Key Facts
A. General Insurance

Key Concepts:

- Insurance is defined as the transfer of PURE risk to the insurance company in consideration for a premium.
- The chance of loss without any chance of gain is called pure risk.
- Speculative risk has the possibility for gain or loss and is not insurable.
- Risk is defined as the chance of loss.
- A condition that could result in a loss is known as an exposure.
- A hazard is something that increases the chance of loss.
- The presence of a physical hazard increases the chance of a loss occurring.
- A peril is defined as a cause of loss, such as fire.
- To be insurable, losses must be calculable.
- The law of large numbers allows insurers to predict claims more accurately.
- The law of large numbers applies to groups of people, not to individuals. The more people in the group, the more accurate the predictions are.
- Most insurers buy reinsurance to protect themselves in the event of a catastrophic loss.
- Insurance laws are not required to be uniform from one state to another.

Insurers:

- A stock insurer may pay dividends to its shareholders (stockholders), but they may not be guaranteed.
- A reciprocal insurance company is managed by an attorney-in-fact.
- An unincorporated association of individuals who insure each other is known as a reciprocal insurer.
- The government offers insurance primarily based upon social needs, such as flood insurance and workers compensation, but does not offer insurance for the purpose of preventing fraud.
- A foreign company has their home office in another state.
- An insurer incorporated outside of the U.S. who sells in the U.S. is an alien company.

Producers and General Rules of Agency:

- A producer may be personally liable when violating the producer's contract.
- Producers represent the insurance company, not the insured.
- Independent producers own their own accounts and are not insurance company employees.
- Producers have express, implied and apparent authority.
- The authority a producer has that is written in his or her contract is known as express authority.
- A producer's binding authority (if any) is expressed (written down) in the producer's contract with the insurer the producer represents.
- The authority not expressly (written) granted, but is actual authority the producer has to transact normal business activities, is known as implied authority.

Contracts:

- The elements of a legal contract may be remembered by the acronym C-O-A-L (consideration, offer, acceptance, legal purpose and legal capacity).
- A requirement for a valid contract is offer and acceptance, or mutual agreement.
- Advertising the availability of insurance is not considered to be an offer.
- A specific and definite proposal to enter into a contract is known as an offer.
- The consideration on a policy need not be equal.
- A policy may not be voided due to unequal consideration.
- Under the consideration clause, something of value must be exchanged.
- Because insurance contracts are contracts of adhesion, policy ambiguities always favor the insured.
- Insurance policies are considered to be unilateral contracts, in that only one party makes an enforceable promise the insurer.
- The principle of indemnity states the purpose of insurance is to restore the insured to the same position as before the loss occurred.
- The principle of utmost good faith states that all parties to an insurance transaction are honest.
- A representation is defined as the truth to the best of one's knowledge.
- A warranty is defined as a sworn statement of truth, guaranteed to be true.
- A breach of warranty may void a contract.
- Concealment is defined as the failure to disclose a material fact.
- When an insurer voluntarily gives up the right to obtain information that they are entitled to, they have made a waiver.

B. Life Insurance Basics

- Insurable interest must exist at the time of application, but not necessarily at the time of a claim.
- Insurable interest may be based on economics or family relationships.
- An insurable interest exists if someone would benefit if another person continues to live.

Personal Uses of Life Insurance:

- Buying a life insurance policy creates an immediate estate.
- When life insurance is used to pay estate taxes it is known as estate conservation.
- A life settlement contract is between the life insurance policyowner and a third party.
- The human life value approach was created to establish what a family would lose in income upon the death of the sole or chief income provider.
- The needs approach to life insurance does not consider future earnings.

Business Uses of Life Insurance:

- Stockholders in small, privately held closed corporations often enter into buy/sell agreements with the corporation that are funded by life policies.
- A policy that provides for business continuation in the event that a business partner dies is based upon a cross-purchase buy/sell agreement.
- A corporation may buy a policy on a shareholder to provide for stock redemption in the event of the shareholder's death.
- A stock redemption plan is an agreement whereby a corporation agrees to buy back the stock of a deceased shareholder.
- Examples of third-party policyownership include key person and partnership insurance, as well as a policy written on the life of a spouse or minor child.
- Under an executive bonus, the premium paid to the employee as a bonus is deductible by the business and the amount paid to or for the employee is

reportable as taxable income to the employee.
- When life insurance is purchased as an executive bonus for a corporate employee, the policy belongs to the employee.

Underwriting:

- Life insurance mortality tables are based upon people and time.
- A 60-year-old male has a higher mortality rate than a 60-year-old female.
- Life insurance premiums are based on mortality (death) plus company expenses minus interest earned on company investments.
- Agents (producers) are also known as field underwriters.
- If a producer gives an applicant a conditional receipt and the underwriter rejects the application, there is no coverage.
- Conditional or binding receipts are used in life and health insurance. Binders are used in property and casualty insurance.
- A conditional receipt is not given to an applicant unless the initial premium has been paid.
- Applicants may backdate a life insurance application for up to a specified number of months (usually 6 months) in order to obtain a lower premium.
- An incomplete application is usually returned. However, should the underwriter approve it, coverage begins and the company has waived its ability to contest a claim.
- The earliest that coverage could start would be the day of application, assuming the applicant paid the first premium, had no conditions to fulfill, and had not lied on the application.
- Coverage can NEVER begin unless the premium has been paid.
- The HIV consent form states that the results of an HIV test will only be shared with certain individuals, such as the underwriter.
- Life insurers may discriminate based upon physical hazards (age and health) of the applicant.
- The company underwriter determines the final rating classification, not the producer.
- A preferred risk is likely to receive a premium discount.
- A standard risk is one with an average life span. Most applicants are standard risks.
- A rated policy is one issued to a substandard risk with dangerous hobbies or health problems.

C. Life Insurance Policies

Term Life Insurance:

- Term insurance is renewable without a physical examination, up to a certain age.
- Term insurance may be converted to whole life, but not the reverse. Conversion is based on the insured's current age.
- Convertible term is convertible based upon the current or attained age of the insured.
- In a level term policy, the premium and the amount of coverage are level throughout the term.
- On an annual renewable level term policy, the premium will increase every year, although the face amount will remain the same.
- The face amount of a mortgage protection life insurance policy will decrease at the same rate as the mortgage balance declines.
- It is the face amount that decreases on a decreasing term policy, not the premium.
- Decreasing term is the type of life insurance provided in mortgage redemption insurance.

Whole Life Insurance:

- Whole life policies must contain a table showing their guaranteed cash value at the end of each year (anniversary date) for the first 20 years. It is shown per unit (per thousand).
- Whole life benefits are bundled (packaged). Universal life benefits are transparent (stand-alone).
- Whole life and limited pay life both reach maturity at the same time (age 100).
- In a traditional whole life policy premiums are due until the insured dies or reaches age 100. Conversely, in a limited pay policy, the premiums are paid for a shorter period of time.
- Straight or traditional whole life has a level premium and will provide coverage until the insured dies or reaches age 100.
- Whole life insurance will pay the face amount upon death or age 100, whichever comes first.
- Limited pay whole life insurance has limits that pertain either to the number of years payments must be made, such as 20 pay-life, or the age by which all premiums must be paid, such as life paid-up at 65.
- Limited pay whole life policies, though paid up earlier, do not mature until the insured reaches age 100.
- On a 20-pay life, the cash value will equal the face amount at maturity.
- A single premium may buy a policy that is paid up for life.
- A single premium policy has an immediate cash value.

Flexible Premium Policies:

- An adjustable whole life policy may be suitable for someone with fluctuating income.
- Adjusting the premium paid on an adjustable whole life policy will affect the face amount, and vice versa.
- Universal life insurance is different from whole life because it has a premium that is flexible.
- Universal life insurance policies permit their owners to take partial surrenders.
- Taking a partial surrender on a universal life policy allows the policyowner to withdraw some of the cash value without paying tax on the interest.
- Universal life insurance is also known as interest sensitive whole life.
- Universal life is a combination of 1-year renewable term and a cash value account.
- Universal life offers flexible premiums and a minimum guaranteed rate of return.
- Loans are allowed on universal life policies.

Variable Life:

- Variable whole life allows the insured to self-direct the cash value investment.
- Variable products have no guarantees and are not backed by the guaranty fund.
- Investing in variable products is considered a hedge against inflation.
- A universal life policy that has an investment component is called variable universal life.
- A life insurance policy that invests its cash values in equities is known as variable life.
- A life insurance policy that has a flexible premium and allows the policyowner to self-direct their cash values into equities is known as variable universal life.
- To sell variable products, an agent must be registered with FINRA.

Specialized Policies:

- A joint life policy pays only when the first insured dies. A joint and survivor life policy pays only when the second insured dies.
- Survivorship life insurance is commonly used in estate planning so the death benefit of the policy can be used to pay estate taxes when due.
- Survivorship life pays when the surviving insured dies.
- A juvenile life insurance policy is a life insurance policy written on the life of a minor.

Group Life Insurance:

- On group life insurance, the employees receive a certificate of insurance that summarizes coverage and lists the employee's beneficiary.
- In group insurance the policyowner, who is usually an employer, is issued the master policy.
- In a contributory group life insurance policy, 75% eligible employees must enroll.
- In a noncontributory group life plan (employer pays total premium), 100% of all eligible employees must participate.
- Individual policies are usually more expensive than group.
- On group life, the employer may require an employee to pay the premium for dependent's coverage.
- Group insurance participation requirements help to avoid adverse selection.
- A group cannot be formed just to buy insurance.
- Experience rating is for large groups only. Rates are based on claims experience of the group.
- Conversion from a group life policy to an individual policy when employment is terminated is permitted for 31 days, regardless of health.

Credit Life Insurance:

- On group credit life, the creditor is both the policyholder and the beneficiary.
- The type of policy used to provide credit life insurance is decreasing term.
- Although it is a type of decreasing term, credit life is usually NOT used for mortgage protection.
- The policy limits on credit life cannot exceed the amount of the loan.

D. Life Insurance Policy Provisions, Options And Riders

Standard Provisions:

- Although producers must sign the application, they are not a party to the contract. It is the responsibility of the producer to explain the policy provisions, riders, and exclusions to the applicant.
- The owner's rights section of a life policy states who has the right to change the beneficiary, who can take a loan, and who can take cash surrender.
- Owners of life insurance policies may temporarily assign their life insurance policy to a bank as collateral for a loan, which is known as a collateral assignment.
- The policy is the sole collateral for a policy loan. Policy loans are not taxable.
- The owner of a life insurance policy may transfer his or her ownership to another person by making an absolute assignment.
- The entire contract includes the policy and anything else attached at issue, such as the application.
- Producers may not make changes to a policy.
- Policy modifications must be in writing and signed by a company officer.

- Under the life insurance free look, a policyowner who returns their policy 5 days after delivery will receive a full refund since the free look is commonly 10 days.
- A policyowner may exercise the free look provision without giving any reason.
- The free-look period (usually 10 days) starts upon policy delivery. If the policy is mailed to the applicant by the company, the free look starts on the date of mailing. This is called constructive delivery.
- Ordinary life insurance has a grace period of 30 days.
- A life insurance policy provision that allows coverage to continue even if the premium is not paid on time is known as the grace period.
- If a terminated employee dies within the grace period of his or her employer provided group life policy without converting, the full death benefit will be paid to the beneficiary.
- When an insured dies during the grace period without paying the premium due, the face amount will be paid to the beneficiary, less the overdue premium.
- If an insured whose policy has lapsed wants it back, the insured can apply for reinstatement.
- Upon policy reinstatement, the incontestability and suicide clauses start over.
- A life insurance policy that has been surrendered for cash may not be reinstated.
- Life insurance policies are incontestable after they have been in force for 2 years.
- New life insurance policies are contestable for material misrepresentation for the first 2 years.
- Under the misstatement of age provision, if an insurer discovers that an insured has misstated his or her age on the policy application, the insurer will adjust the premiums and benefits according to the correct age of the insured.
- The misstatement of age provision runs for the duration of the policy.
- Under the misstatement of age clause, if the insured understates his or her age, it is the face amount that is reduced.
- Proceeds of a life insurance policy, left with an insurer, for the benefit of a beneficiary, may NOT be attached by creditors.
- Proceeds cannot be directly paid to a minor child since a minor can't sign a release.
- If the insured dies in an accident, the insurer may order an autopsy to determine that death was not the result of a suicide.
- In most states, suicide is covered after 2 years. If an insured commits suicide within a specified period of time after policy issue (usually the first 2 years), no benefit is payable, but all premiums are refunded to the beneficiary. *Check your state regulations section for the time limit in your state.*
- If an insured buys a life insurance policy and dies one month later, the insurer must pay the claim.

Beneficiaries:

- When a policyowner lists a group of people as beneficiaries, it is known as a class designation.
- Life insurance proceeds create an immediate estate for the beneficiary.
- The beneficiary does not have to be of the age of majority (18 or 21, depending upon the state) in order to receive policy proceeds; however, proceeds cannot be directly paid to a minor child since they cannot sign the release.
- If the insured names an individual as their irrevocable beneficiary, the insured cannot change this designation without the beneficiary's consent.
- A revocable beneficiary may be changed at any time by the policyowner.
- A revocable beneficiary has no vested rights under a life policy.
- An irrevocable beneficiary has a vested interest in the policy.

- A contingent beneficiary will receive the policy proceeds if the primary beneficiary dies before the insured.
- Under the common disaster provision, it is assumed that the insured died last.
- If the policy proceeds are paid out in a lump sum, the spendthrift clause will not apply.

Policy Loan and Withdrawal Options:

- Failure to repay a loan will have a permanent effect on cash value accumulation.
- The annual interest on a life insurance loan is added to the amount of the loan as it accrues.
- If an outstanding policy loan, plus interest, exceeds the cash value of the policy, the policy will lapse.
- A loan may be taken from a whole life policy as soon as it develops a cash value.
- The automatic premium loan rider can be added to a whole life policy, but not to a term or credit life policy.
- Partial surrenders are usually allowed in annuities, universal life and variable life policies.

Riders:

- Waiver of premium is a rider that will pay the premium on behalf of a disabled insured, after a short waiting period, until the insured either recovers or dies.
- The waiver of premium rider does not pay a cash benefit to the insured.
- If a parent paying the premium on a child's life insurance policy dies, the provision that allows the premium to be waived is known as payor benefit, NOT waiver of premium.
- If the payor benefit rider is attached to the policy, an insured will not have to worry about premiums being paid if the policyowner dies or becomes disabled.
- The accelerated benefits rider will pay proceeds prior to death for those with a terminal illness.
- The change of insured rider may be utilized by an employer who wants to transfer a key person life insurance policy from one key person to another.
- On a term life rider added to a parent's policy to cover the life of a child, the child's coverage terminates when the child reaches age 18, unless the child converts the rider to permanent coverage.
- When adding a children's term rider to a life insurance policy, all of the insured's children are covered for a single, flat premium charge, no matter how many.
- A level term rider may be added to a parent's life policy in order to insure a child.
- A combination policy that automatically covers all family members, including newborn children (after a short waiting period) at no extra premium charge is called a family policy.
- The guaranteed insurability rider is also known as the guaranteed purchase benefit.
- The guaranteed insurability rider allows the insured to increase coverage periodically without a physical exam.
- If a person purchases a whole life policy and adds a return of premium rider, they will have level coverage from the whole life policy, and increasing coverage from the rider.
- The return of premium rider and the return of cash value rider are both types of increasing term coverage.

Nonforfeiture Options:

- Surrender charges levied by some insurers on annuities and universal life will reduce the amount a policyowner will receive upon cash surrender.
- If a policy with a cash value lapses for nonpayment, the insured has 60 days

from the premium due date to select a nonforfeiture option.
- Extended term is the automatic nonforfeiture option.
- When the reduced paid-up nonforfeiture option is selected, the amount of coverage in the new policy is reduced from that of the original policy.
- The reduced paid-up nonforfeiture option may be taken any time there is a cash value.
- The reduced paid-up nonforfeiture option will provide coverage for life.

Dividend Options:
- If an insured with a life insurance policy issued by a mutual insurer allows the insurer to keep the dividends but mail the insured a monthly check, the insured has chosen the interest option.
- On a participating life insurance policy, if the policyowner selects the 1-year term dividend option, the dividend may be used to buy term insurance.

Settlement Options:
- If the insured/owner of a life policy does not designate a settlement option prior to death, the beneficiary may choose whichever option he or she wants. Most choose cash, which is not taxable.
- If the interest settlement option is selected, the interest paid is subject to taxes.
- When a beneficiary selects the interest only settlement option, interest payments (which are taxable) will vary, but the beneficiary may withdraw the principal at any time.
- For estate conservation purposes, a beneficiary should select the interest only settlement option.
- A life insurance beneficiary who elects to take the proceeds payable upon the death of the insured over a period of time has selected the fixed period settlement option.

E. Annuities

Annuity Principles and Concepts:
- A contract that will pay a specified indemnity to its owner over a period of time is an annuity.
- Annuity tables are different than mortality tables since there is no insurance protection.
- Insurers take the money from annuitants who die too soon and pay it to those who live too long.
- If an insured dies during the accumulation period of an annuity, the account value will be paid to the insured's beneficiary, who is responsible for taxes on interest earned.
- The rights of ownership on an annuity become effective as of the contract date.
- The annuitant is the party whose life the benefits are based upon.
- Although annuity benefits paid to a beneficiary are usually taxable upon the death of the owner/annuitant, beneficiaries who are spouses may continue the contract on a tax deferred basis as the contingent owner.
- Endowments provide life insurance protection. Annuities do not.
- Annuities are the opposite of life insurance. Life insurance creates an estate. Annuities systematically liquidate an estate over a period of time.
- All annuities are insurance products, although often sold by bankers with Life insurance licenses.
- Annuities are often used as life insurance settlement options.

Immediate vs. Deferred:
- An immediate annuity begins paying out immediately after the initial premium is paid.
- The premium for a $100,000 immediate annuity is $100,000, regardless of the annuitant's age, health or gender. It is the payout that depends on these

factors.
- Single premium immediate annuities (SPIAs) are often purchased with a lump sum upon retirement.
- In order to be considered a single-premium deferred annuity, there must be a period longer than one benefit payment interval before payments begin.
- A flexible-premium fixed deferred annuity has a flexible premium, minimum guaranteed rate of return and a death benefit equal to its cash value.
- Deferred annuities are purchased by making periodic payments over a period of time.
- A deferred annuity can only be surrendered for cash during its accumulation (pay-in) period.
- The owner of an annuity is responsible for paying the premium.
- When a policyowner surrenders an annuity for cash, they have exercised a nonforfeiture option.
- During the surrender period of an annuity, the surrender value is less than the contract's cash value.
- The surrender charge on an annuity is sometimes referred to as a back-end load.
- Annuities waive surrender charges for death or disability.
- The death benefit on an annuity during the accumulation period is equal to its cash value.

Annuity (Benefit) Payment:
- If the owner of a life income annuity with a 10-year period certain dies 13 years after he or she annuitized the contract, the beneficiary will receive nothing.
- One cannot outlive the income from a life annuity.
- A life income annuity (straight or pure life annuity) has no beneficiary, and is the riskiest choice.
- A life annuity does not start making payments at death. Payments stop at death.
- On a joint life annuity, payments stop when the first annuitant dies.
- A refund annuity has the least amount of risk.
- An annuitant would select the period certain annuity pay-out option if the annuitant wanted payments to continue to a beneficiary after the annuitant's death.
- If an annuitant selects a pay-out option that will pay for a specified period of time, the annuitant has selected the fixed-period option.

Fixed vs. Variable Annuities:
- The primary challenge faced by those that purchase fixed annuities is purchasing power risk, since the rate of return is fixed.
- The rate of return that an insurer pays on a fixed annuity might not keep up with inflation.
- Fixed annuities guarantee a fixed rate of return and are backed by the state guaranty fund.
- Fixed annuities are backed by the insurer's general account.
- Fixed annuities usually pay an interest rate that is similar to other types of conservative investments.
- An annuity which has a rate of return that is based on an index of equity products is an equity-indexed annuity.
- Equity-indexed annuities (EIAs) have little purchasing power (or inflation) risk since their rate of return is based in part on an equity (stock) index, such as the S&P 500.
- On a market value adjusted annuity, the contract will pay the specified interest rate if it is held for a specific period of time. Adjustments are only made if the contract is surrendered early.

Uses of Annuities:
- Employers may use annuities to fund deferred compensation plans, but not

corporate pension plans.
- Lottery payouts and structured settlements are often funded by annuities.
- A self-employed person cannot use an annuity to fund a 403(b) tax-sheltered annuity (TSA).
- A 403(b) tax-sheltered annuity (TSA) is funded by making voluntary before-tax contributions.
- 403(b) TSAs are owned by the employee, not the employer.
- A corporation cannot use an annuity to build tax-deferred growth on corporate assets. Only individuals are entitled to tax deferred annuity earnings.
- Most immediate annuities are purchased by those who wish to supplement their retirement income.
- Most annuities are used for retirement purposes and are considered to be long-term investments.
- One purpose of an annuity is to keep customers from outliving their savings.
- When recommending a variable annuity, the agent should inquire about the applicant's tax status.
- Producers selling annuities must have reasonable grounds for believing that the transaction is suitable based upon a customer's financial status, tax status and investment objectives.

F. Qualified Plans

General Requirements:
- A defined benefit qualified plan is structured based on a pre-determined benefit amount.
- A defined contribution plan is a qualified plan.
- Most qualified retirement plans require participants to begin taking required minimum distributions no later than April 1 of the year after they reach age 73.
- The coverage requirement in a qualified plan is that a broad range of employees is covered by the plan.
- Trustees must manage qualified plan assets exclusively for the benefit of the participants.

Plan Types, Characteristics and Purchasers:
- A plan where an employee forgoes current pay in exchange for future benefits is known as a deferred compensation plan.
- Amounts contributed to qualified plans are limited by the IRS.
- There is no maximum dollar limit that applies to rollovers from one qualified plan to another.
- All or part of a distribution from a qualified plan may be rolled over into an IRA without tax.
- A trustee-to-trustee rollover eliminates the withholding tax requirement.
- Although Keogh plans are available to self-employed sole proprietors, partners, and their employees, they are NOT available to corporate officers.
- When a corporation sets up a qualified retirement plan to contribute a portion of their net income for the benefits of employees, it is known as a profit-sharing plan.
- Contributions made by participants to a SIMPLE plan must be vested immediately.
- When surrendering a 403(b) TSA for cash under age 59 ½, all the proceeds are taxable as ordinary income plus the proceeds are subject to an IRS 10% premature distribution penalty.

G. Federal Tax Considerations For Life Insurance And Annuities

Taxation of Personal Life Insurance:

- Death benefits paid to beneficiaries are tax free on all life insurance.
- Dividends which are paid out by mutual insurers are not taxable to the policyowner because they are considered to be a return of the premium paid by the policyowner.
- Dividends received by the owner of stock in a stock company are taxable as ordinary income. Dividends are NEVER taxed as capital gains.
- A cash surrender where the amount received is more than amount paid in in premiums would cause a taxable event.
- Surrendering a life insurance policy for cash and using the proceeds to buy a new life insurance policy from a different insurer is a tax-deferred 1035 exchange.
- On cash surrender of a life insurance policy, amounts received in excess of premiums paid in are taxable.
- In group life insurance, benefits are NOT taxable to the beneficiary should the employee die.
- Premiums paid for individual life insurance are NOT tax deductible, nor are benefits taxed. This is true of key person life insurance as well.
- Life insurance policyowners who gift their policies to a charity are entitled to a tax deduction in the year of the gift.

Modified Endowment Contracts (MECs):

- Modified endowment contracts (MECs) lose their favored tax treatment as life insurance since the IRS considers them to be investments.
- MECs are classified that way for the life of the contract.
- A modified endowment contract that is classified as life insurance but fails the 7-pay test would have taxable loans and withdrawals.
- Making a material change to a cash value life insurance policy may cause the 7-pay test to be applied again and could cause the policy to be classified as a modified endowment contract.
- Modified endowment contracts have a 10% IRS penalty for premature distributions.

Taxation of Individual Retirement Plans:

- IRAs may be funded with annuities, but NOT with whole life policies.
- Deferred annuities may be used to fund an IRA.
- If income is below a certain level, traditional IRA contributions may be tax deductible even though the employee is an active participant in another qualified plan.
- The direct transfer of IRA funds from one trustee to another is not taxable.
- Contributions made to qualified plans are generally made before taxes, which benefits employees.
- Qualified retirement plans offer special tax advantages to both employers and employees, in that employers can tax deduct contributions (although they are not taxable to employees until distributed).
- Qualified plans have early withdrawal penalties. The IRS levies a 10% penalty for cash surrenders on annuities, IRAs, TSAs, and Keogh plans prior to age 59 ½ unless the individual has died or become disabled. This penalty is in addition to income taxes due.
- Premature distributions may be made to a first-time homebuyer from an IRA without incurring a 10% penalty, subject to a lifetime dollar limit.
- Premature distributions made from a deductible IRA for qualified educational expenses are exempt from the 10% penalty, but they are not exempt from income tax.
- Premature distribution penalties are not waived due to bankruptcy.
- A Roth IRA is different from a traditional IRA in that a Roth IRA does not have any required distribution date.
- Distributions from a Roth IRA are not taxable if the participant held the contract for at least 5 years and is at least age 59 ½.
- Contributions to a traditional IRA will always be tax deductible if an individual

and spouse (if married) aren't covered by a retirement plan at work.

Section 1035 Exchanges:

- Under Section 1035 of the Internal Revenue Code, an annuity may be exchanged for another annuity, but not for life insurance.
- Taxes may be deferred when exchanging one life insurance contract for another under Section 1035 of the Internal Revenue Code.
- Although IRC Section 1035 exchanges defer taxes, they do not avoid them.

H. Health Insurance Basics

- A peril is a cause of loss. Health insurance covers two perils: accident and sickness.
- Occupational coverage covers both on-and off-the-job injuries (for those not covered by workers compensation). Nonoccupational coverage covers off-the-job injuries only (for those covered by workers compensation).
- An AD&D policy will pay the capital sum for loss of a limb, in addition to any medical expense insurance coverage that may apply.
- Limited health insurance policies (like AD&D) only cover limited perils and amounts.
- A hospital indemnity policy would pay a stated amount (in addition to any other insurance the insured may have) when the insured is confined in the hospital.
- AD&D and hospital indemnity policies do not follow the principle of indemnity. They pay in addition to other policies the insured may have.
- Credit disability insurance will pay an insured's car payments if the insured is sick or injured and cannot work.
- A blanket disability policy may be written to cover passengers on a common carrier, an employee group, a student group, a debtor group, or a sports team. Blanket policies do not require individual applications, nor are certificates of insurance issued to those covered.

Underwriting:

- An application must be in writing and will become part of the policy, when issued.
- If an application is approved and a policy is issued, the producer must collect the premium along with a statement of continued good health.
- Health insurance underwriters often order an attending physician's report in order to determine an applicant's current medical condition.
- Issuing a conditional receipt starts coverage right away if all conditions have been satisfied.

I. Individual Disability Insurance Policy General Provisions

Uniform Required Provisions:

- Mandatory provisions, such as the grace period, protect the insured. Optional provisions, such as probationary periods, protect the insurance company.
- The incontestability clause protects the insurance company. Under this clause, the company may contest a claim for the first 3 years, but not thereafter unless it can prove fraud. Companies are reluctant to charge fraud, however, since it requires proof of intent to deceive and is difficult to prove.
- The probationary period is different from the time limit on certain defenses provision (incontestability); the maximum probationary period is usually 12 months.
- The time limit on certain defenses clause is another name for the

incontestability clause (generally up to 3 years, except for fraud).
- If a reinstatement application is required, an insured is reinstated when the company says or after 45 days, whichever comes first. When an insured is reinstated, a 10-day probationary period starts for sickness only.
- If no reinstatement application is required, an insured is reinstated effective upon payment of the late premium to either the company or the producer.
- Under the legal actions provision, if a claim is not paid immediately, the claimant must wait at least 60 days before filing a lawsuit for failure to pay. Such suits must be filed within 3 years of the original loss. *Check your state regulations for the time limit in your state*.
- Health insurers should pay individual claims as soon as possible, as specified in a provision known as timely payment of claims.
- The time payment of claims provision allows the claims department time to investigate (maximum of 60 days).
- Claims may be denied if they occur after policy expiration.
- Insurers do not have to pay unsubstantiated claims.
- After receipt of notice of claim, the insurer must send out claim forms.
- If claims forms are not provided by the insurer within the time frame required, the insured can submit proof of loss in writing.

Uniform Optional Provisions:

- The change of occupation provision allows the insurer to change the benefit amount or premium should the insured change occupations during the coverage period.
- Under the misstatement of age clause, it is the benefits that are adjusted, not the premiums.
- To reinforce the principle of indemnity by preventing an insured from collecting more than they actually lost, most disability income policies contain an insurance with other insurers clause, which requires insurers to share a claim proportionately.
- If an insured pays the overdue premium on a lapsed health insurance policy and does not hear from the insurer, the insured is automatically reinstated in 45 days.
- Under the unpaid premium provision, if an insured has a claim in the grace period, the insurer may subtract the overdue premium from the amount of the claim paid.
- A cancellable health insurance policy may be canceled by either the insurer or the insured.
- Unearned premiums must be refunded to an insured who was canceled midterm. A pro rata refund is sent when the company cancels. A short-rate refund is sent when the insured cancels.
- Cancellation will have no effect on a pending claim.
- The illegal occupations provision would allow an insurer to deny coverage if the insured became injured or died while committing a felony.

Other General Provisions:

- If a health insurance policy can be nonrenewed by the insurer at the end of any policy period, the policy is considered to be optionally renewable.
- On a noncancellable policy, the insurance company cannot change the coverage or the rates, but it does not have to offer renewal.
- If a policy is noncancellable and guaranteed renewable, the company cannot change anything and it must offer renewal.
- On a guaranteed renewable policy, the insurance company cannot change the coverage, but it can change the rates by class (not individually).
- A guaranteed renewable policy is renewable at the option of the insured (by paying the premium) up to a certain specified age (usually age 65), but the insurer may change rates by class.
- A conditionally renewable policy must be renewed if the insured meets the specified conditions.

J. Disability Income And Related Insurance

- The typical definition of total disability on a disability income policy states that the insured is considered to be totally disabled if the insured cannot perform their own job for the first 2 years, and any job that the insured is suited to do thereafter.
- Those collecting disability income insurance benefits may be required to take a physical exam every 6 months at the insurer's expense in order to prove that they are still disabled.
- Those who suffer from presumptive disabilities, such as loss of eyesight, are not required to take a physical exam in order to prove that they are still disabled.
- The primary purpose of disability income insurance is the replacement of lost wages, should the insured become disabled.
- The most important factor to consider when writing disability income insurance is the amount of wages that could be lost.
- On a disability income policy, a longer elimination (waiting) period will reduce the premium.
- The waiting period is like a deductible, except it is stated in terms of time rather than in dollars.
- The waiting period starts at the onset of an insured's disability.
- Short-term disability policies have shorter elimination and benefit periods than long-term disability.
- If a disability income policy has a 7-day elimination period and the insured is sick for 15 days, the insured would receive benefits for 8 days.
- The probationary period starts when the policy is first issued.
- A recurrent disability is a prior injury that reoccurs again. The elimination (waiting) period is waived.
- A residual disability is one that never goes away. Residual coverage pays the difference between what an insured used to make before their disability and what they can make now.
- If a disability income policy contains an accidental means clause, there is no coverage if an insured is injured doing something they meant to do.
- If a disability income policy contains an accidental bodily injury clause, coverage applies as long as the injury was unintentional and unforeseen.
- The guaranteed purchase option is a rider that allows the insured to purchase additional coverage at certain intervals, regardless of health.
- The cost of living rider on a disability income policy is designed to keep the policy limit up with the rate of inflation.

Group and Business Disability:

- Group disability income is written to cover only a percentage of an employee's gross earned income.
- Individual disability income is written to cover only a percentage of an insured's net (after-tax) earned income.
- Key person disability insurance indemnifies the business for the loss of services of a key employee due to disability.
- Business overhead insurance will cover the ongoing business expenses of a self-employed person, such as rent or salaries, while the sole proprietor is disabled. Premiums are tax deductible, but benefits are taxable.
- A disability buy/sell policy could be structured to pay a monthly benefit to a corporation for up to 1 year while waiting to see if a disabled partner recovers. If not, then a lump sum is paid as a partnership buyout.

Social Security Disability:

- OASDHI (Old Age, Survivors, Disability and Health Insurance) is an acronym for Social Security.
- Social Security disability income benefits are harder to obtain than benefits provided by private disability income insurers.

- To have fully insured status under Social Security for disability benefits, a worker must have contributed to Social Security for at least 40 quarters (10 years).
- A disabled person must have fully insured status in order to be eligible for Social Security disability benefits.
- The waiting period for Social Security disability benefits is 5 months.
- Social security disability benefits require that a disabled person cannot work ANY job, and that the disability is expected to last at least 1 year or result in death.

K. Medical Plans

Medical Plan Concepts:

- Major medical insurance is considered to be a comprehensive insurance plan.
- The purpose of preadmission certification is to eliminate unnecessary treatment, thereby lowering premiums (cost saving).
- Medical expense policies are required to cover the insured's newborn child from the moment of birth.
- On medical expense insurance, the scheduled benefit limit shown is the most that the insurer will pay.

Types of Providers and Plans:

- The term health care service organization (HCSO) may be used in place of the term health maintenance organization (HMO).
- An HMO primary care physician makes referrals, authorizes treatment, provides general care and acts as the gatekeeper between HMO members and their health care providers.
- Health care service organizations (HCSOs) stress preventive care.
- HCSOs pay reimbursements to their providers directly, not to their insureds.
- When a doctor works in an independent group clinic on behalf of an HCSO, it is known as a group practice model.
- HMO primary care physicians may include those in family practice, pediatrics, obstetrics and gynecology, but not internists.
- HMOs usually don't cover adult hearing exams as a preventive care service.
- Except for emergencies, HMO services must be provided in-network.
- HMOs cover out-of-network emergency treatment without pre-authorization, although providers must notify the HMO after treatment has been rendered.
- The term managed care includes medical services provided by HMOs, PPOs and POS (point-of-service) plans, but does not include indemnity plans.
- Medical expense claims are often paid on a fee-for-service basis.
- Major medical expense policies often have a comprehensive calendar year deductible.
- In utilization management, pre-certification is different than a concurrent review because pre-certification is done prior to treatment.
- Basic medical expense plans cover in-hospital only, with first dollar coverage. There is no deductible or coinsurance, but coverage is subject to inside (maximum) limits.
- Major medical and comprehensive major medical plans have deductibles and coinsurance requirements.
- The stop loss feature on a major medical policy applies after the insured first pays the deductible. It limits that amount of coinsurance the insured has to pay on a large claim.
- Medical expense policies are usually written as cancellable, which means the company can cancel at any time as long as it gives advance notice.
- Medical expense policies usually contain a probationary period that applies to pre-existing conditions, meaning they won't be covered if they occur during this period.

- A family deductible limits the total amount the family must pay during the year no matter how many family members become sick or injured.
- The assignment of benefits provision on medical expense insurance facilitates claims handling by allowing the insurer to pay benefits directly to the provider.
- When calculating how much the company will pay on a claim, always subtract the deductible, first then apply the coinsurance percentage.
- PPO subscribers who go out of network for services will receive reduced benefits.
- To encourage an insured who is covered by a point-of-service (POS) plan to seek coverage in network, out-of-network coverage is often subject to higher deductibles.

Cost Containment in Health Care Delivery:

- On medical expense plans, a mandatory second opinion requirement will result in fewer claims.
- A carry-over deductible applies to claims that occur during the last 3 months of the calendar year. They carry over and apply to next year's deductible.
- If an insurer wants to stress preventative care, they should waive the deductible for office visits.

L. Group Accident And Health Insurance

Characteristics of Group Insurance:

- Groups may not be formed just to buy insurance. They must exist for another reason.
- On noncontributory group plans, 100% of the eligible employees must enroll.
- On contributory group plans, usually 75% of the eligible employees must enroll.
- Group participation requirements are designed to help prevent adverse selection.
- A group insurance contract is between the employer and the insurance company.
- In group insurance, the employer is issued a master policy and employees are issued individual certificates of insurance.
- The state in which a group contract is delivered to the policyholder is generally held to have jurisdiction over all certificates of insurance issued under the contract.
- Group underwriting takes into consideration the average age of the group, the health of the group and persistency factors.
- Group coverage must be written for the benefit of employees and cannot discriminate in favor of highly paid workers.
- Although there are strict regulatory requirements related to what an insurer can and can't do in regard to small group insurance, an insurer CAN legally nonrenew or cancel a small group plan if the employer stops paying the premium.
- Multiple employer trusts (METs) offer group coverage for employers in the same industry.
- Association group insurance has higher administrative costs than other types of group health insurance and is more subject to adverse selection.

Eligibility for Coverage:

- Dependents are eligible to enroll in a group plan when an employee becomes eligible to enroll.
- Employees remain eligible for group coverage even after attaining age 65.
- Employers who have 20 or more employees are required to offer the same health benefits to employees and their spouses who are age 65 or older that they offer to younger employees.

Continuation of Coverage under COBRA:

- Under COBRA, employers with 20 or more employees must allow terminated employees and their dependents to continue their group coverage by paying 102% of the group rate.
- When an employee elects COBRA, the coverage is exactly the same as it was in the group. It is not reduced in any way.
- The maximum period of coverage continuation for termination of employment or a reduction in hours of employment is 18 months.
- The dependents of a deceased or disabled employee may continue group coverage for another 36 months.
- The phrase qualifying events includes death, disability or termination of employment.
- If an employee elects to continue group coverage under COBRA, the employee may still convert to an individual policy without a physical exam when COBRA coverage ends.

M. Dental Insurance

- In dental insurance, it would create an adverse selection situation for an insurer to offer more than one open enrollment period during the year.
- To prevent adverse selection, most dental insurance is written on a group basis.
- Dental insurance has no deductible on diagnostic or preventive care.
- Dental insurance covers **restorative care**, such as fillings, inlays and crowns.
- Dental insurance **endodontics** services, such as root canals.
- Dental insurance covers the treatment of gum problems, which is known as **periodontics**.
- Under dental insurance, prosthodontics includes bridgework.
- **Orthodontics** is the treatment of problems related to the growth and development of the jaw using fabricated appliances, most often braces.
- On an integrated medical/dental plan, the deductible may be satisfied by either medical or dental expenses.
- Dental indemnity plans may be written as either scheduled (basic) or non-scheduled (comprehensive).
- Basic dental insurance plans have first-dollar coverage, without a deductible or coinsurance.
- Comprehensive dental plans are similar to major medical expense plans, with a deductible and coinsurance.
- Dental insurance may also be written as a prepaid service plan in the same manner as an HMO.
- Most dental insurance plans do not cover cosmetic dentistry.

N. Insurance For Senior Citizens And Special Needs Individuals

Medicare:

- Certain persons under age 65, who are disabled or who have suffered kidney failure are also eligible for Medicare.
- On Medicare, the difference between what the doctor bills and what Medicare pays is called the excess charge.
- Part A of Medicare covers hospitals and Part B covers doctors.

<u>Part A - Hospital Insurance</u>

- Part A of Medicare provides hospital insurance.
- Medicare Part A only pays for up to 190 days of inpatient psychiatric hospital services during the beneficiary's lifetime.

- Medicare Part A also covers a skilled nursing facility stay for up to 100 days in each benefit period.
- Medicare Part A covers skilled nursing facility care after a 3-day minimum hospital stay, but not custodial care in a nursing home.

Part B - Medical Insurance

- Part B of Medicare (medical insurance) is partially funded by user premiums.
- Medicare Part B (physician's services) has coinsurance (80/20) and a deductible.
- The Medicare Part B coinsurance is calculated as a percentage of Medicare's approved amount, not the amount the doctor charges.
- Medicare Part B has a premium, coinsurance, and a deductible which have amounts that are set annually. The amount paid by Social Security is dependent upon the primary insurance amount (PIA) of the insured.

Part C - Medicare Advantage

- Those who enroll in Part C of Medicare (Medicare Advantage) do not need to purchase a Medicare supplement.
- Part C is the part of Medicare that provides managed care.

Part D - Prescription Drug Insurance

- In order to be eligible for Part D of Medicare (prescription drug insurance), a person must be enrolled in Medicare Part A or in Parts A and B.

Medicare Supplements:

- Medicare supplements are sold by private insurance companies and their agents.
- There is a 6-month open enrollment period for buying a Medigap policy.
- Persons age 65 or older cannot be denied Medigap coverage for health problems during open enrollment.
- Medicare supplement plans are not required to be approved by Medicare.
- Only standardized Medigap plans may be offered.
- Medicare supplements are required to cover Medicare's Part A and Part B coinsurance and the first 3 pints of a blood transfusion as basic or core benefits.
- It is unlawful to sell someone more than one Medigap policy.
- The maximum probationary period on Medicare supplements policies is 6 months.
- When selling a Medicare supplement, agents must give out an Outline of Coverage no later than the time of application and must obtain a signed receipt from the applicant.
- Medicare supplements have a 30-day free-look period.
- Although selling someone more than one Medicare supplement is prohibited, replacing one Medicare supplement policy with another is permitted as long as it is not detrimental to the insured.
- Medicare supplement policies do not have to contain guidelines for Medicare eligibility.

Medicaid:

- Medicaid eligibility is based upon financial need. There is no age limit.
- Medicaid is funded by state, local, and federal monies. It is medical welfare, available to low-income individuals and families.

Long-Term Care (LTC) Insurance:

- When an insured needs care, but not 24-hour care supervised by a doctor, the insured needs long-term care.
- Long-term care policies have a 30-day free-look period.

- Long-term care insurance is underwritten based upon the applicant's ability to perform the activities of daily living (ADLs).
- ADLs include mobility, dressing oneself, bathing, toileting and eating.
- LTC policies must cover Alzheimer's disease.
- LTC insurance does not cover acute care.
- LTC policies may not condition benefits on a prior hospital stay.
- LTC home health care services include coverage for physical therapy, nursing care, home health aides and homemaker services.
- Adult daycare is an LTC coverage which covers meals, meaningful activities, and general supervision of adults in a professionally staffed non-residential facility.
- Respite care is an LTC coverage that allows family members a reprieve or break from their caregiving responsibilities.
- The period of time that a long-term care policy will provide custodial care in a nursing home is known as the benefit period.
- LTC policies usually pay a fixed amount per day while an insured is confined to a custodial nursing home.
- Optional LTC coverage includes home health care, adult day care and hospice care.
- The LTC return of premium rider will refund some or all of the insured's premiums to the insured's estate or beneficiary if the insured dies prior to age 65.
- Insurers who write LTC insurance are usually required by state law to allow the insured to name a third party who the insurance company would contact if the insured forgets to pay the premium.
- LTC insurers must include coverage for inflation protection unless the applicant rejects it in writing.
- LTC policies may exclude pre-existing illness, acute care, mental disorders, alcoholism, drug addiction, war related illness and self-inflicted injuries, but may not exclude Alzheimer's disease.
- On qualified LTC policies, insureds may add a nonforfeiture benefit.

O. Federal Tax Considerations For Disability (Accident And Health) Insurance

Personally Owned Health Insurance:

- Premiums for individual disability income or AD&D policies are not tax-deductible.
- Premiums paid on an individual disability income policy are not tax-deductible, but benefits paid are not taxable.
- A self-employed sole proprietor may tax deduct 100% of the premiums paid for medical expense insurance.
- Individual health insurance benefits are not taxable.
- Premiums paid for individual medical expense and qualified LTC insurance are tax-deductible to the extent that they exceed 10% of an individual's adjusted gross income.

Employer Group Health Insurance:

- On group disability income insurance, if the employer pays 60% of the premiums, 60% of the benefits payable would be taxable to employees.
- If an employee pays 100% of the premium for group disability income insurance, none of the benefits paid are taxable.
- Premiums paid by an employer for a group health policy (such as medical expense or disability income) are tax-deductible, since these are fringe benefits for employees.
- On group accidental death and dismemberment (AD&D) insurance, benefits are not taxable, regardless of who paid the premiums.

Business Disability Insurance:

- Key person disability insurance indemnifies the business for the loss of services of a key employee due to disability. Premiums are not tax deductible, but benefits are not taxed.
- Under the terms of a partnership disability buy/sell agreement, the proceeds of the policy are paid to the owner of the policy, who uses the money to buy out the disabled business partner.
- On a partnership disability buy-out policy, the premiums are not tax deductible, but the benefits are not taxed.

Consumer-Driven Plans:

- On an HRA (health reimbursement account), participants have high deductible group medical expense insurance coverage, but the HRA is partially funded by their employer.
- HSAs (health savings accounts) are available to any employer or individual who has a high-deductible health plan (HDHP).
- HSA contributions are made with before-tax dollars, account earnings grow on a tax-deferred basis, and distributions used to pay qualified medical expenses are tax free.
- Employer contributions to an employee's HSA are excludable from the employee's federal gross income, up to the maximum contribution limit for that employee. Although the employee cannot deduct the employer's HSA contributions, the contributions are not federally taxable to the employee nor are they subject to withholding from wages for federal income tax or other employment taxes. HSA contributions by employers are considered a type of benefit, and are therefore, tax-deductible for the employer.
- Health savings accounts are not subject to year-end tax penalties.
- Contributions to an HSA cannot exceed the participant's deductible, and are subject to maximum limits.
- Medical savings accounts (MSAs) may be set up only by small employers or individuals.
- Contributions to an MSA made by an eligible individual are limited to a percentage of the annual deductible.

P. Insurance Regulation

1. Licensing

Process and Types:

- The purpose of producer licensing is to make sure that producers have adequate knowledge of insurance when selling insurance to customers on behalf of insurers in this state.
- Pennsylvania requires 24 hours of prelicensing training prior to taking an insurance exam. Of the 24 hours, at least 3 hours must be related to Ethics. This requirement can be completed either by attending a live class, a correspondence course or an online course.
- Fingerprints are required to get a Pennsylvania license.
- Even though a prospective licensee passes the state exam, he or she cannot sell insurance until the license is actually issued.
- To obtain a license, a prospective licensee must be at least 18 years old, complete prelicensing training and pass the exam, pay applicable fees, and have not committed any prohibited acts.
- New insurance licenses are issued for a period of 2 years.

Nonresident Producers:

- A Pennsylvania nonresident license can be obtained if the licensee passed his or her exam in their home state.
- If a licensee moved out of state, they must give up their Pennsylvania resident license.
- It is not unlawful to sell insurance out of state with a nonresident license.

Maintenance and Duration:

- Continuing education requirements apply to all Pennsylvania resident producers and require the completion of 24 hours of credit every 2-year licensing period. Excess hour completed can be carried forward to the next licensing period (up to 24 credits).
- Producers must notify the Commissioner promptly (within 30 days) upon change of address.
- A place of business could also be a residence.
- A producer must file a Report of Action with the Commissioner within 30 days of the final disposition of any administrative action taken against them in this or any other jurisdiction.

2. State Regulation

Commissioner's General Duties and Powers:

- The Commissioner is responsible for determining if an insurance company is insolvent.
- Producers must keep records for inspection by the Commission at any time.
- The Commissioner must audit all license insurers at least once every 5 years.
- A place of business must display the producers license and all records must be kept there.

Company and Producer Regulation:

Producer Appointment:

- If a producer's contract is terminated by an insurer, his or her accounts continue in force.
- An insurer is responsible for all acts of their producers, as long as the producer stays within the scope of their authority.

Policy Rates and Forms:

- Although producers develop information for the insurer, they do not set the final rate classification.
- All policy modifications must be approved by a company officer.
- Rates may vary based upon age of the applicant.

Commissions and Fees:

- Commissions may be shared with producers who have like licenses.
- Giving part of one's commission to a client as an inducement to a sale is rebating.
- Producers can only share commissions with other producers who are licensed for the same lines of insurance.

Disciplinary Actions:

- Hearings are held at the Insurance Department, not in a court of law.
- Licenses cannot be suspended or revoked without a hearing.
- Licenses cannot be suspended or revoked for declaring bankruptcy.
- The maximum fine for an individual guilty of violating the insurance code is $5,000 per violation, plus license suspension or revocation.
- A person may go to jail for filing false financial statements with regulators, the embezzlement of insurer funds or writing threatening letters to regulators, but not for selling insurance out of state with a nonresident license.

Unfair Insurance Practices:

- A producer showing competitor information to a client is not a violation of the Unfair Trade Practices regulation.
- Refusing to pay claims without conducting a reasonable investigation is an example of an Unfair Claim Practice.
- The insurance company attempting to use arbitration to settle the claim is not an example of an Unfair Claim Practice.
- It is not unfair to deny a claim that occurred after coverage terminated.
- Misrepresenting facts or policy provisions is an example of an Unfair Claim Practice.

- False advertising is a form of misleading advertising.
- It is legal to advertise honest differences in insurance contracts.
- Defamation is defined as making oral or written statements that are false or maliciously critical of the financial condition of an insurer or producer.
- Coercion is considered to be a restraint of trade and is illegal.
- The availability or amount of coverage may not be denied or reduced based upon marital status.

3. Federal Regulation

Fair Credit Reporting Act:

- The Fair Credit Reporting Act (FCRA) protects consumers against the circulation of inaccurate or obsolete personal or financial information.
- Under the FCRA, an individual does not need to file a lawsuit to get incorrect data corrected.
- Under the federal FCRA, reporting agencies must make a report available to anyone whose insurance was denied as a result of information contained in the report.
- Under the FCRA, reporting agencies are not required to send a credit report to anyone who requests it, but may furnish reports to persons entitled to receive them in connection with banking, insurance underwriting or employment.

Fraud and False Statements:

- The federal Fraud and False Statements law applies to those who engage in false financial reporting.
- A "material fact" is one which, if known, would have caused the policy to be issued with substantially different terms.

Do Not Call Registry:

- The purpose of adding one's name to the Do-Not-Call Registry is to prevent telemarketing.
- Telephone solicitations may only occur between the hours of 8 am and 9 pm of the time zone where the customer is located.