

# Your Exam Content Outline

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

## Oregon Consultant's Examination for Life and Health Insurance Series 12-10

150 questions – 2.5-hour time limit

**PLEASE NOTE: All code and RL references refer to ORS, unless otherwise noted.**

### 1.0 Insurance Regulation 8%

#### 1.1 Licensing

- Purpose
- Process (744.619, .635; OAR 836-071-0150)
- Types of licensees
  - Producers (744.052, .053)
  - Consultants (744.605, .609, .626)
  - Adjusters (744.531)
  - Nonresident consultants (744.026, .621)
- Maintenance and duration
  - Renewal and nonrenewal (744.008, .009; OAR 836-071-0130)
  - Reinstatement (744.018)
  - Assumed business name (744.028(2), .068)
  - Change of address or telephone number (744.028(1), .068)
  - Reporting of actions (744.089)
- Disciplinary actions
  - Cease and desist orders (731.252)
  - License probation, suspension, revocation or refusal to issue or renew (744.013)
  - Civil penalty (733.988)
  - Criminal penalty (733.992)

#### 1.2 State regulation

- Director's general duties and powers (731.236)
- Company regulation
  - Solvency (731.554 (6))
  - Unfair claim settlement practices (746.230; OAR 836-080-0205–0250)
- Unfair trade practices
  - Misrepresentation (746.075, .100)
  - False advertising (746.110; OAR 836-080-0155)
  - Rebating (746.045)
  - Unfair discrimination (746.015; OAR 836-081-0005, .0010)
  - Illegal inducement (746.035)
- Examination of records (744.024, .026)
- Privacy of Consumer Information (746.620)

#### 1.3 Federal regulation

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

### 2.0 General Insurance 5%

#### 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
  - Reciprocal
  - 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 producer
  - 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 Life Insurance Basics 7%

#### 3.1 Insurable interest (743.024, .027, .030)

#### 3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation

#### 3.3 Viatical settlements (744.319–.328; OAR 836-014-0200–0330)

#### 3.4 Determining amount of personal life insurance

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

#### 3.5 Business uses of life insurance

- Buy-sell funding
- Key person
- Executive bonuses
- Deferred compensation funding
- Split dollar plans

#### 3.6 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
  - including regulation of variable products (SEC, NASD, and Oregon) (733.220)

#### 3.7 Premiums

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

- Premium payment mode

#### 3.8 Licensee responsibilities

- Solicitation and sales presentations (OAR 836-051-0005–0020)
  - Advertising
  - Oregon Life and Health Insurance Guaranty Association (734.750–.890)
  - Illustrations (OAR 836-051-0500–0600)
  - Policy summary
  - Buyer's guide
  - Life insurance policy cost comparison methods
  - Replacement (746.085; OAR 836-080-0001–0043)
  - 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

#### 3.9 Individual underwriting by the insurer

- Information sources and regulation
  - Application
  - Attending physician statement
  - Investigative consumer (inspection) report
  - Medical Information Bureau (MIB)
  - Medical examinations and lab tests (including HIV consent) (OAR 836-050-0250)
- Selection criteria and unfair discrimination
- 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
- 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

- Characteristics of group plans
- Group underwriting requirements
- Conversion to individual policy (743.333–.339)

#### 4.6 Credit life insurance (individual versus group)

## **5.0 Life Insurance Policy Provisions, Options and Riders 5%**

### **5.1 Standard provisions**

- Ownership
- Assignment (743.043)
- Entire contract (743.174)
- Modifications
- Right to examine (free look)
- Payment of premiums (743.162)
- Grace period (743.165)
- Reinstatement (743.171–.189)
- Incontestability (743.168)
- Misstatement of age and gender (743.180)
- Exclusions
- Suicide exclusion
- Medical examination; autopsy
- Prohibited provisions including backdating (743.225)

### **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**

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

### **5.5 Policy loan and withdrawal options**

- 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

### **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 (743.154; OAR 836-051-0300–0380, 052–0588)**

- Qualifying events
- Disclosure
- Effect of benefit payment

### **5.9 Riders covering additional insureds**

- 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 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

### **6.5 Uses of annuities**

- Lump-sum settlements
- Qualified retirement plans including 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 7%**

### **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
  - 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 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)
- Self-employed plans (HR 10 or Keogh plans)
- 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 of life insurance distributions

## 9.0 Health Insurance Basics 7%

### 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 (OAR 836-020-2000-0305)
  - Oregon Life and Health Insurance Guaranty Association (734.750-.890)
  - Sales presentations
  - Outline of coverage (OAR 836-020-0305)
- 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
  - Medical Information Bureau (MIB)
  - Medical examinations and lab tests (including HIV consent) (OAR 836-050-0250)
- Unfair discrimination
- Classification of risks
  - Preferred
  - Standard
  - Substandard

### 9.8 Considerations in replacing health insurance (743.766(2,3))

- Pre-existing conditions
- Benefits, limitations and exclusions
- Producer liability for errors and omissions

## 10.0 Individual Health Insurance Policy General Provisions 8%

### 10.1 Uniform required provisions

- Incontestability (743.414, .472)
- Grace period (743.417)
- Reinstatement (743.420)
- Claim procedures (743.423-.435)

## 10.2 Uniform optional provisions

- Change of occupation (743.450)
- Misstatement of age (743.453)

## 10.3 Other general provisions

- Right to examine (free look) (743.492)
- Insuring clause (743.405)
- Consideration clause
- Entire contract; changes (743.411)
- Physical examinations and autopsy (743.411, .438)
- Legal actions (743.441)
- Change of beneficiary (743.444)
- Unpaid premium (743.468)
- Conformity with state statutes (743.474)
- Illegal occupation (743.477)
- Renewability clause (743.495, .498, .766(5))
  - Noncancelable
  - Guaranteed renewable
  - Conditionally renewable
  - Renewable at option of insurer
  - Nonrenewable (cancelable, term)

## 11.0 Disability Income and Related Insurance 8%

### 11.1 Qualifying for disability benefits

- Inability to perform duties
  - Own occupation
  - Any occupation
- 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 (743.465)
- 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

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

### 11.5 Business disability insurance

- Key employee (partner) disability income
- 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

## 12.0 Medical Plans 8%

### 12.1 Medical plan concepts

- Fee-for-service basis versus prepaid basis
- 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 maintenance 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 Oregon requirements (individual and group)

- Eligibility requirements
  - Newborn child coverage (743.707)

Dependent child age limit (743.405(3))  
Coverage for adopted children (743.707)

Benefit offers

Alcoholism treatment (743.412)

## **12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements**

Eligibility

Guaranteed issue

Pre-existing conditions

Creditable coverage

Renewability

## **12.6 Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs)**

Definition

Eligibility

Contribution limits

Portability

## **13.0 Group Health Insurance 8%**

### **13.1 Characteristics of group insurance**

Group contract

Certificate of coverage

Experience rating versus community rating

### **13.2 Types of eligible groups**

Employment-related groups

Individual employer groups

Multiple-Employer Trusts (METs) or Welfare

Arrangements (MEWAs)

Associations (alumni, professional, other)

### **13.3 Marketing considerations**

Advertising

Regulatory jurisdiction/place of delivery

### **13.4 Employer group health insurance**

Insurer underwriting criteria

Characteristics of group

Plan design factors

Persistency factors

Administrative capability

Eligibility for insurance

Employee eligibility

Dependent eligibility

Coordination of benefits provision

(OAR 836-020-0770-0805)

Change of insurance companies or loss of coverage

No-loss no-gain

Events that terminate coverage

Extension of benefits

Continuation of coverage under COBRA and

Oregon rules (743.610; OAR 836-052-0860)

Conversion rights for former spouse

(763.600-.602)

### **13.5 Small employer medical plans**

Definition of small employer (743.730)

Basic coverage (743.730(4), .736)

Availability of coverage (743.752)

Renewability of coverage (743.737(5))

Pre-existing conditions (743.730(27), .737(1-3),  
.754)

Participation requirements (743.737(7))

Open enrollment

## **14.0 Dental Insurance 2%**

### **14.1 Categories 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

Exclusions

Limitations

### **14.3 Employer group dental expense**

Integrated deductibles versus stand-alone plans

Minimizing adverse selection

## **15.0 Insurance for Senior Citizens and Special Needs Individuals 5%**

### **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**

Purpose (OAR 836-052-0103)

Open enrollment (OAR 836-052-0138)

Standardized Medicare supplement plans

Core benefits (OAR 836-052-0133)

Additional benefits

Oregon regulations and required provisions

Standards for marketing (OAR 836-052-0175)

Advertising (736.687; OAR 836-052-0170)

Appropriateness of recommended purchase and

excessive insurance (OAR 836-052-0180)

Right to return (free look) (743.686)

Replacement

Pre-existing conditions (743.013;

OAR 836-052-0165, 0190)

Required disclosure provisions (743.685;

OAR 836-052-0160)

- Outline of coverage (743.685(2); OAR 836-052-0160, 0190)
- Buyer's guide (743.685(6))
- Permitted compensation (OAR 836-052-0156)
- Medicare SELECT (OAR 836-052-0139)

**15.3 Other options for individuals with Medicare**

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

**15.4 Long-term care (LTC) policies**

- 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
- Oregon regulations and required provisions
  - Standards for marketing (OAR 836-052-0640)
  - Advertising (OAR 836-052-0620)
  - Shopper's guide (OAR 836-052-0610)
  - Outline of coverage (743.655(6); OAR 836-052-0600)
  - Appropriateness of recommended purchase
  - Right to return (free look) (743.655(5))
  - Replacement
  - Renewal provisions (OAR 836-052-0575, 0615)
  - Continuation or conversion
  - Required disclosure provisions (OAR 836-052-0605)
  - Inflation protection
  - Pre-existing conditions (743.655(3))
  - Protection against unintentional lapse
  - Prohibited provisions

**15.5 Oregon Medical Insurance Pool (735.600–.650)**

- Eligibility
- Coverages and limits
- Exclusions
- Deductibles and coinsurance

**16.0 Federal Tax Considerations for 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

**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 Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs)**