



ATHENA FINANCIAL  
& INSURANCE ASSOCIATES



# Life & Health Pre-Licensing **PREP REVIEW**

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*based on XCEL's study materials to support  
licensing exam preparation.*

# HEALTH INSURANCE BASICS

**1. What type of injury would NOT be covered under a health insurance policy?**

**Correct Answer:** *Work-related injuries would be covered under Workers' Compensation.*

**2. A person covered with an individual health plan**

**Correct Answer:** *A person covered by an individual health plan is issued a policy.*

**3. Justin is receiving disability income benefits from a group policy paid for by his employer. How are these benefits treated for tax purposes?**

**Correct Answer:** *"Taxable income". Disability insurance benefits from a group policy paid for by an employer is considered taxable income.*

**4. How many employees must an employer have for a terminated employee to be eligible for COBRA?**

**Correct Answer:** *"20". An employer MUST have 20 employees for a terminated employee to be eligible for COBRA.*

**5. When an insured changes to a more hazardous occupation, which disability policy provision allows an insurer to adjust policy benefits and rates?**

**Correct Answer:** *The change of occupation provision allows an insurer to adjust policy benefits and/or rates if the insured has changed to a more hazardous occupation.*

# HEALTH INSURANCE BASICS

## 6. Key Person Disability Insurance pays benefits to the

**Correct Answer:** "employer". Key Person Disability Insurance provides crucial benefits to protect the company financially in the event that a key employee can no longer work due to a disability. Key Person coverage provides cash flow to help companies move forward and maintain a profit in the event that a key employee becomes disabled. The employer is the policyowner and pays premiums that are NOT tax-deductible. Benefits, however, are received tax-free to the employer.

## 7. A clause that allows an insurer the right to terminate coverage at any anniversary date is called a(n)

**Correct Answer:** "optional renewability clause". An optional renewability clause allows an insurer the unrestricted right to terminate coverage at any anniversary or at any premium due date.

## 8. Mark continues working after the age of 65 and is covered through his employer's group health plan. Which of the following statements is TRUE?

**Correct Answer:** "Medicare is the secondary payer". If an individual continues to work after the age of 65 and keeps the group plan, primary coverage comes from the group insurance plan and Medicare is considered the secondary payer.

## 9. The purpose of the Coordination of Benefits provision in group accident and health plans is to

**Correct Answer:** "avoid overpayment of claims". The purpose of the Coordination of Benefits provision in group accident and health plans is to avoid overpayment of claims. This is achieved by identifying primary and secondary insurers.

# HEALTH INSURANCE BASICS

**10. Under the subrogation clause, legal action can be taken by the insurer against the**

**Correct Answer:** *"responsible third party". Under the subrogation clause, legal action can be taken by the insurer against the responsible third party.*

**11. What does the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 allow an employee to do?**

**Correct Answer:** *The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 allows an employee to continue group medical insurance by self-paying the premiums after employment has been terminated.*

**12. A health insurance policy where the insurer has the right to terminate the policy for reasons other than the insured's health is called**

**Correct Answer:** *"conditionally renewable". When an insurer has the right to terminate a health insurance policy for specific reasons other than the insured's health, the plan is described as conditionally renewable.*

**13. An insurer must furnish to a claimant forms for filing proof of loss within \_\_\_ days upon receiving a notice of claim.**

**Correct Answer:** *"15". Upon receipt of notice of claim, the insurance company will furnish to the claimant forms for filing proof of loss within 15 days.*

**14. What is the contract called that is issued to an employer for a Group Medical Insurance plan?**

**Correct Answer:** *"Master policy". A single contract for Group Medical Insurance issued to an employer is known as a master policy.*

# HEALTH INSURANCE BASICS

**15. In group health care, what is the purpose of the coordination of benefits provision?**

**Correct Answer:** *The purpose of the coordination of benefits provision in group health care is to determine what is paid by the primary and secondary insurers in case of a claim.*

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

**Correct Answer:** *Group disability benefits are tax free to the insured when the premiums are paid by the recipient.*

**17. This MANDATORY health policy provision states that the policy, including endorsements and attached papers, constitutes**

**Correct Answer:** *"the entire insurance contract between the parties". The entire contract provision states that the policy, including endorsements and attached papers, constitutes the entire insurance contract between the parties.*

**18. Which of the following does Coordination of Benefits allow?**

**Correct Answer:** *"Allows the secondary payor to reduce their benefit payments so no more than 100% of the claim is paid". Coordination of benefits allows the secondary payor to reduce their benefit payments so that no more than 100% of the claim is paid.*

**19. All of the following factors would affect a health insurance policy's premium rate EXCEPT**

**Correct Answer:** *"Residential address of the insured". The insured's residence is not considered when determining the policy's premium rate.*

# HEALTH INSURANCE BASICS

**20. Which of the following would evidence ownership in a participating health insurance contract?**

**Correct Answer:** *Policy ownership would evidence ownership in a participating health insurance contract.*

**21. What is issued to each employee of an employer health plan?**

**Correct Answer:** *"Certificate". Employees covered by an employer health plan are issued an insurance certificate.*

**22. An employer is issued a group medical insurance policy. This single contract is known as a(n)**

**Correct Answer:** *A single contract for group medical insurance issued to an employer is known as a master policy.*

**23. Written notice for a health claim must be given to the insurer \_\_\_ days after the occurrence of the loss.**

**Correct Answer:** *Written notice for a health claim must be given to the insurer 20 days after the occurrence of the loss.*

**24. Health insurance involves two perils, accident and \_\_\_\_.**

**Correct Answer:** *"sickness". The two perils in health insurance are accident and sickness.*

**25. A common exclusion with Vision plans is**

**Correct Answer:** *"Lasik surgery". Lasik surgery is a common exclusion with Vision plans.*

**26. Health insurance will typically cover which of the following perils?**

**Correct Answer:** *"Injury due to accident". Accidental injury is typically a covered peril in health insurance.*

# HEALTH INSURANCE BASICS

**27. A policyowner has the option to change a beneficiary \_\_\_\_\_.**

**Correct Answer:** "at any time during the policy term". A beneficiary change can occur at any time during the policy term.

**28. A group Disability Income plan that pays tax-free benefits to covered employees is considered**

**Correct Answer:** "fully contributory". Fully contributory group plans require the employee to pay all premium cost, therefore, any benefits received by covered employees are received tax-free.

**29. All of these are considered key factors in underwriting health insurance EXCEPT**

**Correct Answer:** "Marital status". Marital status is not a key factor in underwriting health insurance.

**30. All of the following are primary risk factors in underwriting individual health insurance policies EXCEPT**

**Correct Answer:** "Geographical location". Geographical location is not a factor when determining risk in individual health insurance policies.

**31. An insurer has the right to recover payment made to the insured from the negligent party. These rights are called**

**Correct Answer:** The rights of the insurer to recover payment made to the insured from the negligent party is called subrogation.

**32. All of the following are functions of an insuring clause EXCEPT**

**Correct Answer:** "Primarily describes the free-look period". All of the following are functions of an insuring clause EXCEPT "Primarily describes the free-look period".

# HEALTH INSURANCE BASICS

**33. Susan is insured through her Group Health Insurance plan and changed her coverage to an individual plan with the same insurer after her employment was terminated. This change is called a(n)**

**Correct Answer:** "conversion". A conversion takes place when an insured individual changes his or her Group Health Insurance to an individual policy with the same insurer at the termination of employment.

**34. The election of COBRA for continuation of health coverage will**

**Correct Answer:** "maintain the same coverage and increase premium". Continuation of coverage under COBRA results in the same coverage with increased premiums up to 102% of prior premium.

**35. Continued coverage under COBRA would be provided to all of the following EXCEPT:**

**Correct Answer:** A terminated employee is eligible to continue health coverage under COBRA unless they are terminated for gross misconduct. "Former dependent of employee no longer of dependent status" and a "divorced spouse of employee" would both be eligible for COBRA continuation as long as they were covered under the plan the day prior to divorce or losing dependent status.

**36. The policyholder for a group health benefit plan is considered to be the**

**Correct Answer:** "Employer". The employer is the policyholder for a group health benefit plan.

**37. Group health plans may deny participation based upon the**

**Correct Answer:** "member's part-time employment status". Group health plans may exclude participation based upon a member's part-time employment status. Full-time employees are typically eligible.

# HEALTH INSURANCE BASICS

**38. Under group health insurance, a certificate of coverage is issued to the**

**Correct Answer:** "employee". Under group health insurance, a certificate of coverage is issued to the employee that outlines their benefits. The employer is issued the master contract and considered the policyowner.

**39. All of the following are included as part of a contract in the entire contract provision EXCEPT the**

**Correct Answer:** All of these are included as part of a contract in the entire contract provision EXCEPT the changes made by the producer.

**40. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), a terminated employee's benefits must**

**Correct Answer:** "be the same and the premium cannot exceed 102%". COBRA requires that the benefits must be the same and the premium cannot exceed 102%.

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

**Correct Answer:** A temporary employee is typically NOT eligible for coverage in a group health policy.

**42. In an employer-sponsored group accident and health plan, a master contract is issued to the**

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# HEALTH INSURANCE BASICS

**43. Which of the following would be considered a possible applicant and contract policyholder for group health benefits?**

**Correct Answer:** "Employer". An employer would be a possible applicant and contract policyholder of a single master contract or master policy for group health benefits.

**44. Craig submits a \$500 claim for medical expenses. With a past due premium of \$100, the insurer pays \$400. Which of the Uniform Optional Provisions covers this situation?**

**Correct Answer:** If there is an unpaid premium at the time a claim becomes payable, the amount of the premium is to be deducted from the sum payable to the insured or beneficiary.

**45. Sonya applied for a health insurance policy on April 1. Her agent submitted the information to the insurance company on April 6. She paid the premium on May 15 with the policy indicating the effective date being May 30. On which date would Sonya have coverage?**

**Correct Answer:** "effective date" is the health insurance coverage start date.

**46. A master contract and certificate of coverage can be found in which type of policy?**

**Correct Answer:** A group policy has a master contract and certificate of coverage.

**47. The limited period of time given to all members to sign up for a group health plan is called the**

**Correct Answer:** "enrollment period". The enrollment period is a limited period of time during which all members may sign up for a group plan.

# HEALTH INSURANCE BASICS

**48. Which of the following would probably NOT be considered in underwriting a health insurance risk?**

**Correct Answer:** "Marital status". Marital status is not considered when evaluating risk for a health insurance policy.

**49. A change in an insurance application requires**

**Correct Answer:** "an initial made by the applicant". Any changes in an insurance application must be initialed by the applicant.

**50. Credit Accident and Health plans are designed to**

**Correct Answer:** "help pay off existing loans during periods of disability". Credit Accident and Health plans are designed to help pay off existing loans during periods of disability.

**51. Which of the following actions may an insurance company NOT do in a health policy that contains a guaranteed renewable premium benefit?**

**Correct Answer:** "Increase the premiums on an individual basis". A guaranteed renewable policy CANNOT increase the premiums on an individual basis, only on the basis of an entire classification.

**52. Under a disability income policy, which provision would be payable if the cause of an injury is unexpected and accidental?**

**Correct Answer:** Under the accidental bodily injury provision, benefits would be payable if the cause of an injury is unexpected and accidental.

**53. If an employee contributes 50% toward the disability plan premium provided by an employer, what would be considered the taxable income of a \$1,000 monthly disability benefit?**

**Correct Answer:** "\$500". In this situation, the taxable monthly income is \$500 because half of the premium was paid for by the employer.

# HEALTH INSURANCE BASICS

**54. Which of the following is NOT a required provision in an accident and health insurance policy?**

**Correct Answer:** *The change of occupation provision is considered an OPTIONAL provision.*

**55. One of the most important considerations when replacing health insurance would be the**

**Correct Answer:** *"Exclusions on a new policy". One of the most important considerations in replacing medical insurance is the exclusions or limitations on a new policy.*

**56. In an employer-sponsored contributory group Disability Income plan, the employer pays 60% of the premium and each employee pays 40% of the premium. Any income benefits paid are taxed to the employee at**

**Correct Answer:** *"60% of the benefit". 60% of an income benefit is taxed to the employee because 60% of the premiums paid come from the employer.*

**57. After an insured gives notice of loss, what must he/she do if the insurer does not furnish forms?**

**Correct Answer:** *"File written proof of loss". The insured may file written proof of loss in any form if the insurer does NOT furnish forms after the insured gives notice of loss.*

**58. Disability Income plans which require that the insurer can NEVER change or alter premium rates are usually considered**

**Correct Answer:** *"Noncancellable". A noncancellable policy cannot be cancelled nor can its premium rates be increased under any circumstances.*

# HEALTH INSURANCE BASICS

**59. In contrast to a guaranteed renewable policy, a noncancellable policy**

**Correct Answer:** *"may never raise premiums". Noncancellable policies may not be changed in anyway by the insurer up to a specified age so long as the premiums are paid.*

**60. A health insurance policy that allows an insurer to change the policyowner's premiums, but NOT cancel the policy is called a(n)**

**Correct Answer:** *"guaranteed renewable policy". An insurer has the right to change the premium for policyowners with a guaranteed renewable policy, but CANNOT cancel the policy.*

**61. In which of the following situations would the insurer be liable for a loss?**

**Correct Answer:** *Because the insured did not commit or participate in the felony, the loss will be covered.*

**62. When does a health insurance policy typically become effective?**

**Correct Answer:** *"When initial premium is collected and policy is issued". A health insurance policy most often becomes effective when the premium is collected and policy is issued.*

**63. David submits a \$500 claim for medical expenses. There is a past-due amount owed for insurance premiums of \$200. As a result, the insurer only pays \$300 for the claim. This deduction came as a result of which provision?**

**Correct Answer:** *"Unpaid provision". The unpaid premium provision permits an insurer to deduct any unpaid premium (usually due during the grace period) from the benefit.*

# HEALTH INSURANCE BASICS

**64. Richard owns an insurance policy that is renewable only at the option of the insurance company. His policy is considered to be**

**Correct Answer:** *"optionally renewable". A policy of insurance that is renewable only at the option of the insurer is optionally renewable.*

**65. Kathy pays a monthly premium on her health insurance policy. How long is her grace period?**

**Correct Answer:** *The grace period for a monthly premium health insurance policy is 10 days.*

**66. The reinstatement provision in a health insurance policy is**

**Correct Answer:** *"mandatory". In health insurance policies, the reinstatement provision is mandatory.*

**67. States that have "no loss no gain" laws require a replacing policy to**

**Correct Answer:** *"pay for ongoing claims under the policy it replaces". No loss no gain legislation requires that when health insurance is replaced, ongoing claims under the former policy must continue to be paid under the new policy.*

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

**Correct Answer:** *"Legal actions". The Legal actions provision of an accident and health policy dictates the time limit for filing claim disputes.*

**69. The entire contract includes the actual policy and the**

**Correct Answer:** *"application". The entire contract includes the actual policy and the application.*

# HEALTH INSURANCE BASICS

## 70. A field underwriter's main task is

**Correct Answer:** *"to ensure an applicant's medical information is accurate and complete". One of the main tasks of a field underwriter is to ensure the accuracy and completeness of an individual's medical information.*

## 71. The type of policy where the insurer can send a notice to the insured that the policy has been cancelled in the middle of the term is called

**Correct Answer:** *"cancelable". The renewability provision in a cancelable policy allows the insurer to cancel or terminate the policy at any time, simply by providing written notification to the insured and refunding any advance premium that has been paid.*

## 72. An accident and health insurer has just received written proof of loss from one of its insureds. The insured must now wait 60 days before

**Correct Answer:** *"bringing legal action against the insurer". In accident and health insurance, 60 days must pass after written proof of loss has been received by an insurer before the insured can bring legal action against the insurer.*

## 73. Upon policy delivery, which of the following must a producer have an applicant sign if no initial premium was collected with the health insurance application?

**Correct Answer:** *"A good health statement". In this situation, the producer must have the applicant sign a statement of good health when delivering the policy.*

# HEALTH INSURANCE BASICS

**74. Which of these characteristics of an applicant is NOT taken into consideration when assessing risk for Disability coverage?**

**Correct Answer:** *"number of children". All of these characteristics of an applicant are considered when assessing risk for Disability coverage EXCEPT number of children.*

**75. A producer takes an individual Disability Income application, collects the appropriate premium, and issues the prospective insured a conditional receipt. The next step the insurance company will take is to**

**Correct Answer:** *"determine if the applicant is an acceptable risk by completing standard underwriting procedures". With a conditional receipt, the insurance company will complete standard underwriting procedures before making a decision about whether to insure the applicant*

**76. A Medical Information Report (MIB) report may disclose which of the following**

**Correct Answer:** *"Prior use of marijuana". Medical Information Bureau (MIB) reports may identify medical and nonmedical information, including hazardous hobbies, habits (e.g., tobacco/drug/alcohol use), application dates, coverage in force, and pending applications. MIB reports do not identify an applicant's primary physician, credit score, risk classification (substandard, standard, preferred, denied), policy premiums, the amount of insurance applied for, prior policy lapse, or bankruptcy.*

**77. Why must an insurance applicant answer all questions on the application?**

**Correct Answer:** *The application statements and representations are part of the consideration for issuing a policy.*

# HEALTH INSURANCE BASICS

**78. Agent J takes an application and initial premium from an applicant and sends the application and premium check to the insurance company. The insurance company returns the check back to J because the check is made out to J instead of the insurance company. What action should J take?**

**Correct Answer:** *If a producer receives a check made out to them instead of the insurance company, they should return the check to the customer and collect a new check properly made out to the insurance company.*

**79. All of the following statements about the classification of applicants are correct EXCEPT**

**Correct Answer:** *A substandard risk is below the insurer's average risk guidelines. An individual can be rated substandard for a number of reasons and can even be rejected outright.*

**80. Which of these statements is true regarding the Medical Information Bureau (MIB)?**

**Correct Answer:** *All of these descriptions accurately portray the Medical Information Bureau (MIB).*

**81. Which of these is NOT an underwriting responsibility of an insurance agent?**

**Correct Answer:** *The correct answer is "Determining the final rate classification". Determining the final rate classification is not the responsibility of the life insurance agent.*

# HEALTH INSURANCE BASICS

**82. An applicant submits an insurance application where an investigative consumer report is used in the underwriting process. Which of these statements is true?**

**Correct Answer:** *"Applicant has a right to receive a copy of the report". When an investigative consumer report is used in connection with an insurance application, the applicant has the right to receive a copy of the report.*

**83. An applicant's medical information received from the Medical Information Bureau (MIB) may be furnished to the:**

**Correct Answer:** *"applicant's physician". Information received from the Medical Information Bureau about a proposed insured may be released to the proposed insured's physician.*

**84. An insurance producer is often responsible for field underwriting during the application process. All of these are possible field underwriting roles EXCEPT**

**Correct Answer:** *"providing commission information to the applicant". All of these are field underwriting roles an insurance producer may perform EXCEPT "providing commission information to the applicant".*

**85. An underwriter determines that an applicant's risk should be recategorized due to a health issue. This policy may be issued with a(n):**

**Correct Answer:** *"exclusion for the medical condition". In this situation, the policy may be issued with an exclusion for the medical problem.*

**86. Generally, the party who delivers an insurance policy to the new policyowner is**

**Correct Answer:** *"the sales agent". The policy is normally delivered by the sales agent to the policyowner due to its important legal nature and should be explained by the agent.*

# HEALTH INSURANCE BASICS

**87. In order for coverage on a non-medical insurance application to take effect the same day, the producer must collect a signed application and**

**Correct Answer:** *Coverage begins on the day in which the producer collects the initial premium and has the applicant sign the life insurance contract.*

**88. On delivery of a policy, a signed statement of good health is typically requested if**

**Correct Answer:** *"The application was submitted without the initial premium". On delivery of a policy, a signed statement of good health is typically requested if the application was submitted without the initial premium.*

**89. Pat applies for insurance, pays the initial premium, and receives a document from the agent. This document indicates that if the policy is issued, coverage begins on the date of the document. This document is called a(n):**

**Correct Answer:** *"conditional receipt". The document described in this situation is a conditional receipt.*

**90. The primary distinction between the insurability and approval types of conditional receipts is when**

**Correct Answer:** *"the coverage goes into effect". With the approval receipt, coverage is effective only after the applicant has been approved by the insurer. With the insurability receipt, coverage is effective when the applicant pays the initial premium, on the condition that the applicant proves to be insurable.*

# HEALTH INSURANCE BASICS

**91. What is the initial source of underwriting for an insurance policy?**

**Correct Answer:** *The initial source of underwriting for an insurance policy is the application containing statements from the insured.*

**92. When does insurance coverage begin if no Interim Insuring Agreement is used?**

**Correct Answer:** *"Date of policy delivery". If no Interim Insuring Agreement is used, coverage begins on date of delivery and collection of initial premium.*

**93. Where is the difference between a standard risk and a substandard risk reflected?**

**Correct Answer:** *The difference between a standard risk and a substandard risk is reflected in the premium charges.*

**94. Which of the following describes a person who is NOT acceptable by an insurer at standard rates because of health history, occupation, or hobbies?**

**Correct Answer:** *An individual who is not acceptable by an insurer at standard rates because of health history, occupation, or hobbies is called a substandard risk.*

**95. Which of the following is a source of underwriting information that specifically focuses on an applicant's medical history?**

**Correct Answer:** *"MIB". The Medical Information Bureau (MIB) is a nonprofit central information agency that was established years ago by several insurance companies to aid in the underwriting process. Its purpose is to serve as a reliable source of medical information concerning applicants and to help disclose cases where an applicant either forgets or conceals pertinent underwriting information, or submits erroneous or misleading medical information with fraudulent intentions.*

# HEALTH INSURANCE BASICS

**96. Which of the following pertains to the analysis of an applicant's personal information and determining whether insurance should be issued or declined?**

**Correct Answer:** *"Underwriting". The analysis of information pertaining to an applicant that was obtained from various sources and the determination of whether the insurance should be issued or declined is called underwriting.*

**97. Which of the following statements about the Fair Credit Reporting Act is CORRECT?**

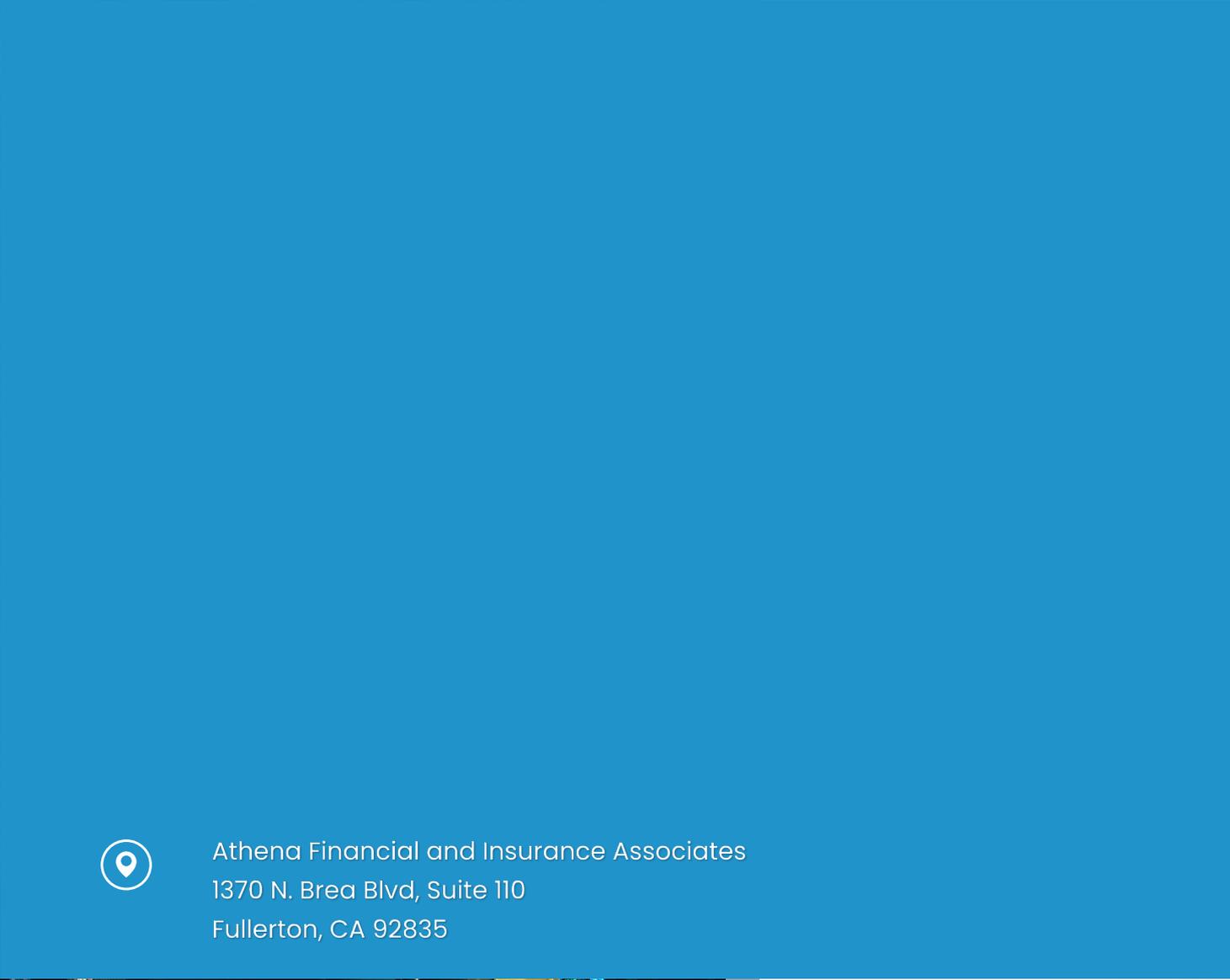
**Correct Answer:** *"It provides that consumers have the right to question reports made about them by investigative agencies." If requested by the applicant, the consumer reporting agency - not the insurance company - must disclose the nature and substance of all information (except medical) contained in the applicant's file.*

**98. Which of the following statements about the Fair Credit Reporting Act is CORRECT?**

**Correct Answer:** *"It provides that consumers have the right to question reports made about them by investigative agencies." If requested by the applicant, the consumer reporting agency - not the insurance company - must disclose the nature and substance of all information (except medical) contained in the applicant's file.*

**99. Which of the following would be a valid reason why a policy premium would be higher than the standard premium?**

**Correct Answer:** *"The insured does not meet established underwriting requirements". Sometimes, policy premiums are higher than the standard premium because the insured does not meet certain underwriting requirements.*



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