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Pennsylvania Life, Accident and Health Exam

Insurance Licensing PA-Life-Accident-and-Health

Version Demo

Total Demo Questions: 16

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Topic Break Down

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QUESTION NO: 1

An insured submits a $300 claim for medical expenses. The insurer notes that the insured has a past due premium of $100, and as a result, the insurer only pays $200. • Which of the following General Policy Provisions covers this situation?

A. unpaid premium

B. payment of claims

C. renewability

D. payment actions

ANSWER: A

Explanation:

unpaid premium is correct because this standard individual accident and health policy provision permits an insurer to deduct premiums that are due and unpaid from a claim benefit. In this situation, the covered medical-expense claim totals $300, while the policyholder owes $100 in past-due premium. Applying the unpaid-premium provision allows the insurer to withhold the $100 premium amount and pay the remaining $200 benefit. The provision is designed to let an insurer collect premium that is still owed while processing a benefit otherwise payable under an in-force policy. Pennsylvania's individual accident and sickness insurance requirements include an "Unpaid Premium" provision stating that, upon payment of a claim, any premium then due and unpaid may be deducted from the payment. This directly matches the stated claim calculation and is the general policy provision being tested. The statutory language is available through the Pennsylvania Insurance Company Law of 1921. For the model uniform policy-provision framework underlying this requirement, see the NAIC Uniform Individual Accident and Sickness Policy Provisions Law.

QUESTION NO: 2

Penalties that may be levied by the insurance department for committing fraud include all of the following EXCEPT

A. incarceration.

B. fines.

C. order to cease and desist

D. license revocation.

ANSWER: A

Explanation:

incarceration. is the correct exception because incarceration is a criminal sentence that must be imposed through the judicial process, not directly by the Pennsylvania Insurance Department. The Department's role in insurance-fraud matters is primarily regulatory and administrative: it investigates and refers suspected fraudulent insurance acts, administers insurance laws, and takes authorized action against regulated persons and entities. A criminal prosecution may result from an insurance-fraud investigation, but a judge—not the Department—has authority to sentence a convicted person to imprisonment.

Pennsylvania's insurance-fraud criminal statute expressly provides that a person who commits a fraudulent insurance act may be convicted and sentenced according to the statutory grading and penalties. This confirms that imprisonment is a consequence determined in a criminal case. The distinction is important for licensing-exam purposes: administrative agency enforcement and criminal punishment can arise from the same conduct, but they are exercised by different governmental authorities. Review Pennsylvania's criminal insurance-fraud statute at 18 Pa. C.S. § 4117 and the Pennsylvania Insurance Department's fraud information at Pennsylvania Insurance Department—Insurance Fraud.

QUESTION NO: 3

All of the following statements about Health Maintenance Organizations (HMOs) are true EXCEPT

A. Members pay fixed monthly fees to the HMO.

B. Members receive care from providers in the HMO network.

C. Out-of-pocket expenses are limited as long as the network is utilized.

D. Members pay higher monthly fees when out-of-network providers are utilized.

ANSWER: D

Explanation:

“Members pay higher monthly fees when out-of-network providers are utilized.” is the exception because an HMO’s monthly premium is established by the coverage contract and enrollment rating, not recalculated as a result of an individual member’s use of a non-network provider. HMOs are designed to provide covered services through a defined network, commonly with a primary care physician coordinating referrals to specialists. Except for emergency care and any other circumstances specifically required by law or stated in the plan contract, services obtained outside that network generally are not covered or are subject to very limited coverage. Thus, the financial consequence of using a non-network provider is ordinarily the member’s responsibility for the cost of the service, rather than a higher recurring monthly premium. This reflects the defining managed-care feature of an HMO: delivery of care through contracted providers in exchange for prepaid premiums and plan-specified cost sharing. The Centers for Medicare & Medicaid Services describes HMOs as plans that generally require members to obtain care from providers in the plan network, except for emergencies, out-of-area urgent care, or temporary out-of-area dialysis. See Medicare.gov’s HMO overview and the Pennsylvania Insurance Department consumer health-insurance resources.

QUESTION NO: 4

Which is NOT provided by a fixed annuity?

A. Protection against inflation.

B. A guaranteed minimum rate of return.

C. Flexible premiums.

D. Tax-deferred growth.

ANSWER: A

Explanation:

Protection against inflation is not provided by a fixed annuity. A fixed annuity is an insurance contract designed to provide contractual guarantees, commonly including a stated or minimum guaranteed interest rate during the accumulation period and predictable payments when the contract is annuitized. The insurer, rather than the contract owner, bears the investment risk associated with supporting those guarantees. Earnings generally accumulate on a tax-deferred basis, meaning taxation ordinarily occurs when funds are withdrawn or paid out rather than while interest is credited inside the contract.

Although those features can provide stability, a fixed annuity does not inherently increase its credited interest, account value, or income payments to match changes in the consumer price level. Consequently, rising prices can reduce the real purchasing power of a level fixed payment over time. Inflation-oriented features require a specifically designed payment-increase provision or rider and are not a standard protection supplied by the basic fixed-annuity guarantee. The NAIC explains that annuities may provide guaranteed income and that contract terms and guarantees should be reviewed carefully; the SEC likewise notes that annuity guarantees depend on the claims-paying ability of the issuing insurer. See the NAIC annuity consumer information and the SEC investor bulletin on variable annuities.

QUESTION NO: 5

What provision allows the insured a period of time in which to review a newly-issued insurance policy and. if dissatisfied for any reason, return it for a full refund of the premium?

A. right to examine

B. grace period

C. probationary period

D. elimination period

ANSWER: A

Explanation:

The right to examine provision—also called the free-look provision or free-look period—gives a policyowner time after receiving a newly issued policy to review its coverage, limitations, exclusions, and premium obligations. If the policyowner decides the contract is not suitable during that stated period, the policy may be returned to the insurer for a full premium refund. This consumer-protection provision lets the policyowner inspect the actual contract rather than being bound solely by the application or sales presentation. For life insurance issued in Pennsylvania, the policy must contain a provision allowing the owner to return it within at least 10 days after delivery and receive a refund of all premiums paid. The applicable Pennsylvania statute describes this required policy language and the refund right in 40 P.S. § 510. Pennsylvania's Insurance Department also identifies the free-look period as an important policyholder protection when purchasing life insurance. See Pennsylvania Insurance Company Law of 1921 and the Pennsylvania Insurance Department's life insurance consumer information.

QUESTION NO: 6

Which policy provision protects the insurer against possible adverse selection?

A. Nonforfeiture.

B. Reinstatement.

C. Suicide clause.

D. Entire contract.

ANSWER: C

Explanation:

The **Suicide clause.** protects the insurer from adverse selection because it limits payment when an insured dies by suicide during the policy's early duration, generally the first two years. Without this limitation, a person who already intended to die by suicide could obtain substantial life insurance immediately before death, shifting a known and imminent loss to the insurer. That is adverse selection: the applicant has material knowledge about the likelihood of a claim that is not reflected in the insurer's normal underwriting assessment.

In Pennsylvania, an individual life policy may contain a suicide provision limiting the insurer's liability when suicide occurs within two years from the policy issue date. In that circumstance, the policy generally provides for return of premiums paid rather than payment of the full death benefit. The provision gives the insurer a defined initial period in which it is protected from this particular anti-selection risk, while preserving the policy's ordinary death-benefit protection after that period expires. Pennsylvania's permitted life-insurance policy provisions are addressed in the state insurance code at 40 P.S. § 510. For a broader explanation of life-insurance suicide clauses and the typical two-year contestability timeframe, see the National Association of Insurance Commissioners' life insurance consumer information.

QUESTION NO: 7

For a contract to be valid, it MUST be for a legal purpose and involve an exchange of

A. written documentation.

B. an offer.

C. an implied warranty.

D. consideration.

ANSWER: D

Explanation:

Consideration is correct because a binding contract requires a bargained-for exchange of something of legal value between the contracting parties. In an insurance transaction, the applicant or policyowner supplies consideration by paying, or promising to pay, the required premium and by providing the application representations required by the insurer. The insurer supplies consideration through its contractual promise to provide the policy's stated insurance protection or benefits when covered conditions are met. This reciprocal exchange distinguishes an enforceable insurance agreement from a gratuitous promise. Legal purpose is another core requirement because the agreement's object must be lawful, but the wording specifically asks what must be exchanged; that contractual element is consideration. Pennsylvania insurance licensing materials commonly apply the general contract elements—competent parties, offer and acceptance, consideration, and legal purpose—to insurance policies. The legal meaning of consideration is also reflected in Pennsylvania's statutory definition for commercial-law purposes: it includes any consideration sufficient to support a simple contract. See 13 Pa. Cons. Stat. § 1203. For a general explanation of consideration as the value exchanged to form a contract, see Cornell Law School's Legal Information Institute.

QUESTION NO: 8

A life insurance applicant intentionally conceals a recent serious medical diagnosis that would have caused the insurer to decline the application. The insured dies 18 months after the policy is issued. Which provision permits the insurer to challenge the policy because of the material concealment?

A. The incontestability provision, because the policy has not yet been in force for 2 years.

B. The entire contract provision, because it prevents the insurer from reviewing the application.

C. The grace period provision, because it extends the due date of the death benefit.

D. The spendthrift clause, because it restricts the beneficiary's use of proceeds.

ANSWER: A

Explanation:

The life policy incontestability provision generally prevents an insurer from contesting a policy after it has been in force during the insured's lifetime for 2 years, except for nonpayment of premium. Because the insured died only 18 months after issue, the policy is still within the contestable period. The insurer may investigate and rely on the intentional, material concealment when determining whether the policy should be rescinded or the claim denied.

QUESTION NO: 9

Which General Policy Provision allows an insurer to adjust policy benefits and/or premium rates if the insured has changed to a more hazardous occupation?

A. modified occupation provision

B. change of occupation provision

C. modified assignment provision

D. policy assignment provision

ANSWER: B

Explanation:

The **change of occupation provision** is the standard individual accident and health policy provision that addresses an insured's occupational-risk change after a policy is issued. It recognizes that accident and disability exposure can vary substantially among occupations. When an insured changes to work classified by the insurer as more hazardous, the provision permits benefits to be adjusted to the amount the premium paid would have purchased for the more hazardous occupation. This keeps the coverage and premium relationship aligned with the insurer's occupational classifications and the risk actually assumed.

The provision can also apply when an insured changes to a less hazardous occupation. In that situation, the policy may provide for increased benefits or a reduced premium, depending on the policy's terms and the insurer's rate classifications. Pennsylvania's statutory standard provisions for individual accident and health policies include a change-of-occupation provision, reflecting the established treatment of occupational changes in this line of insurance. See Pennsylvania's Insurance Company Law, including the accident and health policy provisions, at 40 P.S. § 753, and the National Association of Insurance Commissioners' Uniform Individual Accident and Sickness Policy Provisions Law.

QUESTION NO: 10

A group sponsor is considering a life insurance plan for its members. Which underwriting characteristic is most likely to influence the decision to proceed with the plan?

A. Customized coverage for each member

B. Higher premiums for older members

C. Mandatory probationary periods

D. No individual medical exams required

ANSWER: D

Explanation:

No individual medical exams required is the underwriting characteristic most likely to encourage a group sponsor to move forward with a group life insurance plan. Group life insurance is underwritten primarily on the characteristics of the eligible group as a whole—such as its size, purpose, composition, participation, and turnover—rather than through the full medical underwriting of every individual member. This group-based approach spreads risk across the covered population and makes enrollment substantially easier for both the sponsor and eligible members.

For a sponsor, avoiding routine individual medical examinations reduces administrative work, shortens implementation time, and supports broad participation. It also allows coverage to be offered through a master policy with certificates issued to insured members, a structure recognized under Pennsylvania's group life insurance framework. Although insurers may require evidence of insurability in particular circumstances, such as late enrollment or coverage exceeding guaranteed-issue amounts, the usual availability of coverage without individual medical exams is a central practical advantage of group life insurance.

Pennsylvania's group life insurance provisions can be reviewed through the Pennsylvania Insurance Company Law of 1921. Additional regulatory material concerning group insurance is available in Title 31, Chapter 89 of the Pennsylvania Code.

QUESTION NO: 11

Which annuity feature makes it a suitable source of retirement income for an individual?

A. Annuities provide income the annuitant cannot outlive.

B. Annuities pay out principal and interest

C. Annuities grow tax deferred.

D. Deferred annuities provide a lump-sum distribution at retirement.

ANSWER: A

Explanation:

Annuities provide income the annuitant cannot outlive. This feature addresses longevity risk: the possibility that a person will live long enough to deplete savings during retirement. When the contract is annuitized using a lifetime income settlement option, the insurer promises periodic payments for the annuitant's lifetime. The payment amount and whether payments continue to a beneficiary depend on the selected payout option, but a life-income option is specifically designed to provide income for as long as the annuitant lives. In assuming the risk that the annuitant may live longer than actuarially expected, the insurer makes the annuity particularly useful for retirement-income planning rather than merely as an accumulation vehicle. The National Association of Insurance Commissioners explains that annuities may provide a guaranteed income stream and that lifetime payout choices can be used to avoid outliving income. The U.S. Securities and Exchange Commission likewise describes annuities as contracts that can provide periodic payments, including payments for life. This retirement-income characteristic is the key feature tested here. See the NAIC Annuity Shopper's Guide and the SEC investor bulletin on variable annuities.

QUESTION NO: 12

A violation of the annuity suitability laws may be determined by

A. the insurer that issued the annuity.

B. an independent agency.

C. a hearing before the Insurance Commissioner.

D. the consumer's accountant

ANSWER: C

Explanation:

a hearing before the Insurance Commissioner. Pennsylvania's annuity-suitability requirements are insurance regulatory requirements, and the Insurance Commissioner has the authority to administer and enforce the Commonwealth's insurance laws. When an alleged violation requires a formal determination, the Department may use an administrative hearing process. That proceeding provides a record on which the Commissioner, or an authorized representative acting under the Department's procedures, can determine whether the conduct violated applicable annuity-suitability standards and whether regulatory action is warranted.

This approach is consistent with the Commissioner's statutory enforcement role and with the due-process framework used for insurance licensing and market-conduct matters. A hearing permits the relevant evidence concerning the annuity transaction and recommendation to be considered before a final regulatory determination is made. If a violation is established, the Commissioner may take authorized administrative action, including orders or penalties permitted by Pennsylvania insurance law. Pennsylvania's insurance regulations, including the provisions governing annuity and life-insurance replacement practices, are published in 31 Pa. Code Chapter 113. The Insurance Department's regulatory and enforcement authority is also described through the Pennsylvania Insurance Department regulations resources.

QUESTION NO: 13

What does the annuity certain payment option guarantee?

A. The highest monthly income

B. A higher rate of return

C. Payments will continue until all of the funds are exhausted

D. Benefits will be paid to the beneficiary for the remainder of their life

E. Payments will continue for a specified period, even if the annuitant dies during that period

ANSWER: E

Explanation:

An annuity-certain payment option guarantees that periodic payments will be made for a predetermined, fixed number of years. The defining feature is the stated period certain—not the amount remaining in an account or whether funds are exhausted. For example, under a 10-year-certain settlement, payments are guaranteed for 10 years. If the annuitant dies before the 10 years end, the remaining guaranteed payments are paid to the named beneficiary or other designated recipient for the balance of that period. This makes the option useful when an annuitant wants to ensure that income will continue for a minimum period even if death occurs shortly after payments begin. The payment amount and period are established under the settlement terms, and the guarantee creates an obligation to complete the specified stream of payments. Federal tax guidance recognizes an annuity-certain arrangement as one providing payments for a fixed period rather than for a life contingency; see the IRS discussion of annuity payments in IRS Publication 575, Pension and Annuity Income. Pennsylvania's insurance statutes also govern annuity contracts issued in the Commonwealth; see the Pennsylvania Insurance Company Law.

QUESTION NO: 14

What is the approach to assessing the consumer's need for life insurance that focuses on an individuals future stream of income?

A. Human Life Value approach

B. Return of Investment approach

C. Affordability approach

D. Needs approach

ANSWER: A

Explanation:

The Human Life Value approach is correct because it estimates the economic value of an individual's future earning capacity and uses that value to help determine an appropriate amount of life insurance. This method treats the insured's anticipated future income as a financial asset supporting dependents. If the insured dies prematurely, life insurance proceeds can help replace the income that would otherwise have been available to the household during the remaining working years.

In applying Human Life Value, an insurance professional considers information such as the person's current earnings, age, expected remaining work life, occupation, projected income growth, and the portion of income used for personal expenses versus family support. The estimated future earnings are typically adjusted to a present value, recognizing that a lump-sum death benefit can be invested to provide income over time. This approach is especially useful when the principal purpose of coverage is income replacement for a spouse, children, or other financially dependent family members. The National Association of Insurance Commissioners describes life insurance as protection that provides a death benefit to beneficiaries, helping address the financial consequences of a death: NAIC Life Insurance Consumer Information. The basic consumer purpose and operation of life insurance are also described by the Pennsylvania Insurance Department: Pennsylvania Insurance Department—Life Insurance.

QUESTION NO: 15

An applicant submits a life insurance application, pays the initial premium, and receives a conditional receipt. Before the policy is delivered, the applicant dies. When will the insurer be obligated to pay the death benefit?

A. Whenever the applicant paid the initial premium with the application.

B. Only if the insurer had physically delivered the policy before the death.

C. Only if the applicant met the conditions of the conditional receipt.

D. Only if the beneficiary was named as an irrevocable beneficiary.

ANSWER: C

Explanation:

A conditional receipt provides temporary coverage only if the applicant satisfies the conditions stated in the receipt, commonly including that the applicant was insurable under the insurer's underwriting rules as of the application or medical examination date. Payment of the premium alone does not guarantee coverage. If the applicant would have qualified under the required conditions, the insurer must provide the receipt's stated coverage; otherwise, it generally returns the premium.

QUESTION NO: 16

An Insurance producer may NOT withdraw funds from a premium trust account to

A. pay premium to insurers.

B. pay claims to an insured.

C. return deposits to insureds.

D. return premiums to an insured.

E. pay the producer’s personal expenses.

ANSWER: E

Explanation:

pay the producer’s personal expenses. is the correct answer because premiums and other funds received by a Pennsylvania insurance producer are fiduciary funds, not the producer’s personal or operating money. A premium account must be used only for the limited, insurance-related purposes authorized by Pennsylvania’s producer regulations. Personal expenses—including ordinary personal purchases, personal debts, or other noninsurance expenditures—are outside those authorized purposes. Using premium-account money this way constitutes an improper diversion of funds held for insurers, insureds, beneficiaries, or premium finance companies.

Pennsylvania’s premium-account rule specifically permits withdrawals for designated transactions such as remitting premiums, returning premiums or deposits, paying commissions due, paying claims to insureds or beneficiaries, and remitting amounts to premium finance companies. The fiduciary nature of the account requires the producer to keep those funds protected and available for their intended recipients until properly disbursed. A producer who withdraws premium funds for personal use risks regulatory discipline, including action against the producer license, because the withdrawal breaches the producer’s fiduciary obligation.

See 31 Pa. Code § 37.31, Premium accounts and the Pennsylvania Insurance Department regulations page.