

Insurance Exam Content Outline

The following outline describes the content of one of the Michigan 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.

Michigan Accident and Health Producer

Series 16-66

100 questions – Two-hour time limit

1.0 Insurance Regulation 25% (25 items)

1.1 Licensing

Process (500.1201, .1201a, .1204, .1205, .1206, .1206b, .1240)

Types of licensees (500.1206)

Producer (500.240, 500.1201, .1201a, .1204, .1205, .1206, .1206b, .1240)

Counselor (500.1232, .1234, .1236)

Managing general agent (500.1401(b), .1405) Limited (R501.157)

Business entity (500.1201, .1205)

Financial institutions (500.1206, .1243)

Resident versus nonresident (500.1201, 500.1201a, 500.1204–.1206b, 500.1240; R500.635)

Temporary (500.1211b)

Maintenance and duration

Continuation (24.291; 500.1206, .134, .1153)

Change of address (500.1206(5), .1238)

Reporting of actions (500.1208b, .1239, .1244, .1246, .1247)

Assumed names (500.1211a)

Continuing education requirements (500.1204, .1204c, .1204d, .1204e, .1204f, .1206)

Bond (500.1153, .1407, .1504)

Disciplinary actions

Cease and desist order (500.1244, .2038)

Suspension, revocation, refusal to issue or renew (500.1200, .1209, .1239, .1379, .2029, .2043)

Penalties and fines (500.1242, .1244, .1379, .2038, .2040, .2064, .2069)

1.2 State regulation

Commissioner's general duties and powers (500.102, .200, .202, .210)

Company regulation

Certificate of authority (500.108, .402)

Solvency (500.408, .410, .436a)

Rates (500.1609, .1615, .1904, .2106, .2403, .2411, .2603)

Forms and exceptions (500.2236)

Unfair claims settlement practices (500.2006, .2026)

Producer appointment (500.1208a, .1208b, .1209, .1411)

Termination of appointment (500.1208b, .1209)

Producer regulation

Acting without a license (500.251, .1201a, .1202, .1203)

Prohibited conduct (500.1207, .1216, .2003, .2059, .2062)

Commissions (500.1240, .2011)

Fiduciary capacity (500.1207)

Types of compensation — disclosures

Unfair insurance trade practices (500.1239, .1244, .2003, .2006–.2014, .2016–.2021, .2026, .2029)

Misrepresentation (500.2005, .2005a, .2055, .2057, .2064, .2218)

False information and advertising (500.2001, .2002, .2005, .2005a, .2007, .2055, .2057, .2064)

Twisting (500.2005(f), .2064(2))

False financial statements (500.1015, .2014, .2018, .2055, .2062, .2474, .2666)

Defamation (500.2007, .2009; 600.2911; 750.389; R500.662, .1377(14))

Boycott, coercion and intimidation (500.1242, .2012)

Unfair discrimination (500.2019, .2020, .2027, .2082)

Rebating (500.1242, .2024, .2069, .2070)

Illegal inducement (500.2005a, .2024, .2069, .2070)

Examination of books and records (500.249, .222)

Insurance fraud regulation (500.2088, .4501, .4503, .4507, .4509, .4511, .8197; 752.1003, .1005)

Consumer privacy regulation (500.501, .505, .507, .515, .535, .2005a, .4501, .4507, .4509)

1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681–1681d)

Fraud and false statements (18 USC 1033, 1034)

Patriot Act

Violent Control Act

2.0 General Insurance 7% (7 items)

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

Authorized versus unauthorized 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

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
- Aleatory contract
- 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 Health Insurance Basics 10% (10 items)

3.1 Definitions of perils

Accidental injury

Sickness

3.2 Principal types of losses and benefits

Loss of income from disability

Hospital/medical expense

Dental expense

Long-term care expense/home health care

3.3 Classes of health insurance policies

Individual versus group

Private versus government

Limited versus comprehensive

Self-funded coverage/ERISA

3.4 Limited policies

Limited benefits

Required notice to insured

Types of limited policies

- Accident-only

- Critical illness

- Hospital indemnity (income)

- Credit disability

- Blanket insurance (500.3636, .3640, .3650)

- Prescription drugs

- Dental

- Vision care

- Medicare supplements

3.5 Common exclusions from coverage

3.6 Producer responsibilities in individual health insurance

Marketing requirements

- Advertising (R500.651-.658, .660-.668)

- Life and Health Insurance Guaranty Association (500.7702)

- Sales presentations

- Outline of coverage (R500.656-.658, .661)

Field underwriting

- Nature and purpose

- Disclosure of information about individuals

- Application procedures

- Requirements at delivery of policy

Common situations for errors/omissions

3.7 Individual underwriting by the insurer

Underwriting criteria

Sources of underwriting information

- Application

- Producer report

- Attending physician statement

- Investigative consumer (inspection) report

- Medical Information Bureau (MIB)

- Medical examinations and lab tests (including HIV consent)

- Use of genetic information (500.3407b)

- Unfair discrimination (500.2020, .2027, .2082)

- Classification of risks

Preferred
Standard
Substandard

3.8 Considerations in replacing health insurance

Pre-existing conditions (500.3406f, .3607; R500.657)
Credit for previously satisfied pre-existing condition exclusion (R500.657)
Benefits, limitations and exclusions
Underwriting requirements
Producer liability for errors and omissions

4.0 Individual Health Insurance Policy General Provisions 6% (6 items)

4.1 Required provisions

Entire contract; changes (500.3407)
Time limit on certain defenses (500.3408)
Grace period (500.3410)
Reinstatement (500.3411)
Claim procedures (500.2006, .3412-.3418)
Physical examinations and autopsy (500.3420)
Legal actions (500.1247, 3422)
Change of beneficiary (500.3424)
Right to examine (free look) (500.3409)

4.2 Optional provisions

Change of occupation (500.3432)
Misstatement of age (500.2218, .3434)
Other insurance in this insurer (500.3436)
Insurance with other insurers
Expense-incurred basis (500.3438)
Other benefits (500.3439, .3440)
Unpaid premium (500.3446)
Conformity with state statutes (500.3450)
Illegal occupation (500.3452)

4.3 Other general provisions

Insuring clause
Consideration clause
Renewability clause (500.2213b; R500.658)
Noncancelable
Guaranteed renewable
Conditionally renewable
Renewable at option of insurer
Nonrenewable (cancelable, term)

5.0 Disability Income and Related Insurance 7% (7 items)

5.1 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

5.2 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 rider
Relation of earnings to insurance (500.3444)
Other cash benefits
Accidental death and dismemberment
Rehabilitation benefit
Medical reimbursement benefit (nondisabling injury)
Refund provisions
Return of premium
Exclusions

5.3 Unique aspects of individual disability underwriting

Occupational considerations
Benefit limits
Policy issuance alternatives

5.4 Group disability income insurance

Group versus individual plans
Short-term disability (STD)
Long-term disability (LTD)

5.5 Business disability insurance

Key person disability income
Disability buy-sell policy

5.6 Social Security disability

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

5.7 Workers compensation

Eligibility
Benefits

6.0 Medical Plans 14% (14 items)

6.1 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

6.2 Types of plans

Major medical insurance (indemnity plans)
Characteristics
Common limitations
Exclusions from coverage
Provisions affecting cost to insured
Health Maintenance Organizations (HMOs)
General characteristics

- Preventive care services
- Primary care physician versus referral (specialty) physician
- Emergency care
- Hospital services
- Other basic services
- Preferred provider arrangements and point-of-service (POS) plans
 - General characteristics
 - In-network and out-of-network provider access
 - PCP referral
 - Indemnity plan features

6.3 Cost containment in health care delivery

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

6.4 Michigan eligibility requirements (individual and/or group)

- Dependent child age limit (500.2264, .3402, .3406h)
- Child enrollment; non-custodial parents (500.2264, .3406g, .3406h)
- Newborn child coverage (500.3403)
- Adopted children

6.5 HIPAA (Health Insurance Portability and Accountability Act) requirements

- Eligibility
- Guaranteed issue
- Pre-existing conditions
- Creditable coverage
- Renewability

7.0 Group Health Insurance 15% (15 items)

7.1 Characteristics of group insurance

- Group contract
- Certificate of coverage (500.2242, .3606, .3608)
- Experience rating versus community rating

7.2 Types of eligible groups

- Employment-related groups
 - Individual employer groups
 - Associations (alumni, professional, other)
 - Customer groups (depositors, creditor-debtor, other)

7.3 Marketing considerations

- Advertising (500.2005, .2007, .2055, .2091; R500.654-.658, .660-.668)
- Regulatory jurisdiction/place of delivery

7.4 Employer group health insurance

- Insurer underwriting criteria
 - Characteristics of group
 - Plan design factors
 - Persistency factors
 - Administrative capability
- Eligibility for coverage

- Annual open enrollment
- Employee eligibility
- Dependent eligibility
- Coordination of benefits provision (500.3610a; 550.253)
- Change of insurance companies or loss of coverage
 - Coinsurance and deductible carryover
 - No-loss no-gain
 - Events that terminate coverage
 - Extension of benefits (500.3607)
 - Continuation of coverage under COBRA and Michigan specific rules
 - Conversion privilege (500.3607)

7.5 Small employer medical plans

- Definition of small employer (500.3701)
- Eligibility of employees (500.3701, .3707)
- Renewability (500.3701, .3711)

8.0 Dental Insurance 3% (3 items)

8.1 Types of dental treatment

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

8.2 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

8.3 Employer group dental expense

- Integrated deductibles versus stand-alone plans
- Minimizing adverse selection

9.0 Insurance for Senior Citizens and Special Needs Individuals 9% (9 items)

9.1 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

9.2 Medicare supplements (500.3803–.3836, .3838–.3861)

Purpose
Open enrollment
Standardized Medicare supplement plans (500.3811)
Core benefits
Additional benefits
Michigan regulations and required provisions
Advertising (500.3819, .3847)
Standards for marketing (500.3835)
Permitted compensation
Appropriateness of recommended purchase and excessive insurance (500.3835)
Required disclosure provisions (500.3815)
Reporting of multiple policies (500.3827)
Buyer's guide (500.3813)
Right to return (500.3815)
Replacement (500.3815)
Benefit standards (500.3819)
Pre-existing conditions (500.3831)
Outline of coverage (500.3831)
Guaranteed issue for eligible persons (500.3830)
Medicare Select (500.3817)

9.3 Other options for individuals with Medicare

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

9.4 Long-term care (LTC) insurance (500.3901–3955)

Eligibility for benefits
Levels of care
Skilled care
Intermediate care
Custodial care
Home health care (500.3913)
Adult day care
Respite care

Benefit periods
Benefit amounts
Optional benefits
Guarantee of insurability
Return of premium
Qualified LTC plans (state and federal)
Exclusions
Underwriting considerations
Michigan regulations and required provisions (500.3901–.3955)
Standards for marketing (500.3942)
Shopper's guide (500.3937)
Outline of coverage (500.3933)
Required disclosure provisions (500.3923)
Replacement (500.3917)
Right to return (500.3943)
Inflation protection (500.3909)

10.0 Federal Tax Considerations for Health Insurance 4% (4 items)

10.1 Personally-owned health insurance

Disability income insurance
Medical expense insurance
Dental insurance
Long-term care insurance
FSAs, HRAs and HSAs

10.2 Employer group health insurance

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

10.3 Medical expense coverage for sole proprietors, partners and limited liability corporations

10.4 Business disability insurance

Key person disability income
Buy-sell policy