

Addendum: for use with Montana Life and Health online ExamFX courses and study guides version 25542en (Life) and 25543en (Health) per exam content outline updates effective 5/1/2022.

The following are **content additions** to supplement your existing text unless otherwise indicated:

LIFE:

Introduction

Exam Breakdown – new exam breakdown

**Montana Life Insurance
103 Total Questions (86 scored, 17 pretest)**

Chapter	Percentage of Exam
General Knowledge:	
Completing the Application, Underwriting, and Delivering the Policy	14%
Types of Life Policies	17%
Life Policy Provisions, Options, and Riders	17%
Retirement and Other Insurance Concepts	10%
State Law:	
Montana Regulations Common to All Lines	29%
Montana Regulations Pertinent to Life Insurance and Annuities Only	13%

Completing the Application, Underwriting, and Delivering the Policy

Gramm-Leach-Bliley Act (GLBA) Privacy

The Gramm-Leach-Bliley Act stipulates that in general, an insurance company may not disclose nonpublic personal information to a nonaffiliated third party except for the following reasons:

- The insurance company clearly and conspicuously discloses to the consumer in writing that information may be disclosed to a third party;
- The consumer is given the opportunity, before the time that information is initially disclosed, to direct that information not be disclosed to the third party; or
- The consumer is given an explanation of how the consumer can exercise a nondisclosure option.

The Gramm-Leach-Bliley Act requires 2 disclosures to a customer (a consumer who has an ongoing financial relationship with a financial institution):

1. When the customer relationship is established (i.e. a policy is purchased); and
2. Before disclosing protected information.

The customer must also receive an annual privacy disclosure, and have the right to opt out, or choose not to have their private information shared with other parties.

Types of Policies

E. Annuities

Payout Options

Annuity payment options specify how annuity funds are to be paid out. They are very similar to the settlement options used in life insurance that determine how the policy proceeds are distributed to the beneficiaries.

Life Contingency Options - Pure Life vs. Life with Guaranteed Minimum

The life annuity will pay a specific amount for the remainder of the annuitant's life. With **pure life**, also known as **life-only** or **straight life**, this payment ceases at the annuitant's death (no matter how soon in the annuitization period that occurs). This option **provides the highest monthly benefits** for an individual annuitant. Under this option, while the annuity payments are guaranteed for the lifetime of the annuitant, there is no guarantee that all the proceeds will be fully paid out.

Under the **life with guaranteed minimum** settlement option, if the annuitant dies before the principal amount has been paid out, the remainder of the principal amount will be refunded to the beneficiary. This option is also called **refund life**. It guarantees that the entire principal amount will be paid out.

There are two types of refund life annuities:

- **Cash refund** — when the annuitant dies, the beneficiary receives a lump-sum refund of the principal minus benefit payments already made to the annuitant. Cash refund option does not guarantee to pay any interest.
- **Installment refund** — when the annuitant dies, the beneficiary will continue to receive guaranteed installments until the entire principal amount has been paid out.

Note, however, that any unpaid annuity benefits following the death of an annuitant are taxable when paid to the beneficiary.

Life with period (term) certain is another life contingency payout option. Under this option, the annuity payments are guaranteed for the *lifetime of the annuitant*, and for a *specified period of time* for the beneficiary. *For example*, a life income with a 20-year period certain option would provide the annuitant with an income while he is living (for the entire life). If, however, the annuitant dies shortly after payments begin, the payments will be continued to a beneficiary for the remainder of the period (for a total of 20 years).

Single Life vs. Multiple Life

Single life annuities cover one life, and annuity payments are made with reference to one life only. Contributions can be made with a single premium or on a periodic premium basis with subsequent values accumulating until the contract is annuitized.

Multiple life annuities cover 2 or more lives. The most common multiple life annuities are joint life, and joint and survivor.

Joint Life

Joint life is a payout arrangement where two or more annuitants receive payments until the first death among the annuitants, and then payments stop.

Joint and Survivor

The joint and survivor arrangement is a modification of the life income option in that it guarantees an income for two recipients that neither can outlive. Although it is possible for the surviving recipient(s) to receive payments in the same amount as the first recipient to die, most contracts provide that the surviving recipients will receive a reduced payment after the first recipient dies. Most commonly, this option is written as "joint and $\frac{1}{2}$ survivor" or "joint and $\frac{2}{3}$ survivor," in which the surviving beneficiary receives $\frac{1}{2}$ or $\frac{2}{3}$ of what was received when both beneficiaries were alive. This option is commonly selected by a couple in retirement. As with the life income option, there is no guarantee that all the proceeds will be paid out if both beneficiaries die shortly after the installments begin.

Annuities Certain (Types)

In contrast with life contingency benefit payment options, annuities certain are **short-term annuities** that limit the amounts paid to a certain fixed period or until a certain fixed amount is liquidated.

With **fixed-period installments**, the annuitant selects the time period for the benefits, and the insurer determines how much each payment will be, based on the value of the account and future earnings projections. This option pays for a specified amount of time only, whether or not the annuitant is living.

With **fixed-amount installments**, the annuitant selects how much each payment will be, and the insurer determines how long the benefits will be paid by analyzing the value of the account and future earnings. This option pays a specific amount until funds are exhausted, whether or not the annuitant is living.

Life Policy Provisions, Riders and Options

C. Beneficiary Designations

Designation by Class

A class of beneficiary is using a designation such as "my children." This term can be vague if the insured has been married more than once, has adopted children, or has children out of wedlock.

An example of a class that is less vague is "children of the union of Jane Smith and James Smith." Many insurers encourage the insured to name each child specifically and to state the percentage of benefit they are to receive.

When naming beneficiaries, it is most prudent to be specific by naming each individual and by designating the exact amount to be given for that individual. Two class designations are available for use when an insured chooses to "group" the beneficiaries: per capita and per stirpes. **Per capita**, meaning by the head, evenly distributes benefits among the living named beneficiaries. **Per stirpes**, meaning by the bloodline, distributes the benefits of a beneficiary who died before the insured to that beneficiary's heirs.

D. Policy Riders – *additional riders*

Disability Income

With the **disability income** rider, in the event of disability the insurer will waive the policy premiums and pay a monthly income to the insured. The amount paid is normally based on a percentage of the face amount of the policy to which it is attached.

Cost of Living

The **cost of living** rider addresses the inflation factor by automatically increasing the amount of insurance *without evidence of insurability* from the insured. The face value of the policy may be increased by a cost of living factor tied to an inflation index such as the Consumer Price Index (CPI).

HEALTH

Introduction

Exam Breakdown – *new exam breakdown*

Montana Accident and Health Insurance Examination 102 Total Questions (92 scored, 10 pretest)

Chapter	Percentage of Exam
General Knowledge:	
Field Underwriting Procedures	9%
Types of Health Policies	17%
Health Policy Provisions, Clauses, and Riders	16%
Social Insurance	7%
Other Insurance Concepts	6%
State Law:	
Montana Regulations Common to All Lines	27%
Montana Regulations Pertinent to Disability (A&H) Insurance Only	18%

Types of Health Policies

A. Medical Expense Insurance

Health Reimbursement Accounts (HRAs)

Health Reimbursement Accounts (HRAs) consist of funds set aside by employers to reimburse employees for qualified medical expenses, such as deductibles or coinsurance amounts. Employers qualify for preferential tax treatment of funds placed in an HRA in the same way that they qualify for tax advantages by funding an insurance plan. Employers can deduct the cost of a health reimbursement account as a business expense.

The following are key characteristics of HRAs:

- They are contribution healthcare plans, not defined benefit plans;
- Not a taxable employee benefit;
- Employers' contributions are tax deductible;
- Employees can roll over unused balances at the end of the year;
- Employers do not need to advance claims payments to employees or healthcare providers during the early months of the plan year;
- Provided with employer dollars, not employee salary reductions;
- Permit the employer to reduce health plan costs by coupling the HRA with a high-deductible (and usually lower-cost) health plan; and
- Balance the group purchasing power of larger employers and smaller employers.

HRAs are open to employees of companies of all sizes; however, the employer determines eligibility and contribution limits.

An HRA has no statutory limit. Limits may be set by employer, and rollover at the end of the year based on employer discretion. Former employees, including retirees, can have continued access to unused HRAs, but this is done at the employer's discretion. HRAs remain with the originating employer and do not follow an employee to new employment.

D. Long-Term Care

Eligibility for Benefits

Normally to be eligible for benefits from a long-term care policy, the insured must be unable to perform some of the activities of daily living (ADLs). Activities of daily living include *bathing, dressing, toileting, transferring positions* (also called mobility), *continence, and eating*.

LIFE AND HEALTH

Montana Statutes, Rules, and Regulations Common to All Lines

B. Insurance Commissioner and Department

2. Examination of Records

Examination of Records and Hearings

The examiner must file a verified written report with the Department of Insurance within **60 days** after completion of the examination. On receipt, the Department must transmit the report to the examined company, as well as a notice that gives the company an opportunity to make a written submission or rebuttal with respect to any matters contained in the examination report within 30 days of receipt of notice.

Within 30 days after the deadline for rebuttals, the Commissioner will review the report and any rebuttals and order one of the following:

- Adopt the examination report as filed or with modifications and corrections;
- Rejecting the examination report with directions to obtain additional data, documentation, information, or testimony; or
- Calling for an investigative hearing with at least 20 days' notice to obtain additional data, documentation, information, and testimony.

Conflict of Interest

The Commissioner may not appoint an examiner if the examiner, directly or indirectly, has a conflict of interest, is affiliated with the management or owns a pecuniary (money) interest in any **person to be examined**. This does not automatically prevent an examiner from being:

- A policyholder or claimant under an insurance policy;
- A grantor of a mortgage on his/her own residence;
- An investment owner in share of regulated diversified investment companies; or
- A settlor (one who makes a settlement) or beneficiary of a blind trust into which impermissible holdings have been placed.

C. Licensing Requirements

5. Termination of Licenses

Notice Following Suspension or Revocation – *addition to the existing text*

Upon suspension, revocation, or refusal of a license, the Commissioner must notify the licensee or applicant by mail addressed to the licensee or applicant at the last-known address in the Commissioner's records. The notice is considered in effect once mailed.

A lapsed license may be reinstated if the licensee pays a reinstatement fee and files certification of completion of continuing education requirements within 1 year of the lapse.

Penalty for Acting Without a License – text revised as follows:

A person found to be transacting insurance without a license is subject to a **fine of up to \$25,000 for insurers and up to \$5,000 for producers and adjusters**. The fine is in addition to all other penalties imposed by the laws of this state and must be collected by the commissioner in the name of the state of Montana.

A nonresident insurance producer who violates Montana's licensing laws is subject to a fine of **up to \$50,000** for each violation and may have the Montana nonresident license revoked or suspended for up to 5 years.

Montana Statutes & Rules Pertinent to Life and Annuities Only

D. Group Life

1. Eligible Groups – last paragraph is revised as follows:

Employee life insurance is a plan of insurance where individual policies are issued to the employees of an employer. The policy must cover **at least 2 employees** at the date of issue.

Labor union group life insurance insures members of a labor union. All members of the labor union are eligible for coverage under the plan. The policy must cover **at least 25 members** at the date of issue.

In either of these cases, premiums can be paid in full by the policyholder or partially by the policyholder and the employees or members.