

LAW – ACCIDENT AND HEALTH PRACTICE EXAM

45 Questions Time Limit: 75 minutes

● Answer key for law immediately follows the exam. This is a self scoring exam.

- 1) Under Illinois insurance law, an insurance producer's license will terminate under which of the following circumstances?
 - A) The producer violates an insurance statute.
 - B) The producer is found guilty of a misdemeanor.
 - C) The producer fails to maintain a bond in force unless exempt.
 - D) The producer fails to obtain an insurance company appointment.

- 2) What is the total cumulative minimum hours of course credit for pre-licensing for Life and Accident & Health combined?
 - A) 15 hours
 - B) 30 Hours
 - C) 60 hours
 - D) 75 hours

- 3) Before obtaining an insurance producer license, a candidate must FIRST:
 - A) attain the minimum age of twenty-one
 - B) have a minimum of three years' experience
 - C) pass a written examination
 - D) have held a temporary license

- 4) All of the following statements concerning Nonresident producers are true except
 - A) they must be competent and trustworthy with a good business reputation.
 - B) they must pay the appropriate license fee.
 - C) if they move to a different state, they must file the change of address with the Director within 30 days.
 - D) the home state of the nonresident need not accept Illinois residents as nonresidents licensees.

- 5) The maximum bond amount that an insurance producer would be required to maintain in force is which of the following amounts?
 - A) \$10,000
 - B) \$30,000
 - C) \$40,000
 - D) \$50,000

- 6) In order to maintain a producer license all of the following conditions must be met except:
 - A) Must keep a bond in force unless exempt.
 - B) Optionally report any Felony judgments.
 - C) Must pay a renewal fee every two years
 - D) Must meet continuing education requirements.

- 7) Which of the following statements is true concerning the continuing education requirement?
 - A) A producer may carry over a maximum of ten credit hours to the next biannual period.
 - B) A producer may not take course for credit prior to the original date of licensure to fulfill continuing education requirements.
 - C) Producers licensed continually for twenty years or longer are exempt.
 - D) A single course may be certified for thirty credit hours.

- 8) A producer license may be revoked for all of the following causes except:
 - A) Misappropriation of business funds.
 - B) Failing to report a felony conviction.
 - C) Obtaining a producer license by fraud.
 - D) Failing to report a misdemeanor conviction within 30 days.

- 9) A producer who has his license suspended, revoked or denied:
 - A) Has no right to request a hearing.
 - B) Can be fined for each cause.
 - C) Can be employed by a firm in an insurance related capacity.
 - D) Can be ordered by the director to serve up to 6 months in jail.

- 10) An individual whose producer license has been revoked is not eligible to apply for another license for a minimum of how many years?
- A) 1
 - B) 2
 - C) 3
 - D) 5
- 11) The Director of Insurance is empowered to conduct an investigation of:
- A) a law firm that defends insurance companies
 - B) a savings and loan association concerning the purchase of hazard insurance
 - C) an insurance company in order to determine its financial condition
 - D) the assignment of benefits of an insurance policy to a medical provider by an insured
- 12) Which of the following statements is correct about a Premium Fund Trust Account (PFTA)?
- A) PFTA money must be maintained in federally chartered banks.
 - B) PFTA funds may not be invested in a Certificate of Deposit.
 - C) If the insurance producers wants to keep interest accrued on a PFTA then he must obtain written permission of the insurance company .
 - D) All PFTA bank statements must be balanced at least annually and the balance at all times must be positive.
- 13) A limited lines producer may be authorized to sell all of the following types of policies EXCEPT:
- A) Industrial (Home Service) Life
 - B) Industrial (Home Service) A & H
 - C) Baggage
 - D) Industrial (Home Service) Fire
- 14) A person who sells insurance without any license
- A) Is guilty of committing a Class A misdemeanor.
 - B) Cannot be imprisoned.
 - C) Is guilty of a Class 4 felony.
 - D) Is not breaking any rule as long as the commission is generated solely for a recognized charity.
- 15) All of the following individuals are exempt from licensure requirements EXCEPT:
- A) office personnel who receive a commission based on enrollees contributions
 - B) office personnel who receive and furnish information and enroll persons in plans
 - C) office personnel on fixed salary who routinely receive applications and premium payments
 - D) office personnel on fixed salary who administer their employee benefit plans
- 16) A producer who enters active duty with the armed forces of the US Military Service
- A) loses his license and must retake the license exam when service is complete.
 - B) is eligible for temporary licensing.
 - C) must pay the biannual license fee that applies to all producers.
 - D) must complete continuing education or lose his license.
- 17) In order to sell insurance, a business entity
- A) does not have to be licensed.
 - B) is not subject to any cause which would otherwise result in producer license suspension, revocation or denial.
 - C) must designate a licensed producer to be responsible for legal compliance.
 - D) must incorporate under the laws of Illinois.
- 18) A producer buying a life policy on his own life is an example of
- A) Rebating
 - B) Controlled Business
 - C) Unfair Trade Practice
 - D) Replacement
- 19) The Director of Insurance may issue a temporary insurance producer license under which of the following circumstances?
- A) .A producer's license is suspended and the producer's spouse wants to operate the business.
 - B) A producer dies and the producer's spouse wants to operate the business.
 - C) A producer is convicted of a felony and wants a spouse to continue operating the business.
 - D) A producer takes a federal government job and wants a daughter to operate the insurance agency.

- 20) A person who fails to obey the command of a subpoena issued by the Illinois Director of Insurance, without reasonable excuse, is subject to a MAXIMUM fine of:
- A). 1000
 - B) 1500
 - C) 2000
 - D) 2500
- 21) An insurance producer may NOT offer which of the following when advertising services?
- A) An analysis of an individual's existing coverage
 - B) Assistance in determining applicability of government disability benefits
 - C) Financial assistance in the purchase of a policy
 - D) Comparisons to another company's coverage
- 22) Which of the following actions by an insurance company is an improper practice?
- A) Refusing to pay a claim until it is investigated
 - B) Defending a suit brought by a policyowner to recover a disputed claim amount
 - C) Requiring a claimant to submit a preliminary claim report or Proof of Loss form
 - D) Failing to specify the coverage under which it makes a claim payment
- 23) If a producer changes his residential address, he must report this change to the Director within how many days?
- A) 30
 - B) 40
 - C) 50
 - D) 60
- 24) An insurance producer MUST obtain the written signature of a consumer if the combined service fee to be charged is:
- A) 15% of the premium
 - B) 10% of the premium
 - C) 5% of the premium
 - D) 2% of the premium
- 25) Which of the following actions by a life and health insurance company would NOT be considered an unfair method of competition?
- A) Using coercion to create a monopoly in the life insurance market
 - B) Refusing to write specific coverages on persons of a particular religion
 - C) Refusing to write insurance on the basis of an applicant's occupation
 - D) Charging a higher premium solely on the basis of an applicant's physical handicap
- 26) An insurance company may be guilty of defamation if it is responsible for circulating a brochure or article that
- A) criticizes a particular type of insurance.
 - B) contains misleading information about another insurance company's financial condition.
 - C) compares its dividend paying history to that of a rival company.
 - D) compares its industry rating with that of a rival company.
- 27) Which of the following statements is CORRECT about a business entity acting as an insurance producer?
- A) It must report any changes in its personnel to the Division of Insurance within ten days after they occur.
 - B) It must pay a yearly licensing fee of \$100 to the Division of Insurance.
 - C) It must inform the Director in writing of a change in its business address within 10 days of such change.
 - D) It may be a state bank.
- 28) Which of the following statements concerning a lapsed license is true?
- A) A \$50 reinstatement fee must be paid in addition to the biannual license fee.
 - B) The producer must retake the state insurance licensing exam once a lapse occurs.
 - C) A lapsed license can be reinstated after 1 year.
 - D) The total fee a producer would pay, after being just one day late with a biannual license renewal, is a double license fee.

- 29) Which of the following best describes the concept of “twisting?”
- A) It is the offer of a bribe by a producer to induce a sale.
 - B) It is the act of using a misleading comparison between the insurance policies of two different companies designed to motivate a consumer to switch contracts.
 - C) It is defamation.
 - D) It is when an insurer becomes insolvent and forces other companies to pay the losses of its own policy holders.
- 30) The principal reason that insurance regulation exists is to
- A) assure insurance company profits.
 - B) allow insurers to make any investments they see fit
 - C) protect the public by making certain companies and producers are following the law.
 - D) assist consumers in selecting the proper coverages.
- 31) Which of the following statements is CORRECT about Accident and Health advertisements?
- A) Insurance companies may not pay celebrities to make endorsements.
 - B). Insurance companies are responsible for the accuracy of testimonials.
 - C). Advertisements may use valid statistics without disclosing the source.
 - D). Advertisements may state that a product is approved by the state or federal government.
- 32) The principal reason that insurance regulation exists is to
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 - C) protect the public by making certain companies and producers are following the law.
 - D) assist consumers in selecting the proper coverages.
- 33) When replacing health insurance, particular care should be given to discussing
- A) Premium cost
 - B) Coverage limits
 - C) Preexisting conditions
 - D) Company rating
- 34) Accident and Health advertisements must include Which of the following?
- A) Identification of the insurer.
 - B) That material will be delivered by an agent if it, in fact, will be.
 - C) An absence of reference to the Medicare program on the outside envelope.
 - D) All of the above
- 35) When replacing a Medicare Supplement policy, a producer must do all of the following EXCEPT:
- A) have the applicant sign a copy of the notice of replacement
 - B) give the applicant a copy of the notice of replacement
 - C) give the applicant an Outline of Coverage
 - D) notify the Insurance Department of the replacement
- 36) A producer takes an application for accident and health insurance and the company offers coverage with two exclusions which were not originally anticipated by the prospect. The producer must
- A) answer any questions the prospect may have about the exclusions
 - B) must orally point out the difference in coverage offered
 - C) give the applicant a Revised Outline of Coverage”
 - D) conceal the contract exclusions from the applicant
- 37) Which of the following statements is CORRECT about a Health Maintenance Organization (HMO)?
- A) Dependents of enrollees are not entitled to an appeal procedure.
 - B) Every enrollee is assigned an out-of-network physician.
 - C) Benefits are paid for services rendered by primary-care physicians.
 - D) HMO's may not advertise their open enrollment.

- 38) Which of the following statements is CORRECT about Traditional Long-Term Care insurance?
- A. Inflation protection must be offered to applicants.
 - B. Benefits for Alzheimer's Disease may be specifically excluded by a rider.
 - C. Benefits for alcoholism and drug addiction may not be excluded.
 - D. Each policy must contain a minimum of one Nonforfeiture benefit option.
- 39) The Outline of Coverage for a Long-Term Care Partnership policy MUST be delivered to the applicant:
- A) at the time the policy is delivered
 - B) only after the application has been completed and signed
 - C) at the time of initial presentation
 - D) only if the policy is replacing a traditional Long Term Care policy
- 40) Under the Small Employer Rating, Renewability and Portability Health Insurance Act, a small employer carrier may cancel an employer's coverage for which of the following reasons?
- A) The carrier has insured the small employer for more than three years.
 - B) The loss ratio for the plan exceeds 60%.
 - C) The employer also offers to employees other supplemental coverage through another insurance company
 - D) The carriers minimum participation requirements are not met by the employer
- 41) To be eligible for coverage under the Small Employer Group Health Insurance Law, the minimum number of employees an employer may have is
- A) 1
 - B) 2
 - C) 3
 - D) 5
- 42) An HMO must include all of the following under the definition of "Basic Health Care Services" as required under Illinois Law except
- A) Emergency Care
 - B) Care for Alcohol and Drug Abuse
 - C) Deductibles cannot be charged to subscribers
 - D) Outpatient Medical Services
- 43) Under Illinois Law, an HMO
- A) is a "domestic" company even when organized under the laws of a different state.
 - B) can never refuse to pay for an organ transplant.
 - C) must provide coverage for an annual mammogram for women who are age 50 and older.
 - D) cannot hire a limited insurance representative to enroll Public Aid recipients into their plan unless a written insurance exam has been passed.
- 44) As defined by Illinois insurance regulation, the term "pre-existing condition" refers to a condition or disease that is:
- A. in existence prior to a covered claim
 - B. in existence prior to an insured's knowledge of the condition or disease
 - C. diagnosed by a legally qualified physician after a policy's effective date of coverage
 - D. diagnosed by a legally qualified physician prior to a policy's effective date of coverage
- 45) How long does a Limited Health Service Organization (LHSO) have to respond to a consumer complaint received from the Division of Insurance?
- A) 10 days
 - B) 15 days
 - C) 21 days
 - D) 30 days

ANSWER KEY TO:**ILLINOIS INSURANCE LAW, RULES AND REGULATIONS –
ACCIDENT & HEALTH ONLY**

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|-------|-------|
| 1) C | 26) B |
| 2) B | 27) D |
| 3) C | 28) D |
| 4) D | 29) B |
| 5) D | 30) C |
| 6) B | 31) B |
| 7) B | 32) C |
| 8) D | 33) C |
| 9) B | 34) D |
| 10) C | 35) D |
| 11) C | 36) C |
| 12) C | 37) C |
| 13) D | 38) A |
| 14) A | 39) C |
| 15) A | 40) D |
| 16) B | 41) B |
| 17) C | 42) C |
| 18) B | 43) C |
| 19) B | 44) D |
| 20) C | 45) C |
| 21) C | |
| 22) D | |
| 23) A | |
| 24) A | |
| 25) C | |

**PLEASE MAKE
CERTAIN YOU ARE
APPLYING THE PROPER
ANSWER KEY TO THE
CORRECT EXAM.**