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MarylandAccident and Health or Sickness Producer Series 20-24 Exam

Maryland Insurance Administration Accident-and-Health-or-Sickness-Producer

Version Demo

Total Demo Questions: 11

Total Premium Questions: 116

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Topic Break Down

Topic	No. of Questions
Topic 1, Types of Policies	19
Topic 2, Policy Provisions, Clauses, and Riders	24
Topic 3, Social Insurance	7
Topic 4, Other Insurance Concepts	13
Topic 5, Field Underwriting Procedures	10
Topic 6, Maryland Laws, Rules, and Regulations Pertinent to Accident and Health Insurance	43
Total	116

QUESTION NO: 1

Disability income insurance premiums are a deductible expense when the premiums are paid by:

A. A partnership for group disability income coverage for the partners

B. A corporation for group disability income coverage for the employees

C. An insured for individual disability income coverage

D. An employee for group disability income coverage

ANSWER: B

Explanation:

A corporation for group disability income coverage for the employees is correct because employer-paid premiums for employee disability income coverage are generally an ordinary and necessary business expense deductible by the corporation under Internal Revenue Code section 162. The coverage is provided as an employee benefit in connection with the corporation's trade or business, so the corporation may ordinarily deduct the cost of the premiums in the year they are paid or incurred, subject to the tax accounting method it uses. This tax treatment also establishes the usual related result for disability-income coverage: when the employer pays the premium and claims the business deduction, disability benefits received by an employee are generally taxable income to that employee. The producer should distinguish this employer-sponsored arrangement from personally purchased disability insurance, for which premiums are generally not deductible. The controlling federal business-expense rule is available in 26 U.S.C. § 162. The IRS also explains the tax treatment of disability benefits and notes that benefits are taxable when an employer paid the premiums, in IRS Publication 525, Sick and Injury Benefits. Maryland producer exam questions generally apply these federal income-tax principles when addressing disability insurance premium deductibility.

QUESTION NO: 2

Which of the following is a requirement of an insurable risk?

A. The loss must be intentional.

B. The loss must be catastrophic.

C. The chance of loss must be calculable.

D. There must be a large number of different loss exposures.

ANSWER: C

Explanation:

The chance of loss must be calculable. Insurance operates by pooling many exposures and charging premiums that are expected to cover losses, operating costs, and required financial reserves over time. To do that responsibly, an insurer must be able to estimate both the likelihood that a covered loss will occur and the probable severity of that loss. Historical loss data, credible exposure data, underwriting information, and actuarial methods allow the insurer to make those estimates. This does not mean an insurer can predict the precise outcome for one particular insured; rather, it means that losses for a sufficiently broad class of comparable exposures can be projected with reasonable reliability. Calculability is therefore central to sound rate development, policy pricing, reserving, and insurer solvency. Maryland's insurance regulatory framework emphasizes that rates must not be excessive, inadequate, or unfairly discriminatory, a standard that necessarily depends on actuarially supportable assessment of expected losses. See Maryland's rate standards in Maryland Insurance Article § 11-306 and the Maryland Insurance Administration's official consumer and regulatory resources.

QUESTION NO: 3

An insured purchased an individual disability income policy while working as an office administrator. The insured later becomes a commercial roofer and is disabled in a fall. The policy contains a change-of-occupation provision. If roofing is more hazardous than the occupation shown in the policy, the insurer will generally:

A. Pay the full stated monthly benefit because the occupation changed after issue

B. Deny the claim because any occupational change terminates coverage

C. Reduce benefits to the amount the premium would have purchased for the more hazardous occupation

D. Require the insured to repay all disability benefits previously received

ANSWER: C

Explanation:

Reduce benefits to the amount the premium paid would have purchased for the more hazardous occupation. A change-of-occupation provision protects the insurer when an insured moves into a more hazardous line of work after the policy is issued. Rather than automatically voiding coverage, the provision adjusts benefits to the amount that the same premium would have purchased under the insurer's rate for the more hazardous occupation. The exact adjustment depends on the policy's occupational classifications and rates.

QUESTION NO: 4

All advertisements for health insurance shall make clear the identity of the:

A. Insurance Commissioner

B. Beneficiary

C. Insurer

D. Insured

ANSWER: C

Explanation:

Insurer is correct because Maryland's insurance-advertising requirements are designed to ensure that consumers can readily determine which insurance company is responsible for the coverage being promoted. An advertisement for health insurance must not obscure or leave consumers uncertain about the identity of the insurer offering or issuing the policy. Clear insurer identification supports informed shopping, enables consumers to verify the company and its authorization to transact insurance in Maryland, and helps ensure that advertising is not misleading as to the source of the insurance product.

Maryland Insurance Article § 27-503 addresses advertising practices and prohibits insurers, insurance producers, and others from making false or misleading statements or representations in insurance advertisements. Identifying the insurer plainly is consistent with that consumer-protection purpose, because the insurer is the entity that undertakes the contractual obligation to provide the policy benefits and is subject to Maryland insurance regulation. The Maryland Insurance Administration also provides consumers with insurer-related resources and regulatory information. See Maryland Insurance Article § 27-503 and the Maryland Insurance Administration Consumer Resources.

QUESTION NO: 5

An insurance producer provided several examples to the applicant persuasively demonstrating that the insurance coverage offered under his company's policy was superior to a competitor's product. The insurance producer knew he was misrepresenting or stretching the truth in order to induce the applicant to forfeit her current policy and purchase a similar but inferior insurance policy from him. The insurance producer is involved in which one of the following unfair trade practices?

A. Fraud

B. Discrimination

C. Twisting

D. Rebating

ANSWER: C

Explanation:

Twisting is the correct answer because the producer intentionally used misleading statements or an incomplete comparison of insurance coverage to persuade the applicant to give up an existing policy and replace it with another policy. The key elements are the producer's knowing misrepresentation or exaggeration, the comparison between the existing coverage and proposed coverage, and the purpose of inducing the policyholder to forfeit or replace the current insurance. Those facts describe the prohibited replacement practice commonly called twisting, even when the producer presents the comparison persuasively and frames the new policy as superior. Maryland's unfair-trade-practice law specifically prohibits making a misrepresentation or incomplete comparison concerning an insurance policy or insurer in order to induce a policyholder to lapse, forfeit, surrender, retain, exchange, or convert insurance. This protection is important because replacement decisions can cause a consumer to lose valuable benefits, favorable underwriting status, or policy features in existing coverage. See Maryland Insurance Article § 27-212 at Maryland General Assembly—Insurance Article § 27-212 and the Maryland Insurance Administration's consumer guidance on insurance replacement.

QUESTION NO: 6

To be deemed a "qualified employer" under the Maryland Health Benefit Exchange Act, anemployer MUST:

A. Contribute to employee premiums

B. Have its principal place of business in the state of Maryland

C. Have at least 50% of its employees work in the state of Maryland

D. Have at least 50% of its employees reside in the state of Maryland

E. Be a small employer that elects to make all full-time employees eligible for qualified health plans through SHOP and either has its principal place of business in Maryland or an employee work site in Maryland while covering all eligible employees through SHOP.

ANSWER: E

Explanation:

Be a small employer that elects to make all full-time employees eligible for one or more qualified health plans offered through the SHOP Exchange and either have its principal place of business in Maryland or have an employee work site in Maryland while electing SHOP coverage for all eligible employees, wherever employed. This statement reflects the complete statutory standard for a qualified employer. Maryland law requires both the employer-status and employee-eligibility elements, rather than imposing a standalone premium-contribution requirement, employee-residency percentage, or employee-work percentage. The location requirement can be satisfied through the employer's principal place of business in Maryland, but the statute also recognizes an employer with an employee work site in Maryland if it elects to cover all eligible employees through the SHOP Exchange regardless of where they work. This distinction is important because an employer does not invariably need its principal place of business to be in Maryland to qualify. The governing definition appears in Maryland Insurance Article § 31-101; the related federal SHOP framework likewise defines a qualified employer in terms of small-employer status, offering coverage to full-time employees, and the Exchange service area. See Maryland Insurance Article § 31-101 and 45 C.F.R. § 155.710.

QUESTION NO: 7

An insurance producer's license may be suspended or revoked by:

A. The appointing insurer

B. The continuing education course provider

C. The Maryland Insurance Administration

D. The Attorney General

ANSWER: C

Explanation:

The Maryland Insurance Administration is correct because it is the State agency responsible for administering and enforcing Maryland insurance laws, including the licensing and discipline of insurance producers. Under Maryland Insurance Article § 10-126, the Maryland Insurance Commissioner may deny, refuse to renew, suspend, or revoke a producer license when statutory grounds exist. Those grounds include, among others, obtaining a license through misrepresentation or fraud, violating insurance laws or regulations, improperly withholding premiums, using fraudulent or coercive practices, or demonstrating untrustworthiness or financial irresponsibility in conducting insurance business.

The Commissioner's authority is exercised through the Maryland Insurance Administration's regulatory and administrative processes. A producer facing proposed discipline is entitled to the procedural protections required by Maryland law, including notice and an opportunity for a hearing where applicable. This authority protects insurance consumers and helps ensure that licensed producers meet Maryland's standards of competence, honesty, and compliance. The statutory licensing-discipline authority is stated in Maryland Insurance Article § 10-126. The Maryland Insurance Administration also provides licensing and producer-regulation information at its Producer Licensing page.

QUESTION NO: 8

A health maintenance organization may issue a contract that provides benefits for the following:

A. Replacement of income lost by a member due to the member's disability

B. Health care services provided to members of the HMO

C. The accidental death of an HMO member

D. The dismemberment of an HMO member

ANSWER: B

Explanation:

Health care services provided to members of the HMO is correct because a Maryland health maintenance organization is organized to provide or arrange for a comprehensive range of health care services for its enrolled members. Maryland's Health-General Article defines an HMO as an entity that provides or arranges for health care services on a prepaid basis through a contractual arrangement. Its coverage is therefore directed to members' medical and health-related care, subject to the benefits, limitations, provider arrangements, and other terms of the HMO contract. This includes the delivery or arrangement of services such as physician care, hospital care, preventive care, and other covered health services. The defining feature is that the member receives health care coverage and access to a coordinated delivery system, rather than a cash benefit tied to a nonmedical loss. Maryland regulates HMOs under Title 19, Subtitle 7 of the Health-General Article, which establishes the statutory framework for their operation and contracts. See the Maryland statute at Maryland Health-General § 19-701 and the Maryland Insurance Administration's HMO consumer information.

QUESTION NO: 9

An insured submits due written proof of loss for a covered medical expense that is payable in one lump sum rather than periodically. Under the time-of-payment-of-claims provision, the insurer should generally pay the claim:

A. At the next policy anniversary

B. Immediately upon receipt of due written proof of loss

C. At the end of the policy's grace period

D. Within 1 year after the date of loss

ANSWER: B

Explanation:

Immediately upon receipt of due written proof of loss is correct. The required time-of-payment-of-claims provision distinguishes between benefits payable periodically and benefits that are not payable periodically. For a nonperiodic medical expense benefit, payment is due immediately after the insurer receives due written proof of loss.

Periodic disability income benefits are handled differently because they are paid at stated intervals while liability continues. The insurer may investigate whether the proof is due and whether the loss is covered, but it may not delay a payable nonperiodic benefit simply until the next premium date, policy anniversary, or expiration of a fixed waiting period not stated in the policy.

QUESTION NO: 10

When a single major medical contract covers all medical expenses, the plan is considered to be:

A. Comprehensive

B. Limited

C. First-dollar

D. Supplemental

ANSWER: A

Explanation:

Comprehensive is correct because comprehensive major medical coverage combines broad medical benefits into one contract. Rather than separating hospital, surgical, and physician-expense protection into distinct policies or limiting protection to a narrow category of care, a comprehensive major medical policy is designed to cover the insured's medical expenses on an integrated basis, subject to its policy terms, deductibles, coinsurance, exclusions, and benefit limits. This is the traditional meaning of a comprehensive major medical plan in producer licensing terminology: one policy provides broad coverage for the principal forms of medical care.

Maryland's insurance laws classify and regulate health insurance through the Insurance Article, including requirements applicable to accident and health insurance policies and their forms. The Maryland Insurance Administration is the state regulator responsible for administering those requirements and for producer licensing. A producer should recognize that describing coverage as comprehensive addresses the breadth and integrated nature of the medical-expense coverage, not whether the policy pays benefits before a deductible or whether it supplements another plan. See the Maryland Insurance Administration and the Maryland General Assembly's Insurance Article.

QUESTION NO: 11

The primary purpose of disability income insurance is to:

A. Provide indemnity for loss of life

B. Pay necessary hospital expenses when the insured is unable to work

C. Provide benefit payments for a period of time when the insured is unable to work

D. Pay any physicians' fees resulting from a disabling injury

ANSWER: C

Explanation:

Provide benefit payments for a period of time when the insured is unable to work is correct because disability income insurance is intended to replace part of an insured person’s earned income when a covered sickness or injury prevents the person from performing the duties of an occupation. The benefit is generally paid periodically—commonly weekly or monthly—after any applicable elimination period and while the insured continues to meet the policy’s definition of disability, subject to the policy’s benefit period and other terms. Its central financial purpose is income continuity: helping the insured meet ordinary ongoing obligations while work capacity and wages are interrupted. Maryland’s statutory definition of disability insurance includes insurance that provides indemnity for loss of earned income resulting from disability, which directly reflects this purpose. The amount payable is governed by the contract and may be based on a stated monthly benefit or other policy formula; it is not designed as reimbursement for a particular medical bill. This distinction is important for producer exam purposes because disability income coverage addresses wage loss caused by disability. See Maryland Insurance Article § 15-201 at Maryland General Assembly and the Maryland Insurance Administration’s consumer resources at Maryland Insurance Administration.