lifornia Department of Insura

CA-Life-Accident-and-Health

CA Life, Accident and Health or Sickness Examination

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Question: 1

Risk can be defined as all of the following EXCEPT

A. uncertainty.
B. the cause of loss.
C. the chance of loss.
D. the probability of an unexpected outcome.

Answer: B

Explanation:
Risk is generally defined in the insurance industry as the chance of loss, the probability of an unexpected outcome, and uncertainty. These aspects highlight the potential for a deviation from expected results, which is the essence of risk. However, the cause of loss is typically referred to as a peril, not risk. Perils are specific causes of loss covered by an insurance policy, such as fire, theft, or natural disasters.

Question: 2

Your client has just bought a new home which he has financed with a $150,000, 7.5% interest, 30-year bank loan. He would like to be sure that if he dies prematurely, the unpaid balance of the mortgage would be paid. He wants a policy that will cover the mortgage balance - no more, no less - anytime during the life of the mortgage. Which policy is designed to meet this need?

A. Level term policy.
B. Home service policy.
C. Increasing term policy.
D. Decreasing term policy.

Answer: D

Explanation:
• Mortgage Protection: A decreasing term policy is designed to provide a death benefit that decreases over time, matching the declining balance of a mortgage. This ensures that if the policyholder dies prematurely, the remaining mortgage balance is covered.
• Policy Selection: Level term policy (A) provides a fixed death benefit, home service policy (B) typically refers to small face-value policies for burial expenses, and increasing term policy (C) increases the death benefit over time, making them unsuitable for this specific need.
• Reference: These types of policies and their applications are detailed in the California Department of Insurance guidelines on life insurance products.

Question: 3

Which life insurance feature allows an insured to exchange a term policy for a cash value policy?

A. Convertibility
B. Incontestability
C. Reentry
D. Renewability

Answer: A

Explanation:
• Convertibility Feature : Convertibility is a provision in term life insurance policies that allows the policyholder to convert the term policy into a permanent cash value policy without providing evidence of insurability.
• Purpose : This feature is beneficial for those who may want to extend their coverage or build cash value over time.
• Policy Details : The conversion option is usually available within a specific period and under certain conditions as specified in the original term policy.
• Regulatory Reference : The California Insurance Code provides guidelines on policy features, including convertibility, ensuring consumer protection and clear policy terms.

Question: 4

An insured replaces an existing annuity with a new one and must pay a surrender charge for cancelling the existing annuity. The new policy holds no greater financial benefits to the insured than the existing contract. This is an example of

A. nonforferture.
B. a deferred annuity.
C. a substandard annuity.
D. an unnecessary replacement.

Answer: D

Explanation:
• Definition of Replacement : According to the California Department of Insurance, a replacement involves an insured replacing one annuity with another. When doing so, certain disclosures and comparisons must be made to ensure it is in the best interest of the insured.
• Surrender Charges : In this scenario, the insured is incurring a surrender charge for cancelling the existing annuity. Surrender charges are penalties for withdrawing funds from an annuity before a certain period.
• No Greater Financial Benefit : The new policy does not offer greater financial benefits compared to the existing one. This is critical as the primary motive behind replacing an annuity should be to provide the insured with better benefits, whether they be financial or in terms of coverage.

• Regulations : The California Code of Regulations (CCR) requires that any replacement of an annuity must be suitable for the insured, meaning it must offer greater or more appropriate benefits than the existing policy.
• Conclusion : Given these points, this scenario falls under "an unnecessary replacement," where the insured is subject to surrender charges without receiving any greater financial benefit, which is against the principles set forth by the California Department of Insurance.

Question: 5

Under the hospice care of a long-term care policy, all of the following benefits are available EXCEPT

A. pain relief.
B. symptom control.
C. family counseling.
D. rehabilitation therapy.

Answer: D

Explanation:
Hospice care under long-term care policies focuses on providing comfort and support to terminally ill patients. This includes pain relief, symptom control, and family counseling to support both the patient and their loved ones during the end-of-life process. Rehabilitation therapy, which is aimed at recovery and improving function, is not typically included in hospice care benefits since the focus is on palliative rather than curative treatment. Reference

Question: 6

The use of non-medical life insurance accomplishes all of the following EXCEPT

A. there is less demand on the medical profession.
B. the processing of life insurance applications is expedited.
C. insureds can avoid answering medical questions on the application.
D. insurer expenses are reduced by the cost of paying for medical examinations.

Answer: C

Explanation:
Non-medical life insurance policies expedite the application process by not requiring medical exams, thus reducing demands on the medical profession and saving the insurer costs associated with medical examinations. However, insureds are still typically required to answer medical questions on the application to assess risk, albeit without a physical exam. Therefore, statement C is incorrect.

Question: 7

The group medical plan provision that applies when a claimant has coverage under more than one plan is known as

A. coinsurance.
B. integration.
C. maximum benefits.
D. coordination of benefits.

Answer: D

Explanation:
Coordination of Benefits (COB) is a provision in group medical plans that determines the order in which multiple insurance policies will pay benefits when a claimant has coverage under more than one plan. The purpose of COB is to prevent duplicate payments and ensure that the combined payments from all insurers do not exceed the total cost of the services. This provision helps manage the claims process efficiently when more than one health plan is involved.

Question: 8

What is the limit of liability in a term life insurance policy?

A. The total cash value.
B. The face amount of the policy.
C. The total amount of premiums paid.
D. The face amount plus the premiums paid.

Answer: B

Explanation:
• Definition of Term Life Insurance : Term life insurance provides coverage for a specified period (term), and if the insured dies during this term, the policy pays out a death benefit.
• Limit of Liability : In a term life insurance policy, the limit of liability is the maximum amount the insurer will pay upon the insured's death.
• Face Amount : The face amount is the death benefit stated in the policy, which is the limit of liability. It does not change over the term of the policy.
• No Cash Value : Unlike permanent life insurance, term life insurance does not accumulate cash value. The limit of liability is strictly the face amount. References : California Insurance Code Sections 10130-10141 outline the regulations and definitions pertaining to life insurance policies, including term life insurance.

Question: 9

The theory of probability is applied to life insurance through the use of

A. morbidity tables.
B. mortality tables.

C. the needs approach.
D. the human life value approach.

Answer: B

Explanation:
Life insurance uses mortality tables to apply the theory of probability. Mortality tables provide statistical data on the likelihood of death at various ages, which helps insurers estimate the risk and set premium rates accordingly. These tables are based on historical data and help determine the expected lifespan of individuals within a population.

Question: 10

Why is an injury caused by an accident at an employee's workplace excluded from individual health insurance coverage?

A. It is covered by the employer's group disability insurance plan.
B. It is covered by the employer's group health insurance plan.
C. It is covered by the state Workers' Compensation program.
D. It is covered by Social Security benefits.

Answer: C

Explanation:
• Workplace Injuries: Injuries that occur at an employee's workplace are excluded from individual health insurance coverage because they fall under the jurisdiction of the state Workers' Compensation program, which provides benefits for work-related injuries and illnesses.
• Exclusions in Individual Policies: Individual health insurance policies specifically exclude coverage for injuries covered by Workers' Compensation (C), ensuring there is no duplication of benefits.
• Reference: This exclusion is detailed in the California Department of Insurance regulations regarding health insurance policies.

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