

# Your Exam Content Outline

The following outline describes the content of one of the New Mexico 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.

## New Mexico Examination for Life, Accident and Health or Sickness Insurance Producer Series 18-27

**150 questions – 2.5-hour time limit**  
**Effective April 30, 2019**

### 1.0 Insurance Regulation 5% (8 Items)

#### 1.1 Licensing

- Process (59A-11-2, 3, 59A-12-12; Reg 13.4.2.8, .9)
- Types of licensees (Reg 13.4.2.7, .11)
  - Insurance Producers (59A-12-2)
  - Brokers (59A-12-3)
  - Consultants (59A-11A-1-8)
  - Nonresident (59A-12-25) (59A-11-24)
  - Temporary (59A-11-4; 59A-12-19; Reg 13.4.2.12)
- Maintenance and duration
  - Expiration and renewal (59A-11-10, 11; Reg 13.4.2.17, .18)
  - Address change (59A-12-17) (59A-11-24)
  - Continuing education (59A-12-26; Reg 13.4.7.9, .12)
- Disciplinary actions
  - Suspension, revocation, or refusal to renew (59A-11-8, 10, 14-16, 18)
  - Cease and desist orders (59A-16-27)
  - Penalties and fines (59A-1-18, 59A-11-17, 21)

#### 1.2 State regulation

- Superintendent's general duties and powers (59A-2-8-10)
- Company regulation
  - Certificate of authority (59A-5-10)

- Unfair claim settlement practices (59A-16-20)
- Complaint record (59A-16-22)
- Appointment of Insurance Producer (59A-11-12; Reg 13.4.2.17)
- Termination of Insurance Producer appointment (59A-11-13; Reg 13.4.2.29)

#### Insurance Producer regulation

- Shared commissions (59A-12-24)
- Fiduciary duties (59A-12-22)
- Prohibited premiums or charges (59A-16-24)

#### Unfair trade practices

- Misrepresentation (59A-16-4, 23)
- False advertising (59A-16-4, 5)
- Twisting (59A-16-6)
- Defamation (59A-16-10)
- Unfair discrimination (59A-16-12, 13, 17(D))
- Rebating (59A-16-16-18)
- Boycott, coercion, or intimidation (59A-16-19)

#### Examination of books and records (59A-4-3, 4)

#### Insurance Fraud Act (59A-16C-1-16)

#### Consumer information privacy (59A-2-9.3; Reg 13.1.3.1-.28)

#### 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% (8 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
- Reinsurance

## 2.2 Insurers

### Types of insurers

- Stock companies
- Mutual companies
- Fraternal benefit societies
- Risk retention groups

- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating service)
- Marketing (distribution) systems

## 2.3 Insurance Producers and general rules of agency

- Insurer as principal
- Insurance Producer/insurer relationship
- Authority and powers of Insurance 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

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 10% (15 Items)

### 3.1 Insurable interest (59A-18-4, 5, 7, 8)

### 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 including key person

### 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, FINRA and New Mexico) (59A-20-30; Reg 13.9.8.38)

### 3.6 Premiums

Factors in premium determination

Mortality  
Interest  
Expense

Premium payment mode

### 3.7 Insurance Producer responsibilities

Solicitation and sales presentations

Advertising  
Prohibited advertising of Life and Health Insurance Guaranty Association (59A-42-13(E))

Illustrations (Reg 13.9.14.10-.31)

Policy summary (Reg 13.9.5.8, .9)

Buyer's guide (Reg 13.9.5.9, .14)

Replacement (Reg 13.9.6.5-.15)

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  
Insurance Producer report  
Attending physician statement  
Investigative consumer (inspection) report  
Medical Information Bureau (MIB)  
Medical examinations and lab tests

Selection criteria and unfair discrimination (59A-16-11)

Classification of risks

Preferred  
Standard  
Substandard

## 4.0 Life Insurance Policies 11% (16 Items)

### 4.1 Term life insurance

Level term  
Annual renewable term  
Level premium term  
Decreasing term

### 4.2 Whole life insurance

Limited payment  
Single premium  
Modified premium

### 4.3 Flexible premium policies

Adjustable life  
Universal 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 (59A-21-4-8)  
Group underwriting requirements  
Conversion to individual policy (59A-21-19-22)  
Continuation of coverage (59A-21-23)

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

## 5.0 Life Insurance Policy Provisions, Options and Riders 12% (18 Items)

### 5.1 Individual standard provisions

Ownership  
Assignment  
Entire contract (59A-20-6)  
Modifications  
Right to examine (free look)

Payment of premiums (59A-20-13)  
Grace period (59A-20-4)  
Reinstatement (59A-20-12, 16)  
Incontestability (59A-20-5)  
Misstatement of age (59A-20-7)  
Exclusions (59A-20-25)  
Settlement of death benefit (59A-20-14)  
Prohibited provisions including backdating (59A-20-26)

## **5.2 Beneficiaries**

Designation options  
    Individuals  
    Classes  
    Estates  
    Minors  
    Trusts  
Succession  
Revocable versus irrevocable  
Common disaster clause  
Spendthrift clause

## **5.3 Settlement options**

Cash payment  
Interest only  
Fixed-period installments  
Fixed-amount installments  
Life income  
    Single life  
    Joint and survivor

## **5.4 Nonforfeiture options**

Cash surrender value  
Extended term  
Reduced paid-up insurance

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

Cash loans  
Automatic premium loans  
Withdrawals or partial surrenders

## **5.6 Dividend options**

Cash payment

Reduction of premium payments  
Accumulation at interest  
One-year term option  
Paid-up additions

## **5.7 Disability riders**

Waiver of premium  
Disability income benefit  
Payor benefit life/disability (juvenile insurance)

## **5.8 Accelerated (living) benefit provision/rider**

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 8% (11 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 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

#### **6.5 Uses of annuities**

Lump-sum settlements

Qualified retirement plans including group and 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 3% (4 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 1% (1 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)

Profit-sharing and 401(k) plans

SIMPLE plans

403(b) tax-sheltered annuities (TSAs)

### **9.0 Health Insurance Basics 7% (11 Items)**

#### **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 Insurance Producer responsibilities in individual health insurance

Marketing requirements

Advertising (Reg 13.10.4.6-.23)

Prohibited advertising of Life and Health Insurance Guaranty Association (59A-42-13(E))

Sales presentations

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

Insurance Producer report

Attending physician statement

Investigative consumer (inspection) report

Medical Information Bureau (MIB)

Medical examinations and lab tests (including HIV consent) (RL 24-21-2(c))

Unfair discrimination (59A-16-11, 12.1, 13.2)

Genetic testing (RL 24-21-3-5)

Classification of risks

Preferred

Standard

Substandard

#### 9.8 Considerations in replacing health insurance

Pre-existing conditions

Benefits, limitations and exclusions

Underwriting requirements

Insurance Producer liability for errors and omissions

### 10.0 Individual Health Insurance Policy General Provisions 7% (11 Items)

#### 10.1 Required provisions

Entire contract; changes (59A-22-4)

Time limit on certain defenses; pre-existing condition exclusions (59A-22-5)

Grace period (59A-22-6)

Reinstatement (59A-22-7)

Claim procedures (59A-22-8-12)

Physical examinations and autopsy (59A-22-13)

Legal actions (59A-22-14)

Change of beneficiary (59A-22-15)

#### 10.2 Optional provisions

Change of occupation (59A-22-17)

Misstatement of age (59A-22-18)

Other insurance with same insurer (59A-22-19)

Other insurance with different insurer

Expense-incurred benefits (59A-22-20)

Other benefits (59A-22-21)

Unpaid premium (59A-22-23)

Cancellation (59A-22-24)

Conformity with state statutes (59A-22-25)

#### 10.3 Other general provisions

Insuring clause

Consideration clause

Renewability clause

Noncancelable

Guaranteed renewable

Conditionally renewable  
Renewable at option of insurer  
Nonrenewable (cancelable, term)

## **11.0 Disability Income and Related Insurance 5% (8 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 (FIO) rider  
Loss-of-time benefit adjustment (59A-22-22)  
Other cash benefits  
Accidental death and dismemberment  
Rehabilitation benefit  
Medical reimbursement benefit (non disabling injury)  
Refund provisions  
Return of premium  
Cash surrender value

Exclusions

### **11.3 Unique aspects of individual disability underwriting**

Occupational considerations  
Benefit limits  
Policy issuance alternatives

### **11.4 Group disability income insurance**

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 9% (14 Items)**

### **12.1 Medical plan concepts**

Fee-for-service basis versus prepaid basis vs. expense basis  
Expense based basis versus indemnity  
Specified coverages versus comprehensive care  
Benefit schedule versus usual/reasonable/customary charges  
Any provider versus limited choice of providers  
Insureds versus subscribers/participants  
Qualified Health Plans  
EPOs  
HDHPs

### **12.2 Types of providers and plans**

Limited Benefits Insurance  
Indemnity plan features  
Excepted Benefits Plans

- Hospital Indemnity Insurance
- Accident only insurance
- Specified Disease
- Major medical insurance (Comprehensive Insurance)
  - Characteristics
  - Participating vs Non-Participating providers
  - Deductibles, Copay and Coinsurance
  - Emergency care
  - Preventive Care Services
  - Common limitations
  - Provisions affecting cost to insured
- Qualified Health Plans (QHPs)
  - General characteristics
  - EHBs
    - CSR and APTCs
    - Special Enrollment Periods
    - Preventive Care Services
    - Maximum out of Pocket,
    - Open Enrollment Period
  - Preexisting Exclusions
- Health maintenance organizations (HMOs)
  - General characteristics
  - 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
  - PCP referral (gatekeeper PPO)
  - HDHP plans
  - Features and purpose
  - Exclusive Provider Organization Plans

- Features and purpose
- Indemnity plan features
- 12.3 Cost containment in health care delivery**
  - Cost-saving services
    - Preventive care
    - Hospital outpatient benefits
    - Alternatives to hospital services
  - Utilization management
    - Prospective review
    - Concurrent review
  - Grievance procedures
  - Network Adequacy
- 12.4 New Mexico eligibility requirements and benefit offers (individual and group)**
  - Dependent child age limit (59A-22-2(C))
  - Continued coverage of handicapped children (59A-22-33)
  - Newborn child coverage (59A-22-34)
  - Adopted child coverage (59A-22-34.1)
  - Child enrollment; noncustodial parents (59A-22-34.2)
  - Home health care coverage (59A-22-36)
  - Managed Health Care Rule (Reg 13.10.13.8-.12)
  - Mental health parity (59A-23E-18)
  - Women's health care benefits
  - Patient Protection Act (59A-57-3)
- 12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements**
  - Eligibility
  - Guaranteed issue
  - Pre-existing conditions
  - Creditable coverage
  - Renewability
- 12.6 Medical savings accounts (MSAs), Flexible savings accounts (FSAs), Health savings accounts (HSAs), Health reimbursement accounts (HRAs)**
  - Definition
  - Eligibility



Contribution limits

### **13.0 Group Health Insurance 6% (9 Items)**

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

Group contract  
Certificate of coverage  
Experience rating versus community rating

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

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

#### **13.3 Marketing considerations**

Advertising  
Regulatory jurisdiction/place of delivery

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

Insurer underwriting criteria  
Characteristics of group  
Plan design factors  
Persistency factors  
Administrative capability  
Eligibility for insurance  
Annual open enrollment  
Employee eligibility  
Dependent eligibility  
Coordination of benefits provision  
Subrogation  
Change of insurance companies or loss of coverage  
Coinsurance and deductible carryover  
No-loss no-gain  
Events that terminate coverage  
Extension of benefits (Reg 13.10.5.10)  
Continuation of coverage under COBRA and New Mexico specific rules (59A-18-16)  
Conversion privilege (59A-18-16)

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

Definition of small employer (59A-23C-3(N))

Rate and renewability (59A-23C-6)

Pre-existing condition exclusion (59A-23C-7.1)

### **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 Dental plan types**

##### **Indemnity plan features**

##### **Indemnity vs. expense based 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 6% (9 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	Eligibility for benefits
Enrollment	Levels of care
Coverages and cost-sharing amounts	Skilled care
Exclusions	Intermediate care
Claims terminology and other key terms	Custodial care
Part C — Medicare Advantage	Home health care
Part D — Prescription Drug Insurance	Adult day care
<b>15.2 Medicare supplements</b> (Reg 13.10.8.6-.78)	Respite care
Purpose	Benefit periods
Open enrollment	Benefit amounts
Standardized Medicare supplement plans	Optional benefits
Core benefits	Guarantee of insurability
Additional benefits	Return of premium
New Mexico regulations and required provisions	Qualified LTC plans
Advertising	Exclusions
Standards for marketing	Underwriting considerations
Permitted compensation arrangements	New Mexico regulations and required provisions
Suitability for recommended purchase	Advertising (59A-23A-11; Reg 13.10.15.36)
Required disclosure provisions	Standards for marketing (Reg 13.10.15.36, .49–.53)
Outline of coverage (59A-24A-9)	Prohibited marketing practices (Reg 13.10.15.38)
Right to return (free look) (59A-24A-10)	Suitability of recommended purchase (Reg 13.10.15.40, .52)
Replacement	Required disclosure provisions (Reg 13.10.15.19, .50–.53)
Benefit standards	Outline of coverage (Reg 13.10.15.45, .46)
Pre-existing conditions (59A-24A-4(B))	Shoppers guide (Reg 13.10.15.47)
Guaranteed issue	Right to return (free look) (59A-23A-6(E))
Prohibited provisions (59A-24A-4)	Replacement (Reg 13.10.15.25, .42)
Medicare SELECT (Reg 13.10.8.26)	Policy standards (59A-23A-6)
<b>15.3 Other options for individuals with Medicare</b>	Benefit triggers (Reg 13.10.15.44)
Employer group health plans	Pre-existing conditions (59A-23A-7)
Disabled employees	Inflation protection (Reg 13.10.15.24)
Employees with kidney failure	Nonforfeiture benefit offer (Reg 13.10.15.43)
Individuals age 65 and older	Unintentional lapse (Reg 13.10.15.17)
Medicaid	
Eligibility	
Benefits	
<b>15.4 Long-term care (LTC) insurance</b>	

Penalties (Reg 13.10.15.48)

**15.5 New Mexico Medical Insurance Pool and Health Insurance Alliance** (59A-54; Reg 13.10.10.1-.24; Bul 2008-006)

Eligibility

Coverages and limits

Exclusions

Deductibles and coinsurance

**16.0 Federal Tax Considerations for Health Insurance 3% (4 Items)**

**16.1 Personally-owned health insurance**

Disability income insurance

Medical expense insurance

Long-term care insurance

**16.2 Employer group health insurance**

Disability income (STD, LTD)

Medical and dental expense

Long-term care insurance

Accidental death and dismemberment

**16.3 Medical expense coverage for sole proprietors and partners**

**16.4 Business disability insurance**

Key person disability income

Buy-sell policy

**16.5 Medical savings accounts (MSAs), Flexible spending accounts (FSAs), Health savings accounts (HSAs), Health reimbursement accounts (HRAs)**