The 100 Most-Tested Life & Health Terms

These are the terms the Life & Health licensing exam returns to again and again, in plain language, free to study from. The full course adds the complete combined guide behind every term, a full question bank, four full simulated exams, and flashcards built for drilling your misses.

This is study help, not a pre-licensing course, and state law varies — your state supplement carries your exact state numbers.

Module 0 — Fundamentals & Exam Craft

1. **Pure Risk** — A chance of loss or no loss, with no chance of gain; this is the only kind of risk insurance covers. Pure risk can only lose or break even — speculative risk can win, lose, or break even.
2. **Speculative Risk** — A chance of gain, loss, or no loss, like gambling or investing; insurers will not insure it. Pure risk can only lose or break even — speculative risk can win, lose, or break even.
3. **Law of Large Numbers** — The principle that predictions get more accurate as the group gets larger, which lets insurers price risk for a big pool. The law of large numbers: the bigger the group, the closer the guess.
4. **Adverse Selection** — The tendency for people at higher risk to apply for and keep insurance more than lower-risk people, which works against the insurer.
5. **Insurable Interest** — A financial stake in keeping the insured person alive; for life insurance it must exist at policy inception, not at the time of the claim. Life needs interest at inception, not at the claim.
6. **Aleatory Contract** — A contract where the parties exchange unequal amounts depending on chance — a small premium against a much larger possible benefit. Aleatory = unequal by chance; Adhesion = take it or leave it; Unilateral = one promise, the insurer's.
7. **Representation** — A statement an applicant believes to be true; it is not guaranteed true the way a warranty is. Representations are believed true; warranties are guaranteed true.
8. **Apparent Authority** — Authority a third party reasonably believes a producer has, based on the insurer's actions, even if it was never expressly given. Express is said, Implied is understood, Apparent is believed.

Module 1 — Life: Types of Policies

1. **Level Term Life** — Term coverage with a death benefit that stays the same for the whole term; when the term ends, nothing is left. Term = Rent: protection only, nothing left when the lease ends.
2. **Decreasing Term Life** — Term coverage whose death benefit shrinks over time, typically tracking a shrinking debt like a mortgage. Decreasing term shrinks with the debt.
3. **Annually Renewable Term (ART)** — Term coverage renewed each year without new health questions, with the premium rising each year as the insured gets older.
4. **Convertible Term** — Term coverage the owner can change to a permanent policy without new evidence of insurability. Convertible means trade the rental for ownership — no new health questions.
5. **Whole Life** — Permanent coverage with a fixed premium, a fixed death benefit, and cash value building inside, lasting for the insured's whole life. Whole life = Own it for life: same premium, same promise, cash value building inside.
6. **Limited-Pay Whole Life** — Whole life paid up in a set number of years or by a set age, then covered for life with no further premiums. Limited-pay: pay it off early, covered for life.
7. **Universal Life** — Flexible-premium permanent coverage that separates the parts: you see the premium in, the cost of insurance and expenses out, and interest credited to the cash value. Universal life is a clear bucket: you see the premium in, the costs out, and the interest credited.
8. **Universal Life Option B** — The universal life death-benefit choice where the benefit is the face amount plus the cash value, so the benefit builds as cash value grows. Option A stays Level, Option B Builds: A = level death benefit, B = face plus cash value.
9. **Variable Life** — Permanent coverage whose cash value and possibly death benefit ride on a separate account in the market, so the owner takes the investment risk and value can go up or down. Variable means the owner rides the market — value can go up or down.
10. **Indexed Universal Life (IUL)** — Universal life that credits interest based on an index, with a floor below and a cap above, without the owner directly owning the index. Indexed: the index points, the policy credits — with a floor below and a cap above.
11. **Separate Account** — The market-based account holding variable policy values, kept separate from the insurer's general account; the policyowner bears the investment risk in it.

12. **Annuity** — A contract that pays income back to you, built so you do not outlive your money — the reverse job of life insurance. An annuity flips the job: life insurance pays when you die too soon, an annuity pays so you don't outlive your money.
13. **Survivorship Life (Second-to-Die)** — Coverage on two lives that pays only at the second death. First-to-die pays at the first death; second-to-die waits for the second.
14. **Credit Life** — Life coverage tied to a loan that pays the balance to the lender if the borrower dies. Credit life pays the lender, not the family.

Module 2 — Life: Provisions, Riders, Options & Exclusions

1. **Entire Contract** — The provision stating the policy plus the application make up the whole contract; nothing outside them can be used to change it.
2. **Incontestable Clause** — After a life policy has been in force 2 years, the insurer cannot contest it over application statements. Two years shuts the contest door — after two, no contest, no more.
3. **Grace Period (Life)** — The 30 or 31 days after a life premium is due to pay it and keep the policy in force. Grace is a month: 30 or 31 days to pay before the policy falls.
4. **Reinstatement** — Putting a lapsed life policy back in force, allowed within 3 years with proof of insurability and back premiums plus interest. Reinstate within three — premiums back, plus interest, plus proof to see.
5. **Misstatement of Age or Sex** — If age or sex was misstated, the benefit is adjusted to what the premium paid would have bought at the correct age or sex — the policy is not voided. Age wrong? Adjust what the premium would have bought — never void the lot.
6. **Automatic Premium Loan (APL)** — A provision that automatically borrows from the policy's own cash value to pay an overdue premium and keep the policy from lapsing. APL: Automatic Premium Loan — the policy pays itself from its own cash.
7. **Free Look** — The period of at least 10 days after delivery when the new owner can return the policy and walk away whole. Free look: at least 10 days to look and walk away whole.
8. **Nonforfeiture Options** — The three ways a surrendering owner can use built-up cash value — cash surrender, reduced paid-up, or extended term — so the value does not simply vanish. Cash it, shrink it, or stretch it — surrender for cash, reduce to paid-up, extend the term.
9. **Reduced Paid-Up Insurance** — A nonforfeiture option that uses the cash value to buy a smaller permanent policy that is fully paid up, with no further premiums.

10. **Extended Term Insurance** — A nonforfeiture option that uses the cash value to buy term coverage for the full original face amount, for as long a term as the value will buy.
11. **Settlement Options** — The five ways a beneficiary can take the death benefit: cash, interest-only, fixed-period, fixed-amount, or life income. Cash Now, Interest Only, Fixed Period, Fixed Amount, Life for Life — five ways to settle.
12. **Dividend Options** — The five ways a participating policyowner can take a dividend: cash, reduce premium, accumulate at interest, paid-up additions, or one-year term. CRAPO: Cash, Reduce, Accumulate, Paid-up additions, One-year term.
13. **Irrevocable Beneficiary** — A beneficiary who cannot be changed, and whose consent is required for changes, loans, or surrender. Irrevocable means ask first — no change, no loan, no surrender without consent.
14. **Waiver of Premium Rider** — A rider that, after a waiting period, waives premiums while the insured is disabled so the policy stays in force. Waiver waits, then waives — disabled, waiting period passed, premiums forgiven while disability lasts.
15. **Suicide Exclusion** — The exclusion that typically applies for the first 2 years of a life policy; after that period, the death benefit is paid. Suicide waits two, then the promise comes through.

Module 3 — Life: Application, Underwriting & Delivery

1. **Conditional Receipt** — A receipt given when premium is paid with the application; coverage starts as of the application or medical exam date only if the applicant is found insurable. Conditional covers IF you qualify; binding covers NOW, qualified or not.
2. **Binding Receipt** — A receipt that gives temporary coverage immediately, qualified or not, for a short period until the insurer issues or declines the policy. Conditional covers IF you qualify; binding covers NOW, qualified or not.
3. **Medical Information Bureau (MIB)** — An information exchange insurers use in underwriting that shares coded medical information, never underwriting decisions. MIB shares codes, never decisions.
4. **Material Misrepresentation** — A false statement on an application that, if the insurer had known the truth, would have changed the decision or the terms offered.
5. **Preferred Risk Class** — The best-priced underwriting class, for applicants in better-than-average health; standard pays the list rate, substandard pays more, and declined means no policy is issued. Preferred pays less, Standard pays list, Substandard pays more, Declined pays nothing — there is no policy.

6. **Backdating** — Setting a policy's start date earlier — up to 6 months — to save age and lock a lower premium. Backdate to save age, never more than 6 months back.
7. **Replacement** — Swapping an existing policy for a new one, which triggers producer and insurer duties and notices to protect the policyowner. Replacement swaps a policy; twisting lies to swap it; churning drains the old policy's values to pay for the new one.
8. **STOLI** — Stranger-originated life insurance: a policy taken out on someone's life with no insurable interest at the start, which means no valid policy at all. No insurable interest at the start means no valid policy at all — that's STOLI.

Module 4 — Life: Retirement & Other Concepts

1. **Exclusion Ratio** — The formula that splits each annuity payment into a taxable earnings part and a tax-free return of your own basis. Exclusion Ratio: Earnings taxed, Basis back free — split every check.
2. **Modified Endowment Contract (MEC)** — A life policy that fails the 7-pay test by being funded too fast in the first 7 years, and so loses the usual tax treatment for loans and withdrawals. Seven pays, MEC stays — pay too fast in 7 years and the policy changes forever.
3. **LIFO** — Last in, first out: the tax order for annuity withdrawals, where earnings come out first and are taxed first. LIFO Last In, First Out — annuity earnings come out first and get taxed first.
4. **FIFO** — First in, first out: the tax order for non-MEC life policy cash, where your basis comes out first, tax-free first. FIFO First In, First Out — non-MEC life cash comes out basis first, tax-free first.
5. **Section 1035 Exchange** — A like-for-like exchange of life or annuity contracts with no tax today: life to life, life to annuity, or annuity to annuity — never annuity to life. 1035: Like for Like, No Tax Today — life to life, life to annuity, annuity to annuity, never annuity to life.
6. **Roth IRA** — An individual retirement account funded with after-tax money whose qualified distributions come out tax-free when the 5-year rule and age 59½ line up. Roth: Taxed going in, Free coming out — if 5 years and 59½ line up.
7. **Group Life Conversion Privilege** — The right to convert group life coverage to an individual policy within 31 days of termination, with no health questions. 31 to Convert — 31 days to swap group for individual with no health questions.
8. **Contributory Group Plan** — A group plan where employees share the premium cost, which requires 75% participation; a noncontributory plan, paid entirely by the employer, requires 100%. 75 to play, 100 to pay-all — contributory needs 75%, noncontributory needs 100%.

Module 5 — Health: Types of Policies

1. **Own-Occupation Disability** — A disability definition that pays if you cannot do your own job; the stricter any-occupation definition pays only if you cannot do any suitable job. Own job, Any job: Own pays if you can't do YOUR job; Any pays only if you can't do ANY job.
2. **Elimination Period** — The waiting period in disability coverage, a deductible measured in days; a longer wait means a lower premium. Elimination period is a deductible in days — longer wait, lower premium.
3. **Benefit Period** — How long disability benefits are paid once the elimination period is met. Benefit period is how long they pay; elimination period is how long you wait.
4. **Presumptive Disability** — A loss treated as total disability by definition — loss of sight, speech, hearing, or two limbs — with no debate. Presumptive means presumed total — sight, speech, hearing, or two limbs, no debate.
5. **Major Medical** — Coverage for big medical bills that pays after the insured pays first through a deductible, then shares costs through coinsurance up to a stop-loss. Basic pays first dollars with limits; Major Medical pays the big bills after you pay first.
6. **Health Maintenance Organization (HMO)** — A managed care plan built on a gatekeeper primary care doctor, capitation payment, and care inside a service area. HMO: Gatekeeper, Capitation, Stay in the Area. No referral, no specialist.
7. **Capitation** — A fixed payment per member per month to a provider, regardless of how much care that member uses, used by HMOs.
8. **Preferred Provider Organization (PPO)** — A managed care plan that lets you see providers in or out of network, paying reduced benefits out of network, with no gatekeeper. PPO lets you wander, POS lets you wander for a price, EPO never pays outside.
9. **Medigap (Medicare Supplement)** — Private coverage that fills Medicare's gaps, such as deductibles and coinsurance; it supplements Original Medicare and never replaces it. Medigap fills Medicare's gaps — it never replaces Medicare.
10. **Activities of Daily Living (ADLs)** — The six basic self-care tasks — bathing, dressing, eating, toileting, transferring, and continence; being unable to perform 2 or more of the 6, or having severe cognitive impairment, triggers long-term care benefits. Two ADLs or a broken memory opens LTC.
11. **Custodial Care** — Hands-on help with daily living that does not require a licensed professional, as distinct from skilled care, which needs a license, and intermediate care, which needs some skill. Skilled needs a license, Intermediate needs some skill, Custodial needs a hand.

12. **Principal Sum** — The full AD&D amount paid for accidental death; the capital sum is a percentage paid for a specified loss of limb or sight. Principal for life, Capital for limbs and sight.
13. **Hospital Indemnity** — A policy that pays fixed cash per hospital day, no matter what the actual bill is. Indemnity pays cash per day, no matter the bill.
14. **Blanket Policy** — Health coverage for a changing group defined by an activity, with no named members and no individual underwriting. Blanket covers a group with no names and no individual underwriting.

Module 6 — Health: Policy Provisions, Clauses & Riders

1. **Notice of Claim** — The mandatory provision requiring the insured to notify the insurer of a health claim within 20 days. Tell in 20, forms in 15, prove in 90.
2. **Claim Forms** — The mandatory provision requiring the insurer to supply claim forms within 15 days of receiving notice of claim. Tell in 20, forms in 15, prove in 90.
3. **Proof of Loss** — The mandatory provision requiring written proof of a health loss within 90 days. Tell in 20, forms in 15, prove in 90.
4. **Grace Period (Health)** — The mandatory provision giving 7 days for weekly-premium policies, 10 days for monthly-premium policies, and 31 days for all other premium modes. Grace grows with the gap: 7 weekly, 10 monthly, 31 for the rest.
5. **Time Limit on Certain Defenses** — The health incontestable provision: after 2 years, the insurer cannot use application statements to deny a claim — except for fraud. Two years to catch it — after that, only fraud fights back.
6. **Legal Actions** — The mandatory provision barring a lawsuit sooner than 60 days after proof of loss, and barring any suit after 3 years. No suit before 60, no suit after 3 years.
7. **Noncancellable** — The strongest renewability class: the insurer cannot cancel and cannot raise the premium. Guaranteed renewable, conditionally renewable, optionally renewable, and cancelable follow in that order of insured protection. Never, Guaranteed, Conditional, Optional, Cancelable — strongest to weakest, in that order.
8. **Guaranteed Renewable** — A renewability class where the insurer must renew but may raise premiums on a class basis — less protection than noncancellable, more than the classes below it. Never, Guaranteed, Conditional, Optional, Cancelable — strongest to weakest, in that order.
9. **Deductible** — The amount the insured pays first before the plan shares costs; in cost-sharing order, the deductible comes first, then the coinsurance split, then the stop-loss.

10. **Coinsurance** — The percentage split of covered costs between the insurer and the insured after the deductible is met, such as the 20% the insured pays under Medicare Part B.
11. **Stop-Loss** — The point that caps the insured's total share in major medical coverage. Deductible first, coinsurance split, stop-loss stops your share.
12. **Birthday Rule** — The coordination-of-benefits rule for dependent children: the parent whose birthday comes first in the calendar year is primary, and the birth year does not count. Birthday rule: the parent whose birthday comes first in the calendar year pays first — year doesn't count.

Module 7 — Social Insurance

1. **Fully Insured** — Social Security status earned with 40 credits, qualifying the worker for the full benefit menu including retirement benefits.
2. **Full Retirement Age** — Age 67 for workers born in 1960 or later, the age for full Social Security retirement benefits; benefits can start as early as 62 at a reduced amount. 40-67-62-70: credits done, full age, early door, delayed max.
3. **Benefit Period (Medicare Part A)** — Part A's unit of time, which ends after the beneficiary has been out of a hospital or skilled nursing facility for 60 consecutive days. 60 days out closes the period; 60 reserve days last a lifetime.
4. **Lifetime Reserve Days** — The 60 extra hospital days, used for days 91–150 of a benefit period, that each person gets only once in a lifetime. 60 days out closes the period; 60 reserve days last a lifetime.
5. **Skilled Nursing Facility Coverage (Medicare)** — Medicare Part A pays SNF days 1–20 in full, shares cost through coinsurance on days 21–100, and pays nothing from day 101 on. SNF: 20 free, to 100 you share, past 100 you pay it all.
6. **Initial Enrollment Period (IEP)** — The 7-month Medicare enrollment window centered on the month a person turns 65 — three months before, the birthday month, and three months after.
7. **Medigap Open Enrollment** — The 6-month window starting the month a person is 65 or older and enrolled in Part B, when Medigap cannot be denied for health. Medigap opens for 6 when 65 meets B.
8. **Medicaid Look-Back Period** — The 60 months (5 years) of asset transfers Medicaid reviews when someone applies for long-term care coverage. Look back 60 before Medicaid pays for care.

Module 8 — Other Health Concepts

1. **Essential Health Benefits** — The 10 categories of care that ACA-compliant plans must cover, including hospital, prescription drug, and preventive services.

2. **Metal Tiers** — The ACA marketplace levels named by the share the plan pays on average: Bronze 60, Silver 70, Gold 80, and Platinum 90. Bronze pays 60, Silver 70, Gold 80, Platinum 90 — the plan pays more as the metal gets richer.
3. **Medical Loss Ratio (MLR)** — The share of premium an insurer must spend on care: 80% for individual and small-group plans and 85% for large-group plans. MLR: 80 for individuals and small groups, 85 for large groups — the bigger group, the bigger share for care.
4. **COBRA** — Continuation coverage for employers with 20 or more employees: 18 months after job loss or reduced hours, 29 months with the disability extension, and 36 months for dependent events, at up to 102% of the premium, with a 60-day election window. COBRA counts 20, 18, 29, 36 — 20 employees to apply, 18 months for job loss, 29 with disability, 36 for family events.
5. **Health Savings Account (HSA)** — An account paired with a high-deductible health plan offering a triple-tax advantage: money goes in tax-free, grows tax-free, and comes out tax-free for qualified care. HSA: in tax-free, grows tax-free, out tax-free for care — the triple-tax win.
6. **Flexible Spending Account (FSA)** — An employer-plan account funded with pre-tax money that is generally use it or lose it, unlike an HSA, which rolls over and goes with you. HRA is employer money only; FSA is use it or lose it; HSA rolls over and goes with you.

Module 9 — Field Underwriting Procedures

1. **Buyer's Guide** — The plain-language buying document given to a life insurance applicant before or at application, ahead of the policy summary with its numbers. Guide first, summary with numbers, illustration signed.
2. **Policy Illustration** — The ledger of a policy's projected values that must follow the signed illustration rules, with guaranteed values kept distinct from projected ones. Guide first, summary with numbers, illustration signed.
3. **Commingling** — The prohibited mixing of client premium money with a producer's own money; premiums are held in a fiduciary capacity, in trust. Client money is never your money.

Module 10 — State Law Core

1. **Rebating** — Giving back value the contract does not promise as an inducement to buy, an unfair trade practice under the NAIC-model pattern; your state supplement carries your exact rules. Rebating is giving back value the contract does not promise.

2. **Controlled Business** — Business written on the lives of the producer, family, or others the producer controls; under the model pattern it is limited so no more than 50% of business comes from controlled sources. Controlled business: half is the ceiling.
3. **Guaranty Association** — The state safety net that protects policyholders of admitted insurers after an insurer fails; its existence may not be used to sell a policy. Guaranty pays after failure; it never sells the policy.
4. **Twisting** — Inducing someone to lapse or replace a policy through misrepresentation or an incomplete comparison; churning instead drains the existing policy's values to fund the new one. Twisting lies; churning drains.

What to study next

- Shaky on term vs. permanent, universal life options, or variable products? Re-study Module 1 in the combined guide, then drill it in the full bank until the policy-type clues read instantly.
- Mixing up grace periods, incontestability, nonforfeiture, or settlement and dividend options? That is Module 2 — work the provisions in the guide, then test them in the full bank and the flashcards.
- Losing points on receipts, risk classes, replacement, or STOLI? Module 3 covers the application-to-delivery chain; use the flashcards for the receipt and underwriting-source distinctions.
- Weak on annuities, MECs, 1035 exchanges, or group life? Module 4 covers the tax order rules — LIFO vs. FIFO is a favorite exam trap, and the simulated exams will show whether it holds under time pressure.
- Confusing HMO, PPO, POS, and EPO plans, or the ADL triggers for long-term care? Module 5 is the health-types core — pair the guide with the full bank's managed care scenarios.
- Dropping the health provision numbers — 20, 15, 90, 60 days, or the renewability order? Modules 6 and 7 carry those timelines; drill them on flashcards, then confirm them in the simulated exams before test day.