

Your Exam Content Outline

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

Vermont Producer's Examination for Life, Accident, Health and HMO Series 14-29

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 5%

1.1 Licensing

- Process (4800; 4813f)
- Types of licensees (4791)
 - Resident (4800(3)(A))
 - Nonresident (4800(3)(B); 4813h)
 - Temporary (4800(3)(D)(ii); 4813k)
- Maintenance and duration
 - Renewal and expiration (4798)
 - Address change (4800(3)(F))
 - Assumed business name (4813j)
 - Reporting of actions (4813o)
 - Continuing education requirements (4800a; Reg 2000-2 Sec 4)
- Disciplinary actions
 - Denial of license (4800(3)(E))
 - Cease and desist order (3661)
 - Suspension, revocation or nonrenewal (4804; 4806)
 - Penalties (3661(2); 4804(d))

1.2 State regulation

- Commissioner's general duties and powers (4726; 4804)
- Company regulation
 - Certificate of authority (3368)
 - Unfair claim settlement practices (4724(9); Reg 79-2 Sec 1-7)
 - Policy forms (3541)
 - Examination of records (3565)
 - Producer appointment (4798(c); 4813l)
 - Termination of appointment (4798(d); 4813m)
- Producer regulation
 - Acting without a license (4793; 4813c)
 - Shared commissions (4796)
 - Trust accounts — anti-commingling (Reg 95-1; 4724(12))
 - Controlled business (4795)
 - Duties (4813c)
- Unfair trade practices (4724)
 - Misrepresentation (4724(1, 11, 13))
 - False advertising (4724(2))

- Defamation (4724(3))
- Boycott, coercion and intimidation (4724(4))
- False financial statements and entries (4724(5))
- Illegal inducement (4724(6))
- Unfair discrimination (4724(7))
- Rebating (4724(8))
- Failure to maintain complaint record (4724(10))
- Failure to act as fiduciary (4724(12); Reg 95-1)
- Unsuitability (4724(16))
- Nondisclosure of fees or charges (4724(14))
- Consumer privacy regulation (IH-2001-01)

1.3 Federal regulation

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

2.0 General Insurance 4%

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
- 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 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
- 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 9%

3.1 Insurable interest (3710)

- Power to contract

3.2 Personal uses of life insurance

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

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

3.5 Classes of life insurance policies

- Group versus individual
- Ordinary versus industrial (home service)
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities

Regulation of variable products (SEC, NASD and Vermont) (3855; Reg 88-3 Art VI, XI, 2001-03; Bul 121, 129)

3.6 Premiums

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

3.7 Producer responsibilities

- Solicitation and sales presentations (Reg 77-2)
 - Advertising
 - Life and Health Insurance Guaranty Association (4151-4185)
 - Illustrations (Reg 98-1)
 - Policy summary (Reg 77-2 Sec 5(A, B), Appendix B)
 - General Rules (Reg 77-2 Sec 6 (B, C, K, L, N, O, P))
 - Buyer's guide (Reg 77-2 Sec 5(A, B), Appendix A)
 - Life insurance policy cost comparison methods
 - Replacement (Reg 2001-3 Sec 1-10)
 - 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
- 3.8 Individual underwriting by the insurer
 - Information sources and regulation
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests including HIV (4724(20); Bul 138)
 - Selection criteria and unfair discrimination (3701)
 - Classification of risks
 - Preferred
 - Standard
 - Substandard
 - Declined

4.0 Life Insurance Policies 9%

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
- Modified life

4.3 Flexible premium policies

- Universal life
- Indexed universal life

4.4 SEC regulated policies

- Variable life insurance
- Variable universal life

4.5 Specialized policies

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

4.6 Group life insurance

- Characteristics of group plans
- Types of plan sponsors (3803–3810a)
- Group underwriting requirements (3816)
- Assignability (3713(a, b))
- Conversion to individual policy (3820–3823)

4.7 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 7%

5.1 Required provisions (3731)

- Entire contract (3731(3))
- Payment of premiums (3731(1))
- Grace period (3731(2))
- Reinstatement (3731(9))
- Incontestability (3731(4))
- Misstatement of age (3731(5))
- Payment of claims (3731(10))

5.2 Other provisions

- Ownership (3710)
- Assignment (3713(a, b))
- Modifications
- Right to examine (free look)
- Exclusions
- Representations in applications (3736)

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

- Retained asset accounts

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
- Payor benefit life/disability (juvenile insurance)

5.9 Accelerated (living) benefit provision/rider

- Conditions for payment
- Effect on death benefit

5.10 Viatical settlements (3826–3834; Reg 95-4 Sec 1–15)

- Viatical settlement providers
- Viatical settlement brokers
- Life insurance providers
- Viatical settlement contract provisions
- Disclosure provisions
- Rules of conduct

5.11 Riders covering additional insureds

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

5.12 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

- Variable annuity contracts

6.5 Uses of annuities

- Lump-sum settlements

- Qualified retirement plans

- 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 6%

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 the annuitant's estate

- Amounts received by beneficiary

- Roth IRAs

- Contributions and limits

- Distributions

7.5 Rollovers and transfers (IRAs and qualified plans)

7.6 Section 1035 exchanges

8.0 Qualified Plans 2%

8.1 General requirements

8.2 Federal tax considerations

- Tax advantages for employers and employees

- Taxation of distributions (age-related)

8.3 Plan types, characteristics and purchasers

- Simplified employee pensions (SEPs)

- Self-employed plans (HR 10 or Keogh plans)

- Profit-sharing and 401(k) plans

- SIMPLE plans

- 403(b) tax-sheltered annuities (TSAs)

9.0 Health Insurance Basics 6%

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 (Reg 71-1)

- Life and Health Insurance Guaranty Association (4164(e))

- Sales presentations

- Outline of coverage (Reg 80-1 Sec 8B)

- 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 (4724(20))
- Unfair discrimination
- Genetic testing (RL 18 Sec 9331-9335)
- Classification of risks
 - Standard
 - Preferred
 - Substandard
 - Declined

9.8 Considerations in replacing health insurance

- Pre-existing conditions
- Pre-existing condition exclusion regulation (Reg 80-1 Sec 5(F))
- Benefits, limitations and exclusions
- Underwriting requirements

10.0 Health Insurance Policy General Provisions (Non-group and Group) 6%

10.1 Uniform required provisions

- Entire contract; changes (4065(1), 4080(1))
- Certificate of insurance (4080(2))
- Time limit on certain defenses (4065(2))
- Grace period (4065(3))
- New employees (4080(3))
- Part-time employees (4080(4), 4080a(a)(1))
- Reinstatement (4065(4))
- Claim procedures (4065(5-9); Reg 93-4)
- Physical examinations and autopsy (4065(10))
- Legal actions (4065(11))
- Change of beneficiary (4065(12))

10.2 Optional provisions (4066)

- Change of occupation (4066(1))
- Misstatement of age (4066(2))
- Other insurance with this insurer (4066(3))
- Insurance with other insurers
 - Expense-incurred basis (4066(4))
 - Other benefits (4066(5))
- Unpaid premium (4066(7))
- Cancellation (4066(8); Reg 91-4B Sec 3(10))
- Conformity with state statutes (4066(9))
- Illegal occupation (4066(10))

10.3 Other general provisions

- Right to examine (free look) (4063(8))
- Insuring clause
- Consideration clause
- Renewability clause
 - Noncancelable
 - Guaranteed renewable
 - Conditionally renewable
 - Renewable at option of insurer
 - Nonrenewable (cancelable, term)
- Reduction in coverage

11.0 Disability Income and Related Insurance 7%

11.1 Qualifying for disability benefits

- Inability to perform duties
 - Own occupation
 - Any occupation
- Pure loss of income (income replacement contracts)
- Presumptive disability
- Requirement to be under physician care

11.2 Individual disability income insurance

- Basic total disability plan
 - Income benefits (monthly indemnity)
 - Elimination and benefit periods
 - Waiver of premium feature
- Coordination with social insurance and workers compensation benefits
 - Additional monthly benefit (AMB)
 - Social insurance supplement (SIS)
 - Occupational versus nonoccupational coverage
- At-work benefits
 - Partial disability benefit
 - Residual disability benefit
- Other provisions affecting income benefits
 - Cost of living adjustment (COLA) rider
 - Future increase option (FIO) rider
 - Relation of earnings to insurance (4066(6))
- Other cash benefits
 - Accidental death and dismemberment
 - Rehabilitation benefit
 - Medical reimbursement benefit (nondisabling injury)
- 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
- Disability

11.5 Social Security disability

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

11.6 Workers compensation

- Eligibility
- Benefits

12.0 Medical Plans 7%

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

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)
- Preferred provider organizations (PPOs)
 - General characteristics
 - Open or closed network
 - Types of parties to the provider contract
- Exclusive provider organizations (EPOs)
 - General characteristics
 - Open or closed network
- Point-of-service (POS) plans
 - Nature and purpose
 - Non-network provider access (open-ended HMO)
 - PCP referral (gatekeeper PPO)
 - Indemnity plan features

12.3 Common health care plans (non-group) (4080b(e); Reg 93-5 Sec 7)

- Standards
- Policy provisions

12.4 Cost containment in health care delivery

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

12.5 Vermont eligibility requirements (non-group and/or group)

- Dependent child age limit (4063(3))
- Adopted child coverage (4100c)
- Child coverage; noncustodial parents (4100b)
- Disabled child coverage (4089d)
- Newborn child coverage (4092)
- Civil unions (RL 15 Sec 1201)

12.6 HIPAA (Health Insurance Portability and Accountability Act) requirements

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

12.7 Medical savings accounts (MSAs)

- Definition
- Eligibility
- Contribution limits

13.0 Health Maintenance Organizations (HMOs) 7%

13.1 General characteristics

- Combined health care delivery and financing
- In network versus out of network
 - Limited service area

- Limited choice of providers
- Gatekeeper concept
- Copayments
- Prepaid basis

13.2 HMO Services

- Preventive care services
 - Well-child care
 - Immunizations
 - Routine physical examinations
 - Wellness programs
- Physician services
 - Primary care physician (PCP)
 - Referral (specialty) physician
- Emergency care
 - Urgent care center
 - Hospital emergency room
- Hospital services
- Skilled nursing facility services
- Home health care (4096)
- Family planning services
- Mental health/substance abuse benefits
- Prescription drugs
- Additional plans and services
 - Dental services
 - Vision care

14.0 Group Health Insurance 5%

14.1 Characteristics of group insurance

- Group contract
- Certificate of coverage
- Experience rating versus community rating

14.2 Types of eligible groups

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

14.3 Marketing considerations

- Advertising
- Regulatory jurisdiction/place of delivery

14.4 Employer group health insurance

- Vermont underwriting requirements (4079)
- Insurer underwriting criteria
 - Characteristics of group
 - Plan design factors
 - Persistency factors
 - Administrative capability
- Eligibility for coverage
 - Open enrollment
 - Employee eligibility (4080(4))
 - Dependent eligibility
- Coordination of benefits provision
- Change of insurance companies or loss of coverage
 - Coinsurance and deductible carryover
 - No-loss no-gain

- Events that terminate coverage
- Extension of benefits (4091e)
- Continuation of coverage under COBRA and Vermont specific rules
- Conversion privilege (4090d-g)

14.5 Small employer group medical plans

- Definition of small employer (4080a(a)(1))
- Common health care plans (4080a(e); Reg 91-4B Sec 5)
- Availability of coverage (4080a(d))
- Renewability of coverage (Reg 91-4B Sec 5(2(a)))
- Prohibited marketing practices (Reg 91-4B Sec 4)
- Pre-existing conditions (4080a(g); Reg 91-4B Sec 5(2(b)))
- Participation requirements (4080a(a)(1))

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 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

- Minimizing adverse selection

16.0 Insurance for Senior Citizens and Special Needs Individuals 6%

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 (Reg H-05-2 Sec 1-25)

- Purpose (Reg H-05-2 Sec 1)
- Open enrollment (Reg H-05-2 Sec 11)
- Standardized Medicare supplement plans (Reg H-05-2 Sec 8, 9)
 - Core benefits (Reg H-05-2 Sec 8(B))
 - Additional benefits (Reg H-05-2 Sec 8(C))
- Vermont regulations and required provisions
 - Standards for marketing (Reg H-05-2 Sec 20)
 - Advertising (Reg H-05-2 Sec 19)
 - Appropriateness of recommended purchase (Reg H-05-2 Sec 21)
 - Buyer's guide (Reg H-05-2 Sec 17(A)(6))
 - Outline of coverage (Reg H-05-2 Sec 17(D))
 - Right to return (Reg H-05-2 Sec 17(A)(5))
 - Pre-existing conditions (Reg H-05-2 Sec 8(A)(1))
 - Duplication of Medicare benefits (Reg H-05-2 Sec 21(B))
 - Replacement (Reg H-05-2 Sec 18, 23)
 - Required disclosure provisions (Reg H-05-2 Sec 17)
 - Permitted compensation arrangements (Reg H-05-2 Sec 16)
 - Renewability and cancellation (Reg H-05-2 Sec 8(A)(5))
 - Continuation and conversion requirements (Reg H-05-2 Sec 8)
 - Notice of change (Reg H-05-2 Sec 17(B))
 - Medicare Select (Reg H-05-2 Sec 10)

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

- 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
- Exclusions (Reg 91-1 Sec 6(B))
- Underwriting considerations
- Vermont regulations and required provisions
 - Standards for marketing (Reg 91-1 Sec 16)

Shopper's/Buyer's guide (8098;
Reg 91-1 Sec 20)
Outline of coverage (8090; Reg 91-1 Sec 19)
Appropriateness of recommended purchases
(Reg 91-1 Sec 17)
Right to return (free look) (8089)
Replacement (Reg 91-1 Sec 6(E), 11)
Benefit standards (8085)
Prohibited policy provisions (8086, 8087;
Reg 91-1 Sec 18)
Renewal considerations (Reg 91-1 Sec 6(A))
Continuation or conversion (Reg 91-1 Sec
6(D))
Inflation protection (Reg 91-1 Sec 10)
Pre-existing conditions (8086)

17.0 Federal Tax Considerations for Health Insurance 4%

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 Medical savings accounts (MSAs)