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Addendum: for use with Tennessee Life and Health online ExamFX courses and study guides versions 26845en and 26863en, per exam content outline updates effective 01/01/2023.

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

LIFE AND HEALTH:

Tennessee Laws and Departmental Rules Common to All Lines

B. License Requirements

1. Definitions

Compensation and Referrals

If a producer is engaged only in the sale of insurance policies, the producer cannot represent that the producer is a financial planner, investment adviser, financial counselor, risk manager, or any other specialist engaged in financial advice unless the producer actually holds some form of certification or designation.

It is an unfair trade practice for an insurance producer to engage in the business of financial planning without disclosing to the client prior to the solicitation of the sale of a product or service, that the person is also an insurance salesperson, and that a commission for the sale of an insurance product will be received in addition to a fee for financial planning, if such is the case.

Fees not associated with the sale of insurance products must be based upon a qualified written agreement and include services charged, charge amounts, and a disclosure stating that a client is not obligated to purchase any insurance product.

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LIFE:

Introduction

Exam Breakdown – *revised exam breakdown*

Tennessee Life Insurance Examination
77 Total Questions (68 scored, 9 pretest)

CHAPTERS	PERCENTAGE OF EXAM
General Knowledge:	
Completing the Application, Underwriting, and Delivering the Policy	18%
Types of Life Policies	22%
Policy Provisions, Riders and Options	22%
Retirement and Other Insurance Concepts	12%
State Law:	
Tennessee Laws, and Departmental Rules Common to All Lines	20%
Tennessee Laws and Departmental Rules Pertinent to Life Insurance Only	6%

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.

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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 (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.

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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 ½ survivor” or "joint and 2/3 survivor,” in which the surviving beneficiary receives ½ or 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.

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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.

Policy Riders, Provisions, Options, and Exclusions

A. Policy Provisions

7. 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.

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B. 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).

Taxation, Retirement, and Other Insurance Concepts – *chapter has been renamed as "Retirement and Other Insurance Concepts"*

Viatical Settlements – *topic deleted from the General Knowledge outline*

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HEALTH:

Introduction

Exam Breakdown – *revised breakdown*

Tennessee Accident and Health Insurance Examination
77 Total Questions (68 scored, 9 pretest)

CHAPTERS	PERCENTAGE OF EXAM
General Knowledge:	
Field Underwriting Procedures	12%
Types of Health Policies	24%
Health Policy Provisions, Clauses, and Riders	22%
Social Insurance	9%
Other Insurance Concepts	7%
State Law:	
Tennessee Laws and Departmental Rules Common to All Lines	20%
Tennessee Laws and Departmental Rules Pertinent to Accident and Health Insurance Only	6%

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.

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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.*

<u>Other Health Insurance Concepts</u>

Cost Containment

With the dramatic rise in the cost of medical care over the past few decades, the concept of **managed care** has become a necessity for insurance companies. Managed care plans, such as HMOs and PPOs, are designed to control costs by controlling the behavior of the plan participants.

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1. Cost-Saving Services

Cost-saving services or case-management provisions provide plans with controlled access of providers, large claim management, preventive care, hospitalization alternatives, second surgical opinions, preadmission testing, catastrophic case management, risk sharing, and providing high quality of care. Insurance companies use the services of case managers for large, ongoing claims through a process of utilization management. The case manager evaluates the appropriateness, necessity, and quality of health care, and may include prospective and concurrent review.

Preventive Care

Managed care plans encourage preventive care and living a healthier lifestyle. Annual physical exams, mammograms, and other procedures used to detect medical problems before symptoms appear can result in a considerable cost savings if a problem is detected early and treated quickly.

Hospital Outpatient Benefit

Because hospital confinement has become so costly, many plans require the patient to take advantage of outpatient services when possible.

Alternatives to Hospital Services

Alternatives to hospital care might include home health care where the patient stays at home and is visited periodically by a health professional. A home health aide that could work in conjunction with a family member may meet daily needs. Terminally ill patients may elect hospice care rather than a hospital stay. Hospice attends to the patient's daily needs and provides pain relief but attempts no curative procedures. Within cost containment, painkillers and special hospital beds are paid for, but operations or antibiotics are not.

2. Utilization Management

Utilization management is a system for reviewing the appropriateness and efficient allocation of health care services and resources that are being given or are proposed to be given to an insured. It also covers the review of claims for services that may be covered by a health care provider. There are different types of utilization management reviews: prospective, retrospective, or concurrent review.

Prospective Review

Under the **prospective review** or **precertification process**, the physician can submit claim information prior to providing treatment to know in advance if the procedure is covered under the insured's plan and at what rate it will be paid.

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Concurrent Review

Under the concurrent review process, the insurance company will monitor the insured's hospital stay to make sure that everything is proceeding according to schedule and that the insured will be released from the hospital as planned.

Tennessee Laws and Rules Pertinent to Accident and Health Only

B. Mandated Coverages

7. Telehealth Services

HIPAA compliant audio-only encounters may be allowed for behavioral health services or if other means of communication are unavailable. Health providers must maintain documentation of patients that

- Do not own video technology necessary to complete an audio-video provider-based telemedicine encounter;
- Are located in an area where an auto-video encounter cannot take place due to lack of service; and/or
- Have a physical disability that inhibits the use of video technology.

The healthcare provider must notify the patient that the financial responsibility for the audio-only encounter will be consistent with the financial responsibility for other in-person or video encounters, prior to the audio-only telemedicine encounter.

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