

Your Exam Content Outline

The following outline describes the content of one of the Arizona insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section 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.

Arizona Examination for Life, Accident and Health or Sickness Insurance Producer Series 13-33

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 4%

1.1 Licensing

- License application requirements (20-285)
 - Licensing eligibility (41-1080)
 - Licensing time frames (Rule R20-6-708)
 - Types of licensees
 - Producers (20-281(5), 286)
 - Nonresidents (20-281(11))
 - Adjusters (20-321)
 - Managing general agents (MGAs) (20-311, 311.01)
 - Business entities (20-281(1), 285(D, E), 290(B))
 - Surplus lines brokers (20-407, 411)
 - Temporary (20-294)
 - Vending machines (20-293)
 - Lines of producer license authority (20-286, 411, 411.01, 1580)
 - Fingerprinting requirements (20-142(E), 285(F), 286(C), 289(D))
 - Assumed business name (20-297)
 - Maintenance and duration
 - Expiration, surrender and renewal (20-289)
 - Inactive license status during military service (20-289.01)
 - Change of address (20-286(C))
 - Report of actions (20-301)
 - Continuing education (20-300(B), 2902, 2903)
 - Disciplinary actions
 - Denial, suspension, revocation or refusal to renew (20-295, 296)
 - Cease and desist order (20-292)
 - Civil penalties (20-295(F, G))
- #### 1.2 State regulation
- Acts constituting insurance transaction (20-106, 282, 401.01)
 - Negotiate (20-281(10))
 - Sell (20-281(14))
 - Solicit (20-281(15))
 - Director's general duties and powers (20-142, 157)
 - Payment of premiums (20-191)

- Certificate of authority (20-216(B), 217(A))
- Signature on insurance policy (20-229)
- Producer regulation
 - Sharing commissions (20-298)
 - Place of business and records (20-290)
 - Fees (20-465)
- Unfair practices and frauds
 - Unfair trade practices (20-442)
 - Unfair claims settlement practices (20-461; Rule R20-6-801)
 - Claims payment (20-462)
 - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
 - False or deceptive advertising (20-444)
 - Defamation of insurer (20-445)
 - Boycott, coercion or intimidation (20-446)
 - False financial statements (20-447)
 - Unfair discrimination (20-448)
 - Gender discrimination (Rule R20-6-207)
 - Rebating (20-449–451)
 - Prohibited inducements (20-452)
 - Insurance fraud (20-463, 466–466.04)
- Insurance information and privacy protection (20-2101–2122)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
- Telemarketing Sales Rule (16 CFR 310; 15 USC 6101–6108; A.R.S. 44-1282)
- CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

2.0 General Insurance 6%

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
Captive insurance companies
Stock companies
Mutual companies
Fraternal benefit societies
Reciprocals
Risk retention groups
Lloyd's associations
Private versus government insurers
Authorized versus unauthorized insurers
Domestic, foreign and alien insurers
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
Responsibilities to the applicant/insured

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
Personal contract
Unilateral contract
Conditional 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 11%

3.1 Insurable interest (20-443.02, 20-1104, 1106, 1107)

3.2 Personal uses of life insurance

Survivor protection
Estate creation
Cash accumulation
Liquidity
Estate conservation
Viatical and life settlements

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

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 Arizona) (20-2604, 2606, 2633)
Qualifications of producers for the sale of variable products (20-2662)

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
General provisions
(Rule R20-6-202; 20-1241.03)
Policy summary (Rule R20-6-209(B)(8), (D))
Buyer's guide (20-1242.02, Rule R20-6-209(C), R20-6-211 Appendix)
Life and Disability Insurance Guaranty Fund (20-443(6), 683)
Life insurance policy cost comparison methods (Rule R20-6-209(B)(6))
Replacement (20-1241-1241.09; Rule R20-6-212)

Field underwriting
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 (20-2107)
Medical Information Bureau (MIB)
Medical examinations and lab tests including HIV (20-448.01; Rule R20-6-1203, 1204)(Bul 2003-5, 9)

- Selection criteria
 - General selection criteria
 - Discrimination on basis of blindness prohibited (Rule R20-6-211)
 - Genetic testing (20-448(D), (E), 448.02)
- Classification of risks
 - Preferred
 - Standard
 - Substandard

4.0 Life Insurance Policies 8%

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

4.3 Flexible premium policies

- Adjustable life
- Universal life

4.4 Specialized policies

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

4.5 Group life insurance

- Individual certificates (20-1265)
- Characteristics of group plans
- Group eligibility (20-1251)
- Types of plan sponsors
- Group underwriting requirements
- Conversion to individual policy (20-1266–1269)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 10%

5.1 Standard provisions

- Ownership
- Assignment (20-1122, 1277)
- Limitation of liability (20-1226)
- Entire contract (20-1205)
- Modifications
- Right to examine (free look) (Rule R20-6-209(C)(1))
- Payment of premiums (20-1214)
- Grace period (20-1203, 1259)
- Reinstatement (20-1213)
- Incontestability (20-1204, 1217, 1260)
- Misstatement of age (20-1206, 1263)
- Policy title (20-1216)
- Policy settlements and proceeds (20-1228–1230)
- Exclusions (20-1226)
- Payment of claims (20-1215)

5.2 Beneficiaries

- Designation options
- Individuals

- Classes
 - Estates
 - Minors
 - Trusts
- Succession
- Revocable versus irrevocable
- Common disaster clause
- Spendthrift clause

5.3 Settlement options

- Cash payment
- Interest only
- Fixed-period installments
- Fixed-amount installments
- Life income
 - Single life
 - Joint and survivor

5.4 Nonforfeiture options (20-1231)

- Cash surrender value
- Extended term
- Reduced paid-up insurance

5.5 Policy loan and withdrawal options (1209, 1209.01)

- Cash loans
- Automatic premium loans
- Withdrawals or partial surrenders

5.6 Dividend options

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

5.7 Disability riders

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

5.8 Accelerated (living) benefit provision/rider (20-1136)

- Conditions for payment
- Effect on death benefit
- Long-term care
 - Conditions for payment
 - Effect on death benefit

5.9 Riders covering additional insureds (20-1257)

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

5.10 Riders affecting the death benefit amount

- Accidental death
- Guaranteed insurability
- Cost of living
- Return of premium

6.0 Annuities 9%

6.1 Standard provisions

- Grace period (20-1219, 1271)

Incontestability (20-1220)
Entire contract (20-1221, 1272)
Misstatement of age (20-1222, 1227, 1273)
Reinstatement (20-1224, 1227)
Free look (20-1233)
Disclosure (20-1242, 1242.01–1242.05)

6.2 Annuity principles and concepts

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

6.3 Immediate versus deferred annuities

Single premium immediate annuities (SPIAs)
Deferred annuities
 Premium payment options
 Nonforfeiture (20-1232, 1274)
 Surrender charges
 Death benefits

6.4 Annuity (benefit) payment options

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

6.5 Annuity products

Fixed annuities
 General account assets
 Interest rate guarantees (minimum versus current)
 Level benefit payment amount
Equity indexed annuities
Market value adjusted annuities

6.6 Uses of annuities

Lump-sum settlements
Qualified retirement plans
 Group versus individual annuities
Personal uses
 Individual retirement plans
 Tax-deferred growth
 Retirement income
 Education funds
Compatibility and suitability (20-1243, 1243.01–1243.06)

7.0 Federal Tax Considerations for Life Insurance and Annuities 4%

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 plans

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 3%

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 Disability (Accident and Health) Insurance Basics 9%

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
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)
 Credit disability
 Blanket insurance (teams, passengers, other)
 Prescription drugs

Vision care

9.5 Common exclusions from coverage

9.6 Producer responsibilities in individual health insurance

Marketing requirements

Advertising (Rule R20-6-201)

Sales presentations

Life and Disability Insurance Guaranty Fund (20-683)

Field underwriting

Nature and purpose

Disclosure of information about individuals

Application procedures

Requirements at delivery of policy

Common situations for errors/omissions

9.7 Individual underwriting by the insurer

Underwriting criteria

Sources of underwriting information

Application

Producer report

Attending physician statement

Investigative consumer (inspection) report (20-2107)

Medical Information Bureau (MIB)

Medical examinations and lab tests (including HIV consent) (20-448.01; Rule R20-6-1203, 1204)(Bul 2003-5, 9)

Unfair discrimination (20-448)

Genetic testing (20-448(D), (E), 448.02)

Classification of risks

Preferred

Standard

Substandard

9.8 Considerations in replacing health insurance

Pre-existing conditions

Benefits, limitations and exclusions

Underwriting requirements

Producer's liability for errors and omissions

10.0 Individual Disability (Accident and Health) Insurance Policy General Provisions 6%

10.1 Uniform required provisions

Entire contract; changes (20-1345)

Time limit on certain defenses (20-1346)

Grace period (20-1347)

Reinstatement (20-1348)

Claim procedures (20.1349-53)

Physical examinations and autopsy (20-1354)

Legal actions (20-1355)

Change of beneficiary (20-1356)

10.2 Uniform optional provisions

Change of occupation (20-1358)

Misstatement of age (20-1359, 1373)

Other insurance in this insurer (20-1360)

Insurance with other insurers

Expense-incurred basis (20-1361)

Other benefits (20-1362)

Unpaid premium (20-1364)

Cancellation (20-1365)

Conformity with state statutes (20-1366)

Illegal occupation (20-1367)

Intoxicants and narcotics (20-1368)

10.3 Other general provisions

Right to examine (free look) (Rule R20-6-501)

Insuring clause

Consideration clause

Renewability clause (20-1380)

Noncancelable

Guaranteed renewable

Conditionally renewable

Renewable at option of insurer

Nonrenewable (cancelable, term)

Guaranteed issue (20-1379)

11.0 Disability Income and Related Insurance 5%

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 (20-1363)

Other cash benefits

Accidental death and dismemberment

Rehabilitation benefit

Medical reimbursement benefit (nondisabling injury)

Refund provisions

Return of premium

Cash surrender value

Exclusions

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
- Short-term disability (STD)
- Long-term disability (LTD)

11.5 Business disability insurance

- Key employee (partner) disability income
- Business overhead expense policy
- Disability buy-sell policy

11.6 Social Security disability

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

11.7 Workers compensation

- Eligibility (RL 23-901, 23-901.01)
- Benefits (RL 23-1021)

12.0 Medical Plans 6%

12.1 Medical plan concepts

- Fee-for-service basis versus prepaid basis
- Specified coverages versus comprehensive care
- Benefit schedule versus
 - usual/reasonable/customary charges
- Any provider versus limited choice of providers
- Insureds versus subscribers/participants

12.2 Types of providers and plans

- Major medical insurance (indemnity plans)
 - Characteristics
 - Common limitations
 - Exclusions from coverage
 - Provisions affecting cost to insured
- Health care services organizations (HMOs)
 - General characteristics
 - Preventive care services
 - Primary care physician versus referral (specialty) physician
 - Emergency care
 - Hospital services
 - Other basic services
- Preferred provider organizations (PPOs)
 - General characteristics
 - Open panel or closed panel
 - Types of parties to the provider contract
- Point-of-service (POS) plans
 - Nature and purpose
 - Out-of-network provider access (open-ended HMO)
 - PCP referral (gatekeeper PPO)
 - Indemnity plan features

12.3 Cost containment in health care delivery

- Cost-saving services
 - Preventive care
 - Hospital outpatient benefits
 - Alternatives to hospital services
- Utilization management
 - Prospective review
 - Concurrent review

12.4 Arizona eligibility requirements (individual and group)

- Dependent child age limit (20-1342(A.3))
- Newborn child coverage (20-1342(A.3))
- Coverage of adopted children (20-1342(A.3, 11, 12), 1692, 2321)
- Child coverage; non-custodial parents (20-1692.03)
- Physically or mentally handicapped dependent coverage (20-1342.01, 1407)

13.0 Group Disability (Accident and Health) Insurance 5%

13.1 Characteristics of group insurance

- Group contract
- Certificate of coverage (20-1402(A)(2))
- Experience rating versus community rating

13.2 Types of eligible groups (20-1401)

- Employment-related groups
 - Individual employer groups
 - Multiple-Employer Trusts (METs) or Welfare Arrangements (MEWAs)
- Associations (alumni, professional, other)
- Customer groups (depositors, creditor-debtor, other)

13.3 Marketing considerations

- Advertising (Rule R20-6-201)
- Regulatory jurisdiction/place of delivery
- Disclosure form (20-2323)

13.4 Employer group disability (accident and health) insurance

- Insurer underwriting criteria
 - Characteristics of group
 - Plan design factors
- Eligibility for coverage
 - Annual open enrollment
 - Employee eligibility
 - Dependent eligibility
- Coordination of benefits provision (Rule R20-6-214)
- Change of insurance companies or loss of coverage
 - Coinurance and deductible carryover
 - No-loss no-gain
 - Events that terminate coverage
 - Extension of benefits
 - Continuation of coverage under COBRA and Arizona specific rules (20-1377)
 - Conversion privilege (20-1377, 1408)
 - Reinstatement of coverage for military personnel (20-1408(L))

13.5 Small group disability (accident and health) insurance

- Definition of small employer (20-2301(A)(22))
- Availability and eligibility (20-2304, 2307, 2308)
- Prohibited marketing practices (20-2313)
- Renewability (20-2309)
- Guaranteed issue (20-2304)
- Limitations on exclusion from coverage

Pre-existing conditions (20-2301(A)(20), 2310(B))

Credit for prior coverage (20-2310)

Small business health insurance (20-2341)

13.6 HIPAA (Health Insurance Portability and Accountability Act) requirements (20-1379)

Eligibility

Guaranteed issue

Pre-existing conditions

Creditable coverage

Renewability

14.0 Dental Insurance 3%

14.1 Types of dental treatment

Diagnostic and preventive

Restorative

Oral surgery

Endodontics

Periodontics

Prosthodontics

Orthodontics

14.2 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

14.3 Prepaid dental plans

Characteristics

Basic services (R20-6-1806)

Exclusions

Limitations

14.4 Preferred Provider Organization (PPO) Dental Plan

15.0 Insurance for Senior Citizens and Special Needs Individuals 8%

15.1 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

15.2 Medicare supplements (Rule R20-6-1101)

Purpose

Open enrollment

Standardized Medicare supplement plans

Core benefits

Additional benefits

Arizona regulations and required provisions

Standards for marketing

Advertising

Appropriateness of recommended purchase and excessive insurance

Guide to health insurance

Outline of coverage

Right to return

Replacement

Minimum benefit standards

Required disclosure provisions

Permitted compensation arrangements

Renewability and cancellation

Continuation and conversion requirements

Notice of change

Medicare SELECT

15.3 Other options for individuals with Medicare

Employer group health plans

Disabled employees

Employees with kidney failure

Individuals age 65 and older

Arizona Health Care Cost Containment System (AHCCCS)

Eligibility (RL 36-2901(6), 2901.03, .05)

Benefits (RL 36-2907)

15.4 Long-term care (LTC) insurance

Eligibility for benefits

Levels of care

Skilled care

Intermediate care

Custodial care

Home health care (Rule R20-6-1004(I))

Adult day care

Respite care

Benefit periods (20-1691.03(C))

Benefit amounts

Optional benefits

Guarantee of insurability

Return of premium

Qualified LTC plans

Exclusions (Rule R20-6-1004(B)(1)–(4))

Underwriting considerations

Arizona regulations and required provisions

Standards for marketing (Rule R20-6-1017)

Advertising (A.R.S. § 20-1110(E))

Shopper's guide (Rule R20-6-1023)

Outline of coverage (20-1691.06;

Rule R20-6-1022)

Right to return (free look) (20-1691.07)

Replacement (Rule R20-6-1004(F), 1010)

Prohibited policy provisions (20-1691.05;

Rule R20-6-1004(B), 1011)

Renewal considerations (Rule R20-6-1004(A))
Cancellation (20-1691.03(A))
Unintentional lapse (Rule R20-6-1005)
Suitability (Rule R20-6-1018)
Premium increase (Rule R20-6-1004(G),
1008)
Continuation of benefits (Rule R20-6-1004(E))
Inflation protection (Rule R20-6-1006)
Required disclosure provisions
(Rule R20-6-1007)
Pre-existing conditions (20-1691(11),
1691.03(G))
Contestable periods (20-1691.10)
Nonforfeiture (Rule R20-6-1019)
Benefit triggers (Rule R20-6-1020)

16.0 Federal Tax Considerations for Disability (Accident and Health) Insurance 3%

16.1 Personally-owned health insurance

Disability income insurance
Medical expense insurance
Long-term care insurance

16.2 Employer group health insurance

Disability income (STD, LTD)
Benefits subject to FICA
Medical and dental expense
Long-term care insurance
Accidental death and dismemberment
Section 125 plans

16.3 Medical expense coverage for sole proprietors and partners

16.4 Business disability insurance

Key person disability income
Buy-sell policy

16.5 Health Reimbursement Arrangements (HRAs)

Flexible Spending Accounts (FSAs)
Definition
Eligibility
Contribution limits

Health Savings Accounts (HSAs)

Definition
Eligibility
Contribution limits

Medical Savings Accounts (MSAs)

Definition
Eligibility
Contribution limits