

YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

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

Pennsylvania Producer's Examination for Accident and Health Insurance

Series 16-02

100 questions – Two-hour time limit

1.0 Insurance Regulation 10%

1.1 Licenses

- Process (40 P.S. §§ 310.3–310.14)
- Types of licensees (40 P.S. § 310.1)
 - Producer (40 P.S. §§ 310.3–310.5)
 - Nonresident (40 P.S. § 310.10)
 - Temporary (40 P.S. § 310.9)
 - Managers and exclusive general agents (40 P.S. § 310.31)
- Maintenance and duration
 - Renewal (40 P.S. § 310.8)
 - Reporting of actions (40 P.S. § 310.78)
 - Assumed names (40 P.S. § 310.7)
 - Address change (40 P.S. § 310.11(19))
 - Continuing education (40 P.S. § 310.8(b))
- Disciplinary actions
 - Cease and desist order (40 P.S. §§ 310.91, 1171.9)
 - Revocation, suspension, nonrenewal or denial of license (40 P.S. § 310.91)
 - Fines (40 P.S. §§ 310.12, 310.91, 1171.11)

1.2 State regulation

- Commissioner's general duties and powers (40 P.S. §§ 310.2, 1171.7)
- Company regulation
 - Solvency (40 P.S. §§ 72, 112)
 - Rates (40 P.S. §§ 1181–1199, 1221–1238)
 - Policy forms (40 P.S. §§ 477b, 510, 776.1–776.7)
 - Unfair claims settlement practices (40 P.S. § 1171.5(a)(10); 31 Pa. Code Ch. 146)
- Producer regulation
 - Fiduciary responsibility (40 P.S. § 310.96)

- Examination of books and records (40 P.S. § 323.3)
- Commissions and fees (40 P.S. §§ 310.72–310.74)
- Prohibited acts (40 P.S. § 310.11)
- Appointment of producers (40 P.S. § 310.71)
 - Producer as representative of insurer
 - Producer as representative of consumer — disclosure requirements
- Unfair insurance practices (40 P.S. §§ 1171.4–1171.5)
 - Rebating (40 P.S. §§ 310.45, 1171.5(a)(8))
 - Misrepresentation (40 P.S. §§ 310.47–48, 1171.5(a)(1),(2))
 - Twisting (40 P.S. §§ 310.47, 473)
 - False advertising (40 P.S. § 1171.5; 31 Pa. Code Ch. 51)
 - Defamation (40 P.S. § 1171.5(a)(3); 31 Pa. Code Ch. 51)
 - Boycott, coercion or intimidation (40 P.S. § 1171.5(a)(4))
 - Misappropriation of funds (40 P.S. §§ 310.11(4), 310.42)
 - Unfair discrimination (40 P.S. § 1171.5; 31 Pa. Code § 145.4)
 - Illegal inducement (40 P.S. §§ 310.46, 1171.5(a)(8))
 - Privacy of consumer financial information (40 P.S. § 310.77(a); 31 Pa. Code §§ 146a.1–44)
 - Insurance fraud regulation (40 P.S. §§ 325.1–325.62; 18 Pa. C.S. § 4117)
- 1.3 Federal regulation**
 - Fair Credit Reporting Act (15 USC §§ 1681–1681d)
 - Fraud and false statements (18 USC §§ 1033, 1034)

2.0 General Insurance 10%

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

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

Powers and authority 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 Health Insurance Basics 12%

3.1 Definitions of perils

Accidental injury

Sickness

3.2 Principal types of losses and benefits

Loss of income from disability

Medical expense

Dental expense

Long-term care expense

3.3 Classes of health insurance policies

Individual versus group

Private versus government

Limited versus comprehensive

3.4 Limited policies

Limited perils and amounts

Required notice to insured

Types of limited policies

Accident-only

Specified (dread) disease

(31 Pa. Code Ch. 88.169, .193)

Hospital indemnity (income)

Credit disability

Blanket insurance (teams, passengers, other)

Prescription drugs

Vision care

3.5 Common exclusions from coverage

(31 Pa. Code Ch. 88.84)

Pre-existing conditions

Intentionally self-inflicted injuries (1)(ii)

War or act of war (1)(i)

Elective cosmetic surgery (1)(vii)

Conditions covered by workers compensation

(1)(iii)

Government plans (2)(viii)

Commission of or attempt to commit a felony

3.6 Producer responsibilities in individual health insurance

Marketing requirements

Advertising standards for accident and health

insurance (31 Pa. Code Ch. 51.1-.36, .42)

Life and Health Insurance Guaranty Association

(40 P.S. § 991.1717)

Sales presentations

Outline of coverage

(40 P.S. § 991.1111; 31 Pa. Code Ch. 88.181)

Field underwriting

Nature and purpose

Disclosure of information about individuals

Application procedures

Requirements at delivery of policy

Common situations for errors/omissions

3.7 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) (35 P.S. § 7605(h))

Classification of risks

- Preferred
- Standard
- Substandard
- Declined

3.8 Considerations in replacing health insurance

- Pre-existing conditions
- Waiting periods
- Benefits, limitations and exclusions
- Underwriting requirements
- Producer's liability for errors and omissions
- Pennsylvania replacement requirements
(31 Pa. Code Ch. 88.101–.103)

4.0 Individual Health Insurance Policy General

Provisions 11%

4.1 Required provisions (40 P.S. § 753(A))

- Entire contract; changes (1)
- Time limit on certain defenses (2)
- Grace period (3)
- Reinstatement (4)
- Claim procedures (5–9)
- Physical examinations and autopsy (10)
- Legal actions (11)
- Change of beneficiary (12)

4.2 Other provisions (40 P.S. § 753(B))

- Change of occupation (1)
- Misstatement of age (2)
- Other insurance in this insurer (3)
- Insurance with other insurers
- Expense-incurred benefits (4)
- Other benefits (5)
- Unpaid premium (7)
- Cancellation (8)
- Conformity with state statutes (9)
- Illegal occupation (10)
- Intoxicants and narcotics (11)

4.3 Other general provisions

- Right to examine (free look)
(40 P.S. § 752(A)(10); 31 Pa. Code Ch. 89.73)
- Insuring clause
- Consideration clause
- Renewability clause
 - Noncancelable
 - Guaranteed renewable
 - Conditionally renewable
 - Renewable at option of insurer
 - Nonrenewable (cancelable, term)

5.0 Disability Income and Related Insurance 8%

5.1 Qualifying for disability benefits

- Inability to perform duties
(31 Pa. Code Ch. 88.137)
 - Own occupation
 - Any occupation
- Pure loss of income (income replacement contracts)
- Presumptive disability
- Requirement to be under physician care

5.2 Individual disability income insurance

Pennsylvania minimum benefit standards
(31 Pa. Code Ch. 88.167)

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
(31 Pa. Code Ch. 88.138)
- Residual disability benefit
(31 Pa. Code Ch. 88.139)

Other provisions affecting income benefits

- Cost of living adjustment (COLA) rider
- Future increase option (FIO) rider
- Relation of earnings to insurance
(40 P.S. § 753(B)(6))
- Annual renewable term rider
- Change of occupation

Other cash benefits

- Accidental death and dismemberment
- Rehabilitation benefit
- Medical reimbursement benefit (non disabling
injury)

Refund provisions

- Return of premium
- Cash surrender value

Exclusions

5.3 Unique aspects of individual disability underwriting

- Occupational considerations
- Benefit limits
- Starter plans for professionals
- Policy issuance alternatives

5.4 Group disability income insurance

- Group versus individual plans
- Short-term disability (STD)
- Long-term disability (LTD)

5.5 Business disability insurance

- Key employee (partner) disability income
- Disability buy-sell policy
- Business overhead expense policy
- Disability reducing term policy

5.6 Social Security disability

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

5.7 Workers compensation

- Eligibility
- Benefits

6.0 Medical Plans 19%

6.1 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

6.2 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

6.3 Cost containment in health care delivery

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

6.4 Pennsylvania mandated benefits (individual and group)

- Postpartum coverage (40 P.S. § 1583)
- Routine pap smears (40 P.S. § 1574(2))
- Treatment for alcohol abuse and dependency (40 P.S. §§ 908-1–908-8)
- Serious mental illness (40 P.S. § 764q)
- Annual gynecological examinations (40 P.S. § 1574(1))
- Cancer therapy (40 P.S. § 764b)
- Mammography coverage (40 P.S. § 764c)
- Childhood immunizations (40 P.S. § 3503)
- Dependent child age limit (31 Pa. Code Ch. 88.32)
- Coverage of adopted children (40 P.S. § 775.1)
- Newborn child coverage (40 P.S. §§ 771–775.2; 31 Pa. Code Ch. 89.201–.209)

- Physically handicapped/mentally retarded children (40 P.S. § 752(A)(9))

6.5 HIPAA (Health Insurance Portability and Accountability Act) requirements (40 P.S. § 981-1)

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

7.0 Group Health Insurance 9%

7.1 Characteristics of group insurance

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

7.2 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, creditor-debtor, other)

7.3 Marketing considerations

- Advertising
- Regulatory jurisdiction/acceptable place of delivery

7.4 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
- Change of insurance companies or loss of coverage
 - Coinsurance and deductible carryover
 - Pre-existing conditions (31 Pa. Code Ch. 89.402–.406)
 - Events that terminate coverage
 - Extension of benefits
 - Continuation of coverage under COBRA
 - Conversion privilege (40 P.S. §§ 756.2, 981-9)

7.5 Regulation of employer group insurance plans

- Employee Retirement Income Security Act (ERISA)
 - Applicability
 - Fiduciary responsibilities
 - Reporting and disclosure

8.0 Dental Insurance 3%

8.1 Categories of dental treatment

- Diagnostic and preventive
- Restorative
- Oral surgery
- Endodontics
- Periodontics
- Prosthodontics
- Orthodontics

8.2 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

8.3 Employer group dental expense

- Integrated deductibles versus stand-alone plans
- Minimizing adverse selection

9.0 Insurance for Senior Citizens and Special Needs

Individuals 15%

9.1 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

9.2 Medicare supplements

- Purpose
- Open enrollment (31 Pa. Code Ch. 89.778)
- Standardized Medicare supplement plans
 - Core benefits
 - Additional benefits
- Pennsylvania regulations and required provisions
- Standards for marketing (31 Pa. Code Ch. 89.786)
- Advertising (31 Pa. Code Ch. 89.785)
- Appropriateness of recommended purchase and excessive coverage (31 Pa. Code Ch. 89.787)
- Replacement (40 P.S. § 3108; 31 Pa. Code Ch. 89.784, .789)
- Minimum benefit standards (40 P.S. § 3105)

- Required disclosure provisions (40 P.S. § 3107; 31 Pa. Code Ch. 89.783)
- Permitted compensation arrangements (31 Pa. Code Ch. 89.782)
- Guaranteed issue (31 Pa. Code Ch. 89.790)

9.3 Other options for individuals with Medicare

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

9.4 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
- Underwriting considerations
- Pennsylvania regulations and required provisions
 - Outline of coverage (40 P.S. § 991.1111; 31 Pa. Code Ch. 89a.107, 126)
 - Right to examine (free look) (40 P.S. § 991.1110)
 - Pre-existing conditions (40 P.S. §§ 991.1105(c), 1107)
 - Continuation and conversion (31 Pa. Code Ch. 89a.105)
 - Unintentional lapse (31 Pa. Code Ch. 89a.106)
 - Required disclosure provisions (31 Pa. Code Ch. 89a.107)
 - Inflation protection (31 Pa. Code Ch. 89a.112)
 - Nonforfeiture benefit (31 Pa. Code Ch. 89a.123)
 - Benefit triggers (31 Pa. Code Ch. 89a.124, 125)
 - Replacement (31 Pa. Code Ch. 89a.113, 122)
 - Standards for marketing (31 Pa. Code Ch. 89a.120)
 - Suitability of recommended purchase (31 Pa. Code Ch. 89a.121)
 - Shopper's guide (31 Pa. Code Ch. 89a.127)
 - Permitted compensation arrangements (31 Pa. Code Ch. 89a.129)
 - Penalties (31 Pa. Code Ch. 89a.128)

10.0 Federal Tax Considerations for Health Insurance 3%

10.1 Personally-owned health insurance

- Medical expense insurance
- Long-term care insurance
- Disability income insurance

10.2 Employer group health insurance

- Disability income (STD, LTD)
 - Benefits subject to FICA
- Medical and dental expense
- Long-term care insurance
- Accidental death and dismemberment

10.3 Business disability insurance

- Key person disability income
- Buy-sell policy