Addendum: for use with Montana Life and Health online ExamFX courses and study guide version 20276en/20277en, per exam content outline updates effective 3/2/2020.

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

LIFE AND HEALTH

Montana Statutes & Rules Common to All Lines

A. General Definitions

2. Types of Insurers

Domestic, Foreign, and Alien

A **resident domestic insurer** is an insurer incorporated under the laws of Montana and that has:

- At least **half of the individual policyholders** who are residents of this state (if a mutual company); and
- At least **half of the shares** owned by individuals who are residents of this state and all of the directors and officers of the insurer are residents of this state (if a stock insurer).

Fraternals

A fraternal benefit society may only pay commissions to licensed insurance producers of the society.

Authorized/Unauthorized Insurers

Reciprocal Insurer

Reciprocal insurance is insurance resulting from an interexchange among persons, known as subscribers, of reciprocal agreements of indemnity, that is effectuated through an attorney-in-fact common to all such persons.

A **reciprocal insurer** means an unincorporated aggregation of subscribers operating individually and collectively through an attorney-in-fact to provide reciprocal insurance among themselves.

C. Licensing Requirements

1. General Qualifications for Licensing

Producer Appointment

Termination of Appointment

An insurer may terminate an insurance producer's appointment at any time. The insurer must promptly — **within 30 days** — give written notice of the termination to the Commissioner and to the insurance producer. As part of the notice of termination, the insurer must file a statement of the facts relative to the termination and the cause of termination. The Commissioner may require reasonable proof that the insurer has given notice to the insurance producer.

Reporting Change of Address and Administrative Action

Licensed producers must notify the Commissioner in writing within **30 days** of a change of address or a change of business e-mail address, and the final disposition resulting in disciplinary action taken against or a conviction of the insurance producer in any state or federal jurisdiction or by another governmental agency in this state of any administrative action related to transacting insurance, and any criminal action, excluding traffic violations.

2. Types of Licenses

Consultant

Restrictions

No insurance consultant may recommend or encourage the purchase of insurance, annuities or securities from an authorized insurer in which the consultant or any member of their immediate family holds an executive position or holds a substantial interest.

D. Licensee Responsibilities

2. Fiduciary Capacity

All premiums received by an insurance producer must be held in a **separate trust account**. The insurance producer must at all times act in a fiduciary capacity and must account for and pay the insurance premiums or return premiums to the insured, insurer, or insurance producer entitled to them. A producer may deposit and commingle in the same separate deposit all funds belonging to others, as long as the amount of the deposit held for each respective person is reasonably ascertainable from the records and accounts of the licensee.

Any insurance producer not lawfully entitled to the funds may NOT divert or appropriate the funds or any portion of the funds to the insurance producer's own use.

E. Unfair Trade Practices

7. Unfair Discrimination

Note that in some types of insurance, such as Auto insurance, factors that an insurer may take into account to determine rates or policy premiums may include the **age** and the **geographic location** of the insurer. Discrimination based on these criteria would be permitted.

LIFE

Taxes, Retirement, and Other Insurance Concepts

E. Retirement Plans

2. Individual Qualified Plans – IRA and Roth IRA – *revised as follows per required minimum distribution rule change*

A Traditional **Individual Retirement Account (IRA)** allows individuals to make tax deductible contributions. Previously, individuals were allowed to contribute to the account until the age of 70 ½; however, the SECURE Act of 2019 removed the prior age limit for all contributions starting in tax year 2020. Plan participants are allowed to contribute up to a specified dollar limit each year, or 100% of their salary if less than the maximum allowable amount. Individuals who are **age 50 or older** are entitled to make additional catch-up contributions. A married couple could contribute a specified amount that is double the individual amount, even if only one person had earned income. Each spouse is required to maintain a separate account not exceeding the individual limit.

In traditional IRAs, the owner may **withdraw** the funds at any time. However, withdrawals prior to age 59 ½ are considered early withdrawals and are subject to a 10% additional tax. Starting at age 59 ½, the owner may withdraw assets without having to pay the 10% additional tax. However, the owner must start receiving distributions from the IRA at the age of 72 (the SECURE Act of 2019 raised the required minimum distribution age from 70 ½ to 72). Starting at age 72, the owner must receive at least a minimum annual amount, known as the **required minimum distribution (RMD)**.

The **Roth IRA** is a form of an individual retirement account funded with after-tax contributions. An individual can contribute 100% of earned income up to an IRS-specified maximum, as with traditional IRAs (the dollar amounts change every year). Roth contributions can continue regardless of the account owner's age, and in contrast with a traditional IRA, distributions do not have to begin at age 72 (previously 70½). Roth IRAs grow tax free as long as the account is open for at least 5 years.

HEALTH

Social Insurance

A. Medicare – *revised as follows per Medicare rule change*

4. Part D

Those who sign up for the standard Prescription Drug Benefit plan will have a monthly premium and a deductible. The monthly premium varies by plan. After the deductible is paid, the plan would provide prescription drug costs coverage until a benefit limit is reached. Most Medicare drug plans have a coverage gap, also called a "donut hole." The coverage gap begins after the beneficiary and the drug plan have spent a certain amount for covered drugs ($4,020 in 2020). In the coverage gap, the beneficiary is responsible for **25%** of brand name prescription drug costs, and **25%** of the plan's cost for covered generic drugs. Note that as of 2020, the donut hole for generic drugs has closed.

Once the beneficiary has met the plan's out-of-pocket cost requirements for the year *($6,350 in 2020)*, **catastrophic coverage** begins automatically. Catastrophic coverage will cover 95% of prescription drug costs. The beneficiary pays the greater of the specified amount or 5%. The cost limit for generic drugs would be lower than for name brand drugs.

B. Medicare Supplement Policies

Plans C, E, F, H, I and J are no longer available. These plans will remain in force for those insureds who purchased them when they were still available.

Montana Statutes, Rules, and Regulations for Disability (A&H) Only

A. Required Coverage and Provisions

You have already learned about **required uniform health insurance policy provisions** and their general characteristics. Below are some requirements that apply specifically in the state of Montana:

- **Entire contract** — The policy, application, and potential riders and amendments make up the entire contract, which must be agreed on and signed by both parties;
- **Time limit on certain defenses** — An insurer may not deny a claim due to statements on the application after the policy has been in force for **2 years**;
- **Grace period** — An insured is entitled to a grace period of **7 days** for weekly premium policies, **10 days** for monthly, or **30 days** for all other policies, in which the policy premium may be paid and remain in force;
- **Reinstatement** — A lapsed policy may be reinstated once an insured has paid an outstanding premium and an application for reinstatement has been approved or **45 days** have passed following a conditional receipt. A health insurance policy may only cover losses occurring no sooner than **10 days** after reinstatement. Outstanding premiums cannot exceed **60 days**, unless stated in the policy, until at least **age 50**;

- **Notice of claims** — Written notice of a claim must be submitted to an insurer within **6 months** of a loss;
- **Claim forms** — An insurer must furnish an insured with proof of loss forms within **15 days** of a notice of claim;
- **Proof of loss** — An insured must submit written proof of loss to an insurer, no later than **90 days** from the date of such loss;
- **Time of payment of claims** — An insurer must pay claim benefits immediately upon receiving proof of loss;
- **Payment of claims** — Indemnity for loss of life must be payable to a beneficiary or trust;
- **Physical examinations and autopsy** — an insurer may require the physical examination or autopsy of an insured whenever necessary during the pendency of a claim;
- **Change of beneficiary** — An insured has the right to designate beneficiaries at any time, unless a beneficiary is deemed irrevocable; and
- **Legal action** — No legal action may be brought against an insurer any sooner than **60 days** before or **3 years** after proof of loss.