

# Cheat Sheet

**STOP! SLOW DOWN! READ EVERY WORD!**

***EXCEPT, ALWAYS, NEVER, NOT, ALL***

**DON'T SPEND MORE THAN 60 SECONDS ON A QUESTION**

**MARK QUESTIONS TO COME BACK TO- ONLY ON QUESTIONS THAT YOU DON'T HAVE ANY IDEA ON**

**DON'T 2<sup>ND</sup> GUESS YOURSELF – “DON'T THINK JUST KNOW, PICK IT AND GO!**

**SIT BACK ~ ~ RELAX!!**

- ▶ Elements of insurable risk - loss due to chance, measurable, predictable, not catastrophic, insurance not mandatory
- ▶ Adverse Selection- more prone to loss- sicker people
- ▶ Express Authority- written in the contract
- ▶ Consideration- binding force- something of value
- ▶ Aleatory – unequal amounts are exchanged
- ▶ Adhesion – take it or leave it basis
- ▶ Buyers Guide – generic information about how to buy insurance
- ▶ Disclosure Statements – help buyers make more informed decisions
- ▶ Disclosure Authorization Notice – written in plain language, approved by Commissioner, state insurers practice regarding collection of personal information
- ▶ Policy Summary – summarizes specifics on policy being issued
- ▶ Inspection Reports – ordered from independent investigating firms
- ▶ MIB – formed by insurance companies to prevent adverse selection
- ▶ Paramedical Exam – gives present health
- ▶ Attending Physician Statement – past health
- ▶ Waiver of Premium – If INSURED becomes disabled, premiums can be waived on their policy
- ▶ Payor Benefit – If POLICYOWNER becomes disabled
- ▶ Entire Contract –Application, Policy, Riders and Amendments
- ▶ Owners Rights – paying premium, making changes, naming beneficiary
- ▶ Revocable – owner can make changes at any time
- ▶ Irrevocable – changes can only be made with written permission of beneficiary
- ▶ Reinstatement – pay back premiums and prove insurability – Health policies have 10 days before illness covered
- ▶ Misstatement of Age – benefit adjusted, trumps period of incontestability
- ▶ Period of Incontestability – 2 yrs for Life – claim cannot be denied because of statements in application
- ▶ Time Limit on Certain Defenses – Health, 2 yrs for most statements, fraudulent misstatements – as long as policy in force
- ▶ Insuring Clause – Heart of the policy
- ▶ Suicide – excluded first 2 years(only premiums returned), after 2 years, full death benefit paid

- ▶ Guaranteed Insurability Rider – add more coverage at future dates without proof of insurability
- ▶ Accelerated Death Benefits – gives insured access to portion of death benefit if terminally ill – benefit tax free
- ▶ Term Rider – add more coverage to permanent policy at lesser cost
- ▶ Impairment Rider – takes away coverage
- ▶ Certificate of Authority – Admitted or Authorized
- ▶ Certificate of Insurance – issued to group participants
- ▶ Twisting – trying to convince someone to buy a policy that isn't in their best interest
- ▶ Consumer Reports – written and or oral about consumers credit, character, reputation and habits
- ▶ Investigative Consumer Reports – same as above, but interview – 3 days notify consumer, 5 days to get them more info
- ▶ STOLI and IOLI – violate concept of insurable interest
- ▶ Universal Life – 2 components – insurance(ART) and cash acct
- ▶ Guaranteed Minimum Interest Rate – all permanent policies and annuities have (except Variable)
- ▶ Medicaid – State and Federal, Needs based
- ▶ Producer – Agent
- ▶ Principal – Insurer
- ▶ Own Occupation – more liberal definition of disability
- ▶ Any Occupation – more restrictive
- ▶ Partial Disability – usually 50% of the benefit after returning to work, but not full time
- ▶ Residual Disability – makes up for a loss of earning
- ▶ Warranty – absolutely true statement – constitutes fraud
- ▶ Representations – answers believed to be true, but not guaranteed
- ▶ Misrepresentations – lies told
- ▶ Material Misrepresentation – material to the underwriting
- ▶ Notice of Claim – 20 days
- ▶ Claim Forms – 15 days
- ▶ Proof of Loss – 90 days
- ▶ Participating- mutual, policyholders, dividends-not taxable, not guaranteed
- ▶ Non- Participating- stock, stockholders, taxable
- ▶ Guaranteed(fixed) vs. Non-Guaranteed(current)- Whichever is higher – all Permanent Policies and Annuities(exc. Var)
- ▶ Variable- FINRA, SEC, no guarantees, securities license, funds in separate account, hedge against inflation
- ▶ Term Life- temporary protection; pure death protection
- ▶ ART-lowest first year premium – Attained Age Policy – premiums go up each year
- ▶ Issue Age – rates based on date first issued, don't change, unless increase in benefits
- ▶ Decreasing term- credit life
- ▶ Increasing Term – ROP Rider
- ▶ Increasing, Decreasing and Level – has NOTHING to do with the premium; only the face amount of the policy
- ▶ Universal and Adjustable, Variable- premium and face amount can be adjusted
- ▶ Assignment- Collateral or Absolute (Viatical Settlement)
- ▶ Settlement Options – lump sum, interest only, fixed period, fixed amount and life income
- ▶ Fixed period- I choose the period
- ▶ Fixed amount- I choose the amount

- ▶ Life Income- pays for the rest of your life; if you die too soon the principle is forfeited
- ▶ Non forfeiture options- cash surrender value, extended term, reduced paid up
- ▶ Extended Term- same face amount; term insurance – highest amount of protection
- ▶ Reduced Paid Up- lower face amount; same type of permanent insurance – longest period of protection
- ▶ Dividend options- cash, reduction of premium, accumulate at interest, 1 yr term, paid up additions, paid up insurance
- ▶ Annuities- 401k, used for retirement, level or flexible on funding, immediate or deferred, surrender charges
- ▶ MEC- 7 pay test, 7 pay whole life contract, loses tax advantage, LIFO, IRS-10%, tax deferred on cash value
- ▶ IRA- low limits, 6% penalty for over contributing
- ▶ SEP – high limits
- ▶ 403B – employees of public school systems
- ▶ Profit Sharing – “systematic and substantial”
- ▶ Rollover- 20% withheld if not direct rollover
- ▶ Taxation – “Excess of premiums put in” will be taxed, death benefit is tax free
- ▶ Key Person and Buy Sell Agreements – exceptions to taxation – company pays premium and gets benefit, can’t deduct premium as business expense, benefit is tax free
- ▶ SIMPLE Plan- less than 100 employees
- ▶ Association Group- more than 100 employees
- ▶ COBRA- more than 20 employees, up to 36 months,
- ▶ Small Employer- 2 to 50 employees, 75% of premium paid by employer
- ▶ Basic Medical – First Dollar Coverage(no deduct), low limits
- ▶ Supplementary Major Medical – takes over when Basic runs out – Corridor Deductible
- ▶ Major Medical- deductibles, co-insurance, stop loss, high maximum limits, blanket coverage
- ▶ Fee for Service- PPO
- ▶ Pre-Paid- HMO (subscribers, geographic area)
- ▶ POS – HMO part – doctors paid on capitated basis, PPO part – see any doctor in network
- ▶ HIPPA- 18 months creditable coverage, no gap greater than 63 days, 2 or more is a group
- ▶ Flex Spending Account- funds do not carry over, health care account and dependent care account
- ▶ Disability- own occ- good for 24 months, then any occ (suited by education, training or experience). Elimination period and benefit period. Occupational – on or off the job, Non-Occ – off the job only (group).
- ▶ Elimination Period – from the onset of disability that has to be satisfied before benefits begin
- ▶ Probationary Period – from when policy is first issued before illness is covered
- ▶ Inflation- erodes purchasing power, COLA rider.
- ▶ Fully insured- 40 quarters
- ▶ Partially insured- 6 out of the last 13
- ▶ Social Security- 5 month elimination, hard to get, must be fully insured, under 23 – 6 credits, 24 to 31 – 12 credits
- ▶ Social Security Blackout Period – youngest child reaches 16 until spouse reaches 60
- ▶ Medicare- Part A(hospital(90 days), skilled nursing(100 days), hospice and home health care)- automatic at 65, premium free
  - Part B(doctor, medical, outpatient hospital)- optional, premium to it
  - Part C- Medicare Advantage- no claim forms, must be enrolled in Parts A and B, provided by HMOs

and PPOs

Part D- Prescription drug (donut hole), must be enrolled in Part A or A and B

- ▶ Medicare Supplements- Plan A must be included in all plans, Part A deductible not covered under Plan A
  - At least enrolled in Part A
  - Must have Part A and B for it to be Guaranteed Issue – 6 month open enrollment window
- ▶ Large Group is 100 or more employees
- ▶ Taxation of Health Insurance- Were the premiums taxed? “Benefits” or “Premiums” (Disability) - taxed on the portion of the employer paid premium. Medical premiums and expenses- 7.5% AGI.
- ▶ Non Contributory – Fully Contributory – Partially Contributory (Use 1<sup>st</sup> person)
- ▶ Usual, Reasonable and Customary – based on specific geographic areas
- ▶ Fair Credit Reporting Act - \$2500
- ▶ Insurance Code - \$25000
- ▶ 5 Years – agent place of business or residence, commissioner experience in business, CPA or lawyer, license gets revoked before you can reapply
- ▶ 10 days – Free Look Period
- ▶ 31 days – Free Look for Old People – Med Supp and LTC
- ▶ 31 Days – Grace period for Life policy and group plans
- ▶ 7-10-31 – Health policies(weekly, monthly, all other modes)
- ▶ 31 days – notify insurer of newborn or dependent child
- ▶ 2 months – death claims paid
- ▶ 2 years – period of incontestability for life, bring legal action against a life insurer
- ▶ 60 days to 3 years – bring legal action against a health insurer
- ▶ 6 months – from enrolling in Part B of Medicare for a Supp to be guaranteed issue
- ▶ Guaranteed Renewable – Insurer has to renew up to a certain age. Can raise rates, but on a class basis only. Med Supps and LTC
- ▶ Non-Cancelable – insurer can’t cancel and cannot raise rates
- ▶ Conditionally – for conditions written in the contract
- ▶ Optionally – at the option of the insurer, for any reason but only on the policy anniversary date
- ▶ Cancelable – for any reason, any time during the year – any claims in progress must be honored and unearned premiums must be returned
- ▶ Period of Time (Term) – only good for a set period and they are not renewable – Travel Accident Policy