

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, 2020

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 (nondisabling 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) (§59A-46)
 - General characteristics
 - Primary care physician versus referral (specialty) physician
 - Emergency care
 - Hospital services
 - Other basic services
- Preferred provider organizations (PPOs) (§59A-22A)
 - 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-22-30.1)
 - 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 (§59A-23-3A.1)

Individual employer groups

Multiple-Employer Trusts (METs) or
Welfare Arrangements (MEWAs) (Reg
13.9.4)

Associations (alumni, professional, other)
(§59A-23-3A.2)

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-23E-
3)

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
- 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 (Reg 13.10.25, §59A-24A)

- Purpose
- Open enrollment
- Standardized Medicare supplement plans
 - Core benefits
 - Additional benefits
- New Mexico regulations and required provisions
 - Advertising
 - Standards for marketing
 - Permitted compensation arrangements
 - Suitability for recommended purchase
 - Required disclosure provisions
 - Outline of coverage (59A-24A-9)
 - Right to return (free look) (59A-24A-10)
 - Replacement
 - Benefit standards
 - Pre-existing conditions (59A-24A-4(B))
 - Guaranteed issue
 - Prohibited provisions (59A-24A-4)

Medicare SELECT (Reg 13.10.25.16)

15.3 Other options for individuals with Medicare

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

- Medicaid
 - Eligibility
 - Benefits

15.4 Long-term care (LTC) insurance

- 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
- New Mexico regulations and required provisions
 - Advertising (59A-23A-11; Reg 13.10.15.36)
 - Standards for marketing (Reg 13.10.15.36, .49-.53)
 - Prohibited marketing practices (Reg 13.10.15.38)
 - Suitability of recommended purchase (Reg 13.10.15.40, .52)
 - Required disclosure provisions (Reg 13.10.15.19, .50-.53)
 - Outline of coverage (Reg 13.10.15.45, .46)
 - Shoppers guide (Reg 13.10.15.47)
 - Right to return (free look) (59A-23A-6(E))
 - Replacement (Reg 13.10.15.25, .42)
 - Policy standards (59A-23A-6)
 - Benefit triggers (Reg 13.10.15.44)
 - Pre-existing conditions (59A-23A-7)

Inflation protection (Reg 13.10.15.24)

Nonforfeiture benefit offer (Reg
13.10.15.43)

Unintentional lapse (Reg 13.10.15.17)

Penalties (Reg 13.10.15.48)

16.0 Federal Tax Considerations for Accident and 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)