

Maryland Life and Health Insurance License Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. The time limit for filing claim disputes is addressed in which provision of an accident and health policy?**
 - A. Legal actions**
 - B. Payment of claims**
 - C. Renewal requirements**
 - D. Evidence of insurability**
- 2. Which of the following is typically NOT eligible for coverage in a group health policy?**
 - A. Full-time employees**
 - B. Temporary employees**
 - C. Part-time employees**
 - D. Dependents of employees**
- 3. When are group disability benefits considered to be tax-free to the insured?**
 - A. When the recipient pays the premiums**
 - B. When payments are made to healthcare providers**
 - C. When the employer covers the premiums**
 - D. When the benefits exceed 80% of the income**
- 4. How are disability income benefits from a group policy treated for tax purposes if paid by the employer?**
 - A. Exempt from taxable income**
 - B. Fully taxable income**
 - C. Partially taxable income**
 - D. Taxed upfront at payroll**
- 5. What factor often affects the treatment of disability income benefits for tax purposes?**
 - A. Source of payment**
 - B. Amount of benefit**
 - C. Type of disability**
 - D. Duration of coverage**

6. What must an insurer disclose regarding benefits related to misrepresentation?

- A. All potential benefits of the policy**
- B. Only the core benefits outlined in the contract**
- C. Any misleading or deceptive statements made**
- D. Specific exclusions related to health events**

7. Which type of care would be most suitable for an individual needing some nursing care but not full-time care?

- A. Nursing home facilities**
- B. Assisted living facilities**
- C. Home health care**
- D. Respite care**

8. If Shirley has a \$500,000 10-year non-renewable level term life policy and dies 15 years after it starts, how much will her beneficiary receive?

- A. \$500,000**
- B. \$250,000**
- C. \$0**
- D. \$100,000**

9. What factor is NOT typically considered in the underwriting process for a life insurance policy?

- A. Medical history**
- B. Occupation**
- C. Age**
- D. Current location**

10. Lorenzo, who is self-employed with an S corporation, pays health insurance premiums. What are the tax implications for him?

- A. He can deduct 50% of his health insurance costs**
- B. He cannot deduct any of his health insurance costs**
- C. 100% of his health insurance costs can be deducted from his gross income**
- D. His insurance premiums are taxable income**

Answers

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

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Explanations

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1. The time limit for filing claim disputes is addressed in which provision of an accident and health policy?

- A. Legal actions**
- B. Payment of claims**
- C. Renewal requirements**
- D. Evidence of insurability**

The correct option addresses the timeframe within which an insured must initiate legal action after a claim has been denied or disputed. The "Legal actions" provision specifies the limitations on filing such claims, ensuring that policyholders understand they need to act within a specified timeframe. This provision is crucial because it protects insurance companies from indefinite liability and encourages prompt resolution of claims disputes. The time limit typically varies by state, and this provision ensures that the insured is aware of these restrictions. It reinforces the idea that delay can affect rights under the policy, emphasizing the importance of timely action when disputes arise. Other provisions, like "Payment of claims" or "Renewal requirements," do not specifically cover the timeframe for legal actions or disputes over claims, and "Evidence of insurability" relates to proof required for coverage eligibility, not claim disputes.

2. Which of the following is typically NOT eligible for coverage in a group health policy?

- A. Full-time employees**
- B. Temporary employees**
- C. Part-time employees**
- D. Dependents of employees**

In group health insurance policies, coverage typically extends to full-time employees and can often extend to dependents of those employees as well. However, temporary employees generally do not qualify for coverage. This is primarily because group health insurance plans are designed to provide benefits to individuals who are employed on a longer-term basis and have a more stable association with the employer. Temporary employees usually work for a limited duration and may not meet the criteria set by the employer or the health insurance plan for coverage eligibility. Part-time employees may sometimes be covered, depending on the specific employer policies and how they define eligibility. Therefore, within the context of typical eligibility for group health policies, temporary employees are the least likely to be included.

3. When are group disability benefits considered to be tax-free to the insured?

- A. When the recipient pays the premiums**
- B. When payments are made to healthcare providers**
- C. When the employer covers the premiums**
- D. When the benefits exceed 80% of the income**

Group disability benefits are considered tax-free to the insured when the recipient pays the premiums. This situation arises because if the insured pays for the disability insurance premiums with after-tax dollars, any benefits received while disabled are not subject to income tax. Essentially, the tax liability on benefits is based on who is paying the premiums and what the tax status of those premiums is. In contrast, when an employer covers the premiums for a group disability policy, the benefits received by the employee are typically taxable since the payments were made before any taxes were applied. It's important to note that tax implications can vary based on the source of premium payments, and understanding this is essential for both benefit recipients and those purchasing policies. The mention of payments being made directly to healthcare providers or the benefits exceeding a certain percentage of income does not directly affect the tax status of received benefits; those situations are not relevant to the conditions under which disability benefits are taxed. Thus, the key factor in determining whether the benefits received are tax-free lies in whether the premiums were paid by the insured with after-tax income.

4. How are disability income benefits from a group policy treated for tax purposes if paid by the employer?

- A. Exempt from taxable income**
- B. Fully taxable income**
- C. Partially taxable income**
- D. Taxed upfront at payroll**

Disability income benefits from a group policy provided by an employer are fully taxable income to the employee if the employer pays the premiums for the coverage. This treatment arises because the benefits are considered a form of compensation for the employee. Since the employer deducts the premium payments as a business expense, the tax code requires that benefits received are treated as taxable income. When an employee receives disability benefits under these circumstances, these payments are taxable in the same way that a salary would be. Conversely, if an employee pays the premiums with after-tax dollars, the benefits received would generally be tax-free when claimed. This distinction is crucial in understanding the tax implications on disability income benefits.

5. What factor often affects the treatment of disability income benefits for tax purposes?

- A. Source of payment**
- B. Amount of benefit**
- C. Type of disability**
- D. Duration of coverage**

The treatment of disability income benefits for tax purposes is significantly influenced by the source of payment. Generally, if the premiums for a disability income policy are paid with pre-tax dollars, any benefits received from that policy are considered taxable income. Conversely, if the premiums are paid with after-tax dollars, the benefits received are generally not taxable. This is an important distinction because it affects how individuals should plan for their finances concerning disability coverage. The amount of the benefit, the type of disability, and the duration of coverage may play roles in determining the overall value and adequacy of a disability income policy but do not directly influence the tax treatment of the benefits received. Understanding this aspect is crucial for individuals seeking to navigate the complexities of disability income benefits and their tax implications effectively.

6. What must an insurer disclose regarding benefits related to misrepresentation?

- A. All potential benefits of the policy**
- B. Only the core benefits outlined in the contract**
- C. Any misleading or deceptive statements made**
- D. Specific exclusions related to health events**

An insurer is required to disclose any misleading or deceptive statements made regarding benefits related to misrepresentation because transparency is crucial in the insurance industry. Misrepresentation can significantly influence a policyholder's decision-making process. If an insurer makes statements that lead to misunderstandings about the coverage, it could result in claims disputes and a loss of trust between the insurer and the insured. By disclosing misleading information, the insurer upholds ethical standards and complies with regulatory obligations, ensuring that customers have a clear understanding of what the policy entails and avoiding potential legal ramifications. This disclosure protects consumers by ensuring they are well-informed about the specific details of their coverage, allowing for fair evaluation of their policy options.

7. Which type of care would be most suitable for an individual needing some nursing care but not full-time care?

- A. Nursing home facilities**
- B. Assisted living facilities**
- C. Home health care**
- D. Respite care**

Assisted living facilities are designed for individuals who require some level of support with daily activities but do not need the extensive care provided in nursing homes. These facilities typically offer a combination of housing, meals, and personal care services, allowing residents to maintain a degree of independence while receiving assistance with tasks such as bathing, dressing, medication management, and transportation. This option is particularly suitable for individuals who might need help but do not require the continuous medical care that nursing home facilities provide. Unlike nursing homes, which cater to individuals with more severe medical needs requiring constant supervision, assisted living facilities strike a balance by offering supportive services in a more home-like environment. Home health care provides care in the individual's residence and can be tailored to specific needs, including nursing services, but it may not foster the same community and social interaction that assisted living facilities do. Respite care typically offers temporary care for individuals in need, allowing primary caregivers a break, but it does not provide a long-term living solution.

8. If Shirley has a \$500,000 10-year non-renewable level term life policy and dies 15 years after it starts, how much will her beneficiary receive?

- A. \$500,000**
- B. \$250,000**
- C. \$0**
- D. \$100,000**

In the scenario presented, Shirley has a 10-year non-renewable level term life insurance policy. This type of policy provides coverage for a specific term—in this case, 10 years—at a fixed death benefit amount of \$500,000. However, once the term expires at the end of the 10 years, the coverage ends, and no death benefit is payable thereafter. Since Shirley dies 15 years after the policy starts, this is well beyond the 10-year coverage period. After the term expires, the life insurance policy does not provide any benefits. Therefore, despite the initial value of the policy, the beneficiary will not receive any payout because the policy is no longer in effect at the time of Shirley's death. The correct conclusion is that her beneficiary will receive \$0.

9. What factor is NOT typically considered in the underwriting process for a life insurance policy?

- A. Medical history**
- B. Occupation**
- C. Age**
- D. Current location**

The underwriting process for a life insurance policy involves evaluating various factors that can affect the risk associated with insuring an individual. These factors help insurers determine the likelihood of a claim being made and the appropriate premiums to charge. Medical history, occupation, and age are critical components that underwriters analyze. Medical history provides insights into an applicant's health and potential risks associated with pre-existing conditions. An individual's occupation is considered because certain jobs may carry higher mortality risks (e.g., hazardous or high-stress jobs), and age is a significant determinant of life expectancy and risk levels, with older applicants typically facing higher premiums due to increased mortality risk. In contrast, while current location can have some influence on underwriting — for instance, due to local health trends or crime rates — it is not a fundamental factor usually weighted as heavily as the other three. The primary focus tends to be on aspects that most directly correlate with health and life expectancy. Therefore, current location is not typically considered a critical component in the underwriting process for life insurance policies.

10. Lorenzo, who is self-employed with an S corporation, pays health insurance premiums. What are the tax implications for him?

- A. He can deduct 50% of his health insurance costs**
- B. He cannot deduct any of his health insurance costs**
- C. 100% of his health insurance costs can be deducted from his gross income**
- D. His insurance premiums are taxable income**

Lorenzo, as a self-employed individual with an S corporation, can deduct 100% of his health insurance premiums from his gross income. This provision allows self-employed individuals to take a deduction for health insurance costs, including amounts paid for medical care, dental care, and long-term care insurance, among other eligible expenses. The deduction is available regardless of whether Lorenzo itemizes deductions or uses the standard deduction. This significant benefit serves to reduce his taxable income, providing a practical financial advantage. The IRS allows this full deduction to help self-employed individuals afford health care, which can often be a substantial expense. The other options present limitations or inaccuracies concerning the deductibility of health insurance costs that do not apply in Lorenzo's situation. The deduction amount being limited to only 50% or not at all does not reflect the actual tax treatment available to him as outlined under current tax laws. Since he can deduct all of his insurance premiums, this amounts to a considerable potential tax savings, further emphasizing why the correct understanding of these provisions is vital for those in similar self-employed positions.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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