

# Your Exam Content Outline

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

## Texas Examination for Life and Health Insurance Counselor Series 14-55

150 questions – 2.5-hour time limit

### 1.0 Insurance Regulation 5%

#### 1.1 Licensing requirements

##### General provisions

Who are agents (Ins. 4001.003(1), .051)

Process (Ins. 4001.006, .102, .103, .104, .105; Ins. 4002.001)

Types of licensees (Ins. 4001.003)

Individuals (Ins. 4001.105)

Partnerships (Ins. 4001.106)

Corporations (Ins. 4001.106)

Banks (Ins. 4001.107)

Nonresident agents (Ins. 4056.001-.004)

Life and health insurance counselor (Ins. 4052.001)

##### Maintenance and duration

Expiration and renewal (Ins. 4003.001, .004, .006, .007)

Temporary license (Ins. 4001.151-.156)

Continuing education and product certification course requirements (Ins. 4004.051-.054; TAC 19.1001-19.1030; 1115.056)

##### Disciplinary actions

Denial of license (Ins. 4005.101, .102)

Cease and desist order (Ins. 83.001-.153; Ins. 541.108; TAC 1.901-.911)

Surrender of license (Ins. 4005.107; TAC 19.2)

Suspension, revocation or refusal to renew (Ins. 4001.254; Ins. 4005.101, .102, .105)

Penalties (Ins. 82.001-.056; Ins. 84.001-.051; Ins. 4005.102)

#### 1.2 State regulation

##### Commissioner's general duties and powers

(Ins. 31.001, .002, .021; Ins. 201.004; Ins. 404.051-.053; Ins. 481.001-.009; Ins. 491.051-.052; Ins. 521.003-.004; Ins. 4001.005)

##### Company regulation

Certificate of authority (Ins. 801.051-.053)

Financial requirements (Ins. 401.001-.021)

Examination of records (Ins. 38.001; Ins. 86.001-.002; Ins. 401.051-.062)

##### Unfair claims settlement practices

(Ins. 541.060; Ins. 542.001-.014; TAC 21.201-.205)

##### Agent regulation

One agent, one license (TAC 19.902)

Acting without a license (Ins. 4001.101)

Unfair trade practices (TAC 21.3)

Misrepresentations (Ins. 541.051, .061; TAC 21.4)

False advertising (Ins. 541.052; TAC 21.115)

Defamation of insurer (Ins. 541.053)

Boycott, coercion and intimidation (Ins. 541.054)

False financial statements (Ins. 541.055)

Unfair discrimination (Ins. 541.057)

Rebates (Ins. 541.056; Ins. 4005.053(c)(1), .101(b)(9))

Testimonials (TAC 21.107)

False use of statistics (TAC 21.108)

Unlawful inducement (TAC 21.109)

Disparagements (TAC 21.110)

Unfair comparisons (TAC 21.111)

Commissions and fees (Ins. 4001.157; Ins. 4005.053, .054)

Controlled business (Ins. 4001.104)

Joint advertising by similarly licensed agents (TAC 19.904)

Referral business and insurance company appointments (Ins. 4001.051(d), 4005.053; TAC 19.905)

Reporting change of address (Ins. 4001.252, 4003.009; TAC 19.906)

Reporting of actions (Ins. 4001.252)

Records maintenance (Ins. 4001.255)

Illegal conversion of funds (Ins. 4005.101(b)(4))

Probation due to disability (Ins. 4006.001-.056; TAC 1.1501-1506)

Agent appointment (Ins. 4001.201)

Termination of appointment (Ins. 4001.206)

##### Life, Accident, Health and Hospital Service

Insurance Guaranty Association (Ins. 463.001-.451; TAC 21.6)

Insurance fraud regulation (Ins. 701.001-.154)

Consumer privacy regulation (TAC 22.1-.26)

#### 1.3 Federal regulation

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

Fraud and false statements (18 USC 1033(e))

## **2.0 General Insurance 5%**

### **2.1 Concepts**

Risk management key terms

- Risk
- Exposure
- Peril
- Loss

Elements of insurable risks

- Adverse selection
- Law of large numbers

### **2.2 Insurers**

Types of insurers

- Stock companies
- Mutual companies
- Fraternal associations

Private versus government insurers

Authorized versus unauthorized insurers

Domestic, foreign and alien insurers

Financial status (independent rating services)

Marketing (distribution) systems

### **2.3 Agents and general rules of agency**

Insurer as principal

Agent/insurer relationship

Authority and powers of agents

- 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

- Aleatory contract
- Personal contract
- Unilateral contract
- Conditional contract

Legal interpretations affecting contracts

- Reasonable expectations
- Indemnity
- Utmost good faith
- Representations/misrepresentations
- Warranties
- Concealment
- Fraud
- Waiver and estoppel

## **3.0 Life Insurance Basics 5%**

### **3.1 Personal uses of life insurance**

Survivor protection

Estate creation

Cash accumulation

Liquidity

Estate conservation

Life settlements HB 2277, 1115.056

### **3.2 Determining amount of personal life insurance**

Human life value approach

Needs approach

- Types of information gathered
- Determining lump-sum needs
- Planning for income needs

### **3.3 Business uses of life insurance**

Buy-sell funding

Key person

Executive bonuses

Deferred compensation funding

Split dollar plans

Change of insured rider (TAC 3.116)

### **3.4 Classes of life insurance policies**

Group versus individual

Permanent versus term

Participating versus nonparticipating

Fixed versus variable life insurance and annuities

- Regulation of variable products (SEC, FINRA and Texas) (TAC 3.704, 3.806)

### **3.5 Premiums**

Premium concepts

- Net single premium

- Gross annual premium

Premium payment mode

### **3.6 Agent responsibilities**

Solicitation and sales presentations (TAC 21.104)

- Advertising (TAC 3.303; TAC 21.111, .114, .122)

- Policy summary

- Illustrations (TAC 21.2201-.2214)

- Life insurance policy cost comparison methods

- Use and disclosure of insurance information

Field underwriting

- Notice of information practices

- Application procedures including backdating (TAC 3.120)

Delivery

- Policy review

- Effective date of coverage

- Premium collection

- Statement of good health

### **3.7 Individual underwriting by the insurer**

Information sources and regulation

- Application

- Agent report

- Attending physician statement

- Investigative consumer (inspection) report

- Medical Information Bureau (MIB)

- Medical examinations and lab tests including HIV (TAC 21.704(b)(8-10), 21.705)

Selection criteria and unfair discrimination (TAC 21.702-.704)

Classification of risks

- Preferred

- Standard

- Substandard

#### **4.0 Life Insurance Policies 7%**

##### **4.1 Term life insurance**

- Level term
  - Annual renewable term
  - Level premium term
  - Life expectancy contract
  - Term-to-65 contract

Decreasing term

##### **4.2 Whole life insurance**

- Continuous premium (straight life)
- Limited payment
- Single premium
- Enhanced ordinary life (economax)
- Indeterminate premium (TAC 3.301-.305)
- Graded premium
- Modified life
- Current assumption

##### **4.3 Flexible premium policies**

- Adjustable life
- Universal life

##### **4.4 Group life insurance**

- Characteristics of group plans
- Eligible groups (Ins. 1131.002)
- Group underwriting requirements
- Conversion to individual policy (Ins. 1131.110-.112)

##### **4.5 Credit life insurance (individual versus group)**

##### **4.6 Nature of variable life insurance**

- Variable life versus variable universal life
- Fixed premium payment versus flexible payment
- Face value versus death benefit
- Contract charges and fees

#### **5.0 Life Insurance Policy Provisions, Options and Riders 8%**

##### **5.1 Required provisions (Ins. 1101.002)**

- Entire contract (Ins. 1101.003; TAC 3.103)
- Payment of premiums (Ins. 1101.004; TAC 3.101)
- Grace period (Ins. 1101.005; TAC 3.102)
- Reinstatement (TAC 3.111)
- Incontestable clause (Ins. 1101.006; TAC 3.104)
- Misstatement of age (Ins. 1101.008; TAC 3.106)
- Statements of the insured (Ins. 1101.007; TAC 3.105)
- Legal action (TAC 3.119)
- Payment of claims (Ins. 1101.011; TAC 3.112)

##### **5.2 Other provisions**

- Ownership
- Assignment (TAC 3.123)
- Modifications
- Right to examine (free look)
- Medical examination
- Exclusions

##### **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

##### **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

##### **5.9 Accelerated (living) benefit provision/rider (Ins. 1111.052, 1551.254; TAC 3.1708, 3.4301-.4317)**

Conditions for payment

Effect on death benefit

##### **5.10 Riders covering additional insureds**

Spouse/other-insured term rider

Children's term rider

Family term rider

##### **5.11 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
- Market value adjusted annuities (modified guaranteed annuities) (Ins. 1152.201-.205)

### **6.5 Uses of annuities**

- Suitability (Ins. 1155)
- Lump-sum settlements
- Qualified retirement plans including group versus individual
- Personal uses
  - Individual retirement annuities (IRAs)
  - Tax-deferred growth
  - Retirement income
  - Education funds

## **7.0 Federal Tax Considerations for Life Insurance and Annuities 5%**

### **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 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

### **7.3 Taxation of individual retirement annuities (IRAs)**

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

Distributions

### **7.4 Rollovers and transfers (IRAs and qualified plans)**

### **7.5 Section 1035 exchanges**

## **8.0 Qualified Plans 4%**

### **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)
- Profit-sharing and 401(k) plans
- SIMPLE plans
- Pension plans
- Section 457 deferred compensation
- 403(b) tax-sheltered annuities (TSAs)

### **8.4 Special rules for life insurance**

- Incidental limitation
- Taxation of economic benefit
- Taxation and life insurance distributions

## **9.0 Health Insurance Basics 3%**

### **9.1 Definitions of perils**

- Accidental injury (TAC 3.3008)
- Sickness (TAC 3.3009)

### **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 including Texas minimum standards (TAC 3.3076)
  - Specified (dread) disease including Texas minimum standards (TAC 3.3077)
  - Hospital indemnity (income)
  - Credit disability
  - Prescription drug plans
  - Vision care

### **9.5 Common exclusions from coverage (TAC 3.3018, 3.3054)**

### **9.6 Agent responsibilities in individual health insurance**

- Marketing requirements
  - Advertising (Art. 21.20-2; TAC 3.303, TAC 21.101-.113)
  - Outline of coverage (TAC 3.3090-.3093)
- Field underwriting
  - Nature and purpose
  - Disclosure of information about individuals

Application procedures  
Delivery of policy  
Common situations for errors/omissions

#### **9.7 Individual underwriting by the insurer**

Underwriting criteria  
Sources of underwriting information  
Application  
Agent reports  
Attending physician statement  
Investigative consumer (inspection) report  
Medical Information Bureau (MIB)  
Medical examinations and lab tests including HIV (TAC 21.704(b)(8–10), 21.705)  
Unfair discrimination (TAC 21.702–.704)  
Genetic testing information (Ins. 546.051, .052)  
Classification of risks  
Preferred  
Standard  
Substandard

#### **9.8 Considerations in replacing health insurance (TAC 3.3061)**

Pre-existing conditions (TAC 3.3018, 3.3054, 3.3061(c)(1))  
Benefits, limitations and exclusions  
Underwriting requirements  
Agent liability for errors and omissions

#### **10.0 Individual Health Insurance Policy General Provisions 4%**

##### **10.1 Required standard provisions**

Entire contract; changes (Ins. 1201.207)  
Time limit on certain defenses (Ins. 1201.208)  
Grace period (Ins. 1201.209)  
Reinstatement (Ins. 1201.210)  
Claim procedures (Ins. 1201.211–.215)  
Physical examinations and autopsy (Ins. 1201.216)  
Legal actions (Ins. 1201.217)  
Change of beneficiary (Ins. 1201.218)

##### **10.2 Other provisions**

Change of occupation (Ins. 1201.219)  
Misstatement of age (Ins. 1201.220)  
Other insurance in this insurer (Ins. 1201.221)  
Unpaid premium (Ins. 1201.223)  
Cancellation (Ins. 1201.224)  
Conformity with state statutes (Ins. 1201.225)  
Illegal occupation (Ins. 1201.226)  
Intoxicants and narcotics (Ins. 1201.227)

##### **10.3 Other general provisions**

Right to examine (free look) (Ins. 1201.058)  
Insuring clause  
Consideration clause  
Renewability clause (TAC 3.3050)  
Noncancelable (TAC 3.3019)  
Guaranteed renewable (TAC 3.3020)  
Conditionally renewable  
Renewable at option of insurer  
Nonrenewable (cancelable, term)

Military suspense provision (TAC 3.3057(e))

#### **10.4 Prohibited policy provisions (TAC 3.3040)**

#### **11.0 Disability Income and Related Insurance 3%**

##### **11.1 Qualifying for disability benefits (TAC 3.3012)**

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**

Texas minimum benefit standards (TAC 3.3075)  
Basic total disability plan  
Income benefits (monthly indemnity)  
Elimination and benefit periods  
Waiver of premium feature  
Coordination with social insurance benefits  
Additional monthly benefit (AMB)  
Social insurance supplement (SIS)  
Occupational versus nonoccupational coverage  
At-work benefits  
Partial disability benefit (TAC 3.3013)  
Residual disability benefit (TAC 3.3014)  
Other provisions affecting income benefits  
Cost of living adjustment (COLA) rider  
Future increase option (FIO) rider  
Relation of earnings to insurance (Ins. 1201.222)  
Other cash benefits  
Accidental death and dismemberment  
Rehabilitation benefit  
Medical reimbursement benefit (nondisabling injury)  
Refund provisions  
Return of premium (TAC 3.3040(c))  
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 person disability income  
Disability buy-sell policy

##### **11.6 Social Security disability**

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

## 12.0 Medical Plans 9%

### 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
  - Texas minimum standards (TAC 3.3074)
  - Common limitations
  - Exclusions from coverage
  - Provisions affecting cost to insured
- Preferred provider organizations (PPOs) (TAC 3.3701-.3706)
  - 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)
  - Indemnity plan features
- Texas Child Health Plan (H&S 62.001-.055, .058-.158)

### 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 Texas requirements (Individual)

- Eligibility requirements
  - Dependent child age limit (Ins. 1201.065)
  - Newborn child coverage (Ins. 1367.003; TAC 3.3403)
  - Adopted children (Ins. 1201.061)
  - Step children (Ins. 1201.064)
  - Medical child support order (Ins. 1201.063; TAC 21.2004)
  - Grandchildren (Ins. 1201.062)

### 12.5 Texas requirements (Group)

- Benefit offers
  - In-vitro fertilization (Ins. 1366.003)
  - Speech and hearing impairments (Ins. 1365.003)
  - Mental illness (Ins. 1355.004)
  - Home health care (Ins. 1351.005-.007)

### 12.6 HIPAA (Health Insurance Portability and Accountability Act) requirements

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

Privacy issues

### 12.7 Special savings plans (definition, eligibility, and contribution limits)

- Medical savings plans (MSAs)
- Flexible savings accounts (FSAs)
- Health savings accounts (HSAs)
- Health reimbursement accounts (HRAs)
- Consumer driven plans

### 12.8 Texas Health Insurance Risk Pool (Ins. Ch 1506)

- Eligibility (Ins. 1506.152)
- Coverages and limits (Ins. 1506.151, .154)
- Exclusions (Ins. 1506.155)
- Deductibles and coinsurance (Ins. 1506.151)

## 13.0 Health Maintenance Organizations (HMOs) 2%

### 13.1 HMOs and cost control

- Access to providers
- Preventive care
- Utilization management
- Capitation

### 13.2 HMO and other medical plans compared

- Provider choice
  - Service area
  - Gatekeeper
  - Network
  - Any provider
- Preventive care emphasis
- Cost-sharing methods
  - Copayments
  - Deductibles and coinsurance

### 13.3 HMO services and general provisions

- Preventive care services
- Physician services
  - Primary care physician (PCP)
  - Referral (specialty) physician
- Emergency care (Ins. 1271.155)
- Hospital services
- Other basic services
- Additional plans and services
  - Dental services
  - Vision care

### 13.4 HMO certification and regulation

- Certification
  - Certificate of authority (Ins. 843.071)
  - Officers and employees bond (Ins. 843.402)
  - Financial requirement (Ins. 843.403, .404)
  - Violations (Ins. 843.406)
  - Notice of hearing (Ins. 843.406)
  - Suspension or revocation of certificate of authority (Ins. 843.406(a)(1))
- Regulation of reports and records
  - Annual report (Ins. 843.155)
  - Complaint system (Ins. 843.251)
  - Examination of records (Ins. 843.156)
- Prohibited practices

Confidentiality of medical and health information  
(Ins. 843.007)

#### **14.0 Group Health Insurance 9%**

##### **14.1 Characteristics of group insurance**

Group contract  
Certificate of coverage

##### **14.2 Types of eligible groups**

Employment-related groups  
Individual employer groups  
Multiple-Employer Trusts (METs) or Welfare Arrangements (MEWAs)  
Associations (alumni, professional, other)  
Customer groups (depositors, other)  
Self-funded plans  
Blanket insurance (teams, passengers, other)  
(Ins. 1251.351-.359)

##### **14.3 Marketing considerations**

Advertising  
Regulatory jurisdiction/place of delivery

##### **14.4 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 (Ins. 1203.002)  
Change of insurance companies or loss of coverage  
Coinsurance and deductible carryover  
Events that terminate coverage  
Extension of benefits (Ins. 1252.102)  
Continuation of coverage under COBRA and Texas continuation rules (Ins. 1251.251)  
Conversion privilege (TAC 3.501-.518; TAC 3.3602)

##### **14.5 Small employer medical plans (TAC 26.1, 26.3-.26)**

Definition of small employer (Ins. 1501.002(14))  
Employer contribution and participation requirements (Ins. 1501.153, .154; TAC 26.8)  
Benefit plans offered (Ins. 1501.252)  
Basic coverage benefit plan  
Other benefit plans  
Guaranteed issue (Ins. 1501.151; TAC 26.7, .8)  
Renewability of coverage (Ins. 1501.108; TAC 26.15, .16)  
Prohibited marketing practices (Ins. 1501.352; TAC 26.13)  
Dependent offering (TAC 26.9)  
Pre-existing conditions (Ins. 1501.102)

#### **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 plans 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**

Integrated deductibles versus stand-alone plans  
Minimizing adverse selection

#### **16.0 Insurance for Senior Citizens and Special Needs Individuals 8%**

##### **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 (TAC 3.3301-.3310, .3312-.3313, .3315-.3325)**

Purpose (TAC 3.3301)  
Open enrollment (TAC 3.3324)  
Standardized Medicare supplement plans  
Core benefits (TAC 3.3306(2))  
Additional benefits (TAC 3.3306(3))  
Texas regulations and required provisions  
Prohibited policy provisions (TAC 3.3305)  
Minimum benefit standards (TAC 3.3306)  
Required disclosure provisions (TAC 3.3308)  
Replacement (TAC 3.3309)  
Guaranteed issue (TAC 3.3312)  
Advertising (TAC 3.3313)  
Permitted compensation arrangements (TAC 3.3317)  
Standards for marketing (TAC 3.3319)  
Appropriateness of recommended purchase (TAC 3.3320)  
Medicare Select (TAC 3.3325)

### **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**

**(Ins. 1651.003; TAC 3.3801–.3807, .3810, .3812, .3815, .3818–.3850)**

- 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
- Cancellation (TAC 3.3823)
- Exclusions (TAC 3.3826)
- Indemnity versus reimbursement
- Waiver of premium
- LTC Partnerships
- Underwriting considerations
- Texas regulations and required provisions
  - Required disclosure provisions (TAC 3.3829)
  - Replacement (TAC 3.3830)
  - Requirement to offer inflation protection (TAC 3.3820)
  - Requirement to offer nonforfeiture benefits (TAC 3.3844)
  - Outline of coverage (TAC 3.3832)
  - Advertising (TAC 3.3838)
  - Standards for marketing (TAC 3.3839)
  - Shopper's guide (TAC 3.3840)
  - Appropriateness of recommended purchase (TAC 3.3842)
  - Pre-existing conditions provisions (TAC 3.3824)
  - Unintentional lapse (TAC 3.3841)
  - Guaranteed renewability (TAC 3.3807)

### **17.0 Federal Tax Considerations for Health Insurance 3%**

#### **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 Business disability insurance**

- Key person disability income
- Buy-sell policy

#### **17.5 Special savings plans**

- Health Savings Accounts
- Health Reimbursement Accounts
- Flexible Spending Accounts
- Consumer-Driven Plans

### **18.0 Additional Considerations for Life and Health Insurance Counselors 10%**

#### **18.1 Duties of financial services professionals**

- Introduce planning concepts and gather information
- Identify and clarify client objectives
- Analyze present financial position and alternatives
- Prepare and present recommendations
- Assist with plan implementation
- Review and revise plan periodically

#### **18.2 Economic considerations in personal finance**

- Buying and selling decisions
  - Supply
  - Demand
  - Changes in the market
- Production process
  - Inputs
  - Outputs
  - Consumption
  - Short-run versus long-run adjustments
  - Economies of scale
- Types of market structures
  - Perfect competition
  - Pure monopoly
  - Monopolistic competition
  - Oligopoly
- Market success and failure
  - Competitive markets
  - Reasons for market failure
  - Remedies for market failure
- Economic regulation
  - Antitrust law
  - Monopoly regulation
  - Rate regulation
  - Banking
  - Insurance
- Components of Gross National Product (GNP)
  - Personal consumption expenditures
  - Gross private domestic investment
  - Government purchases of goods and services
  - Net exports of goods and services
- Consumer Price Index (CPI)
- Business cycle
  - Expansion
  - Downturn

- Recession
- Recovery
- Employment
- Types of unemployment
  - Frictional
  - Seasonal
  - Cyclical
  - Structural
- Functions of money
  - Medium of exchange
  - Unit of account
  - Store of value
- Flow of funds and interest rates
  - Monetary control — Federal Reserve System
  - Supply and demand for loans
  - Interest rate determination
- Savings
- Investments
- International trade and investments

### **18.3 Common financial needs and objectives of clients**

- Protection against risks
  - Major health care expenses
  - Loss of income or property
  - Liability losses
- Income tax reduction
- Capital accumulation
  - Emergencies
  - Major purchases
  - Education
  - Retirement
  - Other purposes
- Managing personal assets at death
  - Choosing and arranging for an executor
  - Choosing and arranging for a guardian
  - Reducing estate taxes and settlement costs
  - Meeting obligations of the estate
  - Providing financial support for dependents
  - Deciding and arranging for transfers to heirs
  - Planning for the disposition of business interests

### **18.4 Insurance purchase decisions**

- Large loss principle
- Use of cost-sharing devices
- Considerations affecting the choice of insurers

### **18.5 Income tax planning**

- The federal income tax
- Basic tax saving techniques

### **18.6 Retirement considerations**

- Life expectancy
- Income requirements
- Sources of non-earned income
- Purchasing power risk (inflation)
- Time value of money

### **18.7 Estate planning**

- The federal estate tax
  - Gross estate
  - Adjusted gross estate
  - Taxable estate
  - Marital deduction
  - Charitable bequests
  - Unified estate and gift tax credit
  - Generation-skipping transfer tax
- Methods of estate transfer
  - Probate estate
  - Will substitutes

### **18.8 Arranging life insurance**

- Beneficiaries when policy is owned by the insured
  - Insured's estate
  - Third-party beneficiaries
  - Revocable unfunded life insurance trust
- Policies owned by other individuals
- Policies owned by irrevocable trusts
- Gifts of life insurance

### **18.9 Texas community property rights in life insurance**

- Spouse's rights in policy during insured's lifetime
- Surviving spouse's interest in life insurance proceeds
  - Effect of death of noninsured spouse
  - Effect of divorce
  - Policy as spouse's separate property
- Death proceeds payable to surviving spouse as named beneficiary
- Interest of spouse versus other interest in death proceeds
  - Spouse versus named beneficiary
  - Spouse versus insured's estate
- Premiums paid with separate funds and community funds
- Previous dissolution of community
- Simultaneous deaths of insured and spouse