

Zoom Book

The L&H Insurance License Exam Study Guide



Build a Foundation of Insurance Education

ZoomBook

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Welcome,

The following is the **ZoomBook**. It breaks down the typical 400 or 500 page license exam manual into its essential elements: the 100 topics new students to the industry need to know to pass the life and health insurance license exam the first time. We have separated these topics into three categories for easy reference: Life (L), Health (H), and Annuities (A). These 100 topics are the key to your success.

Review what you need, skip what you don't, but just know, you WILL see these topics on the exam. So study effectively, efficiently, and wisely... and be aware that "synergy" applies with what we do. At PMReview, we attempt to cover most every concept found in your state exam, but they are not all in one source. There are past-test topics in the **ZoomBook** that are not in our 800 Question Practice Exams, and the opposite is true. There are things from past exams in our on-line reviews that are not in either the **ZoomBook** or the 800 Questions. Use all of them together. Synergy!

Good luck to you in your exam preparation and in the future.

Sincerely,

Gary A. Liljegren
President

PMReview and PMReview Schools

Disclaimer: The **ZoomBook** is written in my rather 'folksy' style. I have been teaching pre-license insurance license classes and online review courses for 20 years with great success. The style is irrelevant, however. Our goal is to help the people that need the most help in the best way possible. What better way than to write a concise, and comprehensive study guide for the 'everyman.' Learn the material, have fun, and pass the exam the first time. Enjoy....

When you have a clear understanding of the topics contained here, go to www.pmreview.com to find our additional online products and services.

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OUTLINE OF THE TOPICS

BASIC PRINCIPLES -- LHA

1. Role of Insurance
2. Industry Overview
3. Nature of Insurance
4. Concept of Risk

LEGAL CONCEPTS -- LHA

5. Elements of the Contract
6. Special Features of Insurance Contracts
7. Agents and Brokers
8. Other Legal Concepts

LIFE INSURANCE POLICIES, PROVISIONS, OPTIONS, RIDERS -- L

9. Categories
10. Rights of Ownership
11. Standard Policy Provisions
12. Exclusions
13. Non-Forfeiture Values
14. Dividends
15. Policy Riders

LIFE INSURANCE PREMIUMS, PROCEEDS, BENEFICIARIES -- L

16. Primary Factors in Premium Calculations
17. Policy Proceeds
18. Tax Treatment of Proceeds
19. Beneficiaries

LIFE INSURANCE UNDERWRITING AND POLICY ISSUE -- L

20. Purpose of Underwriting
21. Underwriting Process
22. Field Underwriting Procedures
23. Policy Issue and Delivery

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24. Principles of Group Insurance
25. Features of Group Insurance
26. Eligible Groups
27. Group Life Characteristics
28. Other Forms of Group Life Insurance

ANNUITIES -- A

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30. Annuity Basics
31. Structure and Design
32. Income Tax Treatment of Benefits
33. Uses of Annuities
34. Suitability of Annuity Sales to Senior Consumers
35. Fixed Annuities
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SOCIAL SECURITY -- LH

- 37. Purpose
- 38. Who is Covered
- 39. How Benefits are Determined
- 40. Types of OASDI Benefits

RETIREMENT PLANS – LA

- 41. Qualified vs. Non-Qualified Plans
- 42. Qualified Employer Plans
- 43. Plans for Small Employers
- 44. Individual Retirement Plans
- 45. 401(k)
- 46. 403(b) and 457 Plans

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- 47. Determining Needs
- 48. Individual Uses of Life Insurance
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- 50. Basic Forms
- 51. Purchasing of Health Insurance
- 52. Characteristics
- 53. Uses of Health Insurance
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- 55. Commercial Insurance Companies
- 56. Service Providers
- 57. Government Health Insurance Programs
- 58. Alternative Methods

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- 59. Purpose
- 60. Basic Medical Expense Policy
- 61. Major Medical Expense Plans
- 62. Other Types of Medical Expense Coverage

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- 63. Purpose
- 64. Benefits
- 65. Policy Provisions
- 66. Policy Riders

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- 67. Benefits
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- 69. Medicare Supplement Policies
- 70. Long-Term-Care Insurance

HEALTH INSURANCE POLICY PROVISIONS -- H

- 71. NAIC Model Health Insurance Policy Provisions
- 72. Common Exclusions or Restrictions
- 73. Renewability Provisions

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- 74. Major Risk Factors
- 75. Premium Factors
- 76. Tax Treatment of Premiums and Benefits
- 77. Managed Care

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- 78. State Insurance Departments
- 79. Insurers
- 80. Marketing Practices
- 81. Code of Ethics
- 82. Policy Clauses and Provisions
- 83. Group Life
- 84. Par and Non-Par Life Policies
- 85. Retirement Plans
- 86. Flexible Life Products
- 87. Medicare – Medicaid – Maternity Benefits
- 88. Types of Health Plans
- 89. Access to Health Care

AGENT AND AGENCY LICENSING -- LHA

- 90. Persons Required to be Licensed
- 91. Maintaining a License
- 92. Suspension, Termination, Revocation of License, and Other Penalties
- 93. Unfair Trade Practices
- 94. Agency Licensing

DEFINITIONS -- LHA

- 95. Insurance Transactions
- 96. Domestic, Foreign, and Alien Companies
- 97. Authorized, Unauthorized, and Eligible Companies
- 98. Stock and Mutual Companies
- 99. Certificates of Authority
- 100. Life and Health Guaranty Associations

ZoomWords

BASIC PRINCIPLES – LHA

1. Role of insurance – insurance is a very important part of our lives. We all have a need for security, and insurance provides that to some extent. Insurance really is peace of mind and freedom from worry. We have some major concerns: people die too soon, or people live too long. People die too soon, yes, but the numbers are less than you would think. The likelihood is that people will live to 65, 75, even 85. However some don't. We need to cover for that possibility. The second problem, some people live too long. That means they run out of money. The life insurance industry handles that difficulty with a product called annuities. An annuity is an odd product where you save during your working years, and then it pays during your retirement years until the end of your days no matter how long that is. Nothing else is like that. The third problem – because of medical technology, medical science can accomplish what appears to be almost miraculous events, but it is often expensive. We cover for that with health insurance.
2. Industry overview – although a lot of people own life insurance, the average face amount of a newly purchased policy is less than you would think: the 2009 figure is \$172,000. If you assume using the Human Life Value approach (one of two ways to determine insurance need), and that the amount of life insurance ought to be somewhere around 10 times salary, this 2009 figure is just plain lower than it ought to be. That means, on the average, people are under-insured. One year earlier, in 2008, the US Census Bureau data indicated that 255 million Americans have some form of health coverage. That's probably more people than you would think. But it's actual data. As far as health insurance coverage is concerned, as you know from watching television, this is in a state of change. This is a good illustration that students ought to ignore the news of the day, and get their information from the sources that are used on the state tests. That means go with the ZoomBook. Don't try to be current; be well read into your study material. That also means that the ZoomBook is only to be believed long enough to take the state exam. This material is not necessarily current, correct, or attempting to make sense of the industry. It is only for your study and preparing for your state exam. This is not truth or reality; it's only geared to the test. After you pass the exam, forget what you have seen in the ZoomBook, and go with whatever your company provides.

There are two types of insurers, private companies, and the government. Then we also have those companies and governmental agencies, which are large enough to be self-insured. Here's the main list of private insurers: stock insurers, mutual insurers, Lloyd's of London, reinsurers, risk retention groups, fraternal benefit societies, home service insurers, and then we have service providers that are not insurance companies. There are three things that you need to know about Lloyd's of London: Lloyd's is not an insurance company, they function somewhat like the New York Stock Exchange, and they take greater risks than other companies are willing to do (and charge more premium). Reinsurers are companies that take part of the risk of other insurance companies. This is a way of spreading out the risk over the whole industry. The company that's transferring the risk is known as the ceding company, and the company taking a part of the risk is known as the reinsurer. A risk retention group is just a label; it's a mutual company formed to cover a bunch of people in the same occupation. Fraternal benefit societies are groups whose members purchase life insurance policies from the society. However, today it is not necessary to be a member of the society in order to purchase a policy. Home Service insurers are companies that sell low dollar policies such as \$1000 or \$2000 of face amount insurance. Home Service companies are also known as industrial insurance, debit insurance, and burial policies.

Zoom Words

Commit these words to memory. You will vastly improve your understanding of the insurance concepts. Sit back, relax, and read them all. A few of these definitions are not in the above 100 topics but are important to know. By reading these one after another, you will also internalize companion words. Example: admitted insurer. Again, as we have stated in other places, these are “true” and meaningful “only for the state test.” If you don’t need all categories: life/health/annuities put a mark by those that don’t apply so you can ignore them on the next pass.

absolute assignment – ownership is assigned to another person permanently unless intentionally returned
accelerated benefits rider – providing death benefits ahead of time of death when insured is terminally ill
acceptance – offer has been made and accepted by the company, or by the client if counter-offer was made
accidental bodily injury provision – benefits payable when injured by accidental means
accidental death and dismemberment – a plan specifically for accidental death or loss of body parts
accidental death benefit rider – twice (or three times) the benefit will be paid if the insured dies in an accident
accidental dismemberment – loss of a body part – state test: actual loss, not just loss of use
accidental means provision – benefit only paid when the insured was not in control of the accident
accidental results provision – benefit paid when accident occurred because of any means; it just happened!
accident and health insurance – coverage for an insured disabled by accident or illness
accumulation unit – purchased by premiums paid into a variable annuity during the annuitant’s working years
acute illness – the one category of serious illness where the patient can fully recover
adhesion – where all specifications of forms, brochures, and contracts are preapproved by the state
adjustable life insurance – a combination term and whole life policy where it is easy to change various factors
administrative services only (ASO) – insurance company assists only with the paperwork for self-insureds
admitted insurer – company approved, authorized, admitted, certified to do business in that state
adult day care – where Alzheimers or similar patients can be monitored and receive care during the day
adverse selection – poor choices made by an underwriter when selecting risks
advertising code – what’s ok and what isn’t ok in advertising... found inside the Unfair Trade Practices Act
agency – an office established for the purpose of selling insurance within the state
agent – any licensed person who solicits insurance on behalf of an insurance company
agent’s report – Part 3 of the application where the agent enters his/her comments regarding the transaction
aleatory – a chance/risk for both of the parties. It never works out to be equal.
alien insurer – insurance company is located outside the USA
ambulatory surgery – a neighborhood clinic commonly less expensive than the costs from a hospital
American agency system – the same as the independent agency system
annually renewable term (ART) – a term policy where the premium gradually increases annually by age
annuitant – the owner of an annuity
annuity – a savings product created for the purpose of a lifetime income – liquidating a sum of money
annuity units – the calculated value of the payout portion of the contract in a variable annuity
any occupation – the category of work where the insured is able to perform some/any occupation
apparent authority – based on what the company has provided to their agents – they can use the material
application – used to ask questions to provide underwriters with a means of determining data and risks
appointment – a licensed agent must also be appointed by their company in order to sell insurance
approval receipt – a conditional receipt, which becomes effective only when approved by the insurer
assessment mutual insurer – an insurer, which assesses other policyholders when a claim occurs
assignment – a policy can be assigned to a different owner without approval from beneficiaries or the insurer
attained age – when converting from a term to whole life policy and using the current age reached

viator – the terminally ill person arranging for a viatical settlement contract with the viatical company
vision insurance – optician, optometrist, ophthalmologist coverage in a group plan
voidable contract – an agreement where the insured can walk away from the contract; unilateral contract
void contract – an agreement where the entire premium is returned because the contract was never legal
waiver – an agreement waiving liability; giving up of a legal right
waiver of premium – company waives the right to collect if the insured is disabled from accident or sickness
war clause – the policy does not pay if the insured dies in a war zone
warrantees – statements made which are absolutely true; exact
whole life insurance – permanent life insurance coverage for a “whole lifetime”
wholesale insurance – real individual policies with real medicals but done in a group; see franchise life
workers compensation insurance – benefits paid to workers for job-related injuries or disease
Yearly Renewable Term insurance (YRT) – the same as annually renewable term (ARTs)
ZoomWords – a list of the important terms to be understood in preparing for the insurance exams

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