

Your Exam Content Outline

The following outline describes the content of one of the Vermont insurance examinations. The outlines are the basis of the examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weights assigned to each part of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

Vermont Producer's Examination for Life, Accident, Health and HMO Series 14-29

150 questions – 2.5-hour time limit

All citations are Vermont Insurance Statutes Title 8, unless otherwise noted. When preceded by "Reg" refer to Vermont Department Regulations, when preceded by "Bul" refer to Vermont Department Bulletins.

1.0 Insurance Regulation 5%

1.1 Licensing

- Process (4800; 4813f)
- Types of licensees (4791)
 - Resident (4800(3)(A))
 - Nonresident (4800(3)(B); 4813h)
 - Temporary (4800(3)(D)(ii); 4813k)
- Maintenance and duration
 - Renewal and expiration (4798)
 - Address change (4800(3)(F))
 - Assumed business name (4813j)
 - Reporting of actions (4813o)
 - Continuing education requirements (4800a; Reg 2000-2 Sec 4)
- Disciplinary actions
 - Denial of license (4800(3)(E))
 - Cease and desist order (3661)
 - Suspension, revocation or nonrenewal (4804; 4806)
 - Penalties (3661(a)(2); 4804(d))

1.2 State regulation

- Commissioner's general duties and powers (4726; 4804)
- Company regulation
 - Certificate of authority (3368)
 - Unfair claim settlement practices (4724(9); Reg 79-2 Sec 1-7)
 - Policy forms (3541)
 - Examination of records (3565)
 - Producer appointment (4798(c); 4813l)
 - Termination of appointment (4798(d); 4813m)
- Producer regulation
 - Acting without a license (4793; 4813c)
 - Shared commissions (4796)
 - Trust accounts — anti-commingling (Reg 95-1; 4724(12))
 - Controlled business (4795)

- Duties (4813c)
- Unfair trade practices (4724)
- Misrepresentation (4724(1, 11, 13))
- False advertising (4724(2))
- Defamation (4724(3))
- Boycott, coercion and intimidation (4724(4))
- False financial statements and entries (4724(5))
- Illegal inducement (4724(6))
- Unfair discrimination (4724(7))
- Rebating (4724(8))
- Failure to maintain complaint record (4724(10))
- Failure to act as fiduciary (4724(12); Reg 95-1)
- Unsuitability (4724(16))
- Nondisclosure of fees or charges (4724(14))
- Consumer privacy regulation (IH-2001-01)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033, 1034)

2.0 General Insurance 4%

2.1 Concepts

- Risk management key terms
 - Risk
 - Exposure
 - Hazard
 - Peril
 - Loss
- Methods of handling risk
 - Avoidance
 - Retention
 - Sharing
 - Reduction
 - Transfer

- Elements of insurable risks
- Adverse selection
- Law of large numbers
- Reinsurance

2.2 Insurers

- Types of insurers
 - Stock companies
 - Mutual companies
 - Fraternal benefit societies
 - Lloyd's associations
 - Risk retention groups
- Private versus government insurers

Admitted versus nonadmitted insurers
Domestic, foreign and alien insurers
Financial status (independent rating services)
Marketing (distribution) systems

2.3 Producers and general rules of agency

Insurer as principal
Producer/insurer relationship
Authority and powers of producers
Express
Implied
Apparent

2.4 Contracts

Elements of a legal contract
Offer and acceptance
Consideration
Competent parties
Legal purpose
Distinct characteristics of an insurance contract
Contract of adhesion
Aleatory contract
Personal contract
Unilateral contract
Legal interpretations affecting contracts
Ambiguities in a contract of adhesion
Reasonable expectations
Indemnity
Utmost good faith
Representations/misrepresentations
Warranties
Concealment
Fraud
Waiver and estoppel

3.0 Life Insurance Basics 9%

3.1 Insurable interest (3710)

Power to contract

3.2 Personal uses of life insurance

Survivor protection
Estate creation
Cash accumulation
Liquidity
Estate conservation

3.3 Determining amount of personal life insurance

Human life value approach
Needs approach
Types of information gathered
Determining lump-sum needs
Planning for income needs

3.4 Business uses of life insurance

Buy-sell funding
Key person
Executive bonuses
Deferred compensation funding

3.5 Classes of life insurance policies

Group versus individual
Ordinary versus industrial (home service)
Permanent versus term

Participating versus nonparticipating
Fixed versus variable life insurance and annuities
Regulation of variable products (SEC, FINRA and Vermont) (3855; Reg 88-3 Art VI, XI, 2001-03; Bul 121, 129)

3.6 Premiums

Factors in premium determination
Mortality
Interest
Expense
Premium concepts
Net single premium
Gross annual premium
Premium payment mode

3.7 Producer responsibilities

Solicitation and sales presentations (Reg 77-2)
Advertising
Life and Health Insurance Guaranty Association (4151-4185)
Illustrations (Reg 98-1)
Policy summary (Reg 77-2 Sec 5(A, B), Appendix B)
General Rules (Reg 77-2 Sec 6 (B, C, K, L, N, O, P))
Buyer's guide (Reg 77-2 Sec 5(A, B), Appendix A)
Life insurance policy cost comparison methods
Replacement (Reg 2001-3 Sec 1-10)
Suitability
Use and disclosure of insurance information
Field underwriting
Notice of information practices
Application procedures
Delivery
Policy review
Effective date of coverage
Premium collection
Statement of good health

3.8 Individual underwriting by the insurer

Information sources and regulation
Application
Producer report
Attending physician statement
Investigative consumer (inspection) report (4724(7))
Medical Information Bureau (MIB)
Medical examinations and lab tests including HIV (4724(20); Bul 138)
Selection criteria and unfair discrimination (3701)
Classification of risks
Preferred
Standard
Substandard

4.0 Life Insurance Policies 9%

4.1 Term life insurance

Level term
Annual renewable term
Level premium term

Decreasing term

4.2 Whole life insurance

Continuous premium (straight life)
Limited payment
Single premium
Modified life

4.3 Flexible premium policies

Universal life
Indexed universal life

4.4 SEC regulated policies

Variable life insurance
Variable universal life

4.5 Specialized policies

Joint life (first-to-die)
Survivorship life (second-to-die)
Juvenile life

4.6 Group life insurance

Characteristics of group plans
Types of plan sponsors (3803–3810a)
Group underwriting requirements (3816)
Assignability (3713(a, b))
Conversion to individual policy (3820–3823)

4.7 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 7%

5.1 Required provisions (3731)

Entire contract (3731(3))
Payment of premiums (3731(1))
Grace period (3731(2))
Reinstatement (3731(9))
Incontestability (3731(4))
Misstatement of age (3731(5))
Payment of claims (3731(10))

5.2 Other provisions

Ownership (3710)
Assignment (3713(a, b))
Modifications
Right to examine (free look)
Exclusions
Representations in applications (3736)

5.3 Beneficiaries

Designation options
Individuals
Classes
Estates
Minors
Trusts
Succession
Revocable versus irrevocable
Common disaster clause
Spendthrift clause

5.4 Settlement options

Cash payment
Interest only
Fixed-period installments
Fixed-amount installments

Life income

Single life

Joint and survivor

Retained asset accounts

5.5 Nonforfeiture options

Cash surrender value
Extended term
Reduced paid-up insurance

5.6 Policy loan and withdrawal options

Cash loans
Automatic premium loans
Withdrawals or partial surrenders

5.7 Dividend options

Cash payment
Reduction of premium payments
Accumulation at interest
One-year term option
Paid-up additions
Paid-up insurance

5.8 Disability riders

Waiver of premium
Waiver of cost of insurance
Disability income benefit
Payor benefit life/disability (juvenile insurance)

5.9 Accelerated (living) benefit provision/rider

Conditions for payment
Effect on death benefit

5.10 Life settlements (3835–3849; Reg 95-4 Sec 1–15)

Life settlement providers
Life settlement brokers
Life insurance providers
Life settlement contract provisions
Disclosure provisions
Rules of conduct

5.11 Riders covering additional insureds

Spouse/other-insured term rider
Children's term rider
Family term rider

5.12 Riders affecting the death benefit amount

Accidental death
Guaranteed insurability
Cost of living
Return of premium

6.0 Annuities 8%

6.1 Annuity principles and concepts

Accumulation period versus annuity period
Owner, annuitant and beneficiary
Insurance aspects of annuities

6.2 Immediate versus deferred annuities

Single premium immediate annuities (SPIAs)
Deferred annuities
Premium payment options
Nonforfeiture
Surrender charges
Death benefits

6.3 Annuity (benefit) payment options

- Life contingency options
 - Pure life versus life with guaranteed minimum
 - Single life versus multiple life
- Annuities certain (types)

6.4 Annuity products

- Fixed annuities
 - General account assets
 - Interest rate guarantees (minimum versus current)
 - Level benefit payment amount
- Equity indexed annuities
 - Definition
 - Suitability
- Market value adjusted annuities
- Variable annuity contracts

6.5 Uses of annuities

- Lump-sum settlements
- Qualified retirement plans
 - Group versus individual annuities
- Personal uses
 - Individual retirement annuities (IRAs)
 - Tax-deferred growth
 - Retirement income
 - Education funds

7.0 Federal Tax Considerations for Life Insurance and Annuities 6%

7.1 Taxation of personal life insurance

- Amounts available to policyowner
 - Cash value increases
 - Dividends
 - Policy loans
 - Surrenders
- Amounts received by beneficiary
 - General rule and exceptions
 - Settlement options
- Values included in insured's estate

7.2 Modified endowment contracts (MECs)

- Modified endowment versus life insurance
- Seven-pay test
- Distributions

7.3 Taxation of non-qualified annuities

- Individually-owned
 - Accumulation phase (tax issues related to withdrawals)
 - Annuity phase and the exclusion ratio
 - Distributions at death
- Corporate-owned

7.4 Taxation of individual retirement annuities (IRAs)

- Traditional IRAs
 - Contributions and deductible amounts
 - Premature distributions (including taxation issues)
 - Annuity phase benefit payments
 - Values included in the annuitant's estate
 - Amounts received by beneficiary

- Roth IRAs
 - Contributions and limits
 - Distributions

7.5 Rollovers and transfers (IRAs and qualified plans)

7.6 Section 1035 exchanges

8.0 Qualified Plans 2%

8.1 General requirements

8.2 Federal tax considerations

- Tax advantages for employers and employees
- Taxation of distributions (age-related)

8.3 Plan types, characteristics and purchasers

- Simplified employee pensions (SEPs)
- Self-employed plans (HR 10 or Keogh plans)
- Profit-sharing and 401(k) plans
- SIMPLE plans
- 403(b) tax-sheltered annuities (TSAs)

9.0 Health Insurance Basics 6%

9.1 Definitions of perils

- Accidental injury
- Sickness

9.2 Principal types of losses and benefits

- Loss of income from disability
- Medical expense
- Dental expense
- Long-term care expense

9.3 Classes of health insurance policies

- Individual versus group
- Private versus government
- Catamount health (4080f, Reg H-2006-01)
- Limited versus comprehensive

9.4 Limited policies

- Limited perils and amounts
- Required notice to insured
- Types of limited policies
 - Accident-only
 - Specified (dread) disease
 - Hospital indemnity (income)
 - Blanket insurance (schools, passengers, other)
 - Prescription drugs
 - Vision care/hearing care

9.5 Common exclusions from coverage

9.6 Producer responsibilities in individual health insurance

- Marketing requirements
 - Advertising (Reg 71-1)
 - Sales presentations
 - Outline of coverage (Reg 80-1 Sec 8(B))
- Field underwriting
 - Nature and purpose
 - Disclosure of information about individuals
 - Application procedures
 - Requirements at delivery of policy
- Common situations for errors/omissions
- Life and Health Insurance Guaranty Association (4164(e))

9.7 Individual underwriting by the insurer

- Underwriting criteria
- Sources of underwriting information
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report (4724(7))
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests including HIV (4724(20))
- Unfair discrimination
- Genetic testing (Title 18 Sec 9331-9335)
- Classification of risks
 - Standard
 - Preferred
 - Substandard

9.8 Considerations in replacing health insurance

- Pre-existing conditions
- Pre-existing condition exclusion regulation (Reg 80-1 Sec 5(F), 6(E))
- Benefits, limitations and exclusions
- Underwriting requirements

10.0 Health Insurance Policy General Provisions (Non-group and Group) 6%

10.1 Uniform required provisions

- Entire contract; changes (4065(1), 4080(1))
- Certificate of insurance (4080(2))
- Time limit on certain defenses (4065(2))
- Grace period (4065(3))
- New employees (4080(3))
- Part-time employees (4080(5), 4080a(a)(1))
- Reinstatement (4065(4))
- Claim procedures (4065(5-9); Reg 93-4)
- Physical examinations and autopsy (4065(10))
- Legal actions (4065(11))
- Change of beneficiary (4065(12))

10.2 Optional provisions (4066)

- Change of occupation (4066(1))
- Misstatement of age (4066(2))
- Other insurance in this insurer (4066(3))
- Insurance with other insurers
 - Expense-incurred basis (4066(4))
 - Other benefits (4066(5))
- Unpaid premium (4066(7))
- Cancellation (4066(8); Reg 91-4B Sec 3(10))
- Conformity with state statutes (4066(9))
- Illegal occupation (4066(10))

10.3 Other general provisions

- Right to examine (free look) (4063(8))
- Insuring clause
- Consideration clause
- Renewability clause
 - Noncancelable
 - Guaranteed renewable
 - Conditionally renewable
 - Renewable at option of insurer
 - Nonrenewable (cancelable, term)

Reduction in coverage

11.0 Disability Income and Related Insurance 7%

11.1 Qualifying for disability benefits

- Inability to perform duties
 - Own occupation
 - Any occupation
- Pure loss of income (income replacement contracts)
- Presumptive disability
- Requirement to be under physician care

11.2 Individual disability income insurance

- Basic total disability plan
 - Income benefits (monthly indemnity)
 - Elimination and benefit periods
 - Waiver of premium feature
- Coordination with social insurance and workers compensation benefits
 - Additional monthly benefit (AMB)
 - Social insurance supplement (SIS)
 - Occupational versus nonoccupational coverage
- At-work benefits
 - Partial disability benefit
 - Residual disability benefit
- Other provisions affecting income benefits
 - Cost of living adjustment (COLA) rider
 - Future increase option (FIO) rider
 - Relation of earnings to insurance (4066(6))
- Other cash benefits
 - Accidental death and dismemberment
 - Rehabilitation benefit
 - Medical reimbursement benefit (nondisabling injury)
- Exclusions (Bul HCA 127)

11.3 Unique aspects of individual disability underwriting

- Occupational considerations
- Benefit limits
- Policy issuance alternatives

11.4 Group disability income insurance

- Group versus individual plans

11.5 Social Security disability

- Qualification for disability benefits
- Definition of disability
- Waiting period
- Disability income benefits

11.6 Workers compensation

- Eligibility
- Benefits

12.0 Medical Plans 7%

12.1 Medical plan concepts

- Fee-for-service basis versus prepaid basis
- Specified coverages versus comprehensive care
- Benefit schedule versus
 - usual/reasonable/customary charges
- Managed care versus non-managed care

Expense based versus indemnity based

12.2 Types of providers and plans

Major medical insurance (indemnity plans)

Characteristics

Common limitations

Exclusions from coverage

Provisions affecting cost to insured

Health maintenance organizations (HMOs)

Preferred provider organizations (PPOs)

General characteristics

Open or closed network

Types of parties to the provider contract

Exclusive provider organizations (EPOs)

General characteristics

Open or closed network

Point-of-service (POS) plans

Nature and purpose

Non-network provider access (open-ended HMO)

PCP referral (gatekeeper PPO)

Indemnity plan features

12.3 Common health care plans

(non-group/individual) (4080b(e);

Reg 93-5 Sec 7)

Standards

Policy provisions

12.4 Cost containment in health care delivery

Cost-saving services

Preventive care

Hospital outpatient benefits

Alternatives to hospital services

Utilization management (Rule 10)

Prospective review

Retrospective review

Concurrent review

12.5 Vermont eligibility requirements (non-group and/or group)

Dependent child age limit (4063(3), 4089d)

Adopted child coverage (4100c)

Child coverage; noncustodial parents (4100b)

Disabled child coverage (4089d)

Newborn child coverage (4092)

Civil unions (4063a; Title 15 Sec 1201;

Reg IH-2001, Bul HCA 110)

12.6 HIPAA (Health Insurance Portability and Accountability Act) requirements

Eligibility

Guaranteed issue

Pre-existing conditions

Creditable coverage

Renewability

12.7 Medical savings accounts (MSAs), Health Savings Accounts (HSAs) and High Deductible Health Plans (HDHPs)

Definition

Eligibility

Contribution limits

13.0 Health Maintenance Organizations (HMOs) 7%

13.1 General characteristics

Combined health care delivery and financing

In network versus out of network

Limited service area

Limited choice of providers

Gatekeeper concept

Copayments

Prepaid basis

13.2 HMO Services

Preventive care services

Well-child care

Immunizations

Routine physical examinations

Wellness programs

Physician services

Primary care physician (PCP)

Referral (specialty) physician

Emergency care

Urgent care center

Hospital emergency room

Hospital services

Skilled nursing facility services

Home health care (4096)

Family planning services

Mental health/substance abuse benefits

Prescription drugs

Additional plans and services

Dental services

Vision care/hearing care

14.0 Group Health Insurance 5%

14.1 Characteristics of group insurance

Group contract

Certificate of coverage

Experience rating versus community rating

14.2 Types of eligible groups

Employment-related groups

Individual employer groups

Multiple-Employer Trusts (METs)

Exempt associations (alumni, professional, other)

Trusts (unions, employers)

14.3 Marketing considerations

Advertising

Regulatory jurisdiction/place of delivery

14.4 Employer group health insurance

Vermont underwriting requirements (4079)

Insurer underwriting criteria

Characteristics of group

Plan design factors

Persistency factors

Administrative capability

Eligibility for coverage

Open enrollment

Employee eligibility (4080(5))

Dependent eligibility

Coordination of benefits provision

- Change of insurance companies or loss of coverage
- Coinsurance and deductible carryover
- No-loss no-gain
- Events that terminate coverage
- Extension of benefits (4091e)
- Continuation of coverage under COBRA and Vermont specific rules, VIPER
- Conversion privilege (8 s 4090a–g)

14.5 Small employer group medical plans

- Definition of small employer (4080a(a)(1))
- Common health care plans (4080a(e); Reg 91-4B Sec 5)
- Availability of coverage (4080a(d))
- Renewability of coverage (Reg 91-4B Sec 5(2(a)))
- Prohibited marketing practices (Reg 91-4B Sec 4)
- Pre-existing conditions (4080a(g); Reg 91-4B Sec 5(2(b)))
- Participation requirements (4080a(a)(1))

15.0 Dental Insurance 2%

15.1 Types of dental treatment

- Diagnostic and preventive
- Restorative
- Oral surgery
- Endodontics
- Periodontics
- Prosthodontics
- Orthodontics

15.2 Indemnity plans

- Choice of providers
- Scheduled versus nonscheduled plans
- Benefit categories
 - Diagnostic/preventive services
 - Basic services
 - Major services
- Deductibles and coinsurance
- Combination plans
- Exclusions
- Limitations
- Predetermination of benefits

15.3 Employer group dental expense

- Minimizing adverse selection

16.0 Insurance for Senior Citizens and Special Needs Individuals 6%

16.1 Medicare

- Nature, financing and administration
- Part A — Hospital Insurance
 - Individual eligibility requirements
 - Enrollment
 - Coverages and cost-sharing amounts
- Part B — Medical Insurance
 - Individual eligibility requirements
 - Enrollment
 - Coverages and cost-sharing amounts
 - Exclusions
 - Claims terminology and other key terms
- Part C — Medicare Advantage
- Part D — Prescription Drug Insurance

16.2 Medicare supplements

(Reg H-2009-04 Sec 1–25)

- Purpose (Reg H-2009-04 Sec 1)
- Open enrollment (Reg H-2009-04 Sec 11)
- Standardized Medicare supplement plans (Reg H-2009-04 Sec 8, 9)
 - Core benefits (Reg H-2009-04 Sec 8(B))
 - Additional benefits (Reg H-2009-04 Sec 8(C))
- Vermont regulations and required provisions
 - Standards for marketing (Reg H-2009-04 Sec 20)
 - Advertising (Reg H-2009-04 Sec 19)
 - Appropriateness of recommended purchase (Reg H-2009-04 Sec 21)
 - Buyer's guide (Reg H-2009-04 Sec 17(A)(6))
 - Outline of coverage (Reg H-2009-04 Sec 17(D))
 - Right to return (Reg H-2009-04 Sec 17(A)(5))
 - Pre-existing conditions (Reg H-2009-04 Sec 8(A)(1), Sec 8.1(A)(1))
 - Duplication of Medicare benefits (Reg H-2009-04 Sec 21(B))
 - Replacement (Reg H-2009-04 Sec 18, 23)
 - Required disclosure provisions (Reg H-2009-04 Sec 17)
 - Permitted compensation arrangements (Reg H-2009-04 Sec 16)
 - Renewability and cancellation (Reg H-2009-04 Sec 8(A)(5), Sec 8.1(A)(5))
 - Continuation and conversion requirements (Reg H-2009-04 Sec 8(A)(5), Sec 8.1(A)(5))
 - Notice requirements (Reg H-2009-04 Sec 17(B))
- Medicare Select (Reg H-2009-04 Sec 10)

16.3 Other options for individuals with Medicare

- Employer group health plans
 - Disabled employees
 - Employees with kidney failure
 - Individuals age 65 and older
- Medicaid
 - Eligibility
 - Benefits

16.4 Long-term care (LTC) insurance

- LTC, Medicare and Medicaid compared
- Eligibility for benefits
- Levels of care
 - Skilled care
 - Intermediate care
 - Custodial care
 - Home health care
 - Adult day care
 - Respite care
- Benefit periods
- Benefit amounts
- Optional benefits
 - Guarantee of insurability
 - Return of premium
- Qualified LTC plans
- Exclusions (8085(b); Reg H-2009-01 Sec 6(B))

Underwriting considerations
Vermont regulations and required provisions
Standards for marketing
(Reg H-2009-01 Sec 9, 23)
Shopper's/Buyer's guide (8098;
Reg H-2009-01 Sec 33)
Outline of coverage (8090;
Reg H-2009-01 Sec 32)
Appropriateness of recommended purchases
(Reg H-2009-01 Sec 24)
Right to return (free look) (8089)
Replacement (Reg H-2009-01 Sec 14)
Benefit standards (8085)
Prohibited policy provisions (8086, 8087;
Reg H-2009-01 Sec 6, 25)
Renewal considerations
(Reg H-2009-01 Sec 7(B), 8(B))
Continuation or conversion
(Reg H-2009-01 Sec 6(D))
Inflation protection (Reg H-2009-01 Sec 13)
Pre-existing conditions (8086;
Reg H-2009-01 Sec 25)
Nonforfeiture requirements
(8095; Reg H-2009-01 Sec 28)

17.0 Federal Tax Considerations for Health Insurance 4%

17.1 Personally-owned health insurance

Disability income insurance
Medical expense insurance
Long-term care insurance

17.2 Employer group health insurance

Disability income (STD, LTD)
Medical and dental expense
Long-term care insurance
Accidental death and dismemberment

17.3 Medical expense coverage for sole proprietors and partners

17.4 Medical savings accounts (MSAs)