Cheat Sheet

**FREE LOOK**

LIFE POLICIES 14 DAYS

ANNUITIES 21 DAYS

HEALTH POLICIES 10 DAYS

Medicare supplements 30 days

LTC 20 days

Small Employer

Fl Empoyee Heath Care Access Act

1-50 Empoyess

Small Employer Plan

1 - 25

**Grace Periods**

Group Life 31 days

Group conversion 31

LTC 30 days

Accelerated Death Benefits: Allows the insured to receive a potion of the death benefit prior to deat if the insured has a terminal illness.

In Florida, what is the minimum number of employees for a small employer health plan to be guaranteed issuer? b. **2**

In Florida, all small employer health plans must be guaranteed issue to every small employer with 2 to 50 employees.

DIVIDEND OPTIONS

Cash Payment

Reduction of Premiums

Accumulation at Interest

Paid Up Additions

*One Year Term . note dividends not taxable to policy holders*

**NON FORFEITURE OPTIONS**

Cash Surrender

Reduced Paid Up

Extended Term

**Notice of Claims 20 Days**

**Claim Fors 15 Days**

**Proof of Insurance 90 days**

**Legal Action 60 days – 2yrs**

**SETTLEMENT OPTIONS**

Cash Payment

Life Income

Interest Only

Fixed period Installments

Fixed Amount Installments

Abbreviations to know

MEWA (Multipl employee Welfare arranment)

PLHSO (Prepaid Limited Health Service organiztions)

Provide limited service (dental ambulance, vision)

INDEMNITY PLAN – Fixed Rate Plan Covers hospital

DMPO (Siscount Medical Plan) Not ins

ERISA – Employee Retirment Income Security Act

ERSA = Kidney Failure

Medicare – 65 and older, ESRA or Disability

Medicaid (Aid) Parts

Part A Facilities HOSPITAL, nursing

Part B DOCTOR medical serives

Part C MEDICARE ADVANTAGE (Hmo ppo)

Part D Prescription

Experience Rateing – Based on group previous claims

Community Rating – Based on Community reports

**Whole Life**

Permanent Life Insurance is whole life insurance that is effective for the entire life of the insured or up to age 100. Whole Life is permanent protection plus the cash value.

**A. Traditional whole life products**

Whole Life Insurance provides permanent life insurance protection for the insured’s entire life, and living benefits including cash values and policy loans. ***Cash value in a whole life policy is a nonforfeiture value meaning that the policy owner is guaranteed to it.*** Policies are issued based on the insured’s original, or issue age (age at application).

1. Ordinary (straight) life Ordinary, or straight life, is basic whole life insurance with a level face amount, and level premiums payable over the insured’s entire life.

2. Limited-pay and single-premium life Limited Payment (LP) Whole Life Policies: The insured is covered for his entire life, but premiums are paid for a limited time. *Face amount and premiums are level.* Single Premium Whole Life Policy: It allows the insured to pay the entire premium in one lump-sum, and have coverage for the insured’s entire life. Policies have a level face amount.

3. Adjustable life Adjustable Life policies are a mix of whole and term life insurance. Changes that can be made to the policy: raise or lower premium, raise or lower the face amount, change the coverage

B. Interest/market-sensitive life products

Variable insurance provides a way for policyowners to earn higher investment returns on life insurance policy cash values. With traditional whole life insurance, premiums are invested in the insurer’s general account, which contains conservative investments carefully selected and insured by the insurance company. Interest rates provided by the general account are fixed and conservative, in the 3% – 5% range.

With variable life insurance, on the other hand, policyowners have the opportunity to earn higher interest rates. The interest rate is variable because it is linked to the insurer’s separate account, which fluctuates according to its investment performance. Since the separate account is not insured by the insurance company, the investment risk is borne upon the policyowner.

Variable life insurance products are securities contracts and are regulated by the Securities and Exchange Commission (SEC). Agents selling variable products must have a life insurance and a FINRA representative license.

1. Universal life Universal Life is also referred to as flexible premium adjustable life insurance or unbundled insurance. The primary difference between adjustable life and universal life is that the policy owner can skip premium payments as long as there is enough cash value in the policy to cover the cost of death protection. Policy allows the policy owner to “buy term and invest the difference.” *Two premiums are quoted to the policy owner: the target premium and the minimum premium.* Paying the target premium will build cash value in the policy, and the policy will resemble whole life. Paying the minimum premium will keep the policy in force by paying the cost of death protection, and the policy will resemble term life.

There are two death benefit options for universal life policy owners: 1. Option A (Option 1): pays a level death benefit. 2. Option B (Option 2): pays an increasing death benefit: face amount and cash value.

2. Variable whole life Variable whole life or simply variable life has fixed level premiums and a guaranteed minimum death benefit just like ordinary whole life but differs in that it offers higher interest rates defending the policy owner against the effects of inflation. • Only variable life policies allow policy owners to invest premiums in the insurer’s separate account. • Variable life insurance policies do not guarantee cash value.

• Any agent selling variable products must have a securities license in addition to a life insurance license. • Variable policies have fixed premiums and a guaranteed minimum death benefit. • The investments are in a Separate Account. • Producers must be registered with FINRA.

3. Variable universal life It is universal life insurance with a separate account. These policies have the flexible features of universal life and the investment choices of variable life. Variable universal life policies are regulated as variable products. Features include: • Flexible premiums, • Cash value based on investment in separate account, • Access to cash values (policy loans and withdrawals), • Death protection deducted from cash value, • Death benefit option A or B; and • Policy owners choose sub-account investments.

4. Interest-sensitive whole life Interest-sensitive whole life, also known as current assumption whole life, provides flexible (varying) premiums based on a changing current interest rate.

• The insurer may raise or lower the premium within a specified range stated in the policy. • Higher interest rates allow the insurer to reduce the premium, and lower interest rates require the insurer to raise the premium. • If the insured does not want to pay higher premiums, the policy face amount can be reduced. • Premium changes usually occur annually.

5. Equity-indexed Universal life Equity indexed universal life works the same way as universal life insurance, except the interest rate is tied to the stock market index, which has the potential to offer greater cash value growth than universal life insurance.

Equity indexed universal life policies have a fixed guaranteed interest rate and a nonguaranteed indexed rate which can reach yields of 15% – 20% or more. This allows policyowners to reap the benefits of indirectly participating in the stock index. Typically, insurers use the S&P 500 Index.

**Non-Traditional Life Cont**

InTEREST-Sensitive (current assumption) whole life

* Flexible premiums
* Guaranteed min death benefit
* Guaranteed min rate of return
* Uses general account
* Ins lic req to sell

Equity-Indexed or Indexed

* Fixed premiums, level premiums
* Guaranteed min death benefit
* Guaranteed min rate of return
* Uses general account
* Indexed to indexes such as S&P 500 or DJIA
* Ins lic to sell

Multiple Lives

Joint Life – Pays after 1st person dies

Survivorship Life-pays after 2nd person dies

ANNUITIES

* Think of it like a savings account
* Not Insurance
* Pays out income
* No Death Benefit

Phases

Accumulation Period – money in tax deferred

Annuity Phase – moneyout

Premium Options-

* Single Premium-One payment (used by people with large amt of $
* Flexible Premium – pay over time

Annuity Payment to Annuitant

* Immediate –
* Defferred –

Investment Configuartion

* Fixed – General acc, set amt, inflation risk
* Variable – Separate acc, investment risk, anything with variable is riskier and uses separate acc
* Indexed – Linked to stock market index such as S&0 500 or DJIA, there is floor but no ceiling on benefits

**Ordinary Whole Life**

* Fixed premiums, level premiums
* Guaranteed minimum death benefit
* Guaranteed minimum rate of return
* Uses General Account
* Loans can be taken against cash value
* Total surrender available
* Ins lic needed to sell

**Non-Traditional Life**

Adjustable lIfe

* Flexible premiums
* Guaranteed min death benefit
* Guaranteed rate of return
* Face amt adjustable
* Uses general account.

Universal Life

* Flexible Premiums
* Two death benefit options
* Guaranteed minimum rate of return
* Face amt adj
* Uses general acc
* Loans can be taken against cash value
* Partial surrender available as well total surrender
* Insurance lic to sell

Variable Whole Life

* Fixed Premiums, Level premiums
* Uses SEPARATE account
* Guaranteed min death benefit
* No guaranteed min rate of return
* Insurance lic to sell
* Req securities lic to sell
* Regulated by: state, SEC, FINRA

Variable-Universal Whole life

* Flexible premiums
* Two death benefit options
* Uses Separate account
* No guaranteed min rate of return
* Face amt adj
* Ins lic to sell
* Regulate by state, sec, finral

**Term Policies**

Term

1. Temporary
2. No cash Value

Types

1. Level-Level death benefits

2. Decreasing death benefits

3. Return of Premium

4. Increasing Term

5. Annually Renewable

Special Features

1. Renewable
2. Convertible

Abbreviations

LTC –

Lont term Care

Return of Premium

COLA Cost of living adj

AD&D

Accidental Death & Disimemberment

STOLI & IOLI

Stanger & investor Originated life Insursance, 3rd party

Risk Classification

Substandard – Higher risk, policy rated, highest premium

Standard – Normal Risk, premium in middle

Preferred – Lowest risk, lowest premium

Premium Payments

Level Premiums – Premiums stay level for a persons entire life used in

Whole life and term life.

Flexible Premiums – Premiums are flexible and can be adjusted up or down.

Used in

Adj. Life, Universal life, variable universal life and interest sensitive whole life (current assumption)

Types Of Health Policies

1. Disability Policies (Ind., Business Overhead Exp, Group Disabilty, Key Employee)
2. Accidental Death & Dismemberment

Face amt for 2 body parts, only capital sum 50% for loss of one primary part

C. Medical Expense Ins

1.Basic Medical

2. Major Medical

D. Medicare Supplements

E. Long Term Care (LTC

F. Group Health

G. Limited Benefit Plans

Application

Part 1 – General

Part 2 – Medical

Part 3 – Agents Report

Spendthrift Clause – Protects a beneficiary from creditors, money paid in installments, money held in trust.

HMO =Health Maintenance Organization

PPO=Preferred Provider Organization)

POS= Preferred Provider Organizations

POS= Point of Service

Type Plans

HDHPS (High Deductible Health Plans)

Major Medical plan with high ded

CDHP (Consumer Driven Health Plans)

Exampels FSA HAS and HRA

FSA (Flexible Spending Accounts)

Employee funded pre tax, no roller cafeteria plan

MSA (Medial Savings Account)

Tax free savings, for small company 50 or less, high deductibles also calle Archers

HRA (Health Reimbursement Account)

HAS (Health Savings Account)

Group Health

HIPAA Health Ins Portability And Accountability Act

Cobra (Consolidate Omnibus Budget Reconcilation Act

ERISA Employee Retirement Income Security Act

OTHER

MODIFIED ENDOWMENT CONTRACTS (MECS)

Overfunded life policy

Subject to 7 day pay text

Before 59 ½ - withdrawal penalty of 10%

Death benefits are not taxable, policy loans and surrender (withdrwawal are taxable

Annuities

* Think of it like a savings acc
* Not insurance
* Pays out income
* NO DEATH BENEFIT

PHASES

Acumulation period- time put money into annuity tax deferred

Annuity pahase – money paid out

Social Insurance

1. Medicare

Parts

Part A – Facilities, hospital, nursing home, home health

Part B – Doctors, medical Services

Part C – Medicare Advantage (HMO, PPO)

Part D – Prescription drug coverage

1. Medicaid

65 and over, blind, disabled, poor, state adm, federal funding

1. Social Security

Funded – Fica taxes (employer & employee.

PIA sS benefits based on PIA Primary Ins amount.

Currently insured 6 quarters, fully +40 quarters

**Taxes (Health and Disability)**

**MEDICAL EXPENSE POLICIES**

Individual Medical ExpensE

Benefits – Not taxed go to medical cost.

Premiums Not deductible except 10% over agi

Self employed premiums are deductible

Employer Group Medical Expense

Employer premiums – Tax deductible

Benefits not taxable to individual

**DISABLITY POLICIES**

Individual Disability Income

Premiums not deductible for ind

Benefits not taxes

Employer Group Disability Income

Empoyer Premiums – tax decuctible

Individual benefits taxable

**Business Policies**

Key Person Buy / Sell Policies

Premiums Not deductible

Benefits tax free

Business Overhead Expense

Premiums tax deductible

Benetiftits taxable

LONG TERM care

Premiums are deductible over 7.5% of adj gross income or qualified ltc plan