



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.*

# MEDICAL PLANS

**1. Which of the following decisions would a Health Savings Account (HSA) owner NOT be able to make?**

**Correct Answer:** *An individual with a Health Savings Account (HSA) can make all of these decisions EXCEPT how much the employer will contribute.*

**2. Without a Section 125 Plan in place, what would happen to an employee's payroll contribution to an HSA?**

**Correct Answer:** *"It would be considered taxable income to the employee". Contributions to an HSA may be made pre-tax under a Section 125 Cafeteria Plan. Without a Section 125 Plan in place, it would be considered taxable income to the employee.*

**3. Coordination of Benefits regulation applies to all of the following plans EXCEPT**

**Correct Answer:** *Coordination of Benefits regulation on group health policies does not apply to individual health insurance policies.*

**4. Which type of coverage pays an amount per day for hospitalization directly to the insured regardless of the insured's other health insurance?**

**Correct Answer:** *A hospital indemnity policy pays an amount per day for hospitalization directly to the insured regardless of the insured's other health insurance.*

**5. An indemnity plan**

**Correct Answer:** *"provides the insured a specific dollar amount for services". With an indemnity plan, an insured is provided a specific dollar amount for services.*

# MEDICAL PLANS

**6. An insured has a stop-loss limit of \$5,000, a deductible of \$500, and an 80/20 coinsurance. The insured incurs \$25,000 of covered losses. How much will the insured have to pay?**

**Correct Answer:** "\$5,000". In this situation, the insured will pay the stop-loss limit of \$5,000.

**7. An insured under a Major Medical expense plan with a zero deductible and 80/20 coinsurance provision files a \$1,000 claim. How much of this claim is the insured responsible for?**

**Correct Answer:** "\$200". Because this policy has a zero deductible, the insured is only responsible for the 20% coinsurance on this claim, or \$200.

**8. Distributions from a Health Savings Account (HSA) for qualified medical expenses are**

**Correct Answer:** "tax-free". Distributions from a Health Savings Account (HSA) for qualified medical expenses are tax-free.

**9. Jennifer is required to pay a specific sum out of pocket before any benefits are paid in a year. Her health policy most likely contains a(n)**

**Correct Answer:** A deductible is a stated initial dollar amount that the individual insured is required to pay before insurance benefits are paid.

**10. Kate has a Major Medical Plan with a 75/25 coinsurance and a deductible of \$25. How much will she have to pay if she, not having met any of her deductible, visits the doctor and receives a bill for \$125?**

**Correct Answer:** "\$50.00". In this situation, the insured will have to pay \$25 deductible plus \$25 coinsurance = \$50.

# MEDICAL PLANS

**11. What type of policy would only provide coverage for specific types of illnesses (cancer, stroke, etc.)?**

**Correct Answer:** *Dread disease insurance provides benefits for ONLY specific types of illnesses such as cancer or stroke.*

**12. A health insurance policy will typically cover**

**Correct Answer:** *"preventative health services". Preventative health services are normally covered under a health insurance policy.*

**13. A payment system for health care in which the provider is paid for each service given is called**

**Correct Answer:** *A fee-for-service payment system is one where the provider is paid for each service given.*

**14. A proposed insured for a health insurance policy was treated for heart disease within the past year. When applying for health insurance, the heart disease treatment**

**Correct Answer:** *"indicates a preexisting condition". In this situation, the treatment indicates a preexisting condition.*

**15. All of the following are qualifications for establishing a health savings account (HSA) EXCEPT**

**Correct Answer:** *"Enrolled in a health plan with a prescription drug benefit". Establishing an HSA does not require enrollment in a prescription drug plan.*

**16. All of these are characteristics of a major medical expense policy EXCEPT**

**Correct Answer:** *"elimination periods". The elimination period is the period of time between the onset of a disability, and the time you are eligible for benefits. It is typically a characteristic of disability policies, not major medical expense policies.*

# MEDICAL PLANS

BUSINESS INCOME

**17. An insured has a health plan that pays established amounts in accordance with a list of injuries, surgical procedures, or other losses. This list is called a**

**Correct Answer:** *"benefit schedule". Benefit schedules set pre-determined limits or maximums on how much money an insured can be reimbursed for a covered loss.*

ANNUAL SUMMARY

**18. How is a health provider reimbursed if they do NOT have an agreement in place with the insurance company?**

**Correct Answer:** *"A usual, customary, and reasonable fee". When a provider does not have an agreement with the insurer for payment, they will be reimbursed a usual, customary, and reasonable fee.*

**19. Kim has health insurance with a deductible of \$500 and an 80/20 coinsurance. How much will she pay if she incurs a loss of \$1,500?**

**Correct Answer:** *"\$700". In this situation, the insured will pay \$500 deductible plus \$200 coinsurance = \$700.*

**20. The focus of major medical insurance is providing coverage for**

**Correct Answer:** *"medical and hospitalization expenses". The focus of major medical insurance is providing coverage for medical and hospitalization expenses.*

**21. What is the tax liability for employer contributions in Health Savings Accounts (HSA's)?**

**Correct Answer:** *"No tax payment needed". Employer-paid contributions to Health Savings Accounts are tax-free to the employee.*

TOWN HOME LAND CONDO APARTMENT HOUSE FOR RENT

Quarter 1 Quarter 2 Quarter 3 Quarter 4 Quarter 5

Quarter 1

• Town Home and Condo  
• Apartment  
• House for rent

# MEDICAL PLANS

BUSINESS INCOME

**22. Which of the following is NOT included under a health benefit plan?**

**Correct Answer:** *A health benefit plan includes all of these plans EXCEPT a hospital indemnity plan.*

**23. Which of the following statements is NOT true regarding a Critical Illness Plan?**

**Correct Answer:** *"Coverage is limited to a single devastating disease". This is incorrect. There are normally a number of "critical illnesses" that a Critical Illness Plan will cover.*

**24. Which of the following types of deductibles would apply a single deductible to both medical and dental insurance coverage?**

**Correct Answer:** *"Integrated deductible". A single deductible applied to both medical and dental insurance coverage is referred to as an integrated deductible.*

**25. A dread disease policy is considered to be a type of**

**Correct Answer:** *"limited health insurance policy". A limited health insurance policy provides limited coverage for specific injuries or illnesses—such as travel accidents, dread diseases and hospital income.*

**26. A fee for service health insurance plan will normally cover**

**Correct Answer:** *"a disease". Diseases are usually covered by fee for service health insurance plans.*

**27. A policyholder has a major medical plan with a 80%/20% coinsurance and a deductible of \$75. If the insured has previously met her deductible and receives a bill for \$175, how much will the insurer pay?**

**Correct Answer:** *"\$140". Because the insured has previously met her deductible, the eligible expenses for a claim is the entire \$175. The insurance company pays 80% of \$175, or \$140.*

# MEDICAL PLANS

**28. All of the following plans allow for employee contributions to be taken on a pre-tax basis EXCEPT**

**Correct Answer:** "Health Reimbursement Arrangement Plan". Employers contribute to Health Reimbursement Arrangement Plans (HRA's), not employees.

**29. Major Medical expense plans provide coverage for each of the following EXCEPT**

**Correct Answer:** "Work-related injuries". Work-related injuries are typically covered by Workers Compensation insurance.

**30. Low frequency diseases can be exclusively covered by what kind of health insurance policies?**

**Correct Answer:** Health insurance policies that can be purchased to cover specific low frequency diseases are called limited policies.

**31. Major medical insurance will typically cover medical expenses that result from**

**Correct Answer:** Medical expenses that arise from a negative reaction to prescribed medication would be typically covered by a major medical insurance policy.

**32. The elimination period under a hospital indemnity plan is**

**Correct Answer:** "the specified number of days an insured must wait before becoming eligible to receive benefits for each hospitalization". In a hospital indemnity plan, an elimination period refers to the number of days an insured must wait before becoming eligible to receive benefits for each hospital stay.

# MEDICAL PLANS

**33. Ted has a health insurance plan that requires him to pay a specific sum out of pocket before any benefits are paid in a calendar year. Which of these does his health plan have?**

**Correct Answer:** *A calendar-year deductible is paid before any benefits are paid in a calendar year.*

**34. When an insured has a major medical plan with first dollar coverage, how does this impact the benefits paid?**

**Correct Answer:** *A health insurance plan with first dollar coverage means no deductible payment is required before expenses are reimbursed.*

**35. A pharmacy benefit covers prescription drugs derived from a list called a(n)**

**Correct Answer:** *"drug formulary". The list of prescription drugs covered by a pharmacy benefit is called a drug formulary.*

**36. Amy has a group medical policy through her employer with a \$500 deductible and a 90% coinsurance provision. She incurs \$1,500 in covered health care services. How much will her group insurance carrier pay?**

**Correct Answer:** *"\$900". In this situation, the group insurance carrier will pay 90% of the covered loss after the deductible has been applied.*

**37. An example of elective cosmetic surgery would be**

**Correct Answer:** *Surgery to remove excess fat from an insured's waistline would be considered elective cosmetic surgery.*



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