
Addendum: for use with Texas Life and Life & Health online ExamFX courses and study guides version 26757en (Life) and 26758en (Life & Health) per exam content outline updates effective 9/1/2022.

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

Introduction

Exam Breakdown – revised exam breakdowns

**Texas Life Insurance Examination
90 Total Questions (80 scored, 10 pretest)**

Chapter	Percentage of Exam
General Knowledge:	
Completing the Application, Underwriting, and Delivering the Policy	15%
Types of Life Policies	19%
Life Policy Provisions, Options, and Riders	19%
Retirement and Other Insurance Concepts	10%
State Law:	
Texas Statutes and Rules Common to All Lines	25%
Texas Statutes and Rules Pertinent to Life Insurance Only	12%

**Texas Life and Health Insurance Examination
145 Total Questions (130 scored, 15 pretest)**

Chapter	Percentage of Exam
General Knowledge:	
Completing the Application, Underwriting, and Delivering the Life Policy	9%
Types of Life Policies	12%
Life Policy Riders, Provisions, Options, and Exclusions	12%
Retirement and Other Insurance Concepts	6%
Field Underwriting Procedures	6%
Types of Health Policies	12%
Health Policy Provisions, Clauses, and Riders	11%
Social Insurance	5%
Other Insurance Concepts	4%

State Law:	
Texas Statutes and Rules Common to Life and Health Insurance	11%
Texas Statutes and Rules Pertinent to Life Insurance Only	5%
Texas Statutes and Rules Pertinent to Accident and Health Insurance Only	5%
Texas Statutes and Rules Pertinent to Health Maintenance Organizations (HMOs)	2%

Texas Statutes and Rules Common to Life and Health Insurance

B. Commissioner of Insurance

3. Investigations, Hearings, and Penalties – *time limits updated*

Unless the person in violation requests a hearing, emergency cease and desist orders are final **61 days** from the date they are received.

The person charged may request a hearing to contest or review the charges. The written request must be made **within 60 days** of the emergency cease and desist order. The hearing must be held no later than **30 days** after the date the Commissioner receives the request for a hearing.

C. Licensing Requirements

1. Types of Licensees

Nonresident Agents – *addition to the existing text*

A nonresident license will automatically be suspended, canceled, or revoked if the licensee's home state suspends, cancels, or revokes the licensee's resident license.

A nonresident license may also be granted to individuals not licensed in other states as long as the applicant has:

- Passed the examination for an agent's license;
- Met eligibility requirements after an examination of the applicant's criminal history records; and
- Satisfied all requirements for an individual license as required under law.

Temporary – *section revised as follows:*

The Commissioner may issue a **temporary agent's license** to an applicant who is being considered for appointment as an agent by another agent, an insurer, or a health maintenance organization (HMO), without a written examination. An agent, insurer, or HMO that is considering appointment of a temporary license applicant must provide at least 40 hours of training to the applicant within 30 days after applying for the license.

A temporary license is valid for **180 days** after the date of issuance. A temporary license may not be issued to a person who does not intend to apply for a license to sell insurance to the general public.

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).

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*.