

# Your Exam Content Outline

For examinations on and after January 1, 2008

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, .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 requirements (Ins.  
4004.051–.054; TAC 19.1001–19.1021)

##### 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 (Art.  
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 (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, 1034)

## 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  
Reinsurance

### 2.2 Insurers

Types of insurers

Stock companies  
Mutual companies  
Fraternal associations  
Reciprocal exchanges  
Lloyd's 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

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 (Art. 3.49-3; Ins. 1103.053)

### 3.2 Personal uses of life insurance

Survivor protection  
Estate creation  
Cash accumulation  
Liquidity  
Estate conservation  
Viatical 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  
Deferred compensation funding  
Split dollar plans  
Change of insured rider  
(TAC 3.116)

### 3.5 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, NASD and Texas) (TAC 3.704, 3.806)

### 3.6 Premiums

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

### 3.7 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

### **3.8 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 (economac)  
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 6%**

#### **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**

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 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 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 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 5%**

#### **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
  - Blanket insurance (teams, passengers, other) (Ins. 1251.351-.359)
  - 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
  - Declined

**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

Health maintenance organizations (HMOs)

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 and group)**

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)

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)

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

Eligibility

Pre-existing conditions

Creditable coverage

Renewability

Privacy issues

### **12.6 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

### **12.7 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) 3%**

### **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 7%**

### **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

### **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
  - Coinurance 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 7%**

### **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)**

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  
Cancellation (TAC 3.3823)  
Exclusions (TAC 3.3826)  
Indemnity versus reimbursement  
Waiver of premium  
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