Addendum: for use with Washington Life and Health online ExamFX courses and study guide versions 24728en (Life) and 24729en (H), per exam content outline updates effective 3/1/2022.

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

New Exam Breakdowns for Life, Health, and Life and Health:

Washington Life Insurance
100 Questions
Time Limit: 2 hours, 30 minutes
Pass Score: 70%

Chapter	Percent of Exam
General Insurance Concepts	8%
Life Insurance Basics	13%
Types of Life Insurance Policies	14%
Life Insurance Policy Provisions, Options, and Riders	20%
Annuities	8%
Federal Tax Considerations for Life Insurance	4%
Washington Laws, Rules, and Regulations	33%

Washington Disability Insurance Examination
100 Questions
Time Limit: 2 hours, 30 minutes
Passing Score: 70%

Chapter	Percent of Exam
General Insurance Concepts	7%
Accidental and Health Insurance Basics	13%
Individual Accidental and Health Insurance Policy General Provisions	12%
Disability Income and Related Insurance	7%
Medical Plans	15%
Group Health Insurance	4%
Specialized Health Insurance for Qualified Individuals	6%
Federal Tax Considerations for Health Insurance	3%
Insurance Regulation	33%

Washington Life and Disability Insurance Examination
150 Questions
Time Limit: 3 hours, 15 minutes
Passing Score: 70%

Chapter	Percent of Exam
General Insurance Concepts	4%
Life Insurance Basics	7%
Types of Life Insurance Policies	8%
Life Insurance Policy Provisions, Options, and Riders	12%
Annuities	4%
Federal Tax Considerations for Life Insurance	2%
Accident and Health Insurance Basics	6%
Individual Accident and Health Insurance Policy Provisions	7%
Disability Income and Related Insurance	3%
Medical Plans	9%
Group Health Insurance	2%
Specialized Health Insurance for Qualified Individuals	3%
Federal Tax Considerations for Health Insurance	1%
Washington Laws, Rules, and Regulations	32%

LIFE

Types of Life Policies

G. Credit Life – *topic deleted from outline*

Federal Tax Considerations for Life Insurance

A. Taxation of Life Insurance and Annuities – *title change; added "and Annuities"*

1. Amounts Available to Policyowners

Withdrawals and Partial Surrenders

Universal life policies allow the **partial withdrawal (partial surrender)** of the policy cash value. However, there may be a charge for each withdrawal and there are usually limits as to how much and how often a withdrawal may be made. During the withdrawal, the interest earned on the withdrawn cash value may be subject to taxation, depending upon the plan. The death benefit will be reduced by the amount of any partial surrender. Note, however, that a partial surrender from a universal life policy is not the same as a policy loan.

Taxation of Nonqualified Annuities – *new topic*

A portion of each annuity benefit payment is taxable, and a portion is not. The portion that is nontaxable is the anticipated return of the principal paid in. This is known as the *cost base*. The portion that is taxable is the interest earned on the principal. This is known as the *tax base*.

Accumulation Phase Withdrawal

When money is withdrawn from the annuity *during the accumulation phase*, the amounts are taxed on a Last-In, First-Out basis (LIFO). Therefore, all withdrawals will be taxable until the owner's cost basis is reached. After all of the interest is received and taxed, the principal will be received with no additional tax consequences.

First-In, First-Out (FIFO) method applies to Life insurance only. The policyowner will receive their investment in the contract first before receiving any gains in the policy (or being taxed on those gains).

<u>Insurance Regulations</u> (LIFE AND HEALTH)

E. Federal Regulations

National Do Not Call List

In 2003, the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC) worked together to create the National Do Not Call Registry, allowing consumers to include their telephone numbers on the list to which solicitation calls cannot be made by telemarketers. Insurance companies need to comply with this regulation when making solicitation phone calls.

To comply with the telemarketing sales rules, telemarketers must not do any of the following:

- Call any number on the National Do Not Call Registry or on that seller's Do Not Call list;
- Deny someone a right to be placed on any Do Not Call Registry;
- Call outside permissible calling hours (before 8 a.m. and after 9 p.m.);
- Abandon calls;
- Fail to transmit caller ID information;
- Threaten or intimidate a consumer or use obscene language; or
- Cause any telephone to ring or engage a person in conversation with the intent to annoy, abuse, or harass the person called.

Some exceptions to the Do Not Call Registry include the following calls:

- From or on behalf of organizations which have established a business relationship with the consumer (established business relationships last 18 months from the date of a sale or transaction);
- For which the consumer has given prior written permission;
- Not commercial or that do not include unsolicited advertisements; and
- By or on behalf of tax-exempt nonprofit organizations.

To keep in compliance with the Do Not Call rules, organizations must consult the registry every 31 days. Any phone numbers on the registry must be dropped from the organization's call lists.

HEALTH

Accident and Health Insurance Basics

D. Producer Responsibilities

3. Policy Delivery

Premium Collection – *addition to existing text*

Premiums can be paid physically (by check or cash) or electronically. Payments submitted electronically are considered **electronic funds transfers (EFTs)** and are made through the **Automated Clearing House (ACH)**.

Disability Income and Related Insurance

A. Qualifying for Disability Benefits

Permanent Disability

A **permanent disability** is a mental or physical illness or a condition that affects a major life function long term. The phrase is used mainly regarding workers compensation and describes any impairment that remains after a worker has received medical treatment and has had time for optimum recovery (reached maximum medical improvement).

Permanent total disability refers to an individual's total inability to work ever again.

Medical Plan

F. Affordable Care Act

Essential Health Benefits

As mandated by the Affordable Care Act, all private health insurance plans offered in the Marketplace must provide the same set of essential health benefits. All health care plans must include at least the following **10 essential benefits**:

1. Ambulatory patient services;
2. Emergency services;
3. Hospitalization;
4. Pregnancy, maternity and newborn care;
5. Mental health and substance use disorder services, including behavioral health treatment;
6. Prescription drugs;
7. Rehabilitative and habilitative services and devices;
8. Laboratory services;
9. Preventive and wellness services and chronic disease management; and
10. Pediatric services, including oral and vision care.

Specialized Health Insurance for Qualified Individuals

Long-Term Care Policies – *new section*

Long-term care policies, which can be marketed in the form of individual policies, group policies, or as riders to life insurance policies, provide coverage for individuals who are no longer able to live an independent lifestyle and require living assistance at home or in a nursing home facility. Long-term care policies can vary in the number of days of confinement covered, the number of home health visits covered, the amount paid for nursing home care, and other contract provisions. They also must provide coverage for at least 12 consecutive months in a setting other than an acute care unit of a hospital.

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.

Benefit/Elimination Periods

Long-term care policies usually include an elimination (waiting) period similar to those found in disability income policies. Long-term care elimination periods may range from 0 to 365 days (make sure to check your state-specific requirement in the regulations section). The longer the waiting period, the lower the premium. Insurers usually give insureds an option to select the elimination period that best suits their needs. LTC policies also define the benefit period for how long coverage applies, after the elimination period. The benefit period is usually 2 to 5 years, with a few policies offering lifetime coverage. The longer the benefit period, the higher the premium will be.

Levels of Care

Generally, long-term care policies will cover 3 levels of care: skilled nursing care, intermediate care, and custodial care. In addition to these levels of care, the long-term care policy may provide coverage for home health care, adult day care, hospice care or respite care, all of which can be received at home.

Skilled Care – Skilled care is daily nursing and rehabilitative care that can only be provided by medical personnel, under the direction of a physician. Skilled care is almost always provided in an institutional setting. Examples of skilled care include changing sterile dressing and physical therapy given in a skilled nursing care facility. Care that can be given by nonprofessional staff is not considered skilled care.

Intermediate Care – Intermediate care is occasional nursing or rehabilitative care provided for stable conditions that require daily medical assistance on a less frequent basis than skilled nursing care. It is ordered by a physician, and skilled medical personnel would deliver or monitor this type of care. Intermediate care could be as simple as giving medication to a group in physical therapy once a day or changing a bandage. It may be carried out in a nursing home, an intermediate-care unit or in the patient’s home.

Custodial Care – Custodial care is care for meeting personal needs such as assistance in eating, dressing, or bathing, which can be provided by nonmedical personnel, such as relatives or home health care workers. Custodial care can be provided in an institutional setting or in the patient's home. In other words, it involves caring for a person's activities of daily living, and not hospital or surgical needs.

Federal Tax Considerations for Health Insurance

Personally Owned Health Insurance

Taxation of insurance benefits is often determined by whether or not the premiums were taxed.

Disability Income Insurance

Premium payments on personally owned disability income policies are **nondeductible** by the individual. However, disability **income benefits** are received **income tax free** by the individual.

Medical Expense and Long-Term Care Insurance

In **medical expense** insurance policies, unreimbursed medical expenses paid for the insured, the insured's spouse and dependents may be claimed as deductions if the expenses exceed a certain percentage of the insured's adjusted gross income. The law permits **deductions for unreimbursed expenses in excess of 7.5%** of the adjusted gross income (AGI).

This provision only applies if the insured itemizes these deductions on his/her tax return.

Insurance Regulations (HEALTH)

CAN-SPAM

CAN-SPAM legislation was established to set the rules for commercial e-mail, and to give recipients the right to reject commercial messages. CAN-SPAM covers all commercial electronic messages, including business-to-business messages, the purpose of which is the commercial advertisement or promotion of a product or service.

CAN-SPAM requires that any commercial email must contain an opt-out mechanism; all opt-out requests must be honored within 10 business days. To be in compliance with this legislation, the entity that sends out e-mails must do the following:

- Make sure that the advertiser is identified in the from line;
- Not use misleading subject lines;
- Include an opt-out mechanism and honor all opt-out requests within 10 days;
- Include the advertiser's valid physical postal address; and
- If the message is unsolicited, it must be identified as an advertisement somewhere in the e-mail.

Each violation of the above provisions is subject to fines of up to $16,000. On top of that is a penalty of $250 per each noncompliant e-mail, with a cap of $2 million dollars.

Privacy Protection (Gramm-Leach-Bliley)

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.