

Your Exam Content Outline

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

Arizona Examination for Accident and Health or Sickness Insurance Producer

Series 13-32

100 questions – Two-hour time limit

1.0 Insurance Regulation 5%

1.1 Licensing

- License application requirements (20-285)
 - Licensing eligibility (41-1080)
 - Licensing time frames (Rule R20-6-708)
 - Lawful presence (41-1080)
 - Types of licensees
 - Producers (20-281(5), 286)
 - Nonresidents (20-281(11))
 - Adjusters (20-321)
 - Managing general agents (MGAs) (20-311, 311.01)
 - Business entities (20-281(1), 285(D, E), 290(B))
 - Surplus lines brokers (20-407, 411)
 - Temporary (20-294)
 - Vending machines (20-293)
 - Lines of producer license authority (20-286, 331, 332, 411, 411.01, 1580)
 - Fingerprinting requirements (20-142(E), 285(E), 286(C), 289(D))
 - Assumed business name (20-297)
 - Maintenance and duration
 - Expiration, surrender and renewal (20-289)
 - Inactive license status during military service (20-289.01)
 - Change of address (20-286(C))
 - Report of actions (20-301)
 - Continuing education (20-2902, 2903)
 - Disciplinary actions
 - Denial, suspension, revocation or refusal to renew; civil penalties (20-295, 296)
 - Cease and desist order (20-292)
- ##### 1.2 State regulation
- Acts constituting insurance transaction (20-106, 282, 401.01)
 - Negotiate (20-281(10))
 - Sell (20-281(14))
 - Solicit (20-281(15))
 - Payment of premiums (20-191)
 - Certificate of authority (20-217(A))

- Signature on insurance policy (20-229)
- Producer regulation
 - Sharing commissions (20-298)
 - Place of business and records (20-157, 290; AZ Const Art 14 s 16)
- Unfair practices and frauds
 - Unfair trade practices (20-442)
 - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
 - False or deceptive advertising (20-444)
 - Defamation of insurer (20-445)
 - Boycott, coercion or intimidation (20-446)
 - False financial statements (20-447)
 - Unfair discrimination (20-448)
 - Gender discrimination (Rule R20-6-207)
 - Rebating (20-449-451)
 - Prohibited inducements (20-452)
 - Fees (20-465)
 - Unfair claims settlement practices (20-461; Rule R20-6-801)
 - Claims payment (20-462)
 - Insurance fraud (20-463, 466-466.04)
- Insurance information and privacy protection (20-2101-2122)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681-1681d)
- Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
- Telemarketing Sales Rule (16 CFR 310; 15 USC 6101-6108; A.R.S. 44-1282)
- CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

2.0 General Insurance 7%

2.1 Concepts

- Insurance, definition of (20-103)
- 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
 Captive insurance companies
 Stock companies
 Mutual companies
 Fraternal benefit societies
 Reciprocals
 Risk retention groups
 Lloyd's associations
Private versus government insurers
Authorized versus unauthorized insurers
Domestic, foreign and alien insurers (20-201, 203, 204)
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

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 Disability (Accident and Health) Insurance Basics 18%

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
 Hospital indemnity (income)
 Credit disability
 Blanket insurance (teams, passengers, other)
 Prescription drugs
 Vision care

3.5 Common exclusions from coverage

3.6 Producer responsibilities in individual health insurance

Marketing requirements
 Advertising (Rule R20-6-201)
 Sales presentations
Life and Disability Insurance Guaranty Fund (20-683)
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 (20-2107)
 Medical Information Bureau (MIB)
 Medical examinations and lab tests (including HIV consent) (20-448.01; Rule R20-6-1203, 1204)(Bul 2003-5, 9)
 Unfair discrimination (20-448)
 Genetic testing (20-448(D), (E), 448.02)
Classification of risks
 Preferred
 Standard
 Substandard

3.8 Considerations in replacing health insurance

Pre-existing conditions
Benefits, limitations and exclusions
Underwriting requirements
Producer's liability for errors and omissions

4.0 Individual Disability (Accident and Health) Insurance Policy General Provisions 12%

4.1 Uniform required provisions

Entire contract; changes (20-1345)
Time limit on certain defenses (20-1346)
Grace period (20-1347)
Reinstatement (20-1348)

- Claim procedures (20.1349–53)
- Physical examinations and autopsy (20-1354)
- Legal actions (20-1355)
- Change of beneficiary (20-1356)

4.2 Uniform optional provisions

- Change of occupation (20-1358)
- Misstatement of age (20-1359, 1373)
- Other insurance in this insurer (20-1360)
- Insurance with other insurers
 - Expense-incurred basis (20-1361)
 - Other benefits (20-1362)
- Unpaid premium (20-1364)
- Cancellation (20-1365)
- Conformity with state statutes (20-1366)
- Illegal occupation (20-1367)
- Intoxicants and narcotics (20-1368)

4.3 Other general provisions

- Right to examine (free look) (Rule R20-6-501)
- Insuring clause
- Consideration clause
- Renewability clause (20-1380)
 - Noncancelable
 - Guaranteed renewable
 - Conditionally renewable
 - Renewable at option of insurer
 - Nonrenewable (cancelable, term)
- Guaranteed issue (20-1379)

5.0 Disability Income and Related Insurance 10%

5.1 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

5.2 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 (20-1363)
- Other cash benefits
 - Accidental death and dismemberment
 - Rehabilitation benefit

- Medical reimbursement benefit (nondisabling injury)
- Refund provisions
 - Return of premium
 - Cash surrender value
- Exclusions

5.3 Unique aspects of individual disability underwriting

- Occupational considerations
- Benefit limits
- 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
- Business overhead expense policy
- Disability buy-sell policy

5.6 Social Security disability

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

5.7 Workers compensation

- Eligibility (RL 23-901, 23-901.01)
- Benefits (RL 23-1021)

6.0 Medical Plans 12%

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 care services 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 Arizona eligibility requirements (individual and group)

Dependent child age limit (20-1342(A)(3))
Newborn child coverage (20-1342(A)(3))
Coverage of adopted children (20-1342(A)(3),(11),(12), 1692, 2321)
Child coverage; non-custodial parents (20-1692.03)
Physically or mentally handicapped dependent coverage (20-1342.01, 1407)

7.0 Group Disability (Accident and Health) Insurance 10%

7.1 Characteristics of group insurance

Group contract
Certificate of coverage (20-1402(A)(2))
Experience rating versus community rating

7.2 Types of eligible groups (20-1401)

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 (Rule R20-6-201)
Regulatory jurisdiction/place of delivery
Disclosure form (20-2323)

7.4 Employer group disability (accident and health) insurance

Insurer underwriting criteria
Characteristics of group
Plan design factors
Eligibility for coverage
Annual open enrollment
Employee eligibility
Dependent eligibility
Coordination of benefits provision (Rule R20-6-214)
Change of insurance companies or loss of coverage
Coinsurance and deductible carryover
No-loss no-gain
Events that terminate coverage
Extension of benefits
Continuation of coverage under COBRA and Arizona specific rules (20-1377)
Conversion privilege (20-1377, 1408)

Reinstatement of coverage for military personnel (20-1408(L))

7.5 Small group disability (accident and health) insurance

Definition of small employer (20-2301(A)(21))
Availability and eligibility (20-2304, 2307, 2308)
Prohibited marketing practices (20-2313)
Renewability (20-2309)
Guaranteed issue (20-2304)
Limitations on exclusion from coverage
Pre-existing conditions (20-2301(A)(20), 2310(B))
Credit for prior coverage (20-2310)
Small business health insurance (20-2341)

7.6 HIPAA (Health Insurance Portability and Accountability Act) requirements (20-1379)

Eligibility
Guaranteed issue
Pre-existing conditions
Creditable coverage
Renewability

8.0 Dental Insurance 5%

8.1 Types 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 Prepaid dental plans

Characteristics
Basic services (R20-6-1806)
Exclusions
Limitations

8.4 Preferred Provider Organization (PPO) Dental Plan

9.0 Insurance for Senior Citizens and Special Needs Individuals 16%

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 (Rule R20-6-1101)

- Purpose
- Open enrollment
- Standardized Medicare supplement plans
 - Core benefits
 - Additional benefits
- Arizona regulations and required provisions
 - Standards for marketing
 - Advertising
 - Appropriateness of recommended purchase and excessive insurance
 - Guide to health insurance
 - Outline of coverage
 - Right to return
 - Replacement
 - Minimum benefit standards
 - Required disclosure provisions
 - Permitted compensation arrangements
 - Renewability and cancellation
 - Continuation and conversion requirements
 - Notice of change
- Medicare SELECT

9.3 Other options for individuals with Medicare

- Employer group health plans
 - Disabled employees
 - Employees with kidney failure
 - Individuals age 65 and older
- Arizona Health Care Cost Containment System (AHCCCS)
 - Eligibility (RL 36-2901(6), 2901.03, .05)
 - Benefits (RL 36-2907)

9.4 Long-term care (LTC) insurance

- Eligibility for benefits
- Levels of care
 - Skilled care
 - Intermediate care
 - Custodial care
 - Home health care (Rule R20-6-1004(I))
 - Adult day care
 - Respite care
- Benefit periods (20-1691.03(C))
- Benefit amounts
- Optional benefits
 - Guarantee of insurability
 - Return of premium
- Qualified LTC plans
- Exclusions (Rule R20-6-1004(B)(1)-(4))
- Underwriting considerations
- Arizona regulations and required provisions

- Standards for marketing (Rule R20-6-1017)
- Advertising (20-1110(E))
- Shopper's guide (Rule R20-6-1023)
- Outline of coverage (20-1691.06; Rule R20-6-1022)
- Right to return (free look) (20-1691.07)
- Replacement (Rule R20-6-1004(F), 1010)
- Prohibited policy provisions (20-1691.05; Rule R20-6-1004(B), 1011)
- Renewal considerations (Rule R20-6-1004(A))
- Cancellation (20-1691.03(A))
- Unintentional lapse (Rule R20-6-1005)
- Suitability (Rule R20-6-1018)
- Premium increase (Rule R20-6-1004(G), 1008)
- Continuation of benefits (Rule R20-6-1004(E))
- Inflation protection (Rule R20-6-1006)
- Required disclosure provisions (Rule R20-6-1007)
- Pre-existing conditions (20-1691(12), 1691.03(G))
- Contestable periods (20-1691.10)
- Nonforfeiture (Rule R20-6-1019)
- Benefit triggers (Rule R20-6-1020)

10.0 Federal Tax Considerations for Disability (Accident and Health) Insurance 5%

10.1 Personally-owned health insurance

- Disability income insurance
- Medical expense insurance
- Long-term care 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
- Section 125 plans

10.3 Medical expense coverage for sole proprietors and partners

10.4 Business disability insurance

- Key person disability income
- Buy-sell policy

10.5 Health Reimbursement Arrangements (HRAs)

- Flexible Spending Accounts (FSAs)
 - Definition
 - Eligibility
 - Contribution limits
- Health Savings Accounts (HSAs)
 - Definition
 - Eligibility
 - Contribution limits
- Medical Savings Accounts (MSAs)
 - Definition
 - Eligibility
 - Contribution limits