

Insurance Exam Content Outline

The following outline describes the content of one of the Michigan insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

Michigan Life and Health Producer

Series 16-80

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 16% (24 items)

1.1 Licensing

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

Types of licensees (500.1206)

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

Counselor (500.1232, .1234, .1236)

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

Business entity (500.1201, .1205)

Financial institutions (500.1206, .1243)

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

Temporary (500.1211b)

Maintenance and duration

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

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

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

Assumed names (500.1211a)

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

Bond (500.1153, .1407, .1504)

Disciplinary actions

Cease and desist order (500.1244, .2038)

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

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

1.2 State regulation

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

Company regulation

Certificate of authority (500.108, .402)

Solvency (500.408, .410, .436a)

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

Forms and exceptions (500.2236)

Unfair claims settlement practices (500.2006, .2026)

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

Termination of appointment (500.1208b, .1209)

Producer regulation

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

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

Commissions (500.1240, .2011)

Fiduciary capacity (500.1207)

Types of compensation — disclosures

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

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

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

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

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

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

Boycott, coercion and intimidation (500.1242, .2012)

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

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

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

Examination of books and records (500.249, .222)

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

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

1.3 Federal regulation

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

Fraud and false statements (18 USC 1033, 1034)

Patriot Act

Violent Control Act

2.0 General Insurance 3% (4 items)

2.1 Concepts

Risk management key terms

Risk
Exposure
Hazard
Peril
Loss

Methods of handling risk

Avoidance
Retention
Sharing
Reduction
Transfer

Elements of insurable risks

Adverse selection
Law of large numbers
Reinsurance

2.2 Insurers

Types of insurers

Stock companies
Mutual companies
Fraternal benefit societies
Lloyd's associations
Risk retention groups

Private versus government insurers

Authorized versus unauthorized insurers

Domestic, foreign and alien insurers

Financial status (independent rating services)

Marketing (distribution) systems

2.3 Producers and general rules of agency

Insurer as principal

Producer/insurer relationship

Authority and powers of producers

Express
Implied
Apparent

Responsibilities to the applicant/insured

2.4 Contracts

Elements of a legal contract

Offer and acceptance
Consideration
Competent parties
Legal purpose

Distinct characteristics of an insurance contract

Contract of adhesion
Aleatory contract
Personal contract
Unilateral contract
Conditional contract

Legal interpretations affecting contracts

Ambiguities in a contract of adhesion
Reasonable expectations
Indemnity
Utmost good faith
Representations/misrepresentations
Warranties
Concealment
Fraud

Waiver and estoppel

3.0 Life Insurance Basics 9% (13 items)

3.1 Michigan life insurance laws

Insurable interest (500.2207, .2211)

Viatical settlements (550.521-.528)

Regulation of variable products (SEC, FINRA and Michigan) (R500.830-.839, .841-.842; Bul 90-4)

Solicitation and sales presentations (500.1371-.1383)

Advertising (R500.1371-.1387)

Life and Health Insurance Guaranty Association (500.7702)

Illustrations (R500.863)

Policy summary (R500.863)

Buyer's guides for life insurance and annuities

Life insurance policy cost comparison methods
Replacement (R500.601-.606)

Use and disclosure of insurance information

Selection criteria and unfair discrimination (500.2027)

3.2 Personal uses of life insurance

Survivor protection

Estate creation

Cash accumulation

Security

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

Corporate-owned life insurance

3.5 Classes of life insurance policies

Group versus individual

Permanent versus term

Participating versus nonparticipating

Fixed versus variable life insurance and annuities

3.6 Premiums

Factors in premium determination

Mortality

Interest

Expense

Premium payment mode

3.7 Producer responsibilities

Field underwriting

Notice of information practices

Application procedures including conditional receipts

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
- Classification of risks
 - Preferred
 - Standard
 - Substandard

4.0 Life Insurance Policies 7% (11 items)

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
- Graded premium
- Modified life
- Interest sensitive
- Equity index

4.3 Flexible premium policies

- Adjustable life

4.4 Specialized policies

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

4.5 Group life insurance

- Characteristics of group plans
- Types of plan sponsors
- Group underwriting requirements

4.6 Life insurance policy law

- Credit life insurance (individual versus group) (550.601-.624; R550.201-.216)
- Group life conversion to individual policy (500.4438)
- Universal life (500.4001, .4037, .4038)

5.0 Life Insurance Policy Provisions, Options and Riders 11% (16 items)

5.1 Standard provisions

- Ownership
- Assignment
 - Entire contract (500.4014)
- Modifications
- Right to examine (free look) (500.4015, .4073)
- Payment of premiums (500.4010)
- Grace period (500.4012)
- Reinstatement (500.4028)

- Incontestability (500.4014)
- Misstatement of age or gender (500.4018)
- Exclusions and restrictions (500.4046)
- Interest on insurance proceeds (500.4060)

5.2 Beneficiaries

- Designation options
 - Individuals
 - Classes
 - Estates
 - Minors
 - Trusts
- Succession
- Facility of payment clause
- 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 stipulated premium (universal life)
- Waiver of cost of insurance
- Disability income benefit
- Payor benefit life/disability (juvenile insurance)

5.8 Living benefit provisions/riders (500.3928, .3949)

- Accelerated
 - Conditions for payment
 - Effect on death benefit
- Long-term care
 - Conditions for payment
 - Effect on death benefit

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 5% (8 items)

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 and withdrawal 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)

6.5 Uses of annuities

Lump-sum settlements
Qualified retirement plans
Group versus individual annuities
Personal uses
Individual retirement accounts (IRAs)
Tax-deferred growth
Retirement income
Education funds

7.0 Federal Tax Considerations for Life Insurance and Annuities 4% (6 items)

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 accounts (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% (3 items)

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)
Money purchase plans
Profit-sharing and 401(k) plans
SIMPLE plans
403(b) tax-sheltered accounts (TSAs)

9.0 Health Insurance Basics 6% (9 items)

9.1 Definitions of perils

Accidental injury
Sickness

9.2 Principal types of losses and benefits

Loss of income from disability
Hospital/medical expense
Dental expense
Long-term care expense/home health care

9.3 Classes of health insurance policies

Individual versus group
Private versus government
Limited versus comprehensive
Self-funded coverage/ERISA

9.4 Limited policies

Limited benefits
Required notice to insured
Types of limited policies
Accident-only
Critical illness
Hospital indemnity (income)
Credit disability
Blanket insurance (500.3636, .3640, .3650)
Prescription drugs
Dental
Vision care
Medicare supplements

9.5 Common exclusions from coverage

9.6 Producer responsibilities in individual health insurance

- Marketing requirements
 - Advertising (R500.651-.658, .660-.668)
 - Life and Health Insurance Guaranty Association (500.7702)
 - Sales presentations
 - Outline of coverage (R500.656-.658, .661)
- Field underwriting
 - Nature and purpose
 - Disclosure of information about individuals
 - Application procedures
 - Requirements at delivery of policy
- Common situations for errors/omissions

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)
 - Use of genetic information (500.3407b)
- Unfair discrimination (500.2020, .2027, .2082)
- Classification of risks
 - Preferred
 - Standard
 - Substandard

9.8 Considerations in replacing health insurance

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

11.0 Individual Health Insurance Policy General Provisions 6% (9 items)

10.1 Required provisions

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

10.2 Optional provisions

- Change of occupation (500.3432)
- Misstatement of age (500.2218, .3434)
- Other insurance in this insurer (500.3436)
- Insurance with other insurers
 - Expense-incurred basis (500.3438)
 - Other benefits (500.3439, .3440)

- Unpaid premium (500.3446)
- Conformity with state statutes (500.3450)
- Illegal occupation (500.3452)

10.3 Other general provisions

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

11.0 Disability Income and Related Insurance 5% (7 items)

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

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

11.7 Workers compensation

Eligibility

Benefits

12.0 Medical Plans 7% (11 items)

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 plans

Major medical insurance (indemnity plans)

Characteristics

Common limitations

Exclusions from coverage

Provisions affecting cost to insured

Health Maintenance Organizations (HMOs)

General characteristics

Preventive care services

Primary care physician versus referral

(specialty) physician

Emergency care

Hospital services

Other basic services

Preferred provider arrangements and point-of-

service (POS) plans

General characteristics

In-network and out-of-network provider access

PCP referral

Indemnity plan features

12.3 Cost containment in health care delivery

Cost-saving services

Preventive care

Hospital outpatient benefits

Alternatives to hospital services

Utilization review

Prospective review

Concurrent review

12.4 Michigan eligibility requirements (individual and/or group)

Dependent child age limit

(500.2264, .3402, .3406h)

Child enrollment; non-custodial parents

(500.2264, .3406g, .3406h)

Newborn child coverage (500.3403)

Adopted children

12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements

Eligibility

Guaranteed issue

Pre-existing conditions

Creditable coverage

Renewability

13.0 Group Health Insurance 6% (9 items)

13.1 Characteristics of group insurance

Group contract

Certificate of coverage (500.2242, .3606, .3608)

Experience rating versus community rating

13.2 Types of eligible groups

Employment-related groups

Individual employer groups

Associations (alumni, professional, other)

Customer groups (depositors, creditor-debtor, other)

13.3 Marketing considerations

Advertising (500.2005, .2007, .2055, .2091;

R500.654-.658, .660-.668)

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 coverage

Annual open enrollment

Employee eligibility

Dependent eligibility

Coordination of benefits provision (500.3610a; 550.253)

Change of insurance companies or loss of coverage

Coinsurance and deductible carryover

No-loss no-gain

Events that terminate coverage

Extension of benefits (500.3607)

Continuation of coverage under COBRA and

Michigan specific rules

Conversion privilege (500.3607)

13.5 Small employer medical plans

Definition of small employer (500.3701)

Eligibility of employees (500.3701, .3707)

Renewability (500.3701, .3711)

14.0 Dental Insurance 2% (3 items)

14.1 Types 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
- Combination plans
- Exclusions
- Limitations
- Predetermination of benefits

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 8% (12 items)

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

- (500.3803–.3836, .3838–.3861)**
- Purpose
- Open enrollment
- Standardized Medicare supplement plans (500.3811)
 - Core benefits
 - Additional benefits
- Michigan regulations and required provisions
 - Advertising (500.3819, .3847)
 - Standards for marketing (500.3835)
 - Permitted compensation
 - Appropriateness of recommended purchase and excessive insurance (500.3835)
 - Required disclosure provisions (500.3815)
 - Reporting of multiple policies (500.3827)
 - Buyer's guide (500.3813)
 - Right to return (500.3815)
 - Replacement (500.3815)
 - Benefit standards (500.3819)
 - Pre-existing conditions (500.3831)
 - Outline of coverage (500.3831)
 - Guaranteed issue for eligible persons (500.3830)
- Medicare Select (500.3817)

15.3 Other options for individuals with Medicare

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

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

- Eligibility for benefits
- Levels of care
 - Skilled care
 - Intermediate care
 - Custodial care
 - Home health care (500.3913)
 - Adult day care
 - Respite care
- Benefit periods
- Benefit amounts
- Optional benefits
 - Guarantee of insurability
 - Return of premium
- Qualified LTC plans (state and federal)
- Exclusions
- Underwriting considerations
- Michigan regulations and required provisions (500.3901-.3955)
 - Standards for marketing (500.3942)
 - Shopper's guide (500.3937)
 - Outline of coverage (500.3933)
 - Required disclosure provisions (500.3923)
 - Replacement (500.3917)
 - Right to return (500.3943)
 - Inflation protection (500.3909)

16.0 Federal Tax Considerations for Health Insurance 3% (5 items)

16.1 Personally-owned health insurance

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

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, partners and limited liability corporations

16.4 Business disability insurance

- Key person disability income
- Buy-sell policy