Prelicensing Education
Educational Objectives
California Accident and Health Agent Examination

Overview

For purposes of the prelicensing curriculum and examination, the successful applicant is defined as an entry-level individual of an agency or an insurer. Twenty hours of accident and health agent prelicensing education must, at a minimum, include the material in these objectives.

California Insurance Code (Cal. Ins. Code) Section 1677 requires that the accident and health agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has basic knowledge of, and is reasonably familiar with, the insurance laws of this state and with the provisions, terms, and conditions of the insurance that may be transacted pursuant to the accident and health agent license, and that the applicant has a fair understanding of the obligations and duties of an accident and health agent. In addition, Cal. Ins. Code Section 1626(a)(2) defines an accident and health agent as authorized to transact insurance coverage for sickness, bodily injury, or accidental death and may include benefits for disability income.

The new accident and health agent will be introduced and trained to sell and service all the lines under that authority. Basic knowledge is what the new accident and health agent needs to know at the start of their career.

(1) Basic knowledge including:
- Basic accident and health insurance concepts and principles
- Responsibilities and authority of an accident and health insurance agent
- Commonly written accident and health insurance products
- Insurance code and ethics
- Patient Protection and Affordable Care Act (PPACA)
- Senior health products
- Insurance coverage for sickness, bodily injury, or accidental death
- Benefits for disability income insurance
- Long-term care insurance

(2) With a general understanding of the following:
- Government mandated disability programs (e.g., state disability insurance)
- Disability insurance
- Disability income insurance

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(3) In addition, this license authorizes the transaction of insurance coverage on:

Credit Disability Insurance - Disability insurance protecting the balance of debt, which provides a monthly benefit, during the disability of the insured, during the term of coverage.

Disability Income Insurance - Insurance that provides income payments to the insured wage earner when income is interrupted or terminated because of illness, sickness, or accident. It may include critical illness, or accidental death benefits. Policies are available as short-term or long-term coverage.

- The short-term disability income policy provides benefits, often a portion of lost income, for a temporary period of time defined in the policy. The likelihood is that the insured can return to work or restore the lost income.
- The long-term disability income policy provides benefits, often a portion of lost income, lasting for an extended period of time as defined in the insurance policy. The likelihood is that the insured cannot return to work or restore the lost income.

Disability Income Rider - A life insurance policy addendum providing income payments to the policyholder, and/or waiving premium payments due, when income is interrupted or terminated because of illness or injury.

Health - A policy that will pay for medical expenses or treatments. Health policies can offer any options and vary in their approaches to coverage. Health also includes all senior health products.

- PPACA does not allow dollar limits on essential health benefits.
- Non-essential health benefits may include dollar limits.

Long-term care insurance - Coverage for individuals who require assistance with activities of daily living in homes or in a nursing facility. For agents that sell or transact for the sale of long-term care products, additional training is required (Cal. Ins. Code Section 10234.93).

(4) Accident and health agents do not have authority to transact life, annuity, property, or casualty insurance.

(5) No prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered

by insurers or agents regarding new products or programs (Cal. Ins. Code Section 1749.1(b)).

Educational Objectives

The educational objectives are derived from the curriculum outline contained in Title 10 California Code of Regulations (10 Cal. Code Regs.), Chapter 5, Subchapter 1, Article 6.5, section 2187.1.

Ethics and California Insurance Code

The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by "(Cal. Ins. Code Section XXXX)" or "(Ethics)." References to "Code" or "Cal. Ins. Code" in the educational objectives mean the California Insurance Code.

The Examination

The California Department of Insurance's (CDI) accident and health agent license examination contains seventy-five (75) multiple-choice questions. Examinees are allowed ninety (90) minutes to complete the examination. Possession or use of any unauthorized device, material, or document is prohibited. Prohibited items include notes, crib sheets, textbooks, and electronic devices.

CDI examinations are administered at the CDI site in Los Angeles or one of the many PSI test centers throughout California. PSI Services, LLC is CDI's examination vendor.

CDI site examinations begin at 8:30 a.m. (8:00 a.m. check-in) and 1:00 p.m. (12:30 p.m. check- in), Monday through Friday except on state holidays.

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower, Suite 1000
Los Angeles, California 90013

PSI's test centers are located at the following locations**:**

Agoura Hills	Fresno	Sacramento	Santa Rosa
Atascadero	Irvine	San Diego	Union City
Bakersfield	Lawndale	San Francisco	Ventura
Carson	Redding	Santa Clara	Visalia
Diamond Bar	Riverside	Santa Fe Springs	Walnut Creek

The list of PSI locations above is current at the time these Objectives are published and is subject to change. To register for an examination or to obtain a complete list of PSI test centers, test center security policies, check-in times and procedures, as well as driving directions to PSI's test centers, download the current **Candidate Information Bulletin** for the exam(s) you are taking at PSI Exams Online.

The check-in times and driving directions to PSI's examination site locations are listed on pages 4, 5, and 6 in the Candidate Information Bulletin.

For additional information on license examinations (e.g., online examination scheduling, fingerprint requirements, examination admittance, forms of identification, check your scheduled examination date, check your examination results), please review CDI's Insurance License Examination Information web page.

Candidate Information Bulletin

The Candidate Information Bulletin (CIB) provides detailed information on how to prepare for your license examination, prelicensing education, examination site procedures, sample examination questions, test taking strategies, and driving directions to the California Department of Insurance's examination sites and PSI's test centers that are located throughout California.

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I. General Insurance (18 questions (25 percent) on the examination)

I.A. Basic Insurance Concepts and Principles (7 questions of the 18 General Insurance questions) Be able to:

1. Identify the definition of insurance (Cal. Ins. Code Section 22)
2. Recognize the definition of risk
3. Differentiate between a pure risk and a speculative risk
4. Identify the definition of peril
5. Identify the definition of hazard
6. Differentiate between moral, morale, and physical hazards
7. Identify the definition of the law of large numbers
8. Identify the definition or the correct usage of the term loss exposure
9. Identify risk management techniques
10. Identify risk situations that present the possibility of a loss
11. Recognize the requisites of an ideally insurable risk
12. Identify the definition of insurable events (Cal. Ins. Code Section 250)
13. Identify and apply the definitions of insurable interest, the principle of indemnity and utmost good faith
14. Identify the steps in the underwriting process
15. Identify the meaning of adverse selection and profitable distribution of exposures

I. General Insurance (18 questions (25 percent) on the examination)

I.B. Contract Law (4 questions of the 18 General Insurance questions)

1. Be able to compare contract law and tort law
2. Be able to identify the four basic elements of a contract
    a. Agreement, offer, and acceptance
    b. Competent parties
    c. Legal purpose
    d. Consideration
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract
    a. Contract of adhesion
    b. Conditional contract
    c. Aleatory
    d. Unilateral
    e. Personal
4. Be able to identify the term “insurance policy” (Cal. Ins. Code Section 380)
5. Be able to identify the meaning and effect of each of the following on a contract:
    a. Concealment (Cal. Ins. Code Section 333)
        i. Be able to identify information that does not need to be communicated in a contract:

1) Known information
2) Information that should be known
3) Information which the other party waives
4) Information that is excluded by a warranty and not material to the risk
5) Information that is excepted from insurance and not material to the risk
6) Information based on personal judgment (Cal. Ins. Code Section 339)

b. Warranty (Cal. Ins. Code Sections 440 through 445, and 447)
   i. Know that a warranty may be expressed or implied
   ii. Know that violation of a material warranty allows the other party to rescind the contract
c. Representations (Cal. Ins. Code Sections 350 through 361)
   i. Know when a representation can be altered or withdrawn (Cal. Ins. Code Section 355)
   ii. Know that a representation is false when the facts fail to correspond with its assertions or stipulations (Cal. Ins. Code Section 358)
   iii. Know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (Cal. Ins. Code Section 354)
d. Misrepresentation (Cal. Ins. Code Sections 780 through 784)
e. Materiality (Cal. Ins. Code Section 334)
   i. Know that materiality is to be determined not by the event, but solely by the probable and reasonable influence of the facts on the party to whom the communication is due

6. Be able to identify when an insurer has the right of rescission (Cal. Ins. Code Sections 331, 338, 359, and 447)
   a. Know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Cal. Ins. Code Section 331)
7. Be able to identify six required specifications for all insurance policies (Cal. Ins. Code Section 381)
   a. The parties between whom the contract is made
   b. The property or life insured
   c. The interest of the insured in property insured, if he is not the absolute owner thereof
   d. The risks insured against
   e. The period during which the insurance is to continue
   f. Either:
      i. A statement of the premium

ii. If the insurance is of a character where the exact premium is only determinable upon the termination of the contract, a statement of the basis and rates upon which the final premium is to be determined and paid

g. Know that the financial rating of the insurer is not required to be specified in the insurance policy (Cal. Ins. Code Section 381)

8. Given an insurance situation, be able to identify the following terms correctly:
   a. Application, policy, rider
   b. Cancellation, lapse, grace period
   c. Rate, premium, earned and unearned premium

I. General Insurance (18 questions (25 percent) on the examination)

I. C. The Insurance Marketplace (7 questions of the 18 General Insurance questions)

I.C.1. Distribution Systems

1. Be able to identify different distribution systems that include, but are not limited to, the following:
   a. Agency
   b. Direct response

I. General Insurance (18 questions (25 percent) on the examination)

I.C. The Insurance Marketplace (7 questions of the 18 General Insurance questions)

I.C.2. Producers

1. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company
   a. The responsibilities and duties of each
   b. The effect of the types of authority an agent may exercise (express, implied, and apparent)
2. With regard to the underwriting of applicants and/or insureds, be able to:
   a. Identify a producer's responsibilities
   b. Understand the insurers' requirements
3. Be able to define the following:
   a. Accident and Health agent (Cal. Ins. Code Section 1626(a)(2))
   b. Certified insurance agent (10 Cal. Code Regs. Section 6800)
   c. Life agent (Cal. Ins. Code Section 1626(a)(1))
   d. Life and disability insurance analyst (Cal. Ins. Code Sections 32.5, and 1831 through 1849)
4. Be able to identify the Cal. Ins. Code definition of transact and why the definition is important (Cal. Ins. Code Sections 35, 1631, and 1633).
   a. Have knowledge of the penalties for transacting without a license (Cal. Ins. Code Section 1633)

5. Be able to identify:
   a. That the Cal. Ins. Code prohibits certain acts by unlicensed persons (Cal. Ins. Code Section 1631)
   b. The penalties for such prohibited acts (Cal. Ins. Code Section 1633)
6. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
   a. Be able to identify what conduct is prohibited by United States Code, Title 18, section 1033
   b. Be able to identify what civil and criminal penalties apply (United States Code, Title 18, sections 1033 and 1034)
7. Be able to identify the differences between the terms “agent” and “broker” with respect to their relationship with insurers and with their insureds
   a. Insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other that life, disability, or health insurance (Cal. Ins. Code Section 31)
   b. A life licensee is a person authorized to act as a life agent on behalf of a life insurer or a disability insurer to transact life insurance, accident and health insurance, or life and accident and health insurance (Cal. Ins. Code Section 32)
   c. Insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life, disability, or health with, but not on behalf of, an insurer (Cal. Ins. Code Section 33)
8. Be able to recognize:
   a. The differences between the authority of an agent and a solicitor;
   b. That there is no such license as “accident and health solicitor” (Cal. Ins. Code Section 1704(d))
   c. That an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life, disability, or health (Cal. Ins. Code Section 1624)
9. For Insurance Agent’s Errors & Omissions insurance, be able to identify:
   a. The types of coverages available
   b. The types of losses commonly covered and not covered
   c. The need for the coverage
10. Be able to identify acts prohibited (unless a surplus line broker) with regard to non-admitted insurers (Cal. Ins. Code Section 703)
11. Be able to identify the prohibitions of free insurance (Cal. Ins. Code Section 777.1)
12. Be able to identify the Cal. Ins. Code requirements for the following:
   a. An agency name, use of name (Cal. Ins. Code Sections 1724.5 and 1729.5)
   b. Change of address (Cal. Ins. Code Section 1729)

c. Filing license renewal application (Cal. Ins. Code Section 1720)
d. Printing license number on documents (Cal. Ins. Code Section 1725.5)

13. Be able to identify the records an insurer and agents must maintain (Cal. Ins. Code Sections 10508 through 10508.5)
14. Be able to identify the Cal. Ins. Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Cal. Ins. Code Sections 1666, 1668 through1670, and 1738)
15. Be able to identify the importance and the scope of the Cal. Ins. Code regarding:
    a. The filing of a notice of appointment to transact accident and health insurance (Cal. Ins. Code Sections 1704 and1705)
    b. An inactive license (Cal. Ins. Code Section 1704(b))
    c. Cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Cal. Ins. Code Section 1708)
16. Be able to identify the scope and effect of the Cal. Ins. Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Cal. Ins. Code Sections 1708 through 1712.5)
17. Be able to identify and apply:
    a. The definition of the term "fiduciary"
    b. Producer fiduciary duties (Cal. Ins. Code Sections 1733 through 1735)
18. Be able to identify the continuing education (CE) requirements for:
    a. An individual licensed as an accident and health agent (Sections 1749.3 through 1749.33 of the Cal. Ins. Code)
        i. Accident and health agents also licensed as a property and casualty broker-agent may complete 24 hours of continuing education in either license type, three (3) hours of which must be in ethics (Cal. Ins. Code Sections 1749.3(b) and 1749.33(b))
        ii. An agent writing long-term care insurance (LTC) (Cal. Ins. Code Section 10234.93)
        iii. Agents writing applications for Partnership coverage must also meet additional CE requirements for the California Partnership for Long-Term Care (CPLTC) (22 Cal. Code Regs. Section 58056)
        iv. The total hours of continuing education required for the accident and health agent are not increased by LTC or CPLTC
19. Be able to identify the definition of "administrator" (Cal. Ins. Code Section 1759)
20. Concerning a Life and Disability Insurance Analyst license, be able to identify the requirements and prohibitions for charging fees (Cal. Ins. Code Section 1848)

The following Educational Objectives are derived from the California Insurance Code (Cal. Ins. Code) and codes of ethics of major industry organizations. This is the basis for accident and health examination questions.

21. Be able to identify and apply the meaning of the following:
    a. Place the customer's interest first
    b. Know your job and continue to increase your level of competence
    c. Identify the customer's needs and recommend products and services that meet those needs
    d. Accurately and truthfully represent products and services
    e. Use simple language; talk the layman's language when possible
    f. Stay in touch with customers and conduct periodic coverage reviews
    g. Protect your confidential relationship with your client
    h. Keep informed of and obey all insurance laws and regulations
    i. Provide exemplary service to your clients
    j. Avoid unfair or inaccurate remarks about the competition
22. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior
23. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens
24. Be able to identify the alterations an agent may make to an applicant's written disability application (Cal. Ins. Code Section 10382)

I. General Insurance (18 questions (25 percent) on the examination)
I.C. The Insurance Marketplace (7 questions of the 18 General Insurance questions)
I.C.3. Insurers

1. Be able to differentiate between:
    a. Admitted and non-admitted insurers (Cal. Ins. Code Sections 24 through 25)
    b. Domestic, foreign and alien insurers (Cal. Ins. Code Sections 26 through 27)
    c. Regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers (Cal. Ins. Code Sections 24, 25, and 1760 through 1780)
2. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority (Cal. Ins. Code Section 703)
3. Be able to identify the functions of the following major operating divisions of insurers: marketing or sales, underwriting, claims, and actuarial
4. Be able to identify that a primary insurer (e.g., ceding company) is the insurance company who transfers its loss exposure to another insurer in a reinsurance transaction
5. Know that any person, association, organization, partnership, business trust, limited liability company, or corporation capable of making a contract may be an

insurer (Cal. Ins. Code Sections 19 and 150)

6. Be able to differentiate between mutual, stock, and fraternal insurers
   a. Earned surplus
   b. Divisible surplus as policy dividends

I. General Insurance (18 questions (25 percent) on the examination)

I.C. The Insurance Marketplace (7 questions of the 18 General Insurance questions)

I.C.4. Market Regulation – General

1. Be able to identify:
   a. The California Insurance Code and how it may be changed
   b. Title 10 of the California Code of Regulations Chapter 5 and how it may be changed
   c. How the Insurance Commissioner is selected and the responsibilities of the position (Cal. Ins. Code Sections 12900 and 12921)
2. Be able to identify that the California Department of Insurance (CDI) has jurisdiction over entities that provide coverages designed to pay for health care providers' services and expenses unless the health care providers are appropriately licensed or certified by other governmental agencies (Cal. Ins. Code Section 740)
   a. CDI is the primary regulator of issuers of most Preferred Provider Organization (PPO) and Exclusive Provider Organization (EPO) plans and other disability insurance companies
   b. The California Department of Managed Health Care is the Primary regulator of issuers of all Health Maintenance Organization (HMO) and Point of Service (POS) plans, and some PPO and EPO plans, http://www.dmhc.ca.gov/
3. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (Cal. Ins. Code Sections 790 through 790.15)
   a. Know that only the Commissioner may enforce the provisions of the Unfair Practices Act
4. Be able to identify the privacy protection provisions of:
   a. The Gramm-Leach-Bliley Act (GLBA)/California Financial Information Privacy Act (California Financial Code sections 4050 through 4060)
   b. Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (Cal. Ins. Code Sections 791 through 791.29)
5. Be able to define an insolvent insurer (Cal. Ins. Code Section 985)
   a. Know the definition of Paid-in Capital (Cal. Ins. Code Sections 36 and 985)
   b. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an

insolvency proceeding (Cal. Ins. Code Section 1013)

6. Be able to identify the scope and correct application of the conservation proceedings described in Cal. Ins. Code Sections 1011, 1013, and 1016
7. Be able to identify the purpose and scope of the Cal. Ins. Code concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (Cal. Ins. Code Sections 1067.02(a)(1) and 1067.02(b)(1))
   a. Basic coverage and exclusions of CLHIGA (Cal. Ins. Code Sections 1067 through 1067.18)
8. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (Cal. Ins. Code Sections 1871 and 1871.4)
   a. Efforts to combat fraud (Cal. Ins. Code Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3(b)(1))
   b. That if an insured signs a false claim form, the insured may be guilty of perjury
9. Be able to identify the requirements for discontinuance and replacement of Group Disability Insurance (Cal. Ins. Code Sections 10128.1 through 10128.4)
10. Be able to identify discriminatory practices prohibited by the California Insurance Code (Cal. Ins. Code Sections 10140 through 10145)
11. Be able to identify the meaning of shall and may (Cal. Ins. Code Section 16)
12. Be able to identify the requirements for notice by mail and by electronic transmission (Cal. Ins. Code Sections 38 and 38.6)

I. General Insurance (18 questions (25 percent) on the examination)

I.C. The Insurance Marketplace (7 questions of the 18 General Insurance questions)

I.C.5. Fair Claims Settlement Practices Regulations (10 Cal. Code Regs., Chapter 5, Subchapter 7.5, Article 1)

1. Be able to identify a definition of the following:
   a. Claimant (Cal. Ins. Code Section 2695.2(c))
   b. Notice of legal action (10 Cal. Code Regs. Section 2695.2(o))
   c. Proof of claims (Cal. Ins. Code Section 2695.2(s))
2. Be able to identify File and Record Documentation (10 Cal. Code Regs. Section 2695.3)
3. Be able to identify Duties upon Receipt of Communications (Cal. Ins. Code Section 2695.5)
4. Be able to identify Standards for Prompt, Fair and Equitable Settlements (10 Cal. Code Regs. Sections 2695.7(a), (b), (c), (g), and (h))

II. General Concepts of Medical and Disability Insurance (4 questions (5 percent) on the examination)

II.A. General Concepts (4 questions of the 4 Health and Disability Insurance questions)

1. Be able to identify and/or apply your understanding of the following:
   a. Accidental means vs. accidental bodily injury
      Accident vs. sickness — Coinsurance
      Copayment — Deductible
      Elimination period — Extension of benefits
      Gatekeeper concept — Managed care
      Master policy owner — Preexisting conditions
      Probationary period — Stop-loss provision
      Waiver of premium — Waiting period
   b. Cancellation and renewability features (e.g., cancellable, optionally renewable, conditionally renewable, guaranteed renewable, noncancellable)
2. Be able to identify a definition of the following limited insurance policies:
   a. Travel accident
   b. Specified or dread disease and critical illness
   c. Hospital income and hospital confinement indemnity
   d. Accident only
   e. Credit disability
3. Be able to describe limited benefit plans according to:
   a. Policies that provided benefits for expenses incurred for an accidental injury only
   b. Policies that pay fixed dollar amounts for specified diseases or other specified impairments
   c. Policies that provide benefits for specified limited services
   d. Indemnity policies and other policies that pay a fixed dollar amount per day, excluding long-term care policies

III. Medical Expense Insurance (45 questions (60 percent) on the examination)

III.A. Individual Insurance (14 questions of the 45 Accident and Health Insurance questions)

1. Be able to identify the:
   a. Main types of plans
      i. HMO
      ii PPO
      iii. EPO
   b. Consumer Driven Health Plans (CDHPs)
      1) Point of Service (POS)
      2) Medical Savings Accounts (MSAs)

3) High Deductible Health Plans (HDHPs) and Health Savings Accounts (HSAs)

c. Optional coverages
   i. Adult Dental
   ii. Adult Vision
   iii. Know that limited pediatric dental and vision benefits are mandatory

d. Contract issues and provisions (deductibles, grace period, elimination periods, right to terminate, coordination of benefits, coinsurance, deductible, co-pays, maximum out of pocket expense)

e. Common exclusions and limitations

III. Medical Expense Insurance (45 questions (60 percent) on the examination)

III.B. Group Medical Expense Insurance (8 questions of the 45 Accident and Health Insurance questions)

1. Know the following characteristics of group medical expense insurance:
   a. Eligible groups (Cal. Ins. Code Sections 10270.5, 10270.505, 10270.55 and 10270.57)
      i. Small groups (2 through 100 employees)
      ii. Large groups (101+ employees)
      iii. Contributory vs. noncontributory participation requirements
   b. Coverage forms
      i. Care Plans (HMO, POS, PPO, EPO)
      ii. Self-funded/self-insured plans
         1) Know that self-insured “Association” health plans are prohibited by regulation.
      iii. Consumer-driven models
         1) Flexible Spending Accounts (FSAs)
         2) Health Reimbursement Accounts (HRAs)
         3) Health Savings Accounts (HSAs)
   c. Coverage for dependents of insured employees (Cal. Ins. Code Section 10270.65)
      i. Registered domestic partners (Cal. Ins. Code Section 10121.7)
   d. Blanket insurance (Cal. Ins. Code Section 10270.2)
2. Large group health insurance underwriting considerations
   a. Occupational class(es) represented
   b. Group size and prior claims experience
3. Small group health insurance
   a. Guaranteed issue
   b. Businesses with 25 or fewer employees may be eligible for federal premium tax credits

i. Must purchase health insurance through the Covered California for Small Business (CCSB) program

c. Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)

4. Be able to identify the impact of the following legislation on group health insurance
   a. Employee Retirement Income Security Act (ERISA)
   b. Consolidated Omnibus Budget Reconciliation Act (COBRA 1985)
   c. Americans with Disabilities Act (ADA)
   d. Health Insurance Portability and Accountability Act (HIPAA)
   e. Family and Medical Leave Act (FMLA)
   f. Pregnancy Discrimination Act
   g. Mental Health Parity Act
   h. Affordability under Patient Protection and Affordable Care Act (PPACA)
      i. Employer "Shared Responsibility" payments and other penalties
   i. Cal-COBRA

III. Medical Expense Insurance (45 questions (60 percent) on the examination)

III.C. Patient Protection and Affordable Care Act (PPACA) (Public Law 111 through 148) (8 questions of the 45 Accident and Health Insurance questions)

1. Be able to identify the purpose of the Act
2. Overview
   a. Modified Adjusted Gross Income (MAGI) eligibility for Medi-Cal
      i. Individuals age 19 through 64 qualify with household income up to 138 percent of the Federal Poverty Level (FPL)
      ii. Children under age 19 qualify if household income is up to 266 percent FPL
   b. MAGI eligibility for Cost Sharing Reductions (CSR)
      i. Consumers qualify for varying CSRs between 138 percent and 250 percent FPL
   c. Know that health insurance is now guaranteed issue
      i. Know the definition of Open Enrollment Period
      ii. Know the requirements for a Special Enrollment Period
   d. Advance Premium Tax Credits (APTCs) may be available to certain households with income not more than 400 percent FPL
      i. Calculated by California Health Benefit Exchange (Covered California) and paid by the Exchange to insurers
3. PPACA Definitions
   a. Qualified Health Plan (QHP)
   b. Guaranteed issue - all new group and individual health policies
   c. Advanced Premium Tax Credits

d. Essential Health Benefits
e. Open Enrollment Period (OEP)
f. Special Enrollment Period (SEP) requirements
g. Cost Sharing Reductions
h. Health plan metal tiers - Bronze, Silver, Gold, Platinum

4. Be able to identify and differentiate between
   a. QHP
   b. Minimum Essential Coverage
      i. Minimum actuarial value requirement of each “metal tier” of benefits
   c. Essential Health Benefits
5. California Health Benefit Exchanges (Individual Exchange and Covered California for Small Business (CCSB))
   a. Consumers must purchase a QHP through Covered California to obtain Premium Tax Credits
      i. Know that the CCSB program serves small businesses with up to 50 employees
   b. Know that agents writing applications for QHPs through Covered California must first complete all Covered California agent agreements and certification requirements
6. Know that coverage for children under a parent’s individual or group policy may extend through 26th birthday or unless the child qualifies as a disabled dependent
   a. Know that COBRA permits a child who “ages out” of a group health plan to continue coverage under the group plan for up to 36 months
7. Know the definition of Medical Loss Ratio (MLR)
   a. Individual Plans 80 percent
   b. Group plans 85 percent
   c. Know that any insurer that fails the MLR test in a calendar year for all plans in a given market segment (individual or group) must refund excess premiums to consumers enrolled in plans in that market segment

III. Medical Expense Insurance (45 questions (60 percent) on the examination)

III.D. Senior Health Products (15 questions of the 45 Accident and Health Insurance questions)

1. Medicare
   a. Be able to describe Original Medicare and Medicare Advantage
   b. For Medicare, be able to identify who is eligible for coverage:
      i. Citizens and legal residents aged 65 or older
         1) Must enroll at first eligibility or be subject to late enrollment penalties (10 percent of applicable premium for twice the

length of time a beneficiary was not enrolled in Part A, 10% lifetime penalty per each 12-month period not enrolled in Part B)

2) Legal residents must have been in the United States at least five years

3) Monthly Part A premiums required when beneficiary is not "Fully Insured" under Social Security

a) 30 through 39 credits

b) 0 through 29 credits

ii. Social Security Disability (SSDI) – two years

iii. End Stage Renal Disease (ESRD) or Amyotrophic Lateral Sclerosis (ALS, known as "Lou Gehrig's Disease")

c. Medicare Part A (Hospital Insurance), be able to identify:

i. Inpatient coverage (does not include physician or surgeon charges)

ii. Benefit period (beginning and ending dates)

iii. Hospital admission annual deductible

iv. Co-payments for hospital days 61 to 90, and the 60 lifetime reserve days

1) When lifetime reserve days are exhausted, there is no out-of-pocket maximum for hospitalizations beyond 90 days

v. Home care and hospice may be covered following a hospitalization

vi. Mental health inpatient hospitalization lifetime limitations

d Medicare Part B – (Medical Insurance) be able to identify:

i. Enrollment in Part B

1) Initial Eligibility Period (seven-month window)

2) Automatic eligibility at age 65 for citizens and legal residents entitled to Part A.

3) Enrollment may be rejected or delayed without penalty while covered by any employer-sponsored health plan

4) Special Enrollment Period (eight-month window)

5) General Enrollment Period (January 1 to March 31)

ii. A monthly premium is paid by all beneficiaries. High-income beneficiaries are assessed higher monthly premiums.

iii Annual deductible

iv. Coinsurance – Generally 80-20

v. Benefits

1) Medically necessary outpatient health and diagnostic services

2) Physicians and surgeon's services (in and out of hospital)

3) Home and hospice care not covered under Part A

4) No annual out-of-pocket maximum for Part B claims

5) Payment differences between using approved physicians vs. non-approved physicians

e. Medicare Supplement Insurance, be able to identify:
   i. The federally standardized Medicare Supplement policies and the gaps in Medicare coverage they are designed to fill
      1) Basic (or "core") benefits of Plan A are applicable to all plans
      2) The additional benefits included in plans B, C, D, F (including High Deductible and Innovative options), G, K, L, M, and N.
   ii. California Insurance Code (Cal. Ins. Code) requirements regarding the following:
      1) Benefits required in each standardized plan (Cal. Ins. Code Section 10192.8) and Medicare Select plans (Cal. Ins. Code Section 10192.10)
         a) Know that insurers offering Medicare Supplement policies must offer Medicare Supplement Plan A and either Plan C or F
         b) Open enrollment period described in Cal. Ins. Code Section 10192.11 and application questions described in Cal. Ins. Code Section 10192.18
         c) Guaranteed issue periods described in Cal. Ins. Code Section 10192.12
         d) Permitted commissions (Cal. Ins. Code Section 10192.16)
         e) Inappropriate sales and replacement (Cal. Ins. Code Section 10192.20)
         f) Know that a person cannot receive benefits from more than one Medicare Supplement plan and that applications must include a question to identify persons who already are enrolled in a Medicare Supplement plan
         g) Know that Medicare Advantage is not a Medicare Supplement plan and does not coordinate with Medicare Supplement plans
   iii. The Medicare disclosure requirements for:
      a) Outline of coverage (Cal. Ins. Code Section 10192.17(l)(3)(G))
      b) Application (Cal. Ins. Code Section 10192.18(a)(6))
      c) Replacement (Cal. Ins. Code Section 10192.18(e))
      d) Commissioner's Annual Rate Guide (Cal. Ins. Code Section 10192.20(e)(4))

f. For Medicare Part C (Medicare Advantage), describe the managed care

aspects of the coverage provided by health care organizations
- i. HMO and PPO models
- ii. Private Fee for Service plans (PFFS)
- iii. Special Needs Plans (SNP)
  - 1) Medicare – Medi-Cal dual eligible ("Medi-Medi")
    - a) Purpose
    - b) Eligibility - who is eligible, including those with a Share of Cost
  - 2) Persons with ESRD
- iv. Know that enrollment in a stand-alone PDP automatically terminates enrollment in a Medicare Advantage plan
- v. Coverage
  - 1) Must cover all benefits provided under Original Medicare but may cover claims to a greater extent than Original Medicare
  - 2) May reduce out-of-pocket costs for senior health care
  - 3) May include additional health care benefits not covered by Original Medicare
  - 4) May include optional and/or "value added" services and benefits

g. For Medicare Part D (Prescription Drug Plan) be able to identify:
- i. Enrollment is optional
  - 1) That failure to maintain "creditable coverage" for prescription drugs after age 65 may result in a lifetime one percent per month premium penalty for each month without such coverage
- ii. Premiums, deductibles and copayments
- iii. Be able to identify how Medicare enrollment periods:
  - 1) Initial Enrollment Period (IEP)
    - A. Annual Enrollment Period (AEP) also known as Open Enrollment Period (OEP)
    - B. Special Enrollment Period (SEP)
- iv. That PDPs may be purchased as stand-alone plans or embedded within Medicare Advantage plans ("MAPD").
- v. That a beneficiary may enroll in a PDP if they are enrolled in Part A and/or Part B
- vi. The coverage periods, deductibles, and co-payments in a PDP
- vii. The coverage gap and catastrophic coverage, and when each applies to a beneficiary
- viii. Insurance companies must create and annually file a formulary
  - 1) Be able to explain formulary "tiers" and their importance
  - 2) A formulary must include at least two drugs in each

treatment category, but is not required to include all drugs

h. Be able to identify how Medicare claims payments are handled under the Original Medicare Fee for Service program:
   i. Medicare claims are submitted by health care providers and approved medical equipment suppliers to Centers for Medicare and Medicaid Services' (CMS)
   ii. "Medicare assignment" vs. non-assignment
   iii. What information is provided in a "Medicare Summary Notice" (MSN)
   iv. Common coverage exclusions for Part A and B
   v. When a beneficiary has the Right of Appeal and how an appeal is processed

2. Health Insurance and Counseling Advocacy Program (HICAP)
   a. Be able to identify that HICAP is a federally mandated, state and federally funded program that provides free assistance to Medicare beneficiaries and their families concerning Medicare, Medicare Advantage, Medicare Supplement Insurance, Prescription Drug Plans, Medi-Cal, and Long-Term Care Insurance
      i. The educational services, consumer advocacy, and legal assistance provided
      ii. The program is administered by the Department of Aging and operated locally by Area Agencies on Aging
      iii. HICAPs provide assistance by phone or in person, some HICAPs can also provide legal assistance in regard to Medicare and Medi-Cal.
         1) Contact information for the local HICAP agencies can be found at: https://www.aging.ca.gov/ProgramsProviders/AAA/AAA_Listing.aspx

IV. Disability Income Insurance (4 questions (5 percent) on the examination)

IV.A. Individual Disability Income Insurance Underwriting, Pricing, Claims (4 questions (5 percent) on the examination)

1. Purpose of underwriting
   a. Prevention of adverse selection
   b. Properly classify risks
      i. Be able to differentiate between preferred, standard, and substandard risk classification
      ii. Underwriting responses to substandard risks
2. Process of underwriting
   a. Be able to identify the responsibility of the agent as the field underwriter
      i. Field underwriting prior to application
      ii. The agent's report

iii. Know that the insurers must not make unfair distinctions between individuals in underwriting for the risk of human immunodeficiency virus (HIV) and acquired immune deficiency syndrome (AIDS) (Cal. Ins. Code Section 799)
iv. Know that insurers may not unfairly discriminate on the basis of tests of a person's genetic characteristics (Cal. Ins. Code Section of 10146)
1) "Genetic characteristics" means any scientifically or medically identifiable gene or chromosome that is known to be a cause of a disease or disorder that is presently not associated with any symptoms of any disease or disorder (Cal. Ins. Code Section 10147(b))

b. Completing the application
i. The application must be completed accurately and truthfully to the best of the agent's ability
ii. Know that basic underwriting requirements will vary based on the company

c. Know that additional information may be required if an application reveals certain health conditions or other risk exposures
i. MIB Inc. (formerly "Medical Information Bureau") report
ii. Attending Physician's Statement (APS)
iii. Credit and/or inspection report
iv. Department of Motor Vehicle (DMV) report
v. Hazardous activity questionnaires (e.g., aviation, scuba diving, auto/boat/motorcycle racing)
vi. Additional medical testing (e.g., electrocardiogram (EKG), treadmill examination, physician examination)

3. Underwriting outcomes
a. Insurer
b. Insured
c. Agent

4. Be able to identify the following rate-making components:
a. Morbidity
b. Insurer expenses
c. Investment return
d. Benefit duration
i. Probationary period
ii. Elimination period

5. For disability income insurance, be able to identify:
a. The need for the coverage
b. Definitions of partial and total disability (including Social Security

definition) and eligibility requirements
c. The difference between occupational and nonoccupational coverage
d. Reasons for insurer limitations on coverage amounts
e. Purposes of and needs for long-term disability vs. short-term disability policies
i. Reasons why persons might need only one or both coverages

6. Be able to identify the uses of disability income:
a. Individual disability income policy
b. Business overhead expense policy
c. Business disability buyout policy
d. Group disability income policy
e. Key employee and partner policies

7. Be able to identify how and why each of the following applies to eligibility and/or rating factors to influence rating structures:
a. Age
b. Gender
d. Job classification
e. Avocations
f. Health (past and present)

8. Be able to identify the income tax liabilities on premiums and benefits for the participants and of sponsors of the following policies:
a. Group
b. Individual

9. Be able to identify each of the following provisions and/or riders for Disability Insurance:
a. Maximum and minimum benefits
b. Notice of claim
c. Automatic increase provision / future purchase provision
d. Own occupation vs. any occupation definitions of disability
e. Cost of living rider
f. Benefit period
g. Social insurance substitute (or supplement) rider
h. Benefit integration
i. Residual disability
j. Recurring disability
k. Rehabilitation benefit
l. Transplant benefit

V. Long-Term Care Insurance (4 questions (5 percent) on the examination)

V.A. Long-Term Care (Cal. Ins. Code Section 10231) (4 questions (5 percent) on the

examination)

1. Regarding long-term care insurance, be able to identify:
   a. Why this coverage might be needed (i.e. Medicare limitations, Medi-Cal eligibility)
   b. The standard levels of care
      i. Skilled nursing
      ii Intermediate nursing
      iii. Custodial or non-skilled nursing
      iv. Home care
      v. Community based services
   c. Places services are generally provided
      i. Nursing homes
      ii. Assisted living facilities
      iii. Residential care facilities for the elderly (RCFE)
      iv. Home setting, personal care
      v. Hospice care
      vi. Respite care
      vii. Adult day care centers
   d. The triggers for policy benefits - Activities of Daily Living (ADL), Cognitive Impairment or Alzheimer's disease
   e. Marketing standards and responsibilities including Health Insurance Counseling and Advocacy Program (HICAP) (Cal. Ins. Code Section 10234.95(c)(3))
   f. Available forms of LTC Coverage
      i. Individual and group policies
         1) Tax qualified
         2) Non-tax qualified
         3) California Partnership for Long-Term Care (22 Cal. Code Regs. Section 58056)
         4) Endorsement/rider to life or annuity policies
   g. Guaranteed renewability and rates
2. Consumer protection regarding long-term care insurance:
   a. Know the requirement for producers to complete LTC training prior to selling products (Cal. Ins. Code Section 10234.93)
   b. Be able to identify the provisions about duty of honesty, good faith, and fair dealing (Cal. Ins. Code Section 10234.8)
   c. Be able to identify the provisions about replacement of long-term care insurance unnecessarily (Cal. Ins. Code Section 10234.85)
   d. Be able to identify the disclosure requirements for cold lead advertising (Cal. Ins. Code Sections 10234.9(c) and 10234.93(b)(3))

e. Be able to identify the provisions about suitability standards (Cal. Ins. Code Section 10234.95)
   i. Know the requirements to complete a LTC Insurance Personal Worksheet
f. Be able to identify the provisions about replacement coverage (Cal. Ins. Code section 10234.97(a) and (b))
   i. Know the limitations on producer compensation for replaced policies