

# Your Exam Content Outline

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

## Oregon Consultant's Examination for Life and Health Insurance Series 12-10

150 questions – 2.5-hour time limit

### 1.0 Insurance Regulation 8%

#### 1.1 Licensing

Purpose

Process (ORS 744.619, .635; OAR 836-071-0150)

Types of licenses

Producers (ORS 744.052, .053)

Consultants (ORS 744.605, .609, .626;  
OAR 836-071-0150)

Adjusters (ORS 744.531)

Nonresident consultants (ORS 744.026, .621)

Maintenance and duration

Renewal and nonrenewal (ORS 744.008, .009;  
OAR 836-071-0130)

Reinstatement (ORS 744.018)

Assumed business name (ORS 744.028(2),  
.068)

Change of address or telephone number  
(ORS 744.028(1), .068)

Reporting of actions (ORS 744.089)

Disciplinary actions

Cease and desist orders (ORS 731.252)

License probation, suspension, revocation or  
refusal to issue or renew (ORS 744.013)

Civil penalty (ORS 731.988)

Criminal penalty (ORS 731.992)

#### 1.2 State regulation

Director's general duties and powers  
(ORS 731.236)

Company regulation

Solvency (ORS 731.554 (6))

Unfair claim settlement practices  
(ORS 746.230; OAR 836-080-0205–0250)

Unfair trade practices

Misrepresentation (ORS 746.075, .100)

False advertising (ORS 746.110;  
OAR 836-080-0155)

Rebating (ORS 746.045)

Unfair discrimination (ORS 746.015;  
OAR 836-081-0005, .0010, 0020, 0030)

Illegal inducement (ORS 746.035)

Suitability (OAR 836-080-0001–0043,  
836-080-0090)

Examination of records (ORS 744.024, .026)

Privacy of Consumer Information (ORS 746.620,  
.630, .665)

#### 1.3 Federal regulation

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

Fraud and false statements including 1033 waiver  
(18 USC 1033, 1034)

### 2.0 General Insurance 5%

#### 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

Risk retention groups

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

Authority and powers of producer

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 7%

### 3.1 Insurable interest (ORS 743.024, .027, .030)

### 3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation

### 3.3 Life settlements (ORS 744.319–.323, .326, .328; OAR 836-014-0200–0330)

### 3.4 Determining amount of personal life insurance

- Human life value approach
- Needs approach
  - Types of information gathered
  - Determining lump-sum needs
  - Planning for income needs

### 3.5 Business uses of life insurance

- Buy-sell funding
- Key person
- Executive bonuses
- Deferred compensation funding
- Split dollar plans

### 3.6 Classes of life insurance policies

- Group versus individual
- Ordinary versus industrial (home service)
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities including regulation of variable products (SEC, FINRA, and Oregon) (ORS 733.220)

### 3.7 Premiums

- Factors in premium determination
  - Mortality
  - Interest

- Expense
- Premium concepts
  - Net single premium
  - Gross annual premium
- Premium payment mode

### 3.8 Licensee responsibilities

- Solicitation and sales presentations (OAR 836-051-0005–0020)
  - Advertising
  - Oregon Life and Health Insurance Guaranty Association (ORS 734.750–.890)
  - Illustrations (OAR 836-051-0500–0600)
  - Policy summary
  - Buyer's guide
  - Life insurance policy cost comparison methods
  - Replacement (ORS 746.085; OAR 836-080-0001–0005, 0014, 0022, 0029, 0034–0043)
  - 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

### 3.9 Individual underwriting by the insurer

- Information sources and regulation
  - Application
  - Attending physician statement
  - Investigative consumer (inspection) report
  - Medical Information Bureau (MIB)
  - Medical examinations and lab tests (including HIV consent) (OAR 836-050-0250)
- Selection criteria and unfair discrimination (OAR 836-081-0005, 0010)
- Classification of risks
  - Preferred
  - Standard
  - Substandard

## 4.0 Life Insurance Policies 7%

### 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

### 4.3 Flexible premium policies

- Adjustable life
- Universal life

### 4.4 Specialized policies

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

#### 4.5 Group life insurance

- Characteristics of group plans
- Group underwriting requirements
- Conversion to individual policy  
(ORS 743.333–.339)

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

### 5.0 Life Insurance Policy Provisions, Options and Riders 5%

#### 5.1 Standard provisions

- Ownership
- Assignment (ORS 743.043)
- Entire contract (ORS 743.174)
- Modifications
- Right to examine (free look)
- Payment of premiums (ORS 743.162)
- Grace period (ORS 743.165)
- Reinstatement (ORS 743.171–.189)
- Incontestability (ORS 743.168)
- Misstatement of age and gender (ORS 743.180)
- Exclusions
- Suicide exclusion
- Medical examination; autopsy
- Prohibited provisions including backdating  
(ORS 743.225)

#### 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
- Waiver of cost of insurance
- Disability income benefit
- Payor benefit life/disability (juvenile insurance)

#### 5.8 Accelerated (living) benefit provision/rider (ORS 743.154; OAR 836-051-0300–0380, 836-052–0646)

- Qualifying events
- Disclosure
- Effect of benefit payment

#### 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%

#### 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
- Market value adjusted annuities

#### 6.5 Uses of annuities

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

## **7.0 Federal Tax Considerations for Life Insurance and Annuities 7%**

### **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 annuities (IRAs)**

- Traditional IRAs
  - Contributions and deductible amounts
  - Premature distributions (including taxation issues)
  - Annuity phase benefit payments
  - Amounts received by beneficiary
- Roth IRAs
  - Contributions and limits
  - Distributions

### **7.5 Rollovers and transfers (IRAs and qualified plans) and suitability**

### **7.6 Section 1035 exchanges and suitability**

## **8.0 Qualified Plans 4%**

### **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
- Pension plans
- Section 457 deferred compensation
- 403(b) tax-sheltered annuities (TSAs)

### **8.4 Special rules for life insurance**

- Incidental limitation
- Taxation of economic benefit
- Taxation of life insurance distributions

## **9.0 Health Insurance Basics 7%**

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

- Marketing requirements
  - Advertising (OAR 836-020-0200-0305)
  - Oregon Life and Health Insurance Guaranty Association (ORS 734.750-.890)
  - Sales presentations
  - Outline of coverage (OAR 836-020-0305)
- 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) (OAR 836-050-0250)
- Unfair discrimination
- Classification of risks
  - Preferred
  - Standard
  - Substandard

### **9.8 Considerations in replacing health insurance (ORS 743.766(2,3))**

- Pre-existing conditions
- Benefits, limitations and exclusions

Producer liability for errors and omissions

## **10.0 Individual Health Insurance Policy General Provisions 8%**

### **10.1 Uniform required provisions**

Incontestability (ORS 743.414, .472)  
Grace period (ORS 743.417)  
Reinstatement (ORS 743.420)  
Claim procedures (ORS 743.423–.435)

### **10.2 Uniform optional provisions**

Change of occupation (ORS 743.450)  
Misstatement of age (ORS 743.453)

### **10.3 Other general provisions**

Right to examine (free look) (ORS 743.492)  
Insuring clause (ORS 743.405)  
Consideration clause  
Entire contract; changes (ORS 743.411)  
Physical examinations and autopsy (ORS 743.411, .438)  
Legal actions (ORS 743.441)  
Change of beneficiary (ORS 743.444)  
Unpaid premium (ORS 743.468)  
Conformity with state statutes (ORS 743.474)  
Illegal occupation (ORS 743.477)  
Renewability clause (ORS 743.495, .498, .766(5))  
    Noncancelable  
    Guaranteed renewable  
    Conditionally renewable  
    Renewable at option of insurer  
    Nonrenewable (cancelable, term)

## **11.0 Disability Income and Related Insurance 8%**

### **11.1 Qualifying for disability benefits**

Inability to perform duties  
    Own occupation  
    Any occupation  
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  
    Relation of earnings to insurance (ORS 743.465)  
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**

Short-term disability (STD)  
Long-term disability (LTD)

### **11.5 Business disability insurance**

Key employee (partner) 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

## **12.0 Medical Plans 8%**

### **12.1 Medical plan concepts**

Fee-for-service basis versus prepaid basis  
Benefit schedule versus  
    usual/reasonable/customary charges  
Any provider versus limited choice of providers  
Insureds versus subscribers/participants

### **12.2 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

### 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

### 12.4 Oregon requirements (individual and group)

- Eligibility requirements
  - Newborn child coverage (ORS 743A.090)
  - Dependent child age limit (ORS 743.405(3))
  - Coverage for adopted children (ORS 743A.090)
- Benefit offers
  - Alcoholism treatment (ORS 743A.160)

### 12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements

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

### 12.6 Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs)

- Definition
- Eligibility
- Contribution limits
- Portability

## 13.0 Group Health Insurance 8%

### 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)

### 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
  - Employee eligibility
  - Dependent eligibility
- Coordination of benefits provision (OAR 836-020-0770–0806)
- Change of insurance companies or loss of coverage
  - No-loss no-gain
  - Events that terminate coverage
  - Extension of benefits

- Continuation of coverage under COBRA and Oregon rules (ORS 743.610; OAR 836-052-0860)
- Conversion rights for former spouse (ORS 743.600–.602)

### 13.5 Small employer medical plans

- Definition of small employer (ORS 743.730)
- Basic coverage (ORS 743.730(4), .736)
- Availability of coverage (ORS 743.752)
- Renewability of coverage (ORS 743.737(5))
- Pre-existing conditions (ORS 743.730(27), .737(1-3), .754)
- Participation requirements (ORS 743.737(7))
- Open enrollment

## 14.0 Dental Insurance 2%

### 14.1 Categories 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
- Exclusions
- Limitations

### 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 5%

### 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

- Purpose (OAR 836-052-0103)
- Open enrollment (OAR 836-052-0138)
- Standardized Medicare supplement plans

Core benefits (OAR 836-052-0133)

Additional benefits

Oregon regulations and required provisions

Standards for marketing (OAR 836-052-0175)

Advertising (ORS 743.687;

OAR 836-052-0170)

Appropriateness of recommended purchase and excessive insurance (OAR 836-052-0180)

Right to return (free look) (ORS 743.686)

Replacement (ORS 743.013;

OAR 836-052-0165, 0190)

Pre-existing conditions (ORS 743.013;

OAR 836-052-0165, 0190)

Required disclosure provisions (ORS 743.685;

OAR 836-052-0160)

Outline of coverage (ORS 743.685(2);

OAR 836-052-0160, 0190)

Buyer's guide (ORS 743.685(6))

Permitted compensation (OAR 836-052-0156)

Medicare SELECT (OAR 836-052-0139)

### **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) policies**

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

Oregon regulations and required provisions

Standards for marketing (OAR 836-052-0706)

Advertising (OAR 836-052-0696)

Shopper's guide (OAR 836-052-0786)

Outline of coverage (ORS 743.655(7);

OAR 836-052-0776)

Appropriateness of recommended purchase

Right to return (free look) (ORS 743.655(6))

Replacement (OAR 836-052-0626, 0736)

Renewal provisions

Continuation or conversion

Required disclosure provisions

(OAR 836-052-0716)

Inflation protection

Pre-existing conditions (ORS 743.655(3))

Protection against unintentional lapse

Prohibited provisions

### **15.5 Oregon Medical Insurance Pool (ORS 735.600 – .650)**

Eligibility (ORS 735.615)

Coverages and limits (ORS 735.625)

Exclusions

Deductibles and coinsurance

## **16.0 Federal Tax Considerations for Health Insurance 3%**

### **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)

Benefits subject to FICA

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 Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs)**