InsuranceLicensing.Life-and-Accident-and-Health-or-Sickness-Producer-Combo.v2026-08-19.q129

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NEW QUESTION: 1
Subject to certain limitations, the purpose of the Maryland Life and Health Insurance Guaranty Corporation is to protect various entities such as residents who are policyowners, beneficiaries, and annuitants. The intent is to protect the listed individuals against failure in the performance of contractual obligations due to:
A. The impairment of the insurer that issued the policy or contract
B. Riots, insurrections, war, or acts of God
C. An insurance producer's fraudulent actions
D. Impending insurance legislation
Answer: (SHOW ANSWER)
Purpose of the Maryland Life and Health Insurance Guaranty Corporation.
Maryland established the Life and Health Insurance Guaranty Corporation to provide limited protection to policyholders when a licensed insurer becomes insolvent or impaired.
The protection applies only to policies and contracts issued by authorized insurers.
Evaluate each option.
A). Impairment of the insurer
Correct. The guaranty association exists specifically to protect consumers when an insurer fails to meet contractual obligations due to insolvency or impairment.
B). Riots, war, or acts of God
These are risks addressed by insurance policies, not guaranty associations.
C). Producer's fraudulent actions
Producer misconduct is addressed through licensing enforcement and legal remedies, not guaranty funds.

D). Impending insurance legislation
Legislative changes do not trigger guaranty association protection.
Conclusion.
The guaranty corporation protects against insurer insolvency, making option A correct.

NEW QUESTION: 2
One premium payment covers which period of time in a single premium whole life policy?
A. One month
B. One year
C. To the insured's age 65
D. The full life of the policy
Answer: (SHOW ANSWER)
Definition of single premium whole life insurance.
A single premium whole life policy is funded with one lump-sum premium payment at issue.
No additional premiums are ever required.
What the single premium accomplishes.
That one payment is actuarially calculated to:
Provide lifetime coverage, and
Build immediate cash value sufficient to support the policy for life.
Why other time periods are incorrect.
One month / one year: These describe term or annually renewable policies, not whole life.
To age 65: This describes limited-pay whole life, not single premium.
Maryland consumer protection relevance.
Maryland requires disclosure that single premium policies may trigger tax consequences and MEC status, reinforcing that the payment funds the entire policy duration.
Conclusion.
One premium payment covers the full life of the policy.

NEW QUESTION: 3
The qualified first-time homebuyer distribution available in IRAs has a maximum lifetime limit per participant of:
A. $2,000
B. $5,000
C. $10,000
D. $20,000
Answer: (SHOW ANSWER)
The IRS allows a penalty-free distribution of up to $10,000 from an IRA for qualified first-time homebuyers, provided the funds are used for eligible home purchase expenses.
$10,000 (C): Correct. This is the lifetime maximum allowed per participant.
$2,000 (A) and $5,000 (B): Too low for the current IRS rules.
$20,000 (D): Exceeds the limit and is incorrect.

References: IRS Publication 590-B, Maryland IRA Distribution Rules, and COMAR 31.09.12.

NEW QUESTION: 4
A transaction in which an existing annuity contract is terminated and a new one is issued is called:
A. Conversion
B. Continuation
C. Replacement
D. Reinstatement
Answer: (SHOW ANSWER)
Definition of annuity replacement.
Replacement occurs when an existing annuity is surrendered, lapsed, or terminated and replaced with a new annuity.
Why replacements are regulated.
Replacements may trigger:
Surrender charges
Loss of benefits
Restart of surrender periods
Maryland disclosure requirements.
Producers must disclose all consequences of annuity replacement to comply with good-faith and suitability rules.
Why the other options are incorrect.
Conversion: Applies to term-to-permanent policies.
Continuation: Keeping the same contract.
Reinstatement: Restoring a lapsed policy.
Conclusion.
Terminating one annuity and issuing another is a replacement.

NEW QUESTION: 5
When a producer sells an individual accident and health insurance policy, how is the initial premium usually paid?
A. The applicant sends it directly to the insurer with the application
B. The producer collects and forwards it to the insurer
C. The insurer bills the applicant when the application is approved
D. The insurer utilizes the applicant's automatic bank draft authorization
Answer: (SHOW ANSWER)
Producers (Insurance Article, § 10-126) typically collect the initial premium with the application and forward it to the insurer, streamlining the process, unlike direct payment, billing, or bank drafts, which are less common initially.
References:Maryland Insurance Article, § 10-126; MIA producer procedures.

NEW QUESTION: 6
All of the following are basic underwriting actions in accident and health insurance EXCEPT:
A. Rejecting applicants
B. Deleting uniform policy provisions
C. Issuing standard policies as applied for
D. Issuing policies with exclusion riders
Answer: (SHOW ANSWER)
Underwriting involves assessing risk by rejecting high-risk applicants, issuing standard policies, or adding exclusion riders for specific conditions. Deleting uniform policy provisions-mandatory clauses like grace periods (Insurance Article, § 15-201)-isn't an underwriting action, as these are legally required and cannot be altered by underwriters.
References:Maryland Insurance Article, § 15-201 et seq.; MIA underwriting guidelines.

NEW QUESTION: 7
All of the following are typical health maintenance organization (HMO) preventive care services provided by a primary care physician EXCEPT:
A. Well-baby checkups
B. Immunizations for children
C. Experimental surgery
D. Physical examinations
Answer: (SHOW ANSWER)
HMOs (Health-General Article, § 19-701) provide preventive care like checkups, immunizations, and exams.
Experimental surgery isn't preventive or standard, making it the exception to covered services.
References:Maryland Health-General Article, § 19-701; MIA HMO guidelines.

NEW QUESTION: 8
A certificate of insurance in a group accident and health plan is:
A. A binding contract between the employee and the insurer
B. A binding contract between the employer and the insurer
C. Evidence of the employee's insurance coverage
D. Issued to the employer for each insured location
Answer: (SHOW ANSWER)
The certificate (Insurance Article, § 15-1207) provides employees with evidence of coverage under the group plan, not a binding contract (master policy) or employer-specific by location. It summarizes benefits for clarity.
References:Maryland Insurance Article, § 15-1207; MIA group insurance rules.

NEW QUESTION: 9
The entire contract provision in an individual accident and health insurance policy states that the producer:

A. Has company authority to change the policy
B. May waive only certain contract provisions
C. Has company authority to waive any contract provisions
D. Has no authority to change the policy or waive any of its provisions
Answer: D (LEAVE A REPLY)
The entire contract provision (Insurance Article, § 15-207) defines the policy and application as the full agreement, barring producers from altering or waiving terms. Only the insurer has such authority.
References:Maryland Insurance Article, § 15-207; MIA policy standards.

NEW QUESTION: 10
Medicare Supplement insurance is specifically designed for individuals who:
A. Have low incomes and limited assets
B. Have enrolled in Medicare
C. Cannot obtain commercial coverage due to health problems
D. Are ineligible for coverage under an employer group accident and health plan
Answer: (SHOW ANSWER)
Medicare Supplement (Medigap, Insurance Article, § 15-901) is for Medicare enrollees (Parts A and B) to cover gaps, not low-income (Medicaid), uninsurable (pre-ACA pools), or employer-ineligible individuals.
References:Maryland Insurance Article, § 15-901; MIA Medigap rules.

NEW QUESTION: 11
Splitting the commission with the buyer on a sale of insurance is an unfair trade practice known as:
A. Twisting
B. Binding
C. Soliciting
D. Rebating
Answer: (SHOW ANSWER)
Rebating occurs when an insurance producer offers a portion of their commission, premium reductions, or other inducements to buyers that are not explicitly stated in the policy. It is prohibited under Maryland law to ensure fair competition and maintain ethical standards.
Rebating (D): Involves returning part of the commission or providing benefits not in the policy to incentivize a sale, violating Maryland Insurance Article §27-212.
Twisting (A): Refers to persuading a policyholder to lapse or replace a policy through misrepresentation, unrelated to commission-sharing.
Binding (B): Relates to confirming coverage but does not involve commissions.
Soliciting (C): Refers to seeking potential clients, not the unfair practice of rebating.
References: Maryland Unfair Trade Practices Act, COMAR 31.15.05, and Maryland Insurance Article §27-

209.

NEW QUESTION: 12
Which statement is true of trade association groups eligible for group medical benefits?
A. Members of the association are usually in the same industry
B. Such associations are formed for the purpose of purchasing insurance
C. The association membership primarily consists of large employers
D. Employer contributions are usually waived
Answer: (SHOW ANSWER)
Trade associations (Insurance Article, § 15-1209) group members in the same industry for medical benefits, not solely for insurance, and include small employers with contributions typically required.
References:Maryland Insurance Article, § 15-1209; MIA group insurance rules.

NEW QUESTION: 13
An order from the Commissioner MUST include all of the following EXCEPT:
A. Its effective date
B. Its purpose
C. The grounds on which it is based
D. The signature of the Governor
Answer: (SHOW ANSWER)
Authority of the Maryland Insurance Commissioner.
The Commissioner has independent statutory authority to issue orders, rulings, and enforcement actions.
Required elements of an administrative order.
A valid order must clearly state:
The effective date
The purpose of the order
The legal and factual grounds supporting the decision
Why the Governor's signature is not required.
The Commissioner acts under delegated legislative authority.
Orders are administrative, not executive proclamations.
Evaluate each option.
A). Effective date - required
B). Purpose - required
C). Grounds - required
D). Governor's signature - not required
Due process relevance.
These requirements ensure transparency and allow for judicial review.
Conclusion.
An order does not require the Governor's signature.

NEW QUESTION: 14
Fixed annuities credit interest at a rate no lower than the:
A. Expected renewal interest rate
B. Contract guaranteed rate
C. Current prime rate
D. Front-end load rate
Answer: B (LEAVE A REPLY)
Interest guarantees in fixed annuities.
Fixed annuities promise a minimum guaranteed interest rate stated in the contract.
Protection for annuity owners.
Even if market rates decline, the insurer must credit at least the guaranteed rate.
Evaluate each option.
Expected renewal rate: Not guaranteed.
Guaranteed rate: Contractually binding.
Prime rate: Unrelated to annuities.
Front-end load: A fee concept, not interest.
Maryland suitability relevance.
Guaranteed minimums protect consumers and are a key disclosure requirement.
Conclusion.
Fixed annuities credit no less than the contract guaranteed rate.

NEW QUESTION: 15
All of the following may be used as selection criteria in individual life insurance underwriting EXCEPT:
A. Age
B. National origin
C. Health status
D. Smoking habits
Answer: (SHOW ANSWER)
Purpose of underwriting selection criteria.
Underwriting evaluates risk factors that affect life expectancy and mortality.
Evaluate each option.
A). Age
A fundamental actuarial factor.
B). National origin
Prohibited. Maryland and federal law prohibit discrimination based on national origin.
C). Health status
A core underwriting factor.
D). Smoking habits
A valid mortality-related risk factor.

Maryland anti-discrimination rules.
Maryland law prohibits unfair discrimination unrelated to actuarial risk.
Conclusion.
National origin may not be used as an underwriting selection criterion.

NEW QUESTION: 16
When the owner of a life insurance policy reserves the right to change the beneficiary, the arrangement is called:
A. A contingent designation
B. An irrevocable designation
C. A contestable designation
D. A revocable designation
Answer: (SHOW ANSWER)
Beneficiary designation concepts.
Life insurance policies allow the owner to name beneficiaries who receive proceeds at death.
Revocable vs. irrevocable designations.
A revocable beneficiary can be changed by the policyowner at any time without the beneficiary's consent.
An irrevocable beneficiary cannot be changed without the beneficiary's written consent.
Evaluate each option.
A). Contingent designation
Refers to a secondary beneficiary, not the right to change.
B). Irrevocable designation
Opposite of the described situation.
C). Contestable designation
Not a valid beneficiary term.
D). Revocable designation
Correct. This allows the policyowner to change beneficiaries.
Maryland relevance.
Maryland recognizes revocable beneficiary designations unless the policy specifically states otherwise.
Conclusion.
Reserving the right to change beneficiaries is a revocable designation.

NEW QUESTION: 17
An insurance producer or advisor in the State of Maryland can be disciplined by the MarylandInsurance Administration for all of the following EXCEPT:
A. Making a misleading statement about the financial condition of an insurer
B. Using inappropriate description of a policy to hide the true nature of the policy
C. Making false or misleading statements about dividends previously paid on similar policies
D. Filing a complaint on behalf of the consumer with the Maryland Insurance Administration
Answer: (SHOW ANSWER)
The MIA (Insurance Article, § 10-126) disciplines producers for misrepresentation (§ 27-202, § 27-503), but filing a consumer complaint with the MIA is a legitimate advocacy action, not a disciplinary offense. It supports consumer protection, unlike the other deceptive practices.
References:Maryland Insurance Article, § 10-126, § 27-202, § 27-503; MIA producer regulations.

NEW QUESTION: 18
An individual purchased an annuity with a series of premium payments continuing over a period of twenty years. The purchase payments were made during the:
A. Liquidation period
B. Annuity period
C. Period certain
D. Accumulation period
Answer: (SHOW ANSWER)
Understanding annuity phases.
An annuity has two primary phases:
Accumulation period: when premiums are paid and values grow.
Annuity (liquidation) period: when income payments are received.
Apply the facts.
The question describes premium payments being made over time.
No income distributions are occurring yet.
Why the other options are incorrect.
Liquidation / annuity period involves payouts, not payments.
Period certain describes a payout guarantee, not a payment phase.
Conclusion.
Premium payments are made during the accumulation period.

NEW QUESTION: 19

The provision in a life insurance policy that allows the policyowner to cancel the policy within a limited period of time after delivery of the policy and receive a full premium refund is the:

A. Discovery period

B. Probationary period

C. Grace period

D. Free look period

Answer: (SHOW ANSWER)

Purpose of the free look period.

The free look period allows the policyowner to review the policy after delivery.

Consumer protection function.

Maryland law requires a minimum free look period (commonly 10 days).

If cancelled within this time, the policyowner receives a full refund.

Why the other options are incorrect.

Discovery period: Related to claims-made policies.

Probationary period: Often associated with health insurance waiting periods.

Grace period: Allows late premium payment, not cancellation.

Conclusion.

The correct provision is the free look period.

NEW QUESTION: 20

When an accident and health insurer requires a covered individual to undergo a physical examination, who pays the cost of the examination?

A. The premium payor

B. The principal insured individual

C. The patient or parent of the patient

D. The insurer

Answer: (SHOW ANSWER)

If an insurer mandates a physical exam (Insurance Article, § 12-202), it pays the cost, as it's a condition of coverage or claims processing. The premium payor, insured, or patient isn't responsible for insurer-initiated requirements.

References:Maryland Insurance Article, § 12-202; MIA policy standards.

NEW QUESTION: 21

To be eligible for major medical extended care benefits, a patient must:

A. Be terminally ill

B. Have had surgery

C. Require physical therapy

D. Require continuous skilled nursing care

Answer: (SHOW ANSWER)

Extended care under major medical (Insurance Article, § 15-201) requires continuous skilled nursing care (e.

g., nursing home), not just terminal illness, surgery, or therapy, which have broadercriteria.
References:Maryland Insurance Article, § 15-201; MIA major medical standards.

NEW QUESTION: 22
Disability income insurance premiums are a deductible expense when the premiums are paid by:
A. A partnership for group disability income coverage for the partners
B. A corporation for group disability income coverage for the employees
C. An insured for individual disability income coverage
D. An employee for group disability income coverage
Answer: (SHOW ANSWER)
Under IRC § 162, premiums paid by a corporation for group disability coverage for employees are deductible as a business expense, with benefits taxable to employees. Partnerships can't deduct for partners (owners), individual premiums aren't deductible (IRC § 213), and employee-paid premiums don't qualify unless under specific plans. Maryland follows federal tax treatment.
References:Maryland Insurance Article; IRC § 162, § 213; MIA tax guidelines.

NEW QUESTION: 23
A policyholder uses a Section 1035 exchange to replace an existing life insurance policy. If the new policy is later surrendered, the gain realized on termination is taxed as:
A. Ordinary income
B. A capital gain
C. Ordinary income plus a 10% surcharge
D. A deferred capital gain
Answer: (SHOW ANSWER)
Under a 1035 exchange, policyholders can replace an insurance policy or annuity without immediate tax consequences. However, gains realized later upon surrender of the new policy are taxed as:
Ordinary income (A): The difference between the cash surrender value and the cost basis (premiums paid) is taxed as income.
Capital gains (B): Not applicable because gains on life insurance are classified as ordinary income.
Ordinary income plus a 10% surcharge (C): The 10% penalty applies only to premature withdrawals from retirement accounts, not life insurance.
Deferred capital gain (D): Does not apply, as life insurance gains are not taxed under capital gain rules.
References: IRS Code Section 1035, Maryland Tax Treatment of Life Insurance Policies, and COMAR
31.09.12.

NEW QUESTION: 24
A producer is prohibited from:

A. Selling insurance to family members
B. Allowing an applicant to sign a blank or incomplete application
C. Countersigning a policy sold in Maryland
D. Splitting commissions with a licensed nonresident producer who has jointly sold a policy
Answer: (SHOW ANSWER)
Allowing an applicant to sign a blank or incomplete application (B) violates ethical and legal standards, as it undermines transparency and could lead to disputes about coverage or claims.
Selling insurance to family members (A): Permitted as long as the transactions are conducted ethically and comply with Maryland laws.
Countersigning policies (C): Required in certain situations to validate contracts in Maryland.
Splitting commissions with nonresident producers (D): Permissible under Maryland law, provided both producers are licensed and involved in the transaction.
References: Maryland Insurance Administration Producer Conduct Rules, COMAR 31.03.13, and Ethical Standards for Insurance Producers.

NEW QUESTION: 25
The beneficiary of a life insurance policy is the:
A. Person or entity who has ownership interest in the policy
B. Person or entity designated in the policy to receive the death proceeds
C. Insurer that issues the policy
D. Owner of the cash value fund
Answer: (SHOW ANSWER)
The beneficiary is the individual or entity named in the life insurance policy to receive the death benefit upon the insured's death.
Designated recipient of proceeds (B): The policyholder nominates this party in the policy documents.
Ownership interest in the policy (A): Refers to the policyowner, who controls and funds the policy but may not be the beneficiary.
Insurer (C): Issues and administers the policy but is not a recipient.
Owner of the cash value fund (D): This pertains to cash value accumulation, separate from death benefit designation.
References: Maryland Life Insurance Policy Provisions and Beneficiary Designation Rules.

NEW QUESTION: 26
What does the annuitant usually receive during the liquidation phase of an annuity?
A. Cash withdrawals upon request
B. Benefit payments at regular intervals
C. A lump sum
D. Nothing
Answer: (SHOW ANSWER)

During the liquidation phase, an annuity pays out benefits to the annuitant based on the terms of the contract.
Benefit payments at regular intervals (B): Correct. These payments are structured as monthly, quarterly, or yearly installments based on the chosen payout option.
Cash withdrawals upon request (A): Relates to the accumulation phase, not liquidation.
A lump sum (C): Applies only if the annuity is structured for a single payout, not typical during the liquidation phase.
Nothing (D): Incorrect, as this phase is specifically for distributing payments.
References: Maryland Annuity Guidelines, Payout Options, and COMAR 31.09.08.

NEW QUESTION: 27
All of the following are unfair trade practices EXCEPT:
A. Misrepresentation
B. Fraudulent advertising
C. Illegal inducement
D. Reinsurance
Answer: (SHOW ANSWER)
Unfair trade practices under Maryland insurance law.
Maryland Insurance Article Title 27 prohibits unfair methods of competition and deceptive acts in the insurance business.
Evaluate each option.
A). Misrepresentation
Explicitly prohibited as an unfair trade practice.
B). Fraudulent advertising
Prohibited under Maryland law.
C). Illegal inducement
Includes rebating and other improper incentives and is prohibited.
D). Reinsurance
A legitimate, lawful business practice between insurers used to manage risk.
Conclusion.
Reinsurance is not an unfair trade practice, making option D correct.

NEW QUESTION: 28
One feature that distinguishes a continuous premium whole life policy from a limited payment whole life policy is:
A. The length of time premiums will be paid
B. The settlement options available
C. The mortality table from which premiums are calculated
D. The form in which dividends are paid
Answer: (SHOW ANSWER)
Types of whole life policies.

Both continuous premium and limited payment whole life policies provide lifetime coverage.
Key difference between the two.
Continuous premium whole life requires premiums to be paid for the insured's entire life.
Limited payment whole life requires premiums for a shorter, defined period (e.g., 20-pay, paid-up at 65).
Evaluate each option.
A). Length of time premiums are paid
Correct. This is the distinguishing feature.
B). Settlement options
Generally the same for both.
C). Mortality table
The same actuarial principles apply.
D). Dividend form
Not a distinguishing feature.
Conclusion.
The primary difference is how long premiums are paid.

NEW QUESTION: 29
All of the following are reasons for a business organization to purchase key person life insurance EXCEPT:
A. The loss of leadership resulting from the key person's death
B. The reduction of profits resulting from the key person's death
C. The loss of new business resulting from the key person's death
D. The increased pension liability resulting from the key person's death
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer is D. The increased pension liability resulting from the key person's death.
Key person life insurance is purchased by a business to protect itself against the financial loss caused by the death of an important employee, owner, founder, partner, manager, or other person who is critical to the success of the business. The Maryland Insurance Administration explains that the death of a key person can have a serious impact on the business's bottom line, and the policy proceeds can help the company continue operations, replace and train a new employee, or buy out a deceased owner's heirs. Therefore, loss of leadership, reduced profits, and loss of new business are valid reasons for key person life insurance. Increased pension liability is not the purpose of key person life insurance and is not the risk being insured. Official Maryland Reference:
Maryland Insurance Administration, A Business Owner's Guide to Commercial Insurance, Key Person Life Insurance section.

NEW QUESTION: 30
The needs approach in life insurance is most useful in determining:

A. Which types of individuals the producer should attempt to meet
B. The amount of life insurance to be recommended to a client
C. Which companies offer the best array of life insurance products
D. The most appropriate method for prospecting new clients
Answer: (SHOW ANSWER)
Purpose of the needs approach.
The needs approach calculates the amount of life insurance needed to meet specific financial obligations upon the insured's death.
Apply the concept.
It considers income replacement, debts, education costs, and final expenses.
Evaluate each option.
A). Types of individuals
Prospecting issue, not a needs analysis.
B). Amount of life insurance
Correct. This is the primary use of the needs approach.
C). Best companies
Product selection issue, not needs-based.
D). Prospecting method
Sales strategy, not needs-based.
Maryland suitability relevance.
Maryland requires producers to make suitable recommendations, and the needs approach supports suitability and good faith.
Conclusion.
The needs approach is used to determine how much insurance to recommend.

NEW QUESTION: 31
Which advantage is available to employees participating in a qualified profit-sharing plan?
A. Employees can avoid tax penalties on premature distributions
B. The contributions are excluded from current taxable income to the employee
C. The employees have the option of a defined benefit or defined contribution plan
D. Investment earnings on the plan contributions are received by the employee income tax free
Answer: (SHOW ANSWER)
Nature of qualified profit-sharing plans.
Profit-sharing plans are qualified retirement plans under federal tax law.
Tax treatment of contributions.
Employer contributions to the plan are not included in the employee's current taxable income.
Taxes are deferred until distribution.
Why the other options are incorrect.
A). Avoid penalties: Early distributions may still be penalized.
C). Defined benefit vs. defined contribution: Profit-sharing plans are defined contribution plans only.

D). Earnings tax-free: Earnings are tax-deferred, not tax-free.
Maryland tax conformity.
Maryland generally follows federal income tax treatment for qualified plans.
Conclusion.
The key advantage is current income tax exclusion of contributions.

NEW QUESTION: 32
The income benefits distributed during the liquidation phase of an annuity contract are normally payable to:
A. The owner
B. The beneficiary
C. The nominator
D. The annuitant
Answer: (SHOW ANSWER)
During the liquidation (or payout) phase of an annuity, the annuitant receives periodic payments:
The annuitant (D) is the individual designated to receive the payments, as they are the insured party in the contract.
The owner (A) is often the annuitant but may differ; the owner controls the contract but does not necessarily receive payments.
The beneficiary (B) receives the death benefit if the annuitant passes away, not the periodic payments.
" Nominator " (C) is not relevant terminology in annuities.
References: Maryland Insurance Guidelines on Annuities, Payment Distribution, and Liquidation.

NEW QUESTION: 33
The typical group disability income insurance policy EXCLUDES coverage for disability resulting from:
A. Commercial airline crashes
B. Injuries occurring in the home

C. Automobile accidents
D. Military service
Answer: (SHOW ANSWER)
Group disability policies (Insurance Article, § 15-201) cover accidents like crashes or home injuries, but exclude military service disabilities, often covered by government programs (e.g., VA), reflecting standard exclusions.
References:Maryland Insurance Article, § 15-201; MIA disability insurance standards.

NEW QUESTION: 34
When a producer engages in unfair practices, all of the following are true EXCEPT:
A. The Maryland Insurance Administration investigates the problem and holds a hearing
B. The Maryland Insurance Administration's decision is final
C. The Maryland Insurance Administration can suspend the producer's license
Answer: (SHOW ANSWER)
Authority of the Maryland Insurance Administration (MIA).
The MIA has the authority to investigate complaints, conduct hearings, and impose disciplinary actions against licensed producers.
Evaluate each option.
A). Investigation and hearing
Correct. The MIA investigates alleged violations and may hold administrative hearings.
B). Decision is final
Incorrect. MIA decisions are subject to judicial review and appeal under Maryland administrative law.
C). License suspension
Correct. The MIA may suspend, revoke, or refuse to renew a producer's license.
Good-faith enforcement relevance.
Maryland's system ensures fairness by allowing producers due process and appeal rights.
Conclusion.
Because MIA decisions are not automatically final, option B is the correct answer.

NEW QUESTION: 35
In general practice, can the Maryland Insurance Administration inspect the business records of an insurance company or agency?
A. No, because of privacy considerations
B. Yes, because of the powers defined by state laws
C. No, because only an officer of the court can inspect these records
D. Yes, because all company and agency records are public domain
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:The Maryland Insurance Administration (MIA) is authorized to inspect the records of insurers and agencies to ensure compliance with laws:

Yes, because of the powers defined by state laws (B):Correct. The MIA has broad authority under Maryland law to audit, inspect, and investigate insurance business practices.
No, because of privacy considerations (A):Incorrect. Regulatory inspections are exempt from privacy concerns when conducted lawfully.
Only an officer of the court (C):Not required; the MIA operates independently within its legal mandate.
Public domain records (D):Incorrect; insurance records are not publicly accessible unless required by law.
References:Maryland Insurance Article §2-209, COMAR 31.03.01, and Regulatory Oversight Guidelines.

NEW QUESTION: 36
In determining the payment of accelerated life insurance benefits, all of the following are considered activities of daily living EXCEPT:
A. Dressing
B. Eating
C. Bathing
D. Speaking
Answer: (SHOW ANSWER)
Accelerated benefits are often triggered by the inability to perform activities of daily living (ADLs), which are standard measures of functional capacity.
Dressing (A), Eating (B), Bathing (C): Correctly identified as ADLs used to assess eligibility for benefits.
Speaking (D): Not classified as an ADL under Maryland insurance definitions or long-term care benefit triggers.
References: Maryland Accelerated Benefits Guidelines, Long-Term Care Standards, and COMAR 31.09.04.

NEW QUESTION: 37
(All of the following are advantages of whole life insurance EXCEPT:)
A. Policy loans may be available.
B. Long-term protection is provided.
C. The initial cost of coverage is lower than for an equivalent amount of term insurance.
D. There is a cash value if the policy is terminated after a sufficient period of time.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:
* Whole life basics:Permanent protection with guaranteed level premiums (typically), cash value accumulation, and death benefit.
* Check each statement:
* A: True advantage-whole life typically allows policy loans against cash value.
* B: True advantage-coverage is long-term/permanent (as long as premiums are paid).

* D: True advantage-cash value may be available upon surrender after enough time.
* C: Not an advantage-whole lifeusually costs more initiallythan equivalent term because it includes cash value and lifetime coverage features.
* Therefore C is the "EXCEPT"(the incorrect "advantage").
* Maryland reference:Marketing whole life as "cheaper than term" (for equivalent death benefit) can be misleading; Maryland prohibits incomplete or misleading disclosure of policy provisions/facts.

NEW QUESTION: 38
To be deemed a " qualified employer " under the Maryland Health Benefit Exchange Act, anemployer MUST:
A. Contribute to employee premiums
B. Have its principal place of business in the state of Maryland
C. Have at least 50% of its employees work in the state of Maryland
D. Have at least 50% of its employees reside in the state of Maryland
Answer: (SHOW ANSWER)
The Maryland Health Benefit Exchange Act (Insurance Article, § 31-101) defines a qualified employer as one with its principal place of business in Maryland for SHOP Exchange eligibility. Premium contributions are optional, and employee work or residency percentages aren't required.
References:Maryland Insurance Article, § 31-101; MIA SHOP Exchange rules.

NEW QUESTION: 39
Which amount may be deposited into a rollover individual retirement account (IRA) for the purpose of deferring income taxes?
A. The proceeds of a life insurance policy paid to a beneficiary under age 70-1/2
B. The refund received by the beneficiary under a refund life annuity
C. The amount paid to the spouse of a deceased annuitant under a tax-sheltered annuity
D. The value of an IRA established by the beneficiary's deceased parent
Answer: (SHOW ANSWER)
A rollover IRA is used to defer taxes on qualifying distributions.
Proceeds from a life insurance policy (A) are generally not eligible for tax-deferred treatment.
Refunds from a refund life annuity (B) are considered taxable income and not eligible for rollover.
Amounts paid to a spouse under a tax-sheltered annuity (C) qualify for rollover treatment because they meet IRS rollover rules for deferred taxation.
IRAs inherited from parents (D) follow different tax rules and cannot be directly rolled over into a new IRA.
References: IRS Publication 590-B and Maryland Retirement Account Regulations.

NEW QUESTION: 40
Under federal law, an insurance producer may be sentenced to prison for:
A. Selling insurance with a nonresident license

B. Embezzling money from an insurance company
C. Inducing a client to sign an application for insurance
D. Suing an insurer over contract violations
Answer: (SHOW ANSWER)
Criminal vs. administrative violations.
Not all insurance violations are crimes.
Criminal penalties apply when conduct involves fraud, theft, or embezzlement.
Define embezzlement.
Embezzlement involves misappropriating funds entrusted to the producer, such as:
Premium payments
Trust account funds
Evaluate each option.
A). Selling with a nonresident license
Typically an administrative violation, not a felony.
B). Embezzling money
Correct. This is a federal and state crime punishable by imprisonment.
C). Inducing a client to sign an application
Lawful solicitation activity.
D). Suing an insurer
A legal right, not a crime.
Maryland enforcement context.
Embezzlement may result in:
License revocation
Criminal prosecution
Restitution orders
Conclusion.
Embezzlement can result in prison sentencing.

NEW QUESTION: 41
Which of the following reinforces the rule that ambiguities in insurance contracts should be interpreted in favor of the policyholder?
A. Representation
B. Reasonable expectations
C. Retention
D. Retrocession
Answer: (SHOW ANSWER)
The doctrine of reasonable expectations ensures that ambiguities in insurance policies are resolved in favor of the policyholder:
Reasonable expectations (B): Protects policyholders by ensuring contracts are interpreted based on how an average person would understand them, especially when ambiguities exist.

Representation (A): Refers to the accuracy of statements made during application, unrelated to contract interpretation.
Retention (C): Concerns risk management, not contract ambiguities.
Retrocession (D): Deals with reinsurance, not policyholder rights.
References: Maryland Contract Law, Insurance Ambiguities Guidelines, and COMAR 31.15.03.

NEW QUESTION: 42
All of the following are examples of unfair claims settlement practices EXCEPT:
A. Failing to promptly provide a reason for a claim denial
B. Refusing arbitrarily and unreasonably to pay claims
C. Denying unsubstantiated claims on a timely basis
D. Misrepresenting pertinent facts of coverage
Answer: (SHOW ANSWER)
Unfair practices (Insurance Article, § 27-303) include delays, arbitrary refusals, and misrepresentation.
Denying unsubstantiated claims promptly is fair and expected, not an unfair practice.
References:Maryland Insurance Article, § 27-303; MIA claims regulations.

NEW QUESTION: 43
Which of the following statements about participating life insurance is true?
A. Policyowners may be entitled to receive dividends.
B. Policyowners are assessed monthly for losses.
C. The insured must be the policyowner.
D. The insurer must be a stock company.
Answer: (SHOW ANSWER)
Participating life insurance policies, often issued by mutual companies, include the possibility of dividends:
Dividends (A) represent a share of surplus profits distributed to policyowners.
Policyowners are not assessed for losses (B); the insurer bears those.
The insured and policyowner can be different individuals, making (C) incorrect.
Mutual insurers typically issue participating policies, not stock companies (D).
References: Maryland Insurance Law on Participating Policies.

NEW QUESTION: 44
Which of the following is NOT a mandated benefit in Maryland?
A. Treatment of mental illness
B. Treatment of substance abuse
C. Weight reduction programs
D. Hearing aids for children
Answer: (SHOW ANSWER)

Maryland mandates mental health (§ 15-802), substance abuse (§ 15-803), and hearing aids for children (§ 15-
838), but weight reduction programs are elective and not required (Insurance Article, § 15-801).
References:Maryland Insurance Article, § 15-801, § 15-802, § 15-803, § 15-838; MIA mandated benefits.

NEW QUESTION: 45
In dental insurance coverage, which one of the following typically is EXCLUDED?
A. Treatment started prior to the eligibility date
B. Preventive care
C. Dental X-rays
D. Root canal therapy
Answer: (SHOW ANSWER)
Dental insurance (Insurance Article, § 15-201) covers preventive care, X-rays, and root canals, but excludes treatment started before the eligibility date to avoid claims for pre-existing work. This ensures coverage applies only to services initiated under the policy.
References:Maryland Insurance Article, § 15-201; MIA dental insurance standards.

NEW QUESTION: 46
All of the following are common underwriting factors used by life insurance companies EXCEPT:
A. Ethnic heritage
B. Amount of insurance applied for
C. Driving record
D. Family health history
Answer: (SHOW ANSWER)
Underwriting involves evaluating risk factors that could influence the likelihood of claims and ensuring compliance with anti-discrimination laws.
Ethnic heritage (A): Incorrect. Using ethnic heritage as an underwriting factor violates anti-discrimination laws, including Maryland Insurance Article §27-501.
Amount of insurance applied for (B): Correct. Insurers consider coverage amounts to assess risk and pricing.
Driving record (C): Correct. Poor driving history, particularly DUI incidents, increases risk.
Family health history (D): Correct. Inherited conditions and family medical history help predict potential health risks.
References: Maryland Insurance Anti-Discrimination Laws, Life Insurance Underwriting Standards, and COMAR 31.08.07.

NEW QUESTION: 47
All of the following normally indicate the presence of insurable interest in the life of another person EXCEPT:
A. Maintaining a lasting friendship with the other person
B. Being closely related to the other person by birth
C. Being married to the other person
D. Co-signing a mortgage with the other person
Answer: (SHOW ANSWER)
Definition of insurable interest in life insurance (Maryland context).
Under Maryland insurance principles, an insurable interest in the life of another exists when the policy owner would suffer a financial loss or certain types of recognized personal loss upon the insured's death.
Maryland Insurance law requires that insurable interest must exist at the time the life insurance policy is issued.
Evaluate each option.
A). Maintaining a lasting friendship
Friendship alone does not create a recognized financial or legal loss upon death.
Maryland law does not recognize friendship, by itself, as sufficient insurable interest.
B). Being closely related by birth
Close blood relationships (such as parent-child or siblings) are presumed to have insurable interest under Maryland standards.
C). Being married
Spouses automatically have insurable interest due to shared financial obligations and dependency.
D). Co-signing a mortgage
This creates a direct financial interest, since one party would suffer a monetary loss if the other dies.
Conclusion.
Only friendship, without financial dependency or legal obligation, fails to establish insurable interest.

NEW QUESTION: 48

In general practice, which one of the following is true of the powers of the Maryland Insurance Administration with respect to access to a producer's business records?

A. Records can only be accessed by an order of a state court

B. Authorization must come from the National Association of Insurance Commissioners

C. Records must be produced upon the request of the Maryland Insurance Administration

D. The Maryland Insurance Administration has no right to access a producer's business records because of privacy considerations

Answer: (SHOW ANSWER)

Regulatory authority of the Maryland Insurance Administration (MIA).

The MIA is granted statutory authority to examine, investigate, and audit producers to ensure compliance with insurance laws.

Evaluate each option.

A). Court order required

Incorrect. The MIA has direct administrative authority.

B). NAIC authorization required

Incorrect. The NAIC is advisory, not regulatory.

C). Records must be produced upon request

Correct. Licensed producers are required to comply with MIA record requests.

D). No right due to privacy

Incorrect. Licensing carries an obligation to regulatory oversight.

Good-faith and compliance relevance.

Failure to provide records may itself constitute a regulatory violation and undermine good-faith conduct.

Conclusion.

Producers must produce business records upon request of the Maryland Insurance Administration.

NEW QUESTION: 49

All advertisements for health insurance shall make clear the identity of the:

A. Insurance Commissioner

B. Beneficiary

C. Insurer

D. Insured

Answer: (SHOW ANSWER)

Advertisements must identify the insurer (Insurance Article, § 27-503) to ensure transparency and avoid confusion. The Commissioner, beneficiary, and insured aren't required in ads, as they don't issue the policy.

References:Maryland Insurance Article, § 27-503; MIA advertising guidelines.

NEW QUESTION: 50

Who is responsible for reporting the licensee's change of name or address to the Maryland Insurance Administration?

A. The licensee

B. The appointing insurer

C. The managing general agent

D. The staff of the Maryland Insurance Administration

Answer: (SHOW ANSWER)

Personal responsibility of licensees.

Maryland places the responsibility for accurate licensing records directly on the licensee.

Why this duty cannot be delegated.

License status affects:

Legal authority to transact insurance

Receipt of regulatory notices

Compliance with continuing education requirements

Evaluate each option.

A). The licensee

Correct. The licensee must notify the MIA within the required timeframe.

B). Appointing insurer

Insurers may update appointments, but not personal data.

C). Managing general agent

Has no authority over individual licensing records.

D). MIA staff

The MIA maintains records but does not initiate changes.

Regulatory consequence.

Failure to report changes may result in administrative discipline or missed compliance deadlines.

Conclusion.

The licensee is responsible for reporting changes.

NEW QUESTION: 51

Which life annuity contract feature provides that benefit payments will continue for a minimum number of years regardless of when the annuitant dies?

A. Cost recovery

B. Period certain

C. Cash refund

D. Installment refund

Answer: (SHOW ANSWER)

A "period certain" provision ensures payment for a specified period regardless of whether the annuitant survives:

Period certain (B) guarantees payments for a set number of years, protecting beneficiaries.

Cost recovery (A) and refund options (C and D) relate to refunding premiums or unpaid amounts but do not guarantee a payment period.

References: Maryland Annuity Regulations, Payment Options.

NEW QUESTION: 52
The primary purpose of disability income insurance is to:
A. Provide indemnity for loss of life
B. Pay necessary hospital expenses when the insured is unable to work
C. Provide benefit payments for a period of time when the insured is unable to work
D. Pay any physicians' fees resulting from a disabling injury
Answer: (SHOW ANSWER)
Disability income insurance (Insurance Article, § 15-201) replaces income during disability, not life indemnity, hospital costs (health insurance), or physician fees (medical insurance). It supports financial stability when work is impossible.
References:Maryland Insurance Article, § 15-201; MIA disability insurance standards.

NEW QUESTION: 53
A licensee must report each of the following to the Maryland Insurance Administration EXCEPT:
A. Change of name
B. Change of residence address
C. Change in financial status
D. Felony convictions
Answer: (SHOW ANSWER)
Insurance licensees in Maryland are required to report certain changes to the Maryland Insurance Administration (MIA):
Change of name (A): Must be reported promptly to ensure accurate licensure records.
Change of residence address (B): Also required for communication and compliance purposes.
Felony convictions (D): Mandatory disclosure to maintain transparency and evaluate fitness for licensure.
Change in financial status (C): Not required unless it directly affects the licensee's ability to meet financial obligations tied to the license (e.g., bonding requirements).
References: Maryland Insurance Code §10-118, COMAR 31.03.01.

NEW QUESTION: 54
A disability income insurance policy typically provides coverage for disabilities resulting from:
A. Accidents only
B. Sickness only
C. Both accidents and sickness
D. Occupational accidents only
Answer: (SHOW ANSWER)
Disability income policies (Insurance Article, § 15-201) cover both accidents and sickness, providing broad income protection, not limited to one cause or occupational incidents.
References:Maryland Insurance Article, § 15-201; MIA disability standards.

NEW QUESTION: 55
Upon terminating employment, Kim requested the 401(k) plan trustee to distribute the entire accrued benefit by a check made payable to the custodian of Kim's individual retirement account. Under IRS rules, this transaction will be:
A. Subject to an excise tax
B. Subject to mandatory income tax withholding
C. Considered as a Section 1035 exchange
D. Treated as a direct rollover
Answer: D (LEAVE A REPLY)
Definition of a direct rollover.
A direct rollover occurs when retirement funds are transferred directly from one trustee to another without the participant taking possession.
Apply the facts.
The check is payable to the IRA custodian, not to Kim.
Kim never has constructive receipt of the funds.
Evaluate each option.
A). Excise tax
Not applicable to a direct rollover.
B). Mandatory withholding
Does not apply to direct rollovers.
C). Section 1035 exchange
Applies to insurance and annuities, not qualified plans.
D). Direct rollover
Correct under IRS rules.
Conclusion.
This transaction is treated as a direct rollover.

NEW QUESTION: 56
The nonforfeiture option which permits a policyowner to purchase the same type of policy with the net cash value is the:
A. Endowment value option
B. Extended term insurance option
C. Loan value option
D. Reduced paid-up insurance option
Answer: (SHOW ANSWER)
Purpose of nonforfeiture options.
Nonforfeiture options ensure that a policyowner does not lose all value if premiums stop.
Evaluate each option.
A). Endowment value option
Not a standard nonforfeiture option.

B). Extended term insurance option
Uses cash value to buy term insurance for the same face amount, not the same policy type.
C). Loan value option
Involves borrowing, not policy continuation.
D). Reduced paid-up insurance option
Correct. Uses net cash value to purchase a paid-up policy of the same type with a reduced face amount.
Maryland consumer protection relevance.
Maryland nonforfeiture requirements ensure policyholders retain fair value upon lapse.
Conclusion.
The reduced paid-up insurance option meets the description, making option D correct.

NEW QUESTION: 57
An insurance adviser's written contract with the client must include all of the following EXCEPT:
A. Expiration date of the consultant's license
B. Amount of the fee
C. Duration of the contract
D. Disclosure as to whether commissions may be received
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer is A. Expiration date of the consultant's license. Maryland law requires an agreement between an insurance adviser and another person to be in writing, executed in duplicate, delivered to and kept by the client, and to plainly state the amount of the fee paid or to be paid and the services to be performed by the adviser. The agreement must also be in the form currently approved by the Commissioner. The expiration date of the adviser's license is not listed as a required item in the client contract.
The amount of the fee is specifically required. The scope, timing, or duration of advisory services may be part of the services to be performed under the approved agreement form. Compensation disclosures are important because Maryland law separately states that an adviser's license does not authorize the adviser to receive compensation from an insurer or insurance producer for the sale or placement of insurance. Official Maryland References: Maryland Insurance Article §10-215 and §10-208.

NEW QUESTION: 58
To have " an insurable interest " in the life of another person, an individual must have a reasonable expectation of:
A. Gaining economically by the death of the other person
B. Continuing on good terms with the other person
C. Benefiting from the other person's continued life
D. Seeing the other person survive to normal life expectancy
Answer: (SHOW ANSWER)

An insurable interest exists when the policyholder benefits more from the insured's life than their death.
Benefiting from the other person's continued life (C): Correct. This applies to relationships where there is a legal, financial, or familial dependence.
Gaining economically by the death of the other person (A): Mischaracterizes insurable interest; financial gain from death without a legitimate relationship is unethical and illegal.
Continuing on good terms (B) and seeing the person survive (D): Do not constitute insurable interest under Maryland law.
References: Maryland Insurance Article §12-201, Insurable Interest Guidelines, and COMAR 31.09.03.

NEW QUESTION: 59
In order to qualify for a company convention, an insurance producer agrees to pay the first quarterly premium for the applicant for new insurance. This is called a:
A. Gift
B. Rebate
C. Loan
D. Cost of doing business
Answer: (SHOW ANSWER)
Paying an applicant's premium is considered a rebate, which is generally prohibited in Maryland unless explicitly permitted by law.
Rebates (B) involve offering inducements not specified in the policy, which can undermine fairness and market stability.
Gifts (A) and loans (C) imply separate intentions and are distinct from policy-related payments.
Cost of doing business (D) does not apply, as paying premiums on behalf of clients violates anti-rebating laws.
References: Maryland Rebating Laws, Unfair Trade Practices Act.

NEW QUESTION: 60
An insurable interest in each other ' s lives may exist in the absence of an economic interest when the individuals are:

A. Competitors
B. Business associates
C. Marriage partners
D. Traveling companions
Answer: (SHOW ANSWER)
For life insurance, an insurable interest exists when there is a legitimate interest in the continued life of another person:
Marriage partners (C) inherently have insurable interest due to emotional and legal ties.
Competitors (A) and traveling companions (D) do not usually meet the legal threshold.

Business associates (B) may have insurable interest, but only in specific agreements (e.g., buy-sell agreements).
References: Maryland Insurance Code and Insurable Interest Provisions.

NEW QUESTION: 61
(Which of the following best describes a renewable term life insurance policy?)
A. It is always terminated at the end of the term period.
B. It will convert to a whole life contract after the end of the term period.
C. It is renewable after evidence of insurability but at the same premium.
D. It is renewable without evidence of insurability, but with the premium based on attained age.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:
* What "term life" means:Term life provides coverage for a stated time period (the "term"). If the insured dies during that term, the death benefit is payable; if not, the policy typically expires.
* What "renewable" means:A renewable term policy allows the policyowner to continue coverage beyond the initial term.
* Key feature tested:Most renewable term policies areguaranteed renewable, meaning the insurer cannot require new medical underwriting (no new evidence of insurability) at renewal-but the cost usually increasesbecause you are older.
* Why D is correct:D states renewal iswithout evidence of insurabilityand premium is based onattained age(your age at renewal). That matches standard guaranteed renewable term design.
* Why the others are wrong:
* A describes nonrenewable term.
* B describes an automatic conversion (not how conversion works; conversion is usually an option, not automatic).
* C incorrectly says renewal requires evidence of insurability and "same premium."
* Maryland insurance law tie-in (good faith / misrepresentation):If an insurer or producer represented a renewable term as "same premium forever" or "automatic whole life," that would be amisrepresentation of policy provisions, which Maryland prohibits as an unfair claim/settlement-related practice.

NEW QUESTION: 62
In HMO coverage, all of the following services must be available 24 hours per day, 7 days per week EXCEPT:
A. In-patient hospital services
B. Emergency medical care
C. Primary care
D. Dental care
Answer: (SHOW ANSWER)
HMOs (Health-General Article, § 19-701) ensure 24/7 access to hospital, emergency, and primary care services. Dental care isn't a core requirement and isn't typically available 24/7 unless added separately.
References:Maryland Health-General Article, § 19-701; MIA HMO standards.

NEW QUESTION: 63
Which type of Medicare Supplement information can be used without prior state approval?
A. Insurance company brochures
B. Radio announcements approved by the insurer
C. Television advertisements approved by the insurer
D. Government publications
Answer: (SHOW ANSWER)
Medigap marketing materials (Insurance Article, § 15-912) require MIA approval, except for government publications (e.g., CMS's "Medicare & You"), which are exempt as official federal resources. Insurer- approved ads still need state review.
References:Maryland Insurance Article, § 15-912; MIA Medigap advertising rules.

NEW QUESTION: 64
An applicant for life insurance must be informed that testing for Human Immunodeficiency Virus (HIV) infection is used to help determine:
A. The type of policy that will be issued
B. The effective date and term of coverage
C. Whether an insurable interest exists
D. The insurability of the proposed insured
Answer: (SHOW ANSWER)
HIV testing is used by insurers to evaluate the health risks associated with the applicant and determine insurability.
The insurability of the proposed insured (D): Correct. HIV status can impact underwriting decisions, subject to Maryland's anti-discrimination laws.

The type of policy issued (A): Irrelevant, as this is determined by the applicant's preferences and eligibility.
Effective date and term of coverage (B): Determined separately from medical testing.
Whether an insurable interest exists (C): Based on the relationship between the policyholder and insured, not medical testing.
References: Maryland Insurance Code §27-208, HIV Testing Disclosure Guidelines, and Maryland Human Rights Act.

NEW QUESTION: 65
The phrase, " this policy pays $1,800 for hospital room and board expenses, " should include the:
A. Maximum daily benefit and the maximum time limit for hospital room and board expenses
B. Minimum daily benefit and the maximum time limit for hospital room and board expenses
C. Minimum daily benefit and the minimum time limit for hospital room and board expenses
D. Maximum daily benefit and the minimum time limit for hospital room and board expenses
Answer: (SHOW ANSWER)
Policy statements (Insurance Article, § 15-201) must clarify benefits with the maximum daily benefit (e.g.,
$200/day) and maximum time limit (e.g., 9 days) to define the $1,800 total. Minimums are irrelevant, and a mix of maximum and minimum limits lacks clarity.
References:Maryland Insurance Article, § 15-201; MIA policy disclosure rules.

NEW QUESTION: 66
(One of the purposes of a qualified profit-sharing plan is to:)
A. Motivate management to achieve a 25% profit margin.
B. Distribute a portion of company earnings to employees.
C. Liquidate the assets of a corporation.
D. Reward the stockholders of a corporation.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:
* What a profit-sharing plan is:An employer-sponsored retirement plan where the employer may make discretionary contributions, often tied to profits, allocating contributions to employees under a formula.
* Purpose:To share company success with employees and provide retirement/compensation benefits.
* Why B is correct:It directly states the core purpose-distribute a portion of company earnings to employees.
* Why others are wrong:
* A: Plans are not designed to guarantee a profit margin goal.
* C: Liquidation is unrelated.
* D: Stockholders benefit through dividends/stock appreciation, not through an employee qualified plan.

* Maryland reference (consumer-facing fairness):If these plans are sold/represented alongside insurance products, any misleading description of plan nature/benefits could be a misrepresentation; Maryland prohibits misleading disclosure of pertinent facts or provisions in the insurance context.

NEW QUESTION: 67
An insurance producer provided several examples to the applicant, persuasively demonstrating that the insurance coverage offered under the producer's company policy was superior to a competitor's product. The insurance producer knew he was misrepresenting or stretching the truth in order to induce the applicant to forfeit her current policy and purchase a similar but inferior insurance policy from him. The insurance producer is involved in which one of the following unfair trade practices?
A. Fraud
B. Discrimination
C. Twisting
D. Rebating
Answer: (SHOW ANSWER)
Definition of twisting under Maryland insurance law.
Twisting occurs when a producer knowingly makes misrepresentations or incomplete comparisons to induce a policyowner to lapse, surrender, or replace an existing policy.
Apply the facts of the scenario.
The producer knowingly misrepresented facts.
The goal was to convince the applicant to give up an existing policy and buy a replacement policy.
Why the other options are incorrect.
Fraud is broader and often involves criminal deception; twisting is the specific insurance violation described here.
Discrimination involves unfair treatment between insureds of the same class.
Rebating involves illegal inducements such as returning part of a premium.
Conclusion.
This conduct fits precisely within the definition of twisting, which is prohibited in Maryland.

NEW QUESTION: 68
It is unlawful for a person to provide an advertisement that:
A. Points out coverage advantages of a policy
B. Refers to the insurer's financial rating
C. Uses a policy title to misrepresent a coverage
D. Makes a comparison of benefits between policies
Answer: (SHOW ANSWER)
Advertisements (Insurance Article, § 27-503) can highlight advantages or ratings if true, but misrepresenting coverage via a title is illegal, deceiving consumers about policy benefits.

References:Maryland Insurance Article, § 27-503; MIA advertising standards.

NEW QUESTION: 69

Which expenses are covered by Medicare Part D?

A. Medical

B. Hospital

C. Prescription drug

D. Dental

Answer: (SHOW ANSWER)

Medicare Part D covers outpatient prescription drugs, not medical (Part B), hospital (Part A), or dental (excluded) expenses, per federal law applicable in Maryland. It fills a key gap for enrollees' medication costs.

References:Medicare guidelines; Maryland Insurance Article, § 15-901.

NEW QUESTION: 70

A conditional receipt must be given to an applicant for life insurance who pays the initial premium at the time of signing:

A. The policy application form

B. The statement of good health

C. The policy delivery receipt

D. The premium payment bank draft authorization

Answer: (SHOW ANSWER)

Purpose of a conditional receipt.

A conditional receipt provides temporary coverage when the initial premium is paid with the application.

Coverage is conditional upon the applicant being insurable as applied for.

When it must be issued.

When the applicant submits:

A completed application, and

The initial premium

The producer must provide a conditional receipt.

Connection to the application form.

The conditional receipt is issued at the same time as the application, acknowledging receipt of the premium.

It is not tied to policy delivery or underwriting completion.

Why the other options are incorrect.

Statement of good health: Used when premium was not paid initially.

Policy delivery receipt: Used only after underwriting approval.

Bank draft authorization: Merely authorizes payment, not coverage.

Maryland consumer protection importance.

Maryland law emphasizes clear disclosure of when coverage begins, preventing unfair claim denials.
Conclusion.
A conditional receipt is issued with the policy application when the initial premium is paid.

NEW QUESTION: 71
Which medical care benefits are emphasized in HMO plans?
A. Alternative medicine
B. Preventive care
C. Emergency care
D. Home health care
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer isB. Preventive care. Health Maintenance Organizations, or HMOs, are designed around managed care, network-based care, and controlling costs by encouraging early treatment, wellness, and prevention. Maryland's Health-General Article requires an HMO's plan to show that it has an active program forpreventing illness, disability, and hospitalizationamong its members, and that services designed to prevent major health problems and improve general health are provided by the HMO.
Emergency care, home health care, and other services may be covered under appropriate circumstances, but they are not the primary medical care benefit emphasized by the HMO model. Alternative medicine is not the core HMO emphasis. Official Maryland Reference: Maryland Health-General Article §19-705.1, HMO quality of care and preventive programs.

NEW QUESTION: 72
Which one of the following is a true statement regarding the Maryland Insurance Commissioner?
A. The Commissioner is elected by a majority vote of the Maryland Senate
B. The Commissioner shall serve for a term of 6 years
C. The Commissioner shall counsel and advise the Governor on all matters assigned to the Maryland Insurance Administration
D. The Commissioner is in the executive service of the State Personnel Management System and is entitled to payment from the State Insurance Guaranty Fund
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer is C. The Commissioner shall counsel and advise the Governor on all matters assigned to the Maryland Insurance Administration. Maryland Insurance Article §2-103 states that the Governor appoints the Commissioner with the advice and consent of the Senate, the Commissioner serves a 4-year term, is directly responsible to the Governor, and must counsel and advise the Governor on matters assigned to the Administration. Option A is incorrect because the Commissioner is appointed, not elected by Senate vote.

Option B is incorrect because the term is 4 years, not 6 years. Option D is incorrect because although the Commissioner is in the executive service, compensation is under the Executive Pay Plan in accordance with the State budget, not from the State Insurance Guaranty Fund. Official Maryland Reference: Maryland Insurance Article §2-103.

NEW QUESTION: 73
Which employers can offer 403(b) tax-sheltered annuities (TSAs)?
A. Regular business corporations and professional corporations
B. States, municipalities, and rural electric cooperatives
C. Subchapter S corporations, partnerships, and sole proprietorships
D. School districts and certain non-profit organizations
Answer: (SHOW ANSWER)
Purpose of 403(b) plans.
403(b) plans are retirement plans designed for public education and non-profit employees.
Eligible employers under federal tax law.
Only:
Public school systems
Certain tax-exempt organizations (501(c)(3))
are permitted to sponsor 403(b) plans.
Why the other options are incorrect.
Corporations and professional firms use 401(k) plans.
Government employers generally use 457 plans.
Self-employed and partnerships use SEP or SIMPLE plans.
Maryland producer relevance.
Producers must recommend retirement products consistent with employer eligibility to meet suitability and good-faith standards.
Conclusion.
Only school districts and certain non-profit organizations may offer 403(b) TSAs.

NEW QUESTION: 74
An insurer may pay a commission directly or indirectly to:
A. A surplus lines broker operating without a license for less than one year
B. An unlicensed employee of the insurer
C. Anyone soliciting business for the insurer
D. A producer whose license is terminated after earning the commission
Answer: (SHOW ANSWER)

NEW QUESTION: 75
The Maryland Insurance Administration is an agency of the:
A. Federal government
B. State government

C. National Association of Insurance Commissioners
D. Maryland General Assembly
Answer: (SHOW ANSWER)
The Maryland Insurance Administration (MIA) is a state government entity responsible for regulating the insurance industry in Maryland.
State government (B): MIA enforces insurance laws, reviews policy forms, licenses insurers and producers, and investigates consumer complaints.
Federal government (A): Oversees broader regulations, like ERISA, but does not directly manage state-level insurance matters.
National Association of Insurance Commissioners (C): A regulatory support organization, not a governing body.
Maryland General Assembly (D): Creates state laws, but enforcement falls under the MIA.
References: Maryland Insurance Administration Overview and State Regulatory Framework.

NEW QUESTION: 76
The waiver of premium provision in a disability income policy provides that premiums will be waived during:
A. The disability benefit period
B. The elimination period
C. The grace period
D. The time limit on certain defenses
Answer: (SHOW ANSWER)
The waiver of premium provision (Insurance Article, § 15-201) waives premiums during the disability benefit period-when benefits are paid-easing financial strain. The elimination period requires premium payment, the grace period is for late payments, and the time limit on defenses relates to incontestability, not waivers.
References:Maryland Insurance Article, § 15-201; MIA disability insurance standards.

NEW QUESTION: 77

(Which annuity pays a monthly benefit that begins approximately one month after issuance?)
A. A retirement annuity
B. A survivorship annuity
C. A retirement income policy
D. An immediate annuity
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:
* Immediate annuity definition:An annuity where payments begin soon after purchase-commonly within about one payment interval (often ~30 days).
* Why D is correct:"Begins approximately one month after issuance" is the classic description of animmediate annuity.
* Why others are wrong:The other choices are not the standard term for the "start right away" annuity structure.
* Maryland reference:As with all products, describing payment start dates inaccurately can be a misleading disclosure; Maryland treats incomplete or misleading disclosure as misrepresentation.

NEW QUESTION: 78
Which concept states that the insured is entitled to the coverage under a policy that a sensible and prudent buyer would expect it to provide?
A. Indemnity
B. Comity
C. Reasonable expectations
D. Subrogation
Answer: (SHOW ANSWER)
Meaning of the doctrine of reasonable expectations.
This doctrine holds that insurance policies should be interpreted according to the reasonable expectations of the average insured, even if strict legal wording might suggest otherwise.
Why this doctrine exists.
Insurance contracts are:
Complex
Drafted by insurers
Typically non-negotiable
Evaluate each option.
A). Indemnity
Restores the insured to pre-loss condition.
B). Comity
A legal courtesy between jurisdictions.
C). Reasonable expectations
Correct.
D). Subrogation
Allows insurer to recover from a responsible third party.

Maryland consumer protection relevance.
Maryland courts often construe ambiguities in favor of the insured, consistent with reasonable expectations.
Conclusion.
The applicable doctrine is reasonable expectations.

NEW QUESTION: 79
All of the following are characteristics of a preferred risk applicant for disability income insurance EXCEPT:
A. Non-smoker
B. Non-hazardous occupation
C. High income
D. Physically active
Answer: (SHOW ANSWER)
Preferred risk applicants (Insurance Article, § 15-201) have low disability risk due to non-smoking, safe jobs, and physical activity. High income affects benefit amounts, not risk classification, making it the exception.
References:Maryland Insurance Article, § 15-201; MIA underwriting standards.

NEW QUESTION: 80
A company's universal life insurance policy must disclose the:
A. Availability of riders
B. Surrender charges of the policy
C. Meaning of a corridor
D. Maximum face amount an individual can purchase
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer isB. Surrender charges of the policy. Under Maryland's official universal life insurance regulation, each universal life insurance policy must include certain mandatory policy provisions.
Specifically, COMAR 31.09.15.09 requires the policy to contain a general description of how cash surrender values are calculated, including "any surrender or partial withdrawal charges."
Therefore, a universal life insurance policy must disclose surrender charges because they directly affect the amount payable to the policyowner if the policy is surrendered.
Option A is incorrect because the regulation does not say the policy must disclose the general availability of riders as the required answer here. Riders may appear in policy reports or policy documents when applicable, but the mandatory disclosure tested in this question is the surrender or withdrawal charge. Option C is incorrect because the "corridor" concept relates to maintaining a required relationship between the death benefit and cash value, but Maryland's cited universal life policy provision does not make "meaning of a corridor" the required disclosure in this question. Option D is incorrect because the regulation requires disclosure of limitations on

changing basic coverage if the policyowner has that right, but it does not state that the company must disclose the maximum face amount an individual can purchase as the required universal life disclosure here.
Official Maryland Reference: COMAR 31.09.15.09 - Mandatory Policy Provisions, Universal Life Insurance, especially subsection D on calculation of cash surrender values and disclosure of surrender or partial withdrawal charges. COMAR 31.09.15 is the Maryland regulation chapter specifically governing universal life insurance.

NEW QUESTION: 81
Anything of value given to produce a contract is the definition of:
A. A grant
B. A codicil
C. A consideration
D. A covenant
Answer: (SHOW ANSWER)
Essential elements of a valid contract.
Under Maryland contract law (which governs insurance contracts), a legally binding contract requires:
Offer
Acceptance
Consideration
Competent parties
Legal purpose
Meaning of consideration.
Consideration is anything of value exchanged between the parties that induces them to enter into the contract.
In insurance, consideration is:
The premium paid by the policyowner, and
The promise to pay benefits made by the insurer.
Why consideration is critical in insurance.
Without consideration, an insurance policy would be a gratuitous promise, which is unenforceable.
Maryland courts consistently require consideration for enforceability of insurance contracts.
Why the other options are incorrect.
Grant: A transfer of property or rights, not a contract element.
Codicil: An amendment to a will, unrelated to insurance contracts.
Covenant: A promise within a contract, not the exchange of value itself.
Conclusion.
The exchange of value that creates a binding insurance contract is consideration.

NEW QUESTION: 82

All of the following are elements of an insurable risk EXCEPT:
A. Speculative risk
B. Accidental loss
C. A large number of similar units
D. An ability to measure the loss
Answer: (SHOW ANSWER)
Definition of insurable risk.
An insurable risk must meet certain criteria so insurers can predict losses and set premiums fairly.
Required elements of an insurable risk.
Accidental loss: Loss must be unintended and fortuitous.
Definite and measurable loss: The amount and timing of loss must be determinable.
Large number of similar exposures: Allows insurers to use the law of large numbers.
Non-catastrophic to the insurer: Losses must not affect all policyholders at once.
Why speculative risk is excluded.
Speculative risks involve the possibility of gain or loss (e.g., gambling or investing).
Insurance only covers pure risks, which involve the possibility of loss or no loss, but no gain.
Evaluate each option.
A). Speculative risk
Incorrect for insurability and therefore the correct answer.
B). Accidental loss
Required element.
C). Large number of similar units
Required for actuarial predictability.
D). Ability to measure the loss
Required to determine claim amounts.
Conclusion.
Speculative risk is not insurable, making option A correct.

NEW QUESTION: 83
To provide the funds necessary to carry out the powers and duties of the Life and Health Insurance Guaranty Corporation, the Boards of Directors shall:
A. Raise premiums
B. Secure state funds
C. Assess all policyholders
D. Assess member insurers
Answer: (SHOW ANSWER)
Purpose of the Guaranty Corporation.
The Life and Health Insurance Guaranty Corporation protects policyholders when a licensed insurer becomes insolvent.
How the guaranty system is funded.
It is not funded by taxpayers.

It is not funded by policyholders directly.
Assessment mechanism.
Member insurers are assessed proportionally to cover obligations arising from insolvencies.
This spreads risk across the industry.
Why the other options are incorrect.
Raise premiums: Insurers may adjust pricing, but guaranty funding is not a premium increase mechanism.
State funds: No taxpayer funding.
Policyholders assessed: Consumers are protected, not charged.
Maryland solvency and good-faith relevance.
This structure supports consumer confidence and insurer accountability without burdening insureds.
Conclusion.
Guaranty Corporation funding comes from assessments on member insurers.

NEW QUESTION: 84
When a wage earner dies, the surviving family members may have all of the following expenses EXCEPT:
A. Final expenses
B. Unemployment tax liabilities
C. Family living expenses
D. Death taxes
Answer: (SHOW ANSWER)
When a wage earner dies, surviving families face significant financial obligations:
Final expenses (A): Include funeral costs and related end-of-life expenses.
Family living expenses (C): Cover ongoing needs like housing, food, and utilities.
Death taxes (D): May apply based on estate value and Maryland inheritance laws.
Unemployment tax liabilities (B) are irrelevant as they apply only to employers, not surviving family members.
References: Maryland Estate Tax and Death Benefit Regulations.

NEW QUESTION: 85
A juvenile life insurance policy is:
A. Designed to insure the lives of a juvenile's parents
B. Available only for children who are less than five years old
C. A life insurance policy that insures the life of a minor
D. Available only as decreasing term insurance for a minor
Answer: (SHOW ANSWER)
Definition of juvenile life insurance.
Juvenile life insurance provides coverage on the life of a minor, typically owned by a parent or guardian.

Evaluate each option.
A). Insures parents
Incorrect. Juvenile policies insure the child.
B). Limited to under age five
Incorrect. Coverage is available for a broader age range.
C). Insures the life of a minor
Correct. This is the precise definition.
D). Only decreasing term
Incorrect. Juvenile policies may be term or permanent.
Maryland consumer protection relevance.
Juvenile policies are regulated to ensure insurable interest and appropriate ownership by adults.
Conclusion.
A juvenile life insurance policy insures the life of a minor.

NEW QUESTION: 86
To have "an insurable interest" in the life of another person, an individual must have a reasonable expectation of:
A. Gaining economically by the death of the other person
B. Continuing on good terms with the other person
C. Benefiting from the other person's continued life
D. Living longer than the other person
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer isC. Benefiting from the other person's continued life. Maryland Insurance Article §12-
201 explains that, for persons who are not closely related by blood or law, an insurable interest means alawful and substantial economic interest in the continuation of the life, health, or bodily safety of the individual. The statute also states that an interest arising only from, or enhanced only by, the death, disablement, or injury of the individual isnotan insurable interest. Therefore, the person buying insurance on another person must benefit from that person's continued life, not from that person's death.
Option A is incorrect because expecting to gain economically from someone's death alone is the opposite of a valid insurable interest. Option B is incorrect because merely staying on good terms does not create an insurable interest. Option D is incorrect because living longer than the insured is not the legal test. Official Maryland Reference: Maryland Insurance Article §12-201, Insurable Interest.

NEW QUESTION: 87
An insurance policy could be issued to cover losses resulting from any of the following EXCEPT:
A. A drug smuggling operation
B. A skydiving exhibition

C. A state-sponsored centennial celebration
D. A nuclear power plant
Answer: (SHOW ANSWER)
Insurance (Insurance Article, § 12-101) covers legal risks like skydiving, events, or plants, but not illegal acts like drug smuggling, barred by public policy.
References:Maryland Insurance Article, § 12-101; MIA insurability guidelines.

NEW QUESTION: 88
If, after submitting an application, a producer becomes aware of a material fact that may affect the underwriting decision, the producer ' s ethical responsibility requires that the producer:
A. Deny knowledge of the fact
B. Acknowledge the fact only if asked by the insurance company
C. Advise the applicant to amend the application
D. Report the fact to the insurance company
Answer: (SHOW ANSWER)
Ethical responsibilities and state laws mandate that insurance producers act in good faith when handling applications.
Reporting material facts to the insurer (D): Producers must disclose any information that could impact underwriting decisions. Transparency ensures that policies are accurately priced and legally enforceable.
Denying knowledge (A): Violates ethical and legal obligations.
Acknowledging facts only if asked (B): Demonstrates bad faith and can lead to legal penalties.
Advising applicants to amend (C): While this helps, it does not fulfill the producer's duty to inform the insurer.
References: Maryland Insurance Administration Producer Code of Ethics, COMAR 31.03.13.

NEW QUESTION: 89
Accident and health policies must cover physically or mentally handicapped dependent children:
A. To age 19
B. To age 25
C. For life
D. Until they become self-sustaining
Answer: (SHOW ANSWER)
Maryland law (Insurance Article, § 15-401) requires coverage for handicapped dependent children beyond standard age limits if they're incapable of self-sustaining employment and dependent on the insured. This extends for life, or as long as the policy is active, not limited to ages 19 or 25, nor tied to self-sustainability.
References:Maryland Insurance Article, § 15-401; MIA dependent coverage regulations.

NEW QUESTION: 90

An insured incurs a covered accident and health insurance loss on May 30, which is submitted to the insurer on June 8. If the insured terminated coverage on June 1, the insurer:

A. Can refuse to pay the claim because coverage has been terminated
B. Can refuse to pay the claim under the pre-existing conditions exclusion
C. Must pay the claim upon receipt of the proof of loss
D. Must pay the claim within one year of termination of coverage
Answer: (SHOW ANSWER)
A loss on May 30, while covered (Insurance Article, § 15-201), obligates the insurer to pay upon proof, despite termination on June 1. Termination or pre-existing exclusions don't negate prior coverage, and no one- year rule applies.
References:Maryland Insurance Article, § 15-201; MIA claims rules.

NEW QUESTION: 91
Which activity is an unfair claims settlement practice?
A. Negotiating the payment of claims where coverage or liability is in question
B. Denying claims on the basis of specific policy provisions
C. Including an arbitration provision in the insurer ' s policies
D. Offering settlements that are less than the fair value to offset insurer expenses
Answer: (SHOW ANSWER)
Offering settlements below fair value (D) is prohibited as an unfair claims settlement practice under Maryland law. Insurers must handle claims in good faith and pay fair settlements based on policy terms.
Negotiating claims (A): Permitted when there are legitimate disputes over coverage or liability.
Denying claims (B): Allowed if based on valid policy exclusions or conditions.
Including arbitration provisions (C): Legal, provided they comply with state guidelines and are not coercive.
Unfair claims settlement practices include:
Misrepresenting policy provisions.
Failing to promptly investigate or settle claims.
Attempting to settle for less than reasonable amounts.
References: Maryland Insurance Article §27-303, Unfair Claims Practices Act, and COMAR 31.15.07.

NEW QUESTION: 92
One factor in premium determination is the expenses of the:
A. Producer
B. Insurer
C. Policy beneficiary
D. Policy owner
Answer: (SHOW ANSWER)
The insurer's expenses are a critical factor in premium calculations. Insurers must cover operational costs, claims payouts, reserves, and regulatory compliance while ensuring profitability.
Insurer (B): Correct. Expenses such as underwriting, administrative costs, and agent commissions are incorporated into the premium.
Producer (A): Costs are included indirectly through commissions but are not a direct factor.
Policy beneficiary (C): Plays no role in premium determination.
Policy owner (D): Pays the premium but does not influence expense considerations.
References: Maryland Insurance Premium Guidelines, Rate Filing Requirements, and COMAR 31.05.02.

NEW QUESTION: 93
After completing an application for insurance, the insurance producer collects the premiums but deposits the check in the insurance producer's checking account. What crime has been committed?
A. Twisting
B. Rebating
C. Fraud
D. Replacement
Answer: (SHOW ANSWER)
Producers hold premiums in a fiduciary capacity (Insurance Article, § 10-126) and must remit them to the insurer or a trust account. Depositing them into a personal account is fraud-specifically misappropriation- violating state law. Twisting, rebating, and replacement involve different unethical acts, not fund misuse.
References:Maryland Insurance Article, § 10-126; MIA producer conduct regulations.

NEW QUESTION: 94
A universal life insurance policy can be described most accurately as a combination of:
A. A mutual fund and a whole life insurance policy
B. A term insurance policy and an annuity

C. An endowment policy and an interest-sensitive deposit fund
D. A flexible premium deposit fund and a monthly renewable term insurance policy
Answer: (SHOW ANSWER)
Universal life insurance is a flexible product that combines features of term insurance and a savings component:
Flexible premium deposit fund and a monthly renewable term insurance policy (D): Universal life allows policyholders to adjust premiums and coverage amounts. The policy includes a savings element (cash value) and provides renewable term insurance protection.
Mutual fund and whole life insurance policy (A): Incorrect, as universal life does not involve mutual funds or strict whole life coverage.
Term insurance and an annuity (B): Universal life lacks the payout structure of an annuity.
Endowment and interest-sensitive deposit fund (C): While it includes interest-sensitive growth, it is not structured as an endowment policy.
References: Maryland Life Insurance Product Guidelines, Universal Life Policy Features, and COMAR
31.09.13.

NEW QUESTION: 95
A policy of life insurance may not be delivered unless the policy has a:
A. Legible and brief description of the policy on the first page
B. Notary seal
C. Premium coupon book
D. Financial statement of the life insurance company
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer is A. Legible and brief description of the policy on the first page. Maryland Insurance Article §16-213 states that a life insurance policy, other than group life insurance, may not be delivered or issued for delivery in Maryland unless the policy has a legible and brief description of the policy on the first page. The statute also lists what that brief description must include, such as the policy title, type, or plan; how long premiums are to be paid; whether premiums may change; whether the policy is participating or nonparticipating; and certain other required items. A notary seal, premium coupon book, or insurer financial statement is not the required delivery condition tested here. Official Maryland Reference: Maryland Insurance Article §16-213.

NEW QUESTION: 96
Medical charges that fall within the range of fees normally charged for a given procedure in a certain geographical area are called:
A. Reasonable and customary charges
B. Preapproved charges
C. Utilization charges

D. Scheduled charges

Answer: (SHOW ANSWER)

Reasonable and customary charges are the typical fees for a procedure in a geographic area, used to set reimbursement levels (Insurance Article, § 15-1005). Preapproved charges require prior authorization, utilization charges relate to service reviews, and scheduled charges are fixed fees, none of which define this standard.

References:Maryland Insurance Article, § 15-1005; MIA health insurance guidelines.

NEW QUESTION: 97

Dental insurance typically excludes coverage for:

A. Dental X-rays

B. Preventive treatments

C. Some pre-existing conditions

D. Cleaning of the teeth

Answer: (SHOW ANSWER)

Comprehensive and Detailed in Depth Explanation:

The correct answer is C. Some pre-existing conditions. Dental insurance commonly covers preventive and diagnostic services such as dental X-rays, cleanings, regular checkups, and fluoride treatments, depending on the plan. Maryland's Healthy Smiles Dental Program lists regular checkups, teeth cleaning, and X-rays as covered dental services, which supports that these are not the typical excluded items in this question.

Maryland Insurance Administration claim-denial coding also includes "Pre-existing condition not covered," showing that pre-existing condition exclusions can apply in health/dental claim handling. Official Maryland References: Maryland Department of Health, Maryland Healthy Smiles Dental Program; Maryland Insurance Administration claim-denial codes.

NEW QUESTION: 98

The income benefits distributed during the payout phase of an annuity contract are normally payable to:

A. The owner

B. The beneficiary

C. The nominator

D. The annuitant

Answer: (SHOW ANSWER)

Understanding annuity roles.

Owner: Controls the contract and makes decisions.

Annuitant: The individual whose life expectancy is used to calculate payments.

Beneficiary: Receives benefits if the annuitant dies before or during payout (depending on contract).

Nominator: Not a recognized annuity role.

What happens during the payout (annuitization) phase.

When an annuity enters the payout phase, the contract is annuitized.
At annuitization, ownership rights are largely surrendered, and the insurer begins making periodic income payments.
Who receives the payments.
Income payments are made to the annuitant, because the payment structure is based on the annuitant's life expectancy.
The beneficiary receives funds only if the annuitant dies, and only if the contract provides for continued payments.
Why the other options are incorrect.
Owner: May not receive payments unless also the annuitant.
Beneficiary: Receives death benefits, not normal income payments.
Nominator: Not applicable.
Maryland suitability relevance.
Producers must clearly explain the distinction between owner, annuitant, and beneficiary to avoid misunderstanding and suitability issues.
Conclusion.
Annuity income payments are normally payable to the annuitant.

NEW QUESTION: 99
All of the following factors may affect premium determination in individual life insurance EXCEPT:
A. Age
B. Health
C. Occupation
D. Race
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:Premium determination in life insurance depends on factors that measure risk, butrace (D)is not and cannot be used due to anti-discrimination laws.
Age (A):A primary factor; younger applicants are charged lower premiums due to lower mortality risk.
Health (B):Significant; poor health or pre-existing conditions increase premiums.
Occupation (C):Risky professions (e.g., construction or aviation) may result in higher premiums.
Race (D):Prohibited by Maryland law, which ensures fairness and prohibits underwriting based on race, ethnicity, or similar discriminatory criteria.
References:Maryland Insurance Article §27-501, COMAR 31.09.03, and Anti-Discrimination Standards in Insurance.

NEW QUESTION: 100
Under Maryland law, the agreement between an insurance producer and insurer under which the insurance producer, for compensation, may sell, solicit, or negotiate policies issued by the insurer is defined as:

A. An appointment
B. A binding agreement
C. A certificate of authority
D. A license
Answer: (SHOW ANSWER)
An appointment (Insurance Article, § 10-103) is the formal agreement allowing a producer to sell an insurer's policies for compensation, distinct from a license (producer credential), certificate of authority (insurer's right), or vague binding agreement.
References:Maryland Insurance Article, § 10-103, § 4-101; MIA producer regulations.

NEW QUESTION: 101
Which advantage does an employer gain by providing a qualified retirement plan, as contrasted to a non- qualified plan?
A. It can be designed for the exclusive benefit of several key employees
B. The employer's contributions to the plan are tax deductible
C. The plan funds are available for general business needs
D. It is useful in rewarding selected employees for good work performance
Answer: (SHOW ANSWER)
Qualified retirement plans, such as 401(k) and pension plans, offer significant tax advantages for employers:
Tax-deductible contributions (B): Employer contributions to qualified plans are deductible as business expenses, reducing taxable income.
Exclusive benefit for key employees (A): Not allowed under IRS rules, as qualified plans must follow non- discrimination requirements.
Funds available for business needs (C): Incorrect, as plan funds are held in trust and cannot be used for business operations.
Rewarding selected employees (D): Qualified plans must comply with anti-discrimination rules, so rewards must benefit all eligible employees.
References: IRS Publication 560, Maryland Retirement Plan Standards, and COMAR 31.09.11.

NEW QUESTION: 102
An accident and health insurance producer is most likely to become liable for professional errors and omissions as the result of:
A. An accounting error discovered by the producer's accountant
B. Submitting a premium payment to an insurer in excess of the required amount
C. Incorrect filing of federal income taxes
D. Misleading a prospective insured in replacing accident and health insurance
Answer: (SHOW ANSWER)
Errors and omissions liability arises from professional negligence (Insurance Article, § 10-126). Misleading a client about policy replacement (twisting, § 27-203) directly harms them, unlike accounting errors, overpayments, or tax issues, which are internal or personal.

References:Maryland Insurance Article, § 10-126, § 27-203; MIA producer liability rules.

NEW QUESTION: 103
All of the following are true of managing general agents EXCEPT:
A. It is unlawful to act as a managing general agent without a license
B. Once issued, a managing general agent's license must be renewed every two years
C. A managing general agent must have a valid written contract with an insurance company
D. A managing general agent is primarily a representative of the insured
Answer: D (LEAVE A REPLY)
Who is a managing general agent (MGA).
A managing general agent is a person or entity that performs significant underwriting, policy issuance, or claims authority on behalf of an insurer.
MGAs act as an extension of the insurer, not the insured.
Licensing requirement in Maryland.
Maryland law requires MGAs to be properly licensed.
Acting as an MGA without a license is unlawful.
Contractual requirement.
Maryland requires a written agreement between the MGA and the insurer that clearly defines authority, duties, and limitations.
License renewal.
MGA licenses follow Maryland's standard biennial renewal cycle, consistent with producer licensing.
Why option D is incorrect.
MGAs primarily represent the insurer, not the insured.
Representing the insured is the role of an agent or broker, not an MGA.
Conclusion.
The incorrect statement is that an MGA represents the insured.

NEW QUESTION: 104
An individual life insurance policy may include coverage for all of the following EXCEPT:
A. Disability
B. Long-term care
C. Workers ' compensation
D. Burial
Answer: (SHOW ANSWER)
Individual life insurance policies often allow riders or supplementary coverage options, but they do not cover workers ' compensation, which is a separate insurance category.
Disability (A): Can be included as a rider, such as a waiver of premium or disability income benefit.
Long-term care (B): Often available as an optional rider to address extended medical care expenses.

Burial (D): Final expense policies or riders can be added to cover funeral and burial costs.
Workers' compensation (C): Not covered under life insurance policies; this is a specific insurance product regulated differently.
References: Maryland Life Insurance Rider Guidelines, Workers ' Compensation Insurance Regulations, and COMAR 31.09.03.

NEW QUESTION: 105
Which of the following statements about cash values in whole life insurance policies is true?
A. They result from the level premium concept.
B. They cannot be guaranteed.
C. They equal the policy face value at age 65.
D. They typically increase until age 65 and remain level thereafter.
Answer: (SHOW ANSWER)
Cash values in whole life insurance are a key feature, and they:
Accumulate as a result of the level premium concept (A), where excess premiums in the early years of the policy build the cash value.
Are guaranteed in whole life policies, contrary to option B.
Do not equal the face value at age 65 (C) unless specifically structured for that purpose.
Continue to grow beyond age 65 as long as the policy remains active, invalidating option D.
References: Maryland Insurance Guidelines on Whole Life Policies, Cash Value, and Premium Structures.

NEW QUESTION: 106
An insurance producer who conducts business under an assumed or fictitious name must:
A. File the name with the Insurance Administration
B. Apply for an additional license
C. Apply for an additional appointment
D. Post a $10,000 bond
Answer: (SHOW ANSWER)
Insurance producers using an assumed or fictitious name for their business must file the name with the Maryland Insurance Administration (MIA).
File the name with the Insurance Administration (A): This ensures transparency and compliance with regulatory standards.
Apply for an additional license (B): Not required; the existing license covers the producer.
Apply for an additional appointment (C): Applies when a producer represents multiple insurers, not for fictitious names.
Post a $10,000 bond (D): Irrelevant to this context.
References: Maryland Insurance Administration Guidelines on Producer Licensing and Business Names.

NEW QUESTION: 107
Which feature in a long-term care insurance policy is designed specifically to provide benefits at times when family members need a break from caring for the insured?
A. Respite care
B. Skilled nursing facility care
C. Custodial facility care
D. Home health care
Answer: (SHOW ANSWER)
Respite care (Insurance Article, § 18-101) offers temporary professional care to relieve family caregivers, a mandated feature in Maryland long-term care policies. Skilled nursing, custodial care, and home health care serve ongoing needs, not specifically caregiver breaks.
References:Maryland Insurance Article, § 18-101 et seq.; MIA LTC guidelines.

NEW QUESTION: 108
Under the minimum distribution requirement, a qualified retirement plan must distribute at least a certain amount each year after a retired participant attains age:
A. 59½
B. 62
C. 65
D. 70½
Answer: (SHOW ANSWER)
Purpose of the minimum distribution rule.
The Required Minimum Distribution (RMD) rule ensures that retirement funds, which received tax deferral, are eventually taxed rather than deferred indefinitely.
Federal law threshold age.
Traditionally, federal law required RMDs to begin at age 70½.
(Note: While federal law has since changed the RMD age, licensing exams and many state outlines- including Maryland exam materials-still test 70½ as the correct answer.) Why earlier ages are incorrect.
59½: Relevant for early withdrawal penalties, not RMDs.

62: Common Social Security age, not an RMD trigger.
65: Medicare eligibility age, not related to RMDs.
Maryland tax conformity.
Maryland generally follows federal retirement distribution rules for income taxation.
Conclusion.
For exam and regulatory purposes, minimum distributions begin at age 70½.

NEW QUESTION: 109
When a producer engages in unfair practices, all of the following are true EXCEPT:
A. The Maryland Insurance Administration can investigate the problem and hold a hearing
B. The Maryland Insurance Administration's decision is final
C. The Maryland Insurance Administration can suspend the producer's license
D. The Maryland Insurance Administration can issue a cease and desist order
Answer: (SHOW ANSWER)
The MIA (Insurance Article, § 2-201, § 10-126) can investigate, suspend licenses, and issue orders, but its decisions are appealable to Maryland courts, not final.
References:Maryland Insurance Article, § 2-201, § 10-126; MIA enforcement powers.

NEW QUESTION: 110
Replacing an existing life insurance policy with a new one may result in:
A. Capital gains taxation
B. Small business taxation
C. An illegal transaction
D. Surrender costs
Answer: D (LEAVE A REPLY)
Understanding life insurance replacement.
Policy replacement occurs when an existing policy is lapsed, surrendered, or exchanged for a new policy.
Maryland strictly regulates replacements to protect consumers from unnecessary financial harm.
Evaluate each option.
A). Capital gains taxation
Life insurance generally does not produce capital gains tax upon replacement.
B). Small business taxation
Not relevant to individual policy replacement.
C). An illegal transaction
Replacement is legal when properly disclosed and documented.
D). Surrender costs
Correct. Surrender charges may apply if the old policy is terminated early.
Maryland consumer protection context.
Maryland replacement regulations require producers to explain surrender charges, loss of benefits, and new contestability periods to ensure good-faith conduct.

Conclusion.
Policy replacement may result in surrender costs, making option D correct.

NEW QUESTION: 111
Which one of the following life insurance settlement options pays a predetermined monthly benefit until principal and interest are exhausted?
A. The fixed amount installment option
B. The accelerated endowment option
C. The interest-only option
D. The fixed period installment option
Answer: (SHOW ANSWER)
The fixed amount installment option provides for a predetermined monthly benefit to the policy beneficiary.
Payments continue until the principal (death benefit) and accumulated interest are fully paid out.
Fixed amount installment option (A): Ensures consistent payment amounts until the death benefit and interest are exhausted. This option is often used when beneficiaries want a steady income.
Accelerated endowment option (B): Not relevant as it refers to early payouts for policies reaching maturity.
Interest-only option (C): Only pays interest earned on the death benefit, leaving the principal untouched.
Fixed period installment option (D): Guarantees payments for a specific period, regardless of whether the principal or interest is depleted.
References: Maryland Life Insurance Policy Payout Regulations and Settlement Options Guidelines.

NEW QUESTION: 112
A health maintenance organization (HMO) must provide coverage for all of the following EXCEPT:
A. Routine physical examinations
B. Well-baby or well-child care
C. Dental and vision care
D. Emergency services
Answer: (SHOW ANSWER)
Maryland HMOs (Health-General Article, § 19-701) must provide basic health services like routine physicals, well-child care, and emergency services. Dental and vision care, however, are not required unless specified as supplemental benefits. State law mandates pediatric care but excludes routine dental and vision from standard HMO coverage unless the plan explicitly includes them.
References:Maryland Health-General Article, § 19-701; Insurance Article, § 15-1201; MIA HMO guidelines.

NEW QUESTION: 113
An insurance producer ' s license may be suspended or revoked by:
A. The appointing insurer
B. The continuing education course provider
C. The Maryland Insurance Administration
D. The Attorney General
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step by Step Explanation:The Maryland Insurance Administration (MIA) has sole authority to regulate, suspend, or revoke an insurance producer's license for violations of state insurance laws:
Maryland Insurance Administration (C):Correct. The MIA oversees producer licensing, compliance, and disciplinary actions.
Appointing insurer (A):Can terminate an appointment but cannot revoke a license.
Continuing education provider (B):Only offers training and has no regulatory authority.
Attorney General (D):Handles legal actions but does not directly manage licensing.
References:Maryland Insurance Article §10-126, Producer Regulation Guidelines, COMAR 31.03.13.

NEW QUESTION: 114
A health maintenance organization may issue a contract that provides benefits for the following:
A. Replacement of income lost by a member due to the member's disability
B. Health care services provided to members of the HMO
C. The accidental death of an HMO member
D. The dismemberment of an HMO member
Answer: (SHOW ANSWER)
HMOs (Health-General Article, § 19-701) provide health care services to members, not income replacement (disability insurance), accidental death, or dismemberment benefits (life/accident insurance).
References:Maryland Health-General Article, § 19-701; MIA HMO guidelines.

NEW QUESTION: 115
Which contract offers flexible deposits, deferred taxation, a guaranteed minimum interest rate, and death proceeds equal to the cash value?
A. An adjustable whole life insurance policy
B. An available deferred annuity
C. A flexible premium fixed annuity
D. A universal life insurance policy
Answer: (SHOW ANSWER)
A flexible premium fixed annuity is designed to allow policyholders flexibility in premium payments while providing guaranteed growth.
Flexible deposits: Policyholders can make variable contributions based on their financial situation.

Deferred taxation: Earnings grow tax-deferred until withdrawal.
Guaranteed minimum interest rate: Fixed annuities offer this feature to protect against market downturns.
Death proceeds equal to cash value: Upon death, beneficiaries typically receive the accumulated cash value.
Other Options:
Adjustable whole life policy (A): Features adjustable premiums but lacks deferred taxation and guaranteed rates.
Deferred annuity (B): Generic and does not specify the features of fixed annuities.
Universal life (D): Provides more flexibility but differs in guaranteed returns.
References: Maryland Annuity Guidelines, COMAR 31.09.08, and Tax-Deferred Financial Product Regulations.

NEW QUESTION: 116
To determine whether unfair trade practices have been violated, who has the power to examine an insurer ' s books and records?
A. The Maryland Insurance Administration
B. The National Association of Insurance Commissioners
C. The Federal Deposit Insurance Corporation
D. The Maryland Property & Casualty Insurance Guaranty Corporation (PCIGC)
Answer: (SHOW ANSWER)
The Maryland Insurance Administration (MIA) is the regulatory body responsible for ensuring compliance with state insurance laws, including identifying unfair trade practices:
The Maryland Insurance Administration (A): Has statutory authority to examine insurers' books and records to investigate potential violations and protect consumers.
National Association of Insurance Commissioners (B): Provides guidance but lacks enforcement powers in Maryland.
Federal Deposit Insurance Corporation (C): Regulates banks, not insurers.
PCIGC (D): Handles claims for insolvent insurers but does not investigate trade practices.
References: Maryland Insurance Article §2-209, COMAR 31.15.07, and MIA Enforcement Guidelines.

NEW QUESTION: 117
(Which statement is true about a term life insurance policy?)
A. It usually provides a cash value.
B. It provides temporary protection.
C. It may be written only for periods of five years or less.
D. It usually can be renewed at the same premium.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:

* Term life is temporary protection:It covers the insured for a set period (10, 20, 30 years, etc.). That is the defining feature.
* Why B is correct:"Temporary protection" is the hallmark of term insurance.
* Why the others are wrong:
* A: Term lifetypically has no cash value(cash value is a permanent life feature like whole life).
* C: Term can be written for many lengths (often 10-30 years), not limited to 5 years or less.
* D: Renewals are commonlyat higher premiumsbased on attained age, not usually the same premium.
* Maryland reference:When an insurer/producer describes coverage terms, they must not provideincomplete or misleading disclosure of policy provisions-Maryland treats that as misrepresentation.

NEW QUESTION: 118
If an individual's occupation is considered to be illegal:
A. It must be stated as such on an accident and health insurance application
B. It may require a waiver on a disability income insurance policy
C. It may result in a denial of a disability income claim
D. It results in a substandard rating on an accident and health insurance policy
Answer: (SHOW ANSWER)
Illegal occupations (Insurance Article, § 12-101) can lead to claim denials if disability arises from illegal acts, per public policy. Disclosure isn't mandated, waivers don't apply, and ratings adjust risk, not legality.
References:Maryland Insurance Article, § 12-101; MIA claims policies.

NEW QUESTION: 119
The Maryland Insurance Administration may suspend an agent's license for all of the following reasons EXCEPT:
A. Engaging in fraudulent or dishonest practices
B. Mishandling premium payments
C. Sharing commissions with agents holding the same license type
D. Violating a regulation or order of the Maryland Insurance Administration
Answer: (SHOW ANSWER)
The Maryland Insurance Administration enforces disciplinary measures:
Fraudulent practices (A), mishandling premiums (B), and violating regulations (D) are grounds for suspension or revocation.
Sharing commissions (C) with agents of the same license type is permitted under Maryland law if done legally and transparently.
References: Maryland Insurance Administration Regulatory Code and Enforcement Procedures.

NEW QUESTION: 120
Pre-existing conditions include conditions of health that:

A. Are never insurable under any circumstances or degree of severity
B. Must exist before an applicant can be accepted by an insurer
C. Have been medically treated or diagnosed prior to the effective date of coverage
D. Develop after the effective date of the policy but before the expiration of the time limit on certain defenses
Answer: (SHOW ANSWER)
Pre-existing conditions (Insurance Article, § 15-109) are those treated or diagnosed before coverage begins, often subject to exclusions or waiting periods, unlike new conditions or uninsurable absolutes.
References:Maryland Insurance Article, § 15-109; MIA pre-existing condition rules.

NEW QUESTION: 121
Misrepresenting pertinent policy provisions relating to coverages after a loss is:
A. A concealment in insurance applications
B. An unfair claim settlement practice
C. An unfair discrimination between individuals
D. A violation of the principle of adhesion
Answer: (SHOW ANSWER)
Misrepresenting coverage post-loss (Insurance Article, § 27-303) is an unfair claims practice, deceiving claimants about benefits. Concealment applies pre-policy, discrimination involves unequal treatment, and adhesion relates to contract terms, not claims.
References:Maryland Insurance Article, § 27-303; MIA claims practices.

NEW QUESTION: 122
Which benefit is usually excluded from accident and health plan coverage?
A. Hospital expense
B. Custodial care
C. Physicians' visits
D. Surgical expense

Answer: (SHOW ANSWER)
Accident and health plans (Insurance Article, § 15-201) cover acute needs like hospital, physician, and surgical expenses. Custodial care-non-medical daily assistance-is excluded, typically covered by long-term care insurance.
References:Maryland Insurance Article, § 15-201; MIA health insurance standards.

NEW QUESTION: 123
In life insurance, an insurable interest in the life of the insured must exist:
A. Only at the inception of the contract
B. Only at the death of the insured
C. During the first two years of the contract
D. Throughout the period of the contract
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer isA. Only at the inception of the contract. Under Maryland Insurance Article §12-201, a person may not procure an insurance contract on the life or body of another individual unless the benefits are payable to the insured, the insured's personal representative, or a person with an insurable interest in the insuredat the time the insurance contract was made. This means the insurable interest must exist when the policy is created. It does not have to continue until the insured's death unless a specific legal rule or policy issue applies.
Option B is incorrect because the Maryland statute focuses on the time the contract is made, not the time of death. Option C is incorrect because the two-year period relates to other life insurance concepts, such as contestability, not the existence of insurable interest. Option D is incorrect because Maryland law does not require the insurable interest to continue throughout the entire policy period. Official Maryland Reference:
Maryland Insurance Article §12-201, Insurable Interest.

NEW QUESTION: 124
All of the following are true about loans under personally owned life insurance policies EXCEPT:
A. They are secured by the policy's cash value
B. The interest rate is controlled by the contract
C. They reduce the amount of the death proceeds received
D. The policyowner's interest payments are deductible
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer isD. The policyowner's interest payments are deductible. Policy loans are generally available from cash-value life insurance policies and are secured by the policy itself. Maryland's life insurance regulation states that, after the required conditions are met, the insurer will advance money on proper assignment or pledge of the policy and on the sole security of the policy. The same regulation explains that policy indebtedness, including interest, can reduce the policy's loan value and can affect the amount ultimately available under the policy. Maryland law

also recognizes policy loan interest rates, including adjustable policy loan interest rates, and requires notice to the policyholder when a cash loan is made.
The false statement is that the policyowner's interest payments are deductible. For a personally owned life insurance policy, policy loan interest is generally treated as personal interest unless another specific tax rule applies. IRS guidance states that personal interest is not deductible, and IRS Publication 550 also states that certain interest connected with borrowing to buy or carry life insurance, endowment, or annuity contracts is not deductible. Official References: COMAR 31.09.01.08J; Maryland Insurance Article §16-208; IRS Schedule A Instructions; IRS Publication 550.

NEW QUESTION: 125
(If all beneficiaries die before the insured dies, the proceeds of a life insurance policy will be paid to:)
A. The insured's creditors
B. A beneficiary named by the court
C. The insured's estate
D. The beneficiary's estate
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step by Step Explanation:
* Life insurance proceeds go to a living beneficiary:Policies normally pay to the named beneficiary (primary/contingent) if living.
* If no beneficiary survives:If all named beneficiaries predecease the insured (and no valid contingent beneficiaries remain), the policy typically pays to theinsured's estate.
* Why C is correct:The estate becomes the recipient when there is no surviving beneficiary designation.
* Why others are wrong:
* A: Creditors are not the default recipient (they may have claims against the estate depending on probate law, but payment is to the estate).
* B: Courts don't "name" a new beneficiary as the default; the estate is standard.
* D: The beneficiary's estate is not typically entitled unless the beneficiary survived the insured (or specific policy language/settlement option applies).
* Maryland reference (claims-handling fairness concept):Any payout decision must follow the policy terms; failing to clearly explain payment basis or misrepresenting who is entitled would implicate Maryland's requirements to avoid misrepresentation and to provide reasonable explanations.

NEW QUESTION: 126
An insurance agent ' s license may be revoked for all of the following reasons EXCEPT:
A. Having no insurer appointment in effect for ten days
B. Having been found guilty of rebating
C. Being convicted of a felony

D. Violating any insurance statute or regulation

Answer: A (LEAVE A REPLY)

An agent's license can be revoked for serious infractions that violate Maryland's insurance laws:
Rebating (B): Prohibited under Maryland's Unfair Trade Practices Act.
Felony conviction (C): Grounds for revocation as it questions the agent's moral character.
Violating insurance statutes or regulations (D): Includes infractions such as fraud, misrepresentation, or failure to meet ethical standards.
Having no insurer appointment for ten days (A): Incorrect. A lack of appointment does not constitute a violation; it only affects the ability to conduct business temporarily.
References: Maryland Insurance Article §10-126, COMAR 31.03.02, and Licensing Enforcement Guidelines.

NEW QUESTION: 127

In accident and health insurance underwriting, when the risk imposed by an applicant is similar to the risks imposed by most other applicants, the applicant is:

A. Declined coverage

B. Charged the standard premium rate

C. Required to pay the first year's premium in a lump sum

D. Charged an additional premium for the first three years

Answer: B (LEAVE A REPLY)

Standard risk applicants (Insurance Article, § 15-201) receive the standard premium rate, as their risk aligns with the average pool. Declining coverage or adjusting payment terms applies to higher risks, not standard ones.
References:Maryland Insurance Article, § 15-201; MIA underwriting guidelines.

NEW QUESTION: 128

Which is true about the taxation of benefit payments under a non-qualified annuity?

A. Benefits are fully taxable at all times

B. Benefits must commence by age 70½ to avoid a tax penalty

C. Benefits received before age 59½ may be subject to a tax penalty

D. Benefits received after age 59½ are normally tax exempt

Answer: (SHOW ANSWER)

What a non-qualified annuity is.
A non-qualified annuity is purchased with after-tax dollars, not through a qualified retirement plan (such as an IRA or 401(k)).
Tax treatment of annuity distributions.
Distributions are taxed under the interest-first (LIFO) rule, meaning:
Earnings are taxed first as ordinary income.
Principal (cost basis) is returned tax-free only after earnings are exhausted.
Age-based penalty rule.
If distributions are taken before age 59½, the taxable portion may be subject to:

Ordinary income tax, and
An additional 10% federal penalty tax, unless an exception applies.
Evaluate each option.
A). Fully taxable at all times
Incorrect. Only the earnings portion is taxable.
B). Must begin by age 70½
Incorrect. Required minimum distributions apply to qualified plans, not non-qualified annuities.
C). Before age 59½ may be subject to a penalty
Correct.
D). After age 59½ tax exempt
Incorrect. Earnings are still taxable as ordinary income.
Maryland tax conformity.
Maryland follows federal tax treatment for annuity distributions.
Conclusion.
Early distributions from non-qualified annuities may be subject to a penalty, making option C correct.

NEW QUESTION: 129
The time when an insured must be disabled before becoming eligible for disability benefits is the:
A. Benefit period
B. Contestability period
C. Grace period
D. Elimination period
Answer: (SHOW ANSWER)
Comprehensive and Detailed in Depth Explanation:
The correct answer isD. Elimination period. In disability income insurance, the elimination period is the waiting period that must pass after the disability begins and before the insured becomes eligible to receive disability benefits. The NAIC describes the waiting or elimination period as the period connected with when benefits begin after the onset of disability; longer waiting periods generally reduce premiums. Another NAIC disability income reference defines the elimination period as the time between the onset of disability and benefit eligibility.
The benefit period is the length of time disability benefits are payable after they begin. The contestability period is the time during which an insurer may contest certain policy statements. The grace period is extra time allowed to pay a premium without the policy immediately lapsing.
Official Reference: NAIC disability insurance guidance on waiting/elimination periods.

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