	**outpatient care**	**50%**	

1. The optional Medicare Part B helps cover medically necessary doctors' services, outpatient care, home health services, durable medical equipment, mental health services, and other medical services. It also covers many preventive services.

2. If the Part B deductible applies, an individual pays all costs (up to the Medicare-approved amount) until the yearly Part B deductible is met. At that point, Medicare begins to pay its share and the individual typically pays 20% of the Medicare-approved amount of the service (if the doctor or other health-care provider accepts Medicare). There is no yearly limit for out-of-pocket expenses.

3. With Part B, individuals pay nothing for most covered preventive services if those services are provided by doctors or other qualified health-care providers who accept Medicare. However, for some preventive services, individuals may have to pay a deductible, coinsurance, or both.

Directions: Check each true statement about PPO plans.

- [x] They are offered by private insurance companies.
- [ ] Participants must receive referrals from primary care physicians before being permitted to see other providers.
- [x] Participants pay less if they receive care from in-network providers.
- [ ] Participants must receive approval prior to receiving health-care services.
- [x] Participants receive more benefits than those in Original Medicare, but the insured may have to pay more for those benefits.
- [ ] Plans are restricted to individuals with specific diseases.

Directions: Provide a response to each question.

1. What coverage does Medicare Part D provide?

It provides drug plans to respond to the increasing costs associated with prescription drugs.

2. What is the coverage gap, or "donut hole"?

It is the gap that begins once an individual and the individual's drug plan have spent a certain amount for covered drugs. Once the individual reaches the coverage gap, she/he pays a percentage of the plan's cost for covered brand-name drugs and covered generic drugs until the end of the coverage gap is reached.

3. What is the purpose of a Medigap policy?

A Medigap policy helps pay some of the health care costs not covered by Original Medicare (Parts A and B), such as copayments, coinsurance, and deductibles.

Appendix

Preparing for the Final Exam

For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is one hour long. The test itself is composed of 50 multiple-choice questions that ask you to demonstrate what you know. Each question is worth two points. To pass, you are required to earn a minimum of 70 out of 100 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your Learning Guide.

1. Review the Section Goal.

2. Review each Learning Objective.

3. Change each header and subhead into a question. Then answer the question. For example:

   Header: Characteristics of Whole life insurance

   Question: What are some characteristics of Whole life insurance?

4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific learning objective.

5. Check your answers to each Check-In. Correct your original answers, if necessary.

6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.

7. Re-read the summary at the end of each section.

8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.

9. Review any comments, highlights, or notes you made in each section.

(Continued.)

10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.

11. Make flash cards to help you review important vocabulary.

Sample Test Questions

The end-of-course test has a variety of questions similar to the ones below. Correct answers have been provided.

Sample 1

Life insurance contracts are not standard contracts; however, they generally have standard provisions. All of the following are standard provisions except:

A. the entire contract provision

B. misstatement of age and/or sex at birth provision

C. the application

D. right to examine period (free look)

Sample 2

Health insurance includes a diverse assortment of policies, the most common being medical expense policies. Other types of policies are:

A. COBRA

B. HRA

C. disability

D. FMLA

Sample 1: The correct answer is C, the application.

Sample 2: The correct answer is C, disability.

Glossary of Terms

absolute assignment of benefits a condition that exists when a policy owner has transferred ownership of a life insurance policy to another party without any terms or conditions

aggregate deductible each family member in a health plan is covered under the same deductible

application an underwriting tool that contains detailed personal information about a proposed insured

assignee an individual or entity to whom the title, rights, and benefits under a life insurance policy are assigned and who is also the beneficiary

assignor the owner of a life insurance policy

beneficiary an individual or entity identified in a life insurance policy as the recipient of the death benefit following an insured's death

coinsurance the percentage of covered health care costs an insured pays

conditional receipt the agreement between an insurer and applicant that can provide temporary life insurance coverage until the insurer has issued the policy; also called the temporary insuring agreement

contingent beneficiary the second in line for a death benefit if the primary beneficiary dies before the insured

copayment a fixed amount an insured pays for a covered health care service

covered employers employers who generally have 50 or more employees

decline coverage a category of people who generally have such serious and complicated health conditions that the risk of insuring them is too great

deductible the amount an insured pays for covered health care services before an insurance plan begins to pay

distribution any amount of money an account holder takes from a HSA account

eligible account holder an individual (self-employed or an employee) qualified under a high-deductible health plan (HDHP) but not covered under a non-qualified HDHP (with some exceptions)

eligible employees generally those employees who have worked for a covered employer for at least one full year

embedded deductible a lower deductible limit for each member of a family plan; embedded deductibles determine whether a family is qualified for a HSA

entire contract the combination of a policy, any riders, and an application

exclusion a type of insurance contract provision; exclusions and internal limitations restrict policy coverage and payout

insurable interest a legitimate reason to purchase insurance on an insured's life at the time of application; exists when a person or entity derives a financial benefit from an insured's continued survival; required at the time of application

insurance company/carrier the insurer

insured a person whose life is covered by a life insurance policy

irrevocable beneficiary a type of beneficiary that cannot be removed from a life insurance policy without the beneficiary's consent

life insurance ratings a rating of the insured, based on health (including tobacco use and family health history) and occupation or avocation, that ultimately determines a policy's premium

non-forfeiture value benefits that accrue to the owner of a whole life policy when the policy lapses for nonpayment of premium; three options to choose from include: an amount of reduced paid-up insurance, an extended term policy for the original face amount, or the cash surrender value

out-of-pocket maximum a stop-loss provision; the set highest amount spent on health care services

owner an individual, business, or trust who can make changes to a life insurance policy

permanent life insurance life insurance policies that offer lifetime protection by combining a cash value with death benefits

policy the terms and conditions under which insurance occurs; contains forms that include definitions, an insuring agreement, exclusions, and conditions

preferred rate a life insurance rating associated with excellent health, blood pressure, cholesterol, and weight

premium payor the person or entity who pays the premiums on an insurance policy

primary beneficiary the first in line to receive a death benefit

provision a clause in a life insurance contract that details the exact conditions for which coverage is provided and for what coverage amounts

revocable beneficiary one who has no guaranteed rights to receive a death benefit upon the death of a policy owner

riders provisions that modify a policy in some way, either unconditionally or upon the existence of some condition

standard rate the rating category that includes most adults

substandard and flat extra premium a premium that can be applied if an individual's occupation or hobbies place him or her in a substandard rate category

substandard rate the table rating reserved for a person who is deemed ineligible for a standard rating

survivorship clause a clause that stipulates that if the insured and the primary beneficiary die at the same time, benefits skip the primary beneficiary and are paid to the contingent beneficiary. If a contingent beneficiary is not named, proceeds go to the estate of the insured.

temporary insuring agreement the agreement between an insurer and applicant that can provide temporary life insurance coverage until the insurer has issued the policy; also called the conditional receipt

term life insurance temporary life insurance coverage

UCR (usual, customary, and reasonable) the amount generally charged for the same or similar medical service in a particular geographic location

underwriting concerns information that guides the determination of risk

universal life (UL) insurance a permanent life insurance policy that can function like a term or whole life insurance policy

whole life insurance a type of permanent life insurance characterized by guarantees, such as a fixed death benefit, guaranteed cash value, and fixed premiums