

Life, Accident, and Health (LAH) Insurance Mastery Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

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- 1. What does COBRA allow for insured individuals who have terminated employment with a group sponsor?**
 - A. The right to convert group health coverage to an individual policy without evidence of insurability**
 - B. The option to receive benefits under both the insured's coverage and a spouse's coverage**
 - C. The option to continue the coverage for a specified period of time after terminating employment with the group sponsor**
 - D. The right to simultaneously collect disability benefits under both a group policy and Social Security**
- 2. What is the primary role of the National Association of Insurance Commissioners (NAIC)?**
 - A. To oversee the financial performance of insurance companies**
 - B. To provide guidance and regulation for insurance companies**
 - C. To ensure all insurance policies are affordable**
 - D. To sell insurance products to consumers**
- 3. Which of the following individuals does NOT have to sign an application for a life insurance policy?**
 - A. The applicant, if different than the proposed insured**
 - B. The producer making the sale**
 - C. The beneficiary**
 - D. The proposed insured**
- 4. In the context of group insurance, what does 'master policy' refer to?**
 - A. An individual coverage document**
 - B. An overall group insurance contract**
 - C. A rider that modifies group coverage**
 - D. Documentation of claims procedures**
- 5. Which type of health insurance provider is most commonly associated with pre-paid plans?**
 - A. Health maintenance organizations**
 - B. Insurance companies**
 - C. State and federal government health programs**
 - D. Multiple employer trusts**

- 6. What does premium payment frequency refer to?**
- A. The amount of premium that is due annually**
 - B. The number of claims a policyholder can make each year**
 - C. The schedule determining how often premiums must be paid**
 - D. The total cost of premiums paid over the life of the policy**
- 7. What is the primary role of an insurance agent?**
- A. To manage claims for policyholders**
 - B. To sell and service insurance policies**
 - C. To settle disputes between insurers and clients**
 - D. To finance insurance policies**
- 8. Which type of life insurance provides coverage for a set period of time?**
- A. Whole life insurance**
 - B. Universal life insurance**
 - C. Term life insurance**
 - D. Variable life insurance**
- 9. What is one common characteristic of whole life insurance?**
- A. It only offers coverage until age 65**
 - B. It accumulates cash value over time**
 - C. It has a lower premium than term life insurance**
 - D. It requires annual renewal**
- 10. What is the main characteristic of term life insurance?**
- A. It has a cash value accumulated**
 - B. It is the most expensive type of insurance**
 - C. It provides coverage for a specific period**
 - D. It requires a medical examination for approval**

Answers

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1. D
2. B
3. C
4. B
5. A
6. C
7. B
8. C
9. B
10. C

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Explanations

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1. What does COBRA allow for insured individuals who have terminated employment with a group sponsor?
- A. The right to convert group health coverage to an individual policy without evidence of insurability
 - B. The option to receive benefits under both the insured's coverage and a spouse's coverage
 - C. The option to continue the coverage for a specified period of time after terminating employment with the group sponsor
 - D. The right to simultaneously collect disability benefits under both a group policy and Social Security**

COBRA, which stands for the Consolidated Omnibus Budget Reconciliation Act, provides significant benefits to individuals who have lost their job and, consequently, their employer-sponsored health insurance. One of the main features of COBRA is that it allows these individuals the option to continue their group health insurance coverage for a specified period after their employment has ended, provided they meet certain criteria. This continuation of coverage is crucial because it gives individuals time to transition to new employment or other health insurance arrangements without losing their health coverage immediately. The specified coverage duration under COBRA typically extends for up to 18 months for most employees but can be longer in certain circumstances, such as disability. Therefore, the correct answer reflects the essence of COBRA, emphasizing the continuation of health insurance coverage after leaving employment rather than converting to individual policies or receiving dual benefits from different plans. This provision ensures that individuals do not experience a gap in health care access during a vulnerable time in their lives.

2. What is the primary role of the National Association of Insurance Commissioners (NAIC)?
- A. To oversee the financial performance of insurance companies
 - B. To provide guidance and regulation for insurance companies**
 - C. To ensure all insurance policies are affordable
 - D. To sell insurance products to consumers

The primary role of the National Association of Insurance Commissioners (NAIC) is to provide guidance and regulation for insurance companies. This organization is composed of state insurance regulators from across the United States and works to establish best practices, develop model legislation, and coordinate regulatory efforts among the states. By harmonizing regulations and standards, the NAIC helps ensure that the insurance industry operates effectively and that consumers are protected. This guidance is essential because the insurance industry is heavily regulated at the state level. The NAIC plays a crucial role in supporting states as they regulate the practices and behavior of insurance companies, helping to enhance consumer confidence and ensure the stability of the insurance market. Without the NAIC, individual states might have a more fragmented regulatory landscape, making it difficult for carriers to operate across state lines and leading to inconsistencies in consumer protection. The other choices, while related to the insurance industry, do not accurately capture the primary function of the NAIC. For instance, overseeing financial performance and ensuring affordability are specific aspects that may fall under the broader regulatory framework provided by the NAIC but do not reflect the organization's primary purpose. Selling insurance products is not a role of the NAIC; it is a regulatory body, not a provider of insurance.

3. Which of the following individuals does NOT have to sign an application for a life insurance policy?

- A. The applicant, if different than the proposed insured**
- B. The producer making the sale**
- C. The beneficiary**
- D. The proposed insured**

In the context of life insurance applications, it is crucial to understand the roles of various participants involved in the process. The beneficiary does not have to sign the application for a life insurance policy. This is because the beneficiary is simply the individual who will receive the death benefit if the insured individual passes away; they have no direct responsibility or authority regarding the approval or issuance of the policy. The application itself is typically signed by the applicant, who may be different from the proposed insured, as well as by the producer or agent who is facilitating the sale. By contrast, the applicant must sign the application to affirm their intention to purchase the policy and provide accurate information about the proposed insured. The proposed insured must sign to confirm acknowledgment of the application and the information provided. Lastly, the producer's signature serves as a confirmation of the application process and adherence to ethical selling practices. Therefore, the signature requirement reflects the responsibilities and roles of those directly involved in establishing the insurance contract, leaving the beneficiary's consent unnecessary for the application.

4. In the context of group insurance, what does 'master policy' refer to?

- A. An individual coverage document**
- B. An overall group insurance contract**
- C. A rider that modifies group coverage**
- D. Documentation of claims procedures**

In the context of group insurance, the term 'master policy' refers to an overall group insurance contract. This document is issued to the employer or sponsor of a group plan and outlines the terms and conditions of the insurance coverage provided to all members of the group. The master policy is distinct from individual policies since it typically covers a group of people under a single contract, often leading to lower premiums and broader coverage options compared to individual policies. The master policy includes details on premium payments, benefits, coverage limits, and responsibilities of the insurer and the group administrator. It serves as the foundational agreement for the insurance coverage that will be extended to individual members of the group, making it a crucial element in the administration of group benefits.

5. Which type of health insurance provider is most commonly associated with pre-paid plans?

- A. Health maintenance organizations**
- B. Insurance companies**
- C. State and federal government health programs**
- D. Multiple employer trusts**

The type of health insurance provider most commonly associated with pre-paid plans is a health maintenance organization (HMO). HMOs typically operate on a prepayment model, where members pay a fixed premium for a range of medical services. This structure allows for predictable budgeting for both the member and the provider. Under this model, enrollees usually must choose a primary care physician (PCP) who coordinates their care and refers them to specialists within the network. The emphasis on preventive care and the management of care helps control costs, making this model attractive for managing health care expenses effectively. While other types of providers exist, such as insurance companies that offer more traditional pay-per-service arrangements, and state or federal government programs, these do not primarily function on a pre-paid basis. Multiple employer trusts might provide plans, but they typically do not operate under the same pre-paid structure as HMOs. Thus, the connection between HMOs and pre-paid services is a defining characteristic of how they provide health insurance coverage.

6. What does premium payment frequency refer to?

- A. The amount of premium that is due annually**
- B. The number of claims a policyholder can make each year**
- C. The schedule determining how often premiums must be paid**
- D. The total cost of premiums paid over the life of the policy**

Premium payment frequency refers to the schedule that outlines how often a policyholder must make premium payments to maintain their insurance coverage. This frequency can vary widely depending on the policy and can include options such as monthly, quarterly, semi-annually, or annually. Understanding this aspect is crucial because it affects the overall budgeting for insurance costs and ensures that policyholders are aware of when they need to make payments to keep their policy in force. The correct answer emphasizes the importance of the payment schedule rather than the amount, the claims process, or the total cost over time. Knowing the frequency helps policyholders manage their finances effectively, ensuring that they do not miss payments and thereby risk lapsing their policy.

7. What is the primary role of an insurance agent?

- A. To manage claims for policyholders**
- B. To sell and service insurance policies**
- C. To settle disputes between insurers and clients**
- D. To finance insurance policies**

The primary role of an insurance agent is to sell and service insurance policies. This involves understanding the various insurance products available, assessing clients' needs, providing appropriate recommendations, and helping clients select policies that best meet their requirements. Additionally, agents are responsible for maintaining relationships with their clients, assisting them with renewals, and providing ongoing support throughout the life of the policy. This aspect of the agent's role is critical as it fosters trust and long-term relationships, which are essential in the insurance industry. While managing claims, settling disputes, and financing policies may involve other professionals or aspects of the insurance process, they aren't the primary functions of an insurance agent. The focus on policy sales and servicing underscores the agent's role as a key intermediary between the insurance provider and the policyholder, making option B the most accurate representation of their main responsibilities.

8. Which type of life insurance provides coverage for a set period of time?

- A. Whole life insurance**
- B. Universal life insurance**
- C. Term life insurance**
- D. Variable life insurance**

Term life insurance is designed specifically to provide coverage for a predetermined period, which can range from a few years to several decades. This type of insurance is a straightforward protection plan that pays a death benefit if the insured passes away during the term of the policy. Once the term concludes, the coverage ceases, and there is typically no payout unless the insured has passed during that timeframe. This characteristic differentiates term life from other types of life insurance. Whole life insurance, for instance, offers coverage for the entire lifetime of the insured, as long as premiums are paid. Universal life insurance provides flexible premiums and death benefits and is also designed for lifetime coverage. Variable life insurance combines a death benefit with an investment component, allowing the policyholder to allocate a portion of the premium to various investment options, also lasting for the lifetime of the insured. Thus, the essence of term life insurance is its focus on providing a defined period of coverage, making it an attractive choice for those seeking temporary financial protection, such as covering debts or providing for dependents during critical years.

9. What is one common characteristic of whole life insurance?

- A. It only offers coverage until age 65
- B. It accumulates cash value over time**
- C. It has a lower premium than term life insurance
- D. It requires annual renewal

Whole life insurance is distinctive because it serves not only as a death benefit but also as a financial asset. One of its primary features is the accumulation of cash value over time. As policyholders pay their premiums, a portion of that premium goes into a savings component, which builds cash value at a guaranteed rate. This cash value can be borrowed against, withdrawn, or used to pay premiums later in life. The other options highlight aspects that do not align with the characteristics of whole life insurance. For instance, limiting coverage until age 65 is a feature more commonly associated with term life insurance. Whole life insurance provides lifelong coverage, as long as premiums are paid. The notion that whole life insurance has a lower premium than term life is inaccurate; typically, whole life premiums are higher due to the cash value component and the lifelong coverage it offers. Lastly, the requirement for annual renewal pertains to term life, which often requires renewal after the term ends, while whole life remains in force as long as premiums continue to be paid without the need for renewal.

10. What is the main characteristic of term life insurance?

- A. It has a cash value accumulated
- B. It is the most expensive type of insurance
- C. It provides coverage for a specific period**
- D. It requires a medical examination for approval

Term life insurance is primarily characterized by its provision of coverage for a specific period, as indicated in the correct answer. This type of insurance is designed to be in effect for a predetermined duration, which can range from a few years to several decades, depending on the policy. During this designated term, if the insured individual passes away, the beneficiaries receive a death benefit. If the term expires while the insured is still alive, the coverage simply ceases, and no benefits are paid out. This feature differentiates term life insurance from other types, such as whole or universal life insurance, which build cash value over time. Additionally, term life insurance is often more affordable than permanent policies, contradicting the notion that it is the most expensive. While some term policies may require a medical examination, it is not universally necessary for all term life insurance products. Thus, the defining characteristic of this type of policy is indeed its coverage for a specified period.