

Wisconsin Accident and Health Insurance 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. In a key person disability income policy, how are benefits classified for the business?**
 - A. Taxable income to the key employee**
 - B. Tax-free income to the key employee**
 - C. Tax-free income to the business**
 - D. Taxable income to the business**

- 2. What is the typical waiting period for short-term disability benefits to begin?**
 - A. 1-2 days**
 - B. 7-14 days**
 - C. 15-30 days**
 - D. 60 days**

- 3. What is NOT considered as part of coverage in a health insurance policy?**
 - A. Medical expenses for hospitalization**
 - B. Preventive care services**
 - C. Out-of-pocket expenses for dental implants**
 - D. Emergency room visits**

- 4. Which of the following statements BEST describes a double indemnity provision in travel accident insurance?**
 - A. Benefits are doubled under certain circumstances stated in the policy**
 - B. If the claim is disputed in court and the insurer loses, the face amount will be doubled**
 - C. Benefits cover two people when traveling**
 - D. Accidents and illnesses are covered while the insured is travelling**

- 5. What type of contractual arrangement involves transferring a portion of risk exposure to another insurer?**
 - A. Coinsurance contract**
 - B. Mutuality agreement**
 - C. Reinsurance contract**
 - D. Reciprocity arrangement**

- 6. ABC Company is trying to minimize the severity of potential losses within its company. What type of risk management is it engaged in?**
- A. Transference**
 - B. Retention**
 - C. Reduction**
 - D. Avoidance**
- 7. Which insurance is considered among the primary means of covering business expenses for a disabled owner?**
- A. Key person insurance**
 - B. Franchise disability insurance**
 - C. Business overhead expense insurance**
 - D. Disability income insurance**
- 8. How do preferred provider network plans discourage the use of non-network providers?**
- A. Restricting the range of covered services**
 - B. Requiring greater cost sharing for non-network services**
 - C. Applying a relative value scale to benefits**
 - D. Prohibiting referrals to non-network doctors**
- 9. Mary is an employee who is covered with a disability income policy through her employer. What are the tax implications of this policy?**
- A. Residual benefits will be received income tax-free.**
 - B. Residual benefits will be taxable to Mary.**
 - C. Premiums paid by the employer are not tax-deductible.**
 - D. Premiums paid by Mary are tax-deductible.**
- 10. Which of these statements regarding insurance is false?**
- A. One way insurers deal with catastrophic loss is through reinsurance**
 - B. As the number of insured units increases, the number of losses decreases**
 - C. Speculative risk cannot be insured**
 - D. Pure risk can be insured**

Answers

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

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Explanations

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1. In a key person disability income policy, how are benefits classified for the business?

- A. Taxable income to the key employee**
- B. Tax-free income to the key employee**
- C. Tax-free income to the business**
- D. Taxable income to the business**

In a key person disability income policy, benefits paid to the business are classified as tax-free income. This means that when a key employee (someone whose skills, knowledge, or talents are vital to the company's success) becomes disabled and the business receives a benefit payment from the policy, those funds can be utilized by the business without incurring tax liabilities. The rationale for this tax treatment is that the benefits are intended to replace lost income or cover expenses resulting from the temporary or permanent absence of the key employee, rather than providing direct compensation to the worker themselves. This allows the business to manage financial stability and address immediate operational needs during the period of the employee's disability. Understanding this classification helps businesses plan for unexpected situations involving key personnel, ensuring they are aware of the financial implications and advantages of such insurance products.

2. What is the typical waiting period for short-term disability benefits to begin?

- A. 1-2 days**
- B. 7-14 days**
- C. 15-30 days**
- D. 60 days**

The typical waiting period for short-term disability benefits to begin usually falls within the range of 7-14 days. This period is designed to provide a threshold after which benefits will be paid, allowing time for the employee to recover from an illness or injury without immediately relying on short-term disability coverage. Short-term disability insurance is intended to provide temporary income replacement for individuals who are unable to work due to medical reasons. The waiting period, also known as the elimination period, is crucial because it helps insurers manage costs associated with small, temporary disabilities that may not require extensive coverage. A waiting period of 7-14 days strikes a balance, ensuring that the most common situations requiring short-term disability benefits are covered promptly, while also discouraging the use of these benefits for very short-term or minor conditions that do not require extensive time off from work. Longer waiting periods, such as those of 15-30 days or 60 days, may push individuals to use their sick leave or personal time off before they can receive short-term disability benefits, thereby reducing the immediate financial support that short-term disability is designed to provide.

3. What is NOT considered as part of coverage in a health insurance policy?

- A. Medical expenses for hospitalization**
- B. Preventive care services**
- C. Out-of-pocket expenses for dental implants**
- D. Emergency room visits**

In health insurance policies, coverage generally encompasses a variety of medical services and expenses that are essential to maintaining an insured's health. Medical expenses for hospitalization, preventive care services, and emergency room visits are typically integral components of standard health insurance coverage, aimed at addressing immediate and basic healthcare needs. Out-of-pocket expenses for dental implants, on the other hand, are often categorized differently, as dental insurance is usually a separate policy or has its own specific coverage provisions. Many health insurance policies do not include coverage for dental procedures that are classified as cosmetic or elective—like dental implants—unless specifically stated otherwise in the policy. Therefore, these expenses fall outside the usual health insurance coverage parameters, making them not considered part of the fundamental coverage within a general health insurance policy.

4. Which of the following statements BEST describes a double indemnity provision in travel accident insurance?

- A. Benefits are doubled under certain circumstances stated in the policy**
- B. If the claim is disputed in court and the insurer loses, the face amount will be doubled**
- C. Benefits cover two people when traveling**
- D. Accidents and illnesses are covered while the insured is travelling**

A double indemnity provision in travel accident insurance is designed to provide increased benefits under specific circumstances, typically in the event of accidental death. When the provision is included in the policy, it states that if the insured dies as a result of an accident, the insurer will pay out double the benefits specified in the policy. This provision serves as an added incentive for policyholders, offering greater financial assistance to beneficiaries in such tragic situations. The other options do not accurately capture the essence of a double indemnity provision. The notion of disputing a claim in court and resulting in a doubled face amount does not relate to the standard definition of double indemnity. Additionally, covering two people while traveling or the general coverage of accidents and illnesses do not pertain to the doubling of benefits upon accidental death; thus, they do not reflect the specific nature of this provision.

5. What type of contractual arrangement involves transferring a portion of risk exposure to another insurer?

- A. Coinsurance contract**
- B. Mutuality agreement**
- C. Reinsurance contract**
- D. Reciprocity arrangement**

The concept of a contractual arrangement that involves transferring a portion of risk exposure to another insurer is known as a reinsurance contract. This type of agreement allows an insurance company (the ceding company) to share its risk with another insurer (the reinsurer). This is crucial for managing risk more effectively—by transferring some of the risk, the ceding company can protect itself from large losses that might otherwise threaten its financial stability. Reinsurance is often used to balance the insurer's risk portfolio and maintain adequate capital levels, essentially allowing the original insurer to provide coverage for more clients or higher limits by securing additional backup support. Such arrangements help insurers stabilize their operations, reduce volatility, and enhance their ability to survive unexpected events or catastrophic claims. In contrast, other options you might encounter—such as coinsurance, mutuality agreements, and reciprocity arrangements—do not specifically involve this direct transfer of risk between insurers. Every other term pertains to different aspects of insurance operations or collective arrangements among policyholders rather than a mechanism of protecting against excessive risk by shifting it to another insurer.

6. ABC Company is trying to minimize the severity of potential losses within its company. What type of risk management is it engaged in?

- A. Transference**
- B. Retention**
- C. Reduction**
- D. Avoidance**

The scenario describes ABC Company seeking to minimize the severity of potential losses, which aligns with the concept of risk reduction. Risk reduction involves implementing measures or strategies that lower the likelihood or impact of risks. This can include practices such as improving safety procedures, providing employee training, or enhancing the security of physical and digital assets. By reducing the severity of potential losses, the company aims to mitigate risks that could have a significant negative impact on its operations and financial performance. Other methods of risk management, such as transference, retention, and avoidance, serve different purposes. Transference involves shifting the risk to another party, like outsourcing or purchasing insurance; retention means accepting the risk and planning to manage its consequences; while avoidance entails eliminating the risk altogether by ceasing the activity that introduces it. In this context, since the company is focusing on reduction to minimize potential losses rather than transferring, retaining, or avoiding the risk, the approach taken is accurately identified as risk reduction.

7. Which insurance is considered among the primary means of covering business expenses for a disabled owner?

- A. Key person insurance**
- B. Franchise disability insurance**
- C. Business overhead expense insurance**
- D. Disability income insurance**

Business overhead expense insurance is specifically designed to cover the ongoing business expenses when the owner becomes disabled. This type of insurance helps pay for necessary costs such as rent, utilities, and employee salaries, which allows the business to continue to operate even though the owner is unable to work. This is crucial for maintaining business viability during the owner's absence due to disability. In contrast, other types of insurance serve different purposes. Key person insurance protects the business from the financial loss associated with the death or disability of a crucial employee but does not directly cover operational expenses. Franchise disability insurance is tailored for owners of franchises and may differ in its coverage from general business needs. Disability income insurance provides financial support to the individual who is disabled, replacing personal income rather than addressing the business's operational costs directly. Thus, business overhead expense insurance directly addresses the need for maintaining business functionality in the face of the owner's disability.

8. How do preferred provider network plans discourage the use of non-network providers?

- A. Restricting the range of covered services**
- B. Requiring greater cost sharing for non-network services**
- C. Applying a relative value scale to benefits**
- D. Prohibiting referrals to non-network doctors**

Preferred provider network plans discourage the use of non-network providers primarily by requiring greater cost sharing for those services. When individuals seek care from providers outside the established network, they typically face higher out-of-pocket expenses such as higher deductibles, copayments, or coinsurance. This financial incentive encourages individuals to utilize the network of preferred providers who have agreed to lower fees and greater coverage terms with the insurer, thus driving more patients toward in-network services. The structure of these plans is designed to keep healthcare costs manageable for both the insurer and the insured. By making it more affordable to seek care within the network, these plans effectively steer members toward using in-network providers, ultimately fostering relationships between the insurers and those providers while promoting more coordinated and cost-effective care. In contrast, other options do not effectively achieve the same incentive. While restricting the range of covered services could limit choices, it does not directly address financial considerations. Applying a relative value scale to benefits is more about standardizing evaluations of services than about influencing provider choice. Prohibiting referrals to non-network doctors would create a rigid system, possibly leading to dissatisfaction among members who value choice and flexibility in their healthcare options.

9. Mary is an employee who is covered with a disability income policy through her employer. What are the tax implications of this policy?

- A. Residual benefits will be received income tax-free.**
- B. Residual benefits will be taxable to Mary.**
- C. Premiums paid by the employer are not tax-deductible.**
- D. Premiums paid by Mary are tax-deductible.**

The scenario describes a disability income policy provided by an employer to an employee. In this situation, the tax implications for the benefits received under the policy depend largely on who pays for the policy and how the policy is structured. When an employer provides a disability income policy and pays the premiums, any benefits received by the employee (in this case, Mary) are typically taxable as income. However, if Mary is paying the premiums for the policy using after-tax dollars, any disability benefits she receives would generally be tax-free. This aligns with the principle that if an individual pays for an insurance policy with after-tax income, the benefits received from that policy are also received without tax implications. In context, saying that residual benefits will be received income tax-free accurately reflects the situation where the premiums are paid by Mary using her own after-tax income. Therefore, under this condition, the correct understanding is that the benefits Mary receives from the policy—if she has been paying those premiums—would indeed be tax-free. Options relating to tax deductibility of premiums vary based on who pays them and how, but in Mary's case, the validity of the tax-free status of benefits is upheld when considering her direct contribution to the premium payments.

10. Which of these statements regarding insurance is false?

- A. One way insurers deal with catastrophic loss is through reinsurance**
- B. As the number of insured units increases, the number of losses decreases**
- C. Speculative risk cannot be insured**
- D. Pure risk can be insured**

The statement indicating that as the number of insured units increases, the number of losses decreases is false because the relationship between the number of insured units and the frequency of losses does not inherently imply that losses will decrease. In fact, increasing the number of insured units may lead to a higher overall number of losses, but on a per unit basis, this could reflect a more stable risk pool if managed correctly. The principle of large numbers suggests that as more units are insured, the risk can be more accurately predicted and spread, potentially allowing for lower premiums, but it does not directly correlate to a decrease in the total number of losses. In contrast, the other statements are true. Insurers indeed use reinsurance as a risk management strategy to mitigate the impact of catastrophic losses, ensuring stability by distributing portions of risk to other insurers. Speculative risk, which involves the possibility of loss or gain, cannot be insured because it is associated with uncertain outcomes that go beyond typical loss situations. Pure risk, defined as the possibility of loss with no chance of gain, is insurable since it pertains to predictable and assessable risks.

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:

<https://wiaccidentandhealthinsurance.examzify.com>

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

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