



Life and Health Insurance

**Mississippi**

State Supplement



# Life and Health Insurance

Mississippi

Effective September 1, 2016

## State Law Supplement

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# Introduction

## What is a State Law Supplement?

This book focuses on the state-specific statutes and regulations on the state exam content outline. In order to be fully prepared for the exam, you must understand completely both the national License Exam Manual and this supplement.

## How is the supplement organized?

In order to make this book flexible and easy to use, we've divided it into four sections, and are each broken into topic areas as seen below.

Section	Topic Areas
<b>Cram Sheets</b> Cram sheets focus on very specific details for your state. The information is presented in an easy to understand table format primarily highlighting days, dates, and dollars.	■ General Insurance Law ■ Life Insurance Law ■ Health Insurance Law
<b>Class Notes</b> The class notes are meant to be a summary of the key topics in the law supplement, and are available to all students—classroom and self-study.	■ General Insurance Law ■ Life Insurance Law ■ Health Insurance Law
<b>Detailed Text</b> The text section is the most detailed section of the law supplement. All topics in your state's exam content outline law and regulations section are covered.	■ General Insurance Law ■ Life Insurance Law ■ Health Insurance Law
<b>Practice Exams</b> The practice exams test your retention of the law supplement material.	■ General Insurance Law ■ Life Insurance Law ■ Health Insurance Law

## Do I have to learn everything in this book?

Not necessarily! The table below shows the sections you should study depending on the exam you are preparing for.

State Exam	Sections to Study
Life and Health Insurance	General (All Lines), Life, and Health Insurance
Life Insurance Only	General (All Lines), and Life Insurance only
Health Insurance Only	General (All Lines), and Health Insurance only

## How should I study this information?

Below is a best study practice for the law and regulations section of your exam.

1. **Law Supplement Cram Sheet:** Your exam will probably ask about specific fine amounts or days' notice requirements (e.g., changing your address).
2. **Law Supplement Class Notes:** Reading the class notes exposes students to the majority of topics covered in the law supplement.
3. **Law Supplement Detailed Text:** Read this text for more in-depth descriptions of the state's insurance laws and regulations.
4. **Law Supplement Practice Exams:** There are two law supplement practice exams. One is in the back of the law supplement. State specific law questions can also be found in the InsurancePro™ QBank at [www.kaplanfinancial.com](http://www.kaplanfinancial.com).
5. In your final preparation for the exam take the time to again review the **cram sheet** and **class notes**. Use them as a last-minute refresher of the most important law and regulation testable topics.





# 1

## Cram Sheets

**HOW TO USE:** In your final preparations for your insurance exam use this cram sheet to memorize key days, dates, and dollars. A suggested technique is to cover the left hand column; read the right hand column; then uncover the left hand column to reveal the correct answer.

# MISSISSIPPI LAWS AND REGULATIONS PERTAINING TO LIFE, ACCIDENT, AND HEALTH INSURANCE

<b>Commissioner</b>	
4 years	The Commissioner is elected to a term of ___ years.
10 days	The Commissioner must give notice ___ days before a hearing for unfair trade practices or unfair method of competition.
30 days	<b>Rate filings</b> Rates and forms must be filed at least ___ days before proposed effective date.
\$5,000	If not otherwise provided in the insurance code, the maximum per violation penalty for violating the Mississippi insurance code
<b>Mississippi Life and Health Insurance Guaranty Association</b>	
\$300,000	The Association's maximum liability is as follows: ■ Life insurance death benefits for any one life ■ Life insurance cash surrender values ■ Annuity benefits ■ Disability insurance ■ Long-term care insurance ■ Basic hospital, medical, and surgical, and major medical insurance ■ Other health insurance policies
\$100,000	
\$250,000	
\$300,000	
\$300,000	
\$500,000	
\$100,000	
<b>Licensing</b>	
Age 18	Minimum age to obtain a producer's license
180 days	The Commissioner may issue a <b>temporary producer</b> license for a maximum of ___ days to a surviving spouse, business partner, or employee if a producer dies, becomes disabled, or is called to active military service.
20 hours	<b>Prelicensing education requirements</b> ■ ___ hours for life insurance licensing applicants ■ ___ hours for health insurance licensing applicants
20 hours	
15 days	<b>Appointment of producer</b> An insurer must file a notice of appointment within ___ days of the agency contract date or first insurance application.
30 days	<b>Termination of appointment</b> An insurer that terminates an appointment must notify the Commissioner within ___ days of terminating a producer.
\$1,000	Civil penalty may be up to \$___ per violation of producer licensing statutes.
2-year	Producer licenses are effective for a ___-year term.
24 hours	<b>Continuing education (CE)</b> credits required every two years ■ Includes ___ hours on ethics
3 hours	
30 days	Time frame to report change of address, administrative actions, or criminal charges to the Commissioner
35%	A licensee may be deemed to violate controlled business statutes if commissions from controlled business exceed ___% of the aggregate commissions on all business written in a 24-month period.
<b>Penalties</b>	
<b>Civil penalties for unfair competition, act, or practice</b>	
\$5,000	Up to \$___ fine per violation
\$1,000	Up to \$___ fine for each willful violation of a cease and desist order

## MISSISSIPPI LAWS AND REGULATIONS PERTAINING TO LIFE INSURANCE ONLY

Replacement	
5 years	Replacing insurers must maintain copies of the replacement notices for at least ___ years or until the conclusion of the next regular examination conducted by the insurance department of its state of domicile, whichever is later.
30 days	Right to return ( <i>free-look</i> ) period on replacement transactions
Life Insurance Policy Requirements	
Age 15	Age that a minor is deemed competent to enter into a contract of life or disability insurance on the minor's own life
8%	Policy loan fixed interest rates may not exceed ___% interest per year.

## MISSISSIPPI LAWS AND REGULATIONS PERTAINING TO ACCIDENT AND HEALTH INSURANCE ONLY

4 years	Advertising records must be kept either for ___ years or until the filing of the next examination report, whichever is longer.
Health Insurance Policy Requirements	
31 days	<b>Coverage for newborns</b> ■ Insurer must be notified within ___ days of a child's birth. ■ Premium for newborn must be paid no later than ___ days after the insurer mails the premium notice.
30 days	
30 days	<b>Notice of claim</b> ( <i>Mississippi differs from NAIC Model Law</i> ) ■ Notice of a health claim must be given to the insurer within ___ days.
25 days	<b>Prompt pay</b> ■ ___ days for clean electronic claim ■ ___ days for clean paper claim
35 days	
Long-Term Care Insurance	
25%	A taxpayer is allowed a Mississippi income tax credit in an amount equal to ___% of the qualified long-term care insurance policy premium paid during the taxable year. The tax credit shall not exceed \$___.
\$500	
Patient Protection and Affordable Care Act (PPACA)	
60%	<b>Health Insurance Marketplace four levels of coverage (tiers)</b> Bronze plans cover ___% of medical expenses. Silver plans cover ___% of medical expenses. Gold plans cover ___% of medical expenses. Platinum plans cover ___% of medical expenses.
70%	
80%	
90%	
<i>One, Mississippi</i> <sup>TM</sup> [Small Business Health Options Program (SHOP) marketplace]	
50	Employer must have ___ or fewer full-time employees.





# 2

## Class Notes

**HOW TO USE:** The class notes are an excellent place to start when studying the state specific laws and regulations. The class notes are a summary of the key law supplement topics. For some students the class notes may be their primary section to study the law and regulation exam material.

**MISSISSIPPI LAWS, RULES,  
AND REGULATIONS**

LIFE, ACCIDENT, AND SICKNESS  
INSURANCE

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**Commissioner of Insurance**

- The Commissioner is elected by Mississippi citizens.
- The Commissioner's powers and duties include:
  - conducting investigations and examinations;
  - making reasonable rules and regulations;
  - issuing orders and notices;
  - issuing insurance licenses and certificates of authority;
  - imposing penalties—including fines, suspensions, and revocations; and
  - approving insurance policy forms and rates.

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**Insurer Examinations**

- As often as needed, the Commissioner may examine an authorized insurance carrier's financial condition and compliance with the state insurance laws.

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### Insurer Examinations

- During examinations or hearings, the Commissioner has the authority to:
  - take depositions;
  - subpoena witnesses;
  - administer oaths;
  - examine individuals under oath; and
  - compel the production of records, books, and papers.

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### Notice of Hearings

- If it appears to be in the public's best interest, the Commissioner may issue a statement of charges against any person believed to be engaged in an unfair practice or method of competition.
- The statement must include notice of a hearing to be held no earlier than 10 days after the notice is served.

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### Rate Regulation

- Insurance rates are regulated to protect the public interest by prohibiting rates which are:
  - excessive;
  - inadequate; or
  - unfairly discriminatory.
- Risks may not be classified based on race, color, creed, or national origin.

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### General Penalty

- For violation of the Mississippi insurance laws where no other penalty is specified, the offender will be guilty of a misdemeanor and, on conviction, will be punished by a fine of not more than \$5,000.

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### Guaranty Association

- **Life and Health Guaranty Association**—The purpose of the Association is to protect policyowners and beneficiaries against insurers who become financially impaired or insolvent.
- Insurers and producers may not use the existence of the Association for the purpose of selling any form of insurance covered by the Association.
- Mississippi-authorized life and health insurers must be members of the Association.

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### Guaranty Association

- The association's maximum liability, regardless of the number of policies, is as follows:
  - \$300,000 in life insurance death benefits
  - \$100,000 in cash surrender values for life insurance
  - \$250,000 in the present value of annuity benefits
  - \$500,000 in basic hospital, medical, and surgical insurance, or major medical
  - \$300,000 for disability income insurance
  - \$300,000 for long-term care insurance
  - \$100,000 for health insurance not listed above

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### Producer License Requirements

- Be at least 18 years old
- Have not committed any act that is a ground for denial, suspension, or revocation of a license
- Complete the prelicensing education requirement
- Complete the application and pay the required fee
- Pass the licensing examination(s) for the line(s) of authority for which the individual has applied

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### Business Entity License

- A business entity acting as an insurance producer must obtain an insurance producer's license.
- The entity must:
  - file a uniform business entity application with the Commissioner and pay the required fee; and
  - designate an individual licensed producer who will be responsible for the entity's compliance with insurance laws and regulations.

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### Partnerships

- Producer licenses are not issued to partnerships unless all partners individually satisfy the requirements for producer licensing.

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### Adjuster

- Generally, an insurance adjuster must be licensed.
- A licensed adjuster investigates or adjusts losses on behalf of either an insurer or a self-insured entity.

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### Limited Lines Producer

- A **limited lines producer** is a person authorized by the Commissioner to sell, solicit, or negotiate limited lines insurance, including the following:
  - Industrial fire
  - Surety
  - Title
  - Travel, trip accident, and baggage
  - Car rental
  - Crop
  - Industrial life or accident and health insurance

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### Limited Lines Credit Producer

- A **limited line credit insurance producer** is a person who sells, solicits, or negotiates one or more forms of limited line credit insurance, including:
  - credit life and disability;
  - credit property;
  - credit unemployment and involuntary unemployment;
  - mortgage life, mortgage guaranty, and mortgage disability; and
  - guaranteed automobile protection (GAP) insurance.

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### Nonresident License

- The Commissioner may issue an insurance producer's license to qualified nonresident producers.
- The person must be currently licensed and in good standing in his resident state.
- The person must submit the proper application and applicable fees.
- The person's home state must award insurance producer licenses to producers of this state on the same basis (a reciprocal agreement).

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### Nonresident License

- Nonresident producers moving to this state from a reciprocal state who apply for resident license within 90 days of cancellation of previous state license are exempt from the licensing exam requirement.

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### Temporary Producer License

- The Commissioner may issue a temporary producer license for up to 180 days without requiring an examination if necessary for the servicing of an insurance business in the following cases:
  - Death or disability of the licensed producer
  - Active military service of the licensed insurance producer
- The temporary license may be issued to a spouse, executor, employee, or other designee.

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### Prelicensing Education

- 20 hours for life insurance producers
- 20 hours for accident and health insurance producers
- 20 hours for property insurance producers
- 20 hours for casualty insurance producers

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### Appointment of Producers

- An individual producer acting as an agent of an insurer must be appointed by the insurer.
- The appointing insurer must file a notice of appointment with the Commissioner within 15 days from the date the agency contract is executed or the first insurance application is submitted.
- The insurer is required to pay appointment renewal fees.

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### Appointment Termination

- When an insurance company terminates its relationship with a producer, the company must notify the Commissioner within 30 days of the date the insurer terminated its agency relationship with the producer.
- The company must also notify the producer that the producer's appointment has been cancelled.

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### Suspension or Revocation

- The Commissioner can place on probation, suspend, revoke, or refuse to issue or renew the license of a producer who:
  - provided incorrect, misleading, incomplete, or materially untrue information in the license application;
  - violated any law, rule, regulation, subpoena, or order of the Commissioner or of another state’s Commissioner;
  - obtained a license by fraud or misrepresentation;
  - cheated on a licensing exam;
  - failed to pay child support;
  - failed to pay state income tax;

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### Suspension or Revocation

- The Commissioner can place on probation, suspend, revoke, or refuse to issue or renew the license of a producer who (continued):
  - misappropriated any monies or properties received in the course of doing insurance business;
  - intentionally misrepresented the terms of an insurance contract or application for insurance;
  - was convicted of a felony;
  - admitted to or was found to have committed any insurance unfair trade practice;

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### Suspension or Revocation

- The Commissioner can place on probation, suspend, revoke, or refuse to issue or renew the license of a producer who (continued):
  - used any fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness, or financial irresponsibility in the conduct of business;
  - had an insurance producer license denied, suspended, or revoked in any other state;
  - forged another person’s name in an insurance transaction; or
  - knowingly accepted insurance business from an unlicensed individual.

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### Suspension or Revocation

- A business entity license may be suspended, revoked, or refused renewal if the Commissioner finds:
  - that an individual licensee's violation was known or should have been known by any partner, officer, or manager of the entity;
  - the violation was not reported to the Commissioner; and
  - the business entity did not take any corrective action.

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### Hearings and Penalties

- For the previously mentioned violations that may result in suspension or revocation, the Commissioner may also levy a civil penalty of up to \$1,000 per violation.
- If action is taken against an applicant or licensee, the applicant or licensee may request, within 10 days, a hearing to determine the reasonableness of the Commissioner's action.
  - The hearing must be held within 30 days.

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### License Renewal

- An insurance producer's license expires every 24 months (biennially) on the last day of the licensee's birth month.

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### Continuing Education (CE)

- To renew the producer's license, the producer must complete 24 hours of CE every two years.
  - Three hours must be in ethics.

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### Maintaining a License

- **Change of name or address**
  - Must notify Commissioner in writing within 30 days

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### Reporting of Actions

- A producer or insurer must report to the Commissioner any **administrative action** taken against the producer in another jurisdiction or by another governmental agency in this state or any **criminal prosecution** in any jurisdiction within **30** days of the action.
- The report must include copies of any relevant legal documents.

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### Unfair Trade Practices

- **Rebating**—Offering valuable consideration, other than that which is offered in the contract, as an inducement to purchase a policy is illegal.
  - Rebating includes kickbacks of commission, extraordinary gifts, payment of consulting fees, or offering to pay the insured’s premium.
- **False financial statements**
  - Deliberately making false financial statements regarding the solvency of an insurer with the intent to deceive others

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### Unfair Trade Practices

- **Misrepresentation**—It is illegal to make any written or oral statement, sales presentation, or comparison that:
  - misrepresents the dividends, benefits, advantages, conditions, or terms of any policy;
  - uses a name of any insurance policy that misrepresents its true nature; and
  - is a misrepresentation for the purpose of inducing the lapse, forfeiture, exchange, conversion, policy loan, or surrender of any insurance policy.

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### Unfair Trade Practices

- **Twisting**—The illegal replacement practice of misrepresenting a policy to induce a policyholder to lapse, forfeit, or surrender an existing policy and purchase a new policy from a different insurer.

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**Unfair Trade Practices**

- **Unfair Discrimination**—It is illegal to:
  - unfairly discriminate between individuals of the same class and equal life expectancy in the rates, dividends, benefits, or terms of any life or life annuity contract;
  - unfairly discriminate between neighborhoods within a municipality and of essentially the same hazard; or
  - use sexual orientation in the underwriting process or in the determination of insurability.

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**Credit Scoring**

- An insurer may not deny a consumer insurance solely on the basis of credit information.
- Insurers who use credit information must also consider other underwriting factors independent of credit information when deciding whether to offer coverage.

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**Unfair Trade Practices**

- **False advertising**—It is illegal for any producer to formulate or use an advertisement or statement which is untrue, deceptive, or misleading regarding any insurance company or persons associated with that company.
- **Defamation**—Making any statement, written or oral, which is false or maliciously critical of the financial condition of an insurance company or a producer representing that company is illegal.

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### Unfair Trade Practices

- **Boycott**  
– A group that avoids a certain company or producer to steer business to another company or producer
- **Coercion**  
– Forcing a person to buy insurance through a particular company or producer
- **Intimidation**  
– Use of words or actions to make a consumer buy insurance from a producer or company

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### Unfair Trade Penalties

- If, after a hearing, the Commissioner determines that the person has engaged in unfair competition or a deceptive practice, the Commissioner may serve the person with an order to cease and desist from engaging in the practice.
- In lieu of or in addition to the cease and desist order, the Commissioner may impose an administrative fine of up to \$5,000 per violation.

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### Cease and Desist Orders

- Anyone who willfully violates a cease and desist order will be subject to a fine of up to \$1,000 for each violation and license suspension or revocation.

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**Fiduciary Responsibility**

- A fiduciary responsibility is one of special trust and confidence in which a person is entrusted with the funds of another person.
- All premiums belonging to insurers and insureds received by a producer are held in a fiduciary capacity.

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**Reply to the Commissioner**

- The Commissioner is empowered to investigate and make inquiries of anyone engaged in the insurance business in Mississippi.
- Producers are required to reply promptly to any inquiry from the Commissioner.

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**Commissions**

- An insurer or a producer may not pay a commission or a fee to a person for selling insurance if the person is required to be licensed and the person is not licensed.
  - A person may not accept a commission if not properly licensed.
- Renewal or deferred commissions may be paid to a person who was licensed at the time of the sale but is no longer licensed.

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### Charges for Extra Services

- Producers are not allowed to charge consumers for services normally performed in the course of soliciting, selling, or negotiating insurance.

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### Referral Fee

- Agents are permitted to pay a referral fee to an unlicensed employee of the agent for referring a prospective insured to the agent.
- The referral fee must be a one-time nominal payment of a fixed dollar amount for each referral.
  - The payment of the fee must not depend on whether the referral results in a sale of any insurance products.
  - Also, the referral fee may not be based on a percentage of any premiums or commissions collected by the agent.

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### Controlled Business

- **Controlled business** is the sale of an insurance product by an agent on the agent's own life, on the life of a family member, or on the life of an employee of the agent or family member.
  - A violation may be deemed to be probable if during any 24-month period, aggregate commissions on controlled business have exceeded 35% of the aggregate commissions accruing to the agent.
  - The Commissioner will not grant or renew any license if he discovers it is being used to write controlled business.

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**MISSISSIPPI STATUTES,  
RULES, AND REGULATIONS**

LIFE INSURANCE

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**Replacements**

- *Replacement* is any transaction in which life insurance or an annuity is to be purchased and, as part of the transaction, existing life insurance is to be:
  - lapsed, surrendered, forfeited, or otherwise terminated;
  - converted to reduced paid-up insurance or extended term insurance;
  - amended to reduce benefits or term of coverage;
  - reissued with a reduction in cash value; or
  - subjected to borrowing of the policy cash value.

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**Replacements**

- All producers who initiate replacement applications must:
  - submit a *Notice Regarding Replacement* signed by both the producer and the applicant to the replacing insurer;
  - submit a list of all existing life insurance to be replaced; and
  - leave a copy of all communications used in the replacement presentation with the policy owner.

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## Replacements

- Insurers must provide a 30-day **free-look** on replacements.
- **Recordkeeping requirements**—A replacing insurer must keep copies of the notification regarding replacement, indexed by producer, for at least five years or until the next regular examination by the insurance department of a company’s state of domicile, whichever is later.

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## Minors

- Any minor age 15 or older may contract for life, health, and accident insurance on his own life for the benefit of anyone who has an insurable interest in the minor’s life.

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# MISSISSIPPI STATUTES, RULES, AND REGULATIONS

ACCIDENT AND HEALTH INSURANCE

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**Advertising Regulations**

- The purpose is to ensure clear and truthful disclosure in all material advertising accident and health insurance.
- The insurer is responsible for all advertisements.

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**Advertising Regulations**

- **Health insurance advertisements may not:**
  - omit material information;
  - use statements that are misleading or deceiving;
  - present information in a confusing manner;
  - use phrases to exaggerate benefits beyond terms of policy; or
  - imply that insurer is endorsed by state or federal government.

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**Advertisements**

- Advertising material includes the following:
  - Printed or audiovisual material, direct mail, newspapers, magazines, television scripts
  - Sales presentations and materials for use by sales agents
- Advertising material does not include to the following:
  - Communications within an organization not intended for the public
  - General communications with policyholders

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### Advertising Regulations

- Advertisements must be truthful and not misleading.
- They may not imply that policy dividends are guaranteed.
- They cannot use terms to make prospects believe they are receiving something more than what policy actually states.
- They must provide full and accurate disclosure of all pertinent information.

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### Testimonials

- Testimonials used in advertisements must be genuine and represent the current opinion of the author.
- If a person is compensated for making a testimonial, this must be disclosed in the advertisement.

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### Dependent Coverage

- **Newborn children**—All health insurance policies that provide family coverage must provide coverage for the insured's newborn child from the moment of birth.
  - If payment of a specific premium is required to provide coverage for a child, the policy may require that the insured:
    - notify the insurer within 31 days of the child's birth; and
    - pay any required premium no later than 30 days after the insurer mails the premium notice.

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**Pregnancy**

- A group hospital, health, or medical expense insurance policy preexisting condition exclusion provision may not apply to a pregnancy existing on the effective date of coverage.

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**Mammography/Prostate Exam**

- Health insurers must offer in each group or individual policy coverage for annual breast cancer screenings by low-dose mammography for all women age 35 or older and prostate screenings for men age 50 and older.

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**Diabetes**

- Individual and group health insurance policies must offer coverage for diabetes treatments, including equipment, supplies used in connection with the monitoring of blood glucose and insulin administration, self-management training/education, and medical nutrition therapy.
  - These requirements do not apply to accident-only, specified disease, hospital indemnity, Medicare supplement, long-term care, or other limited benefit health insurance policies.

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### Notice of Claim

- In Mississippi, written notice of a claim must be given to the insurer within 30 days after the loss, or as soon thereafter as is reasonably possible.
  - **NOTE:** Mississippi's notice of claim provision differs from the NAIC model law described in the Kaplan license exam manual and online course. The NAIC model law requires notice of a claim within 20 days after a loss.

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### Prompt Pay

- Like many states, Mississippi has enacted a "prompt pay" policy that requires "clean" (undisputed) claims to be paid within a certain period of time.
- In Mississippi, a clean electronic claim must be paid within 25 days, and a clean paper claim must be paid within 35 days.
- If the claim is not paid within that time, the payee is entitled to collect interest on the payable amount at the rate of 1.5% per month.

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### Utilization Review

- In Mississippi, entities that perform utilization review must be certified as competent.
- Health insurers proposing to issue a group or blanket health insurance policy or administer a health benefit program that includes utilization review of hospital and medical benefits must either:
  - be certified as required by law; or
  - contract with a private review agent who is certified.

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**Tax Credit for LTC Premiums**

- A taxpayer is allowed a Mississippi income tax credit in an amount equal to 25% of the qualified long-term care insurance policy premium paid during the taxable year.
- The tax credit will not exceed \$500 or the taxpayer's income tax liability, whichever is less, for each qualified long-term care insurance policy.

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**Tax Credit for LTC Premiums**

- No tax credit is allowed under this section with respect to any premium for qualified long-term care insurance either:
  - deducted or subtracted by the taxpayer in arriving at the net taxable income; or
  - any qualified LTC premiums that were excluded from the net taxable income.
- Coverage must be for either the individual, the individual's spouse, the individual's parent or parent-in-law, or the individual's dependent.

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**One, Mississippi™**

- Mississippi individuals and families have access to the federal health insurance marketplace.
- For small businesses, Mississippi has a Small Business Health Options Program (SHOP) marketplace called *One, Mississippi™*.

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### One, Mississippi™

- To participate in *One, Mississippi™*, the employer must:
  - have 50 or fewer full-time employees; and
  - attest to offering coverage to all full-time equivalent employees who average 30+ hours worked per week.
- The employer may also offer coverage to part-time employees.

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# 3

## Detailed Text

**HOW TO USE:** All state specific topics in your state's exam content outline law and regulation section are covered in this detailed text. Students are encouraged to read the text for in-depth descriptions of the state's insurance laws and regulations. In addition, some topics are not covered in the Cram Sheets and Class Notes, and are only covered in the Detailed Text.

# I. MISSISSIPPI LAWS AND REGULATIONS PERTAINING TO LIFE, ACCIDENT, AND HEALTH INSURANCE

## A. COMMISSIONER

### 1. Broad powers [83-1-1, 3, 15; 19-1-15]

- a. In Mississippi, the Commissioner of Insurance is responsible for executing the state's insurance laws. The Commissioner regulates all insurance companies and their agents doing business in Mississippi.
- b. The chief officer of the Insurance Department is the Commissioner of Insurance, who is elected by the people for a term of four years. Before taking office, the Commissioner must take an oath of office and furnish a \$25,000 bond, which guarantees the faithful performance of the duties of the office, and which will otherwise be forfeited. In Mississippi, the Insurance Commissioner also serves as State Fire Marshal.
- c. The Commissioner of Insurance must not in any way be connected with the management or control of any company, corporation, or association affected by the Insurance Code. If the Commissioner does become connected with or interested in any company, corporation, or association, which is or will be affected by the Insurance Code, the Commissioner's term of office will immediately cease.
- d. The Commissioner has the duty and authority to:
  - 1.) grant or withhold certificates of authority, certificates of compliance, and licenses;
  - 2.) approve policies, proxies, and advertising material;
  - 3.) conduct hearings on rates and other matters affecting the regulation of the insurance industry in Mississippi;
  - 4.) administer and collect surplus lines premium taxes;
  - 5.) receive and examine (at least annually) reports and financial statements from all insurance companies authorized to do business in Mississippi; and
  - 6.) prepare and present an annual report to the governor each year by May 1. That report contains:
    - a review of the official acts taken by the Commissioner;
    - an evaluation of the condition of insurance companies doing business in Mississippi;
    - a summary of insurers' financial reports filed with the Commissioner;
    - a list of the licenses issued by the Commissioner;
    - a record of the taxes received by the Commissioner's office; and
    - recommendations by the Commissioner for changes in the laws that affect the Department of Insurance.

## **2. Examination of records [83-5-37, 79]**

- a.** The Commissioner has the authority to examine and investigate the affairs of all parties engaged in the insurance business in Mississippi to determine whether they are participating in any deceptive practice or unfair method of competition.
- b.** The Commissioner must also conduct an investigation whenever a citizen of Mississippi files a complaint charging that an insurance company has violated any provisions of the insurance code.
- c.** The Commissioner may also:
  - examine the insurer's books, records, and documents; and
  - question the company's officers and agents under oath.

## **3. Notice of hearings [83-5-39]**

- a.** If it appears to be in the public's best interest, the Commissioner may issue a statement of charges against any person believed to be engaged in an unfair practice or method of competition.
- b.** The statement must include notice of a hearing to be held no earlier than 10 days after the notice is served.
- c.** At the hearing, the person charged will have the opportunity to be heard and show cause why the Commissioner should not issue an order to cease and desist from the practice. Formal rules of pleading and evidence are not required at the hearing.
- d.** During the hearing, the Commissioner has the power to:
  - administer oaths;
  - examine and cross-examine witnesses;
  - receive oral and documentary evidence;
  - subpoena witnesses; and
  - require the production of books, papers, records, correspondence, and any other documents relevant to the inquiry.
- e.** The Commissioner may seek a court order requiring anyone to comply with a subpoena. Failure to obey the order may be punishable as contempt of court.

## **4. Rates and forms [83-2-3, 7, 9, 11]**

### **a. Principles of rate regulation**

- 1.)** Generally, property and casualty insurance rates are regulated to protect the public interest by prohibiting rates which are:
  - excessive;

- inadequate; or
  - unfairly discriminatory.
- 2.) Excessive rates would be unfair to consumers, inadequate rates might lead to insurance company insolvency, and unfairly discriminatory rates would be a violation of public policy. Under Mississippi law, a rate is excessive if it is likely to produce a profit that is unreasonably high for the insurance provided, or if the expense provision in the rate is unreasonably high in relation to the services rendered. A rate is inadequate if it threatens the solvency of the insurance company or tends to create a monopoly. Unfair discrimination exists if price differentials fail to reflect equitably the differences in expected losses and expenses.
  - 3.) Insurers may discriminate between different types and classes of risks, but are not permitted to unfairly discriminate between risks of the same classification and hazards insured against. Rates will not be deemed to be unfairly discriminatory if different premiums result for policyholders with like exposures but different expenses, or like expenses but different exposures.
  - 4.) When establishing rates, the law does allow insurers and groups of insurers to consider past and prospective loss and expense experience, and the individual expense systems that reflect actual operating methods.

#### **b. Prior approval required**

- 1.) Mississippi is a “prior approval” state, which means that rates must be filed with the Insurance Commissioner before they may be used. In determining whether rates comply with the standards, the following criteria will be applied.
  - Rate makers must consider past and future loss, and expense experience both within and outside of Mississippi.
  - Risks may be classified in any reasonable way for the establishment of rates, except that no risks may be grouped by classification based on race, color, creed, or national origin.
  - Rates may be modified according to plans or schedules which provide for variation in hazards, expenses, or both.
  - The systems of expense provisions included in rates may reflect the operating methods of the filing insurer and need not conform to systems filed by other insurers or groups of insurers.
  - Any homeowners policy that offers a percentage deductible for the peril of windstorm must offer a buy-back provision for that deductible that is actuarially sound.
- 2.) Every insurer is required to file all rates, supplementary rate information, policy forms, and endorsements with the Commissioner at least 30 days before the proposed effective date. Filings may also be made by a rate service organization designated by an insurer to act on its behalf. The



proposed effective date must be stated in each filing. The filing may be considered approved 30 days after the date of filing if the Commissioner has not disapproved it.

The Commissioner has the power to delay the effective date of a filing if it does not conform with established procedures or if it is not justified.

- c. Disapproval of rates** The Commissioner will disapprove a rate or policy form upon finding that the rate is unjustified, or that the form or endorsement is in violation of the Code or does not comply with requirements in any respect. Upon disapproval of a filing, the Commissioner will issue an order specifying in what respect the filing fails to meet requirements. The insurer or rate organization will be given a hearing upon written request made within 30 days after the disapproval order.

## 5. Penalties [83-5-85]

- a.** For violation of the Mississippi insurance laws, the penalty whereof is not specially provided, the offender shall be guilty of a misdemeanor and, on conviction, shall be punished by a fine of not more than \$5,000 in addition to any other specific penalties for that violation.
- b.** The Commissioner may also require violators to pay the investigation expenses.

## 6. Unlicensed activities [83-17-19]

- a.** Any person who, either as principal or agent or pretending to be such, solicits, examines, or inspects any risk, examines into, adjusts, or aids in adjusting any loss, receives, collects, or transmits any premiums of insurance, or does any other act in the soliciting, making, or executing of any contract of insurance of any kind other than permitted under Mississippi law is guilty of a misdemeanor.
- b.** This person may be fined not less than \$200 or more than \$500, be imprisoned not less than one nor more than two years, or both.

## B. TERMS AND CONCEPTS

- 1. Insurance** A good definition of insurance includes the following elements:
- A mechanism by which a group of people who are fairly equally exposed to the same risks
  - Shift the risk to the insurer
  - In return for consideration (premium)
- 2. Insurer (insurance company) [83-5-1]** An **insurance company** is any domestic or foreign corporation, indemnity or guaranty company, partnership, fraternal order, association, or individual that transacts insurance business.
- 3. Transaction** An insurance transaction includes any of the following actions in regard to a contract of insurance:
- Soliciting

- Selling
- Advertising
- Taking or transmitting applications
- Receiving or delivering policies
- Receiving, paying, collecting or transmitting a premium
- Any other act involved in making or consummating an insurance contract

#### **4. Authorized and unauthorized (admitted and nonadmitted insurers)**

##### **a. Certificate of authority [83-5-15, 71]**

- 1.) The certificate of authority is an insurance company's license to transact business in Mississippi.
- 2.) It certifies that the company has complied with the requirements of the Mississippi insurance laws and that it is admitted (authorized to transact business) in the state.
- 3.) Companies must pay the required licensing fees and meet the capital requirements for each type of insurance they plan to market.
- 4.) Certificates of authority must be renewed annually, on or by June 1.

##### **b. Revocation of certificate of authority [83-5-17, 21, 83]**

The Commissioner may suspend or revoke an insurance company's certificate of authority if:

- after a 30-day notice has been issued, the company continues to violate (or fail to comply with) any applicable provisions of the insurance code (in which case, the company must wait at least one year before applying to renew its license, and only then if it is in compliance with the provisions of the law);
  - the company's financial condition is unsound;
  - the company's assets in excess of liabilities are less than the amount of its original capital or the unimpaired funds required; or
  - a judgment rendered against the company by any court in Mississippi has not been satisfied within 90 days after it has become final (the company cannot renew its license until at least three years after the date of revocation, and then only if the judgment has been satisfied).
- 1.) The Commissioner may, in lieu of or in addition to suspending or revoking an insurance company's certificate, assess an administrative fine of up to \$5,000 per violation. Fines are deposited in the state treasury.

## 5. Domestic, foreign, and alien [83-5-5]

- a. Insurance companies are also classified in different ways according to where they are incorporated or formed as legal entities. The Mississippi Insurance Code distinguishes between two types of insurers based on place of origin.
- b. A domestic insurer is one that has been incorporated or formed in Mississippi under the Laws of Mississippi.
- c. A foreign insurer is one that has been incorporated or formed under the laws of any other state or government, and whose home office is not located in Mississippi. Reference to a foreign company includes companies formed in any other state of the United States and companies formed outside of this country.
- d. In some states, the term alien insurer means an insurer which is formed outside of the United States. However, the Mississippi Insurance Code uses the term foreign insurer to refer to those formed in other states or US jurisdictions and those formed outside of the country.

## 6. Mississippi Life and Health Insurance Guaranty Association

### a. Mission [83-23-203]

- 1.) The Association's mission is to protect policyowners, insureds, and beneficiaries of life and health insurance and annuity contracts issued by member insurers who become insolvent (placed under a liquidation order by the court) or otherwise unable to perform their contractual obligations.
- 2.) The Association assesses its members for the funds to pay benefits and meet its other responsibilities.

### b. Membership [83-23-209, 211]

- 1.) All life and health insurers that hold certificates of authority to transact a business in Mississippi (including insurers whose licenses or certificates of authority have been suspended, revoked, voluntarily withdrawn, or not renewed) must be members of the Association.
- 2.) The following are not members of the Association:
  - Nonprofit and for-profit hospital or medical service organizations
  - Health maintenance organizations
  - Fraternal benefit societies
  - Mandatory state pooling plans
  - Mutual assessment companies
  - Insurance exchanges
  - Any similar entity

## **c. Who is covered?**

### **1.) Policyowners [83-23-205]**

- a.)** The Association protects policyowners who are Mississippi residents.
- b.)** It also covers nonresidents of Mississippi who meet all of the following conditions.
  - Their policies were issued by insurers that are domiciled in Mississippi
  - The insurers never held licenses or certificates of authority in the states in which the insureds reside.
  - The other states have associations similar to Mississippi's, but the insureds are not eligible for coverage by those associations.

### **2.) Products [83-23-205]**

- a.)** The Association provides coverage for:
  - direct nongroup life, health, annuity, and supplemental policies or contracts issued by member insurers;
  - certificates under direct group policies and contracts; and
  - unallocated annuity contracts issued by member insurers.
- b.)** The Association does not cover:
  - portions of policies not guaranteed by the insurer, or under which the risk is assumed by the policyholder;
  - reinsurance policies or contracts issued without assumption certificates;
  - employer or Association self-funded, uninsured programs that provide life, health, or annuity benefits under a multiple employer welfare arrangement, a minimum premium group insurance plan, a stop-loss group insurance plan, or an administrative services only contract;
  - portions of policies that provide the policyholder with dividends, premium refunds, experience rating credits, or other allowances in connection with the administration of the policies;
  - policies issued in Mississippi by member insurers that, at the time, were not licensed to issue policies in Mississippi;
  - the investment portion of a defined contribution plan that is owned by an entity other than the insurer;
  - an obligation that does not arise under the express written terms of the policy or contract, such as claims based on marketing materials, claims based on alleged misrepresentations, and claims for damages;

- a policy or contract that provides hospital, medical, prescription drug, or other health care benefits under Part C or Part D of Medicare; and
- most unallocated annuity contracts.

**d. Benefits [83-23-205]** The Association is liable, at most, for the least of the following benefits:

- The contractual obligations the insurer would have been liable for if it had not become impaired or insolvent
- \$300,000 in life insurance death benefits (up to \$100,000 in net cash surrender and net cash withdrawal values)
- \$100,000 in health insurance benefits other than disability, long-term care insurance, or hospital insurance (including net cash surrender and net cash withdrawal values)
- \$300,000 for disability insurance
- \$300,000 for long-term care insurance
- \$500,000 for basic hospital medical and surgical insurance
- \$250,000 in the present value of annuity benefits (including net cash surrender and net cash withdrawal values)
- \$300,000 for a total of all benefits (not including hospital, medical, and surgical benefits) for one life
- \$500,000 for a total of all benefits for one life including hospital, medical, and surgical benefits

**e. Association accounts [83-23-211]** The Association maintains the following accounts for administrative and assessment purposes:

- Life insurance and annuity account
- Health insurance account

**f. Board of directors [83-23-213]**

- 1.) The board consists of between five and nine members.
- 2.) Board members are selected by the member insurers, subject to the Commissioner's approval.
- 3.) Board members receive no compensation for their services, except for travel reimbursement.
- 4.) The Association is under the direct supervision of the Commissioner.

**g. Conditions for impaired insurers [83-23-215]**

- 1.) An impaired insurer is potentially unable to fulfill its contractual obligations and may be placed under a rehabilitation or conservation order by the court.

**2.)** The Association can provide any of the following services to impaired insurers:

- Guarantee, assume, or reinsure any of the impaired insurer's contracts
- Provide money, pledges, guarantees, or other means needed to assure payment of the impaired insurer's contractual obligations
- Loan money to the impaired insurer

**h. Powers of the Association [83-23-215]** The Association has the power to:

- sue, be sued, and take any legal action necessary to recover unpaid assessments and settle claims;
- borrow money and enter into contracts to carry out its purposes;
- employ or retain people to handle the Association's financial transactions;
- take legal action to avoid payment of improper claims;
- exercise the powers of a domestic life or health insurer (only when necessary to perform its obligations); and
- request information from anyone seeking coverage from the Association in order for the Association to determine whether it is obligated to assist the person.

**i. Prohibited advertising [83-23-235]** No person, including an insurer or agent, shall make, publish, disseminate, circulate, or place before the public, or place before the public in any newspaper, magazine, or other publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any radio station or television station, or in any other way, any advertisement, announcement, or statement, written or oral, which uses the existence of the Insurance Guaranty Association of this state for the purpose of sales, solicitation, or inducement to purchase any form of insurance covered by the Mississippi Life and Health Insurance Guaranty Association Act. However, this section shall not apply to the Mississippi Life and Health Insurance Guaranty Association or any other entity which does not sell or solicit insurance.

**7. Fraternal [83-29-1, 83-30-1]** The term fraternal is short for "fraternal benefit society," an organization that is characterized by the following.

- It is a corporation, society, order, or voluntary association without capital stock.
- It is organized and carried on solely for the mutual benefit of its members and their beneficiaries and not for profit.
- It has a lodge system and representative form of government.
- It pays life and disability insurance benefits to its members.
- It has less than \$30,000 in total annual written premium. (If the organization has more than \$30,000 in annual premium, it is called a "larger fraternal benefit society" under Mississippi law.)

## C. LICENSING

### 1. Persons required to be licensed

- a. Insurance producer [83-17-1, 5, 19, 55, 61]** An insurance producer is a person licensed to sell, solicit, or negotiate insurance. Producers who represent companies are known as agents.
- 1.) All producers must be licensed by the Commissioner for each type of insurance they plan to sell.
  - 2.) They must also hold a certificate of authority (appointment) from at least one admitted insurer.
  - 3.) In the context of agent licensing, a certificate of authority is granted by an insurer, authorizing an agent to transact business for that insurer.
  - 4.) A certificate of authority remains valid as long as the insurer pays the annual certificate fee to continue the authorization.
  - 5.) An insurer must notify an agent within 30 days if the certificate of authority is not renewed or canceled.
  - 6.) Producer licenses are not issued to partnerships unless all partners individually satisfy the requirements for producer licensing.
  - 7.) Anyone who sells insurance contracts without the appropriate license is deemed guilty of a misdemeanor and, upon conviction, subject to a fine of between \$200 and \$500, imprisonment for between one and two years, or both.
  - 8.) A person applying for a resident insurance producer license must make application to the Commissioner on the uniform application and declare under penalty of refusal, suspension, or revocation of the license that the statements made in the application are true, correct, and complete to the best of the individual's knowledge and belief. Before approving the application, the Commissioner must find that the individual:
    - is at least 18 years of age;
    - has not committed any act that is a ground for denial, suspension, or revocation of the license;
    - has completed any required preclicensing course of study for the lines of authority for which the person has applied;
    - has paid all applicable license and application fees; and
    - has successfully passed any required examinations for the lines of authority for which the person has applied.

9. A business entity acting as an insurance producer is required to obtain an insurance producer license. Application must be made using the uniform business entity application. Before approving the application, the Commissioner must find that:
    - the business entity has paid the licensing fees; and
    - the business entity has designated a licensed producer responsible for the business entity's compliance with the insurance laws, rules, and regulations of this state.
  10. Each insurer that sells, solicits, or negotiates any form of limited line credit insurance shall provide to each individual whose duties include selling, soliciting, or negotiating limited line credit insurance a program of instruction that may be approved by the Commissioner.
- b. Insurance adjuster [83-17-401]** Any person who, as an independent contractor, or as an employee of an independent contractor, adjustment bureau, association, insurance company or corporation, managing general agent, or self-insured, investigates or adjusts losses on behalf of either an insurer or a self-insured, or any person who supervises the handling of claims. "Adjuster" does not include:
- an attorney-at-law who adjusts insurance losses only from time to time and who does not advertise or represent that he or she is an adjuster;
  - a salaried employee of an insurer who is regularly engaged in the adjustment, investigation or supervision of insurance claims;
  - persons employed only for the purpose of furnishing technical assistance to a licensed adjuster, including, but not limited to, photographers, estimators, private detectives, engineers, handwriting experts and attorneys-at-law;
  - a licensed agent or general agent of an authorized insurer who processes undisputed losses for that insurer under policies issued by the licensed agent or general agent;
  - a person who performs clerical duties with no negotiations with the parties on disputed claims;
  - any person who handles claims arising under life, accident, and health insurance policies;
  - any person who is a multiperil crop insurance adjuster; or
  - any person who collects claim information from, or furnishes claim information to, insureds or claimants, and who performs data entry including entering data into an automated claims adjudication system, if the person is an employee of a licensed independent adjuster or its affiliate where no more than 25 such persons are under the supervision of one licensed independent adjuster or licensed agent.
- c. Limited lines producer [83-17-53]** A **limited lines producer** is a person authorized by the Commissioner to sell, solici, or negotiate limited lines insurance. **Limited lines insurance** means industrial fire, surety, title, travel, trip accident and baggage, car rental, crop, and industrial life or accident and health insurance.



- d. Limited line credit insurance producer [83-17-53]** A **limited line credit insurance producer** is a person who sells, solicits, or negotiates one or more forms of limited line credit insurance coverage to individuals through a master, corporate, group, or individual policy. Limited line credit insurance includes credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage guaranty, mortgage disability, guaranteed automobile protection (gap) insurance and any other form of insurance offered in connection with an extension of credit that is limited to partially or wholly extinguishing that credit obligation that the commissioner determines should be designated a form of limited line credit insurance.
- e. Resident and nonresident [83-17-65]** Unless otherwise denied licensure, a nonresident person may receive a nonresident producer license if:
- the person is currently licensed as a resident and is in good standing in his home state;
  - the person has submitted the proper request for licensure and has paid the fees required;
  - the person has submitted to the Commissioner the application for licensure that the person submitted to his home state, or a completed uniform application; and
  - the person's home state awards nonresident producer licenses to residents of this state on the same basis.
- f. Exemptions [83-17-39, 67]**
- 1.)** No examination or pre-licensing educational requirements are required for:
- applicants for renewal licenses who hold current licenses unless, according to the Commissioner, an examination is necessary to establish competency, or unless the applicant's license had not been effective within one year preceding the date of filing the application;
  - ticket selling agents or representatives of a common carrier or other company that acts as an agent only to sell accident insurance tickets to individuals;
  - applicants to transact credit life, health, and accident insurance only;
  - applicants who apply for an insurance producer license in this state who were previously licensed for the same lines of authority in another state if currently licensed in that state, or if the application is received within 90 days of the cancellation of the previous license provided the prior state issues a certification that, at the time of cancellation, the applicant was in good standing;
  - applicants whose agent licenses were suspended less than one year prior to the date of application (at the discretion of the Commissioner); and
  - applicants who are exclusively agents of a fraternal benefit society.

## 2.) Temporary agent licenses [83-17-69]

- a.)** The Commissioner may issue a temporary insurance producer license for a period not to exceed 180 days without requiring an examination if the Commissioner deems that the temporary license is necessary for the servicing of an insurance business in the following cases:
- To the surviving spouse or court-appointed personal representative of a licensed insurance producer who dies or becomes mentally or physically disabled to allow adequate time for the (a) sale of the business, (b) recovery or return of the producer, or (c) training and licensing of new personnel to operate the producer's business
  - To a member or employee of a business entity licensed as an insurance producer, upon the death or disability of an individual designated in the business entity application or the license
  - To the designee of a licensed insurance producer entering active service in the armed forces of the United States
  - In any other circumstance where the Commissioner deems that the public interest will best be served by the issuance of this license
- b.)** The Commissioner may by order limit the authority of any temporary licensee in any way deemed necessary to protect insureds and the public.
- c.)** The Commissioner may require the temporary licensee to have a suitable sponsor who is a licensed producer or insurer and who assumes responsibility for all acts of the temporary licensee and may impose other similar requirements designed to protect insureds and the public.
- d.)** The Commissioner may by order revoke a temporary license if the interests of insureds or the public are endangered. A temporary license may not continue after the owner or the personal representative disposes of the business.

## 2. Prelicensing education requirement [83-17-251]

- a.** Every individual seeking to be licensed as an insurance producer must complete an approved prelicensing course of study for the line of insurance requested.
- b.** The prelicensing course must consist of 20 hours of approved study per line of authority. For example, an individual who wished to become licensed for just one line of authority, such as life insurance only, would need to complete 20 hours. But an individual who wanted to be licensed for two lines of authority, such as life and accident and health or property and casualty, would need to complete 40 hours.

- c.** In addition to those described previously as being exempt, the prelicensing educational requirements do not apply to the following:
- An individual who has received a bachelor's degree with major coursework in insurance from an accredited institution of higher learning
  - An individual holding a current and valid CEBS, CHFC®, CIC, CFP®, CLU®, FLMI, or LUTCF designation is exempt for the life line of authority
  - An individual holding a current and valid RHU, CEBS, REBC, HIA designation is exempt for the accident and health or sickness line of authority
  - An individual holding a current and valid AAI, ARM, CIC, CPCU® designation is exempt for the property and casualty lines of authority
  - Limited lines insurance producer and limited lines credit insurance producers
  - An individual that is seeking licensure for the variable life and variable annuity products line of authority only

### **3. Appointment/Termination of appointment**

#### **a. Agent appointment [83-17-75]**

- 1.)** An insurance producer cannot act as an agent for an insurer unless the producer is appointed as the insurer's agent. A producer who is not acting as an insurer's agent does not need to be appointed.
- 2.)** An insurer appoints a producer as its agent by filing a notice of appointment with the Commissioner within 15 days from the date of the agency agreement or submission of the first insurance application.
- 3.)** When the Commissioner receives the notice of appointment, he must verify within 30 days that the producer is eligible for appointment. If the producer is deemed ineligible for appointment, the Commissioner must advise the insurer within five days of the determination.
- 4.)** The insurer pays the required fee to renew a producer's appointment.
- 5.)** Before issuing a license to a new producer, the Commissioner will require the appointing insurer to verify that the insurer has investigated the character and background of the producer and is satisfied that he is of good moral character and is qualified and trustworthy to act as the insurer's producer. The Commissioner also may require the insurer to run a credit report on a producer.

#### **b. Termination [83-17-77]**

- 1.)** An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer must notify the Commissioner within 30 days following the effective date of the termination.

- 2.) Upon written request of the Commissioner, the insurer must provide additional information, documents, records, or other data pertaining to the termination.
- 3.) Within 15 days of notifying the Commissioner of the producer's termination, the insurer must mail a copy of the notice to the producer at his last known address. If the producer was terminated for cause, the insurer must send the copy via certified mail, return receipt requested, postage prepaid, or by overnight delivery using a nationally recognized carrier. Within 30 days of receiving the copy of the termination notice, the producer may file comments with the Commissioner regarding the termination.
- 4.) An insurer, the authorized representative of the insurer, or producer that fails to report as required under the provisions of this section or that is found to have reported with actual malice by a court of competent jurisdiction may have its license or certificate of authority suspended or revoked and may be fined.

**4. Penalties for noncompliance [83-17-71]** The Commissioner has the power to impose the following penalties for certain violations of the insurance law.

- a. **Refusal/nonrenewal** The Commissioner may refuse to issue a license or refuse to renew an existing license.
- b. **Suspension/revocation** The Commissioner may suspend a license for a certain period of time or revoke the license indefinitely. A licensee whose license has been revoked may not apply for another producer's license for one year from the effective date of revocation. The application may be refused by the Commissioner unless good cause can be shown why the individual should be able to obtain a new license.
- c. **Fines** The Commissioner may levy a civil penalty of up to \$1,000 per violation.
- d. **Restitution** The Commissioner may order a licensee to repay to a consumer an amount equal to the financial harm done to the consumer by the licensee.
- e. **Violations** The violation for which these penalties may be imposed are:
  - providing incorrect, misleading, incomplete, or materially untrue information in the license application;
  - violating any insurance laws, or violating any regulation, subpoena, or order of the Commissioner or of another state's commissioner;
  - obtaining or attempting to obtain a license through misrepresentation or fraud;
  - improperly withholding, misappropriating, or converting any monies or properties received in the course of doing insurance business;
  - intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
  - having been convicted of a felony;

- having admitted or been found to have committed any insurance unfair trade practice or fraud;
- using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere;
- having an insurance producer license or its equivalent denied, suspended, or revoked in any other state, province, district, or territory;
- forging another's name to an application for insurance or to any document related to an insurance transaction;
- improperly using notes or any other reference material to complete an examination for an insurance license;
- knowingly accepting insurance business from an individual who is not licensed;
- failing to comply with an administrative or court order imposing a child support obligation; or
- failing to pay state income tax or comply with any administrative or court order directing payment of state income tax.

**f. Hearings** If action is taken against an applicant or licensee, the applicant or licensee may make a written demand upon the Commissioner within 10 days for a hearing to determine the reasonableness of the Commissioner's action. The hearing must be held within 30 days.

**g. Action against entity license** The license of a business entity may be suspended, revoked, or refused if the Commissioner finds, after hearing, that an individual licensee's violation was known or should have been known by one or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the Commissioner nor corrective action taken.

## 5. Maintenance and duration of license

### a. Renewal [83-17-25]

- 1.) Producer licenses are effective for a two-year term. Individual licenses expire on the last day of the month of the licensee's birthday in the second year following issuance or renewal, with a minimum term of 13 months. Business entity licenses expire on May 31 in the second year following issuance or renewal, with a minimum term of 13 months.
- 2.) Producers may not obtain a certificate of authority (appointment) unless they first have a license. Fraternal agents are exempt from this requirement.

**b. Continuing education [83-17-251]**

- 1.) To renew a producer license which has been in effect more than 18 months, a producer must complete 24 credit hours of continuing education courses, with 3 of those hours being on the subject of ethics.
- 2.) To renew a producer license which has been in effect 18 months or less, a producer must complete 12 credit hours of continuing education courses.
- 3.) The following individuals are not required to complete continuing education to renew their licenses:
  - Individuals who are exempt from taking the written examination
  - Limited lines producers or limited lines credit insurance producers
  - Nonresident licensees who meet the continuing education requirement in their home state if that state has the same policy toward nonresident Mississippi producers
  - Nonactive agents, defined as individuals who are retired, disabled, or do not have a current appointment—inactive agents may not solicit or service business, but they may receive renewal commissions

**c. Notify Commissioner of change in address [83-17-63]** Producers must promptly notify the Commissioner of any change of address within 30 days of the change.

**d. Report administrative or criminal action [83-17-81]**

- 1.) A producer must report to the Commissioner any administrative action taken against the producer in another jurisdiction or by another governmental agency in Mississippi within 30 days of the final disposition of the matter.
- 2.) A producer must report to the Commissioner any criminal prosecution taken against the producer within 30 days of the initial pretrial hearing.

**D. MARKETING PRACTICES**

1. **Protection of public interest** To protect the public interest, the Insurance Code provides for:
  - the licensing of insurance companies and agents;
  - examination of the financial health of insurance companies; and
  - investigation into the business practices of insurance companies and agents.
2. **Unfair practices [83-5-33]** It is illegal to engage in any trade practice that is considered to be an unfair method of competition or deceptive act. The Commissioner has the authority to investigate possible unfair trade practices and fine, suspend, or revoke violators' licenses.

- a. Unfair claim methods and trade practices** Insurers and producers are expected to deal fairly and straightforwardly with consumers in soliciting business and in settling claims.
- b. Producers compensation disclosure [83-7-3]** To accept a commission, fee, or other valuable consideration for acting as a producer when one is not properly licensed is a violation of the insurance law.
- c. Rebating/illegal dealing in premiums [83-17-73]** It is illegal for an insurer or agent to make any other insurance contract or agreement than that expressly written in the application and policy.
- d. Illegal inducements [83-7-3]** It is illegal for a company to allow or pay, as an inducement to buy insurance, any of the following:
- Rebate of premium
  - Special advantage in dividends or benefits
  - Valuable consideration not specified in the policy (companies transacting industrial life insurance on a weekly payment plan, however, may return to policyholders the percentage of premium otherwise payable for the weekly collection)
- e. Twisting/misrepresentation [83-5-35, 19-2-1]** It is illegal for any insurance company, agent, solicitor, or representative to inform any current or prospective policyholder that an insurance company was required by regulation to change a policy form or related material to pressure the policyholder into changing policies.
- 1.)** It is illegal to make, issue, or circulate deceptive or misleading statements about the insurance business or an insurer. Specifically prohibited is information that misrepresents the:
- benefits, advantages, conditions, terms, dividends, or share of surplus to be received on an insurance policy;
  - dividends or share of the surplus previously paid on a similar policy;
  - financial condition of an insurer or the legal reserve system upon which any life insurer operates;
  - policy's name or title with the intent to misrepresent its true nature; and
  - policy's provisions in order to induce a policyholder to lapse, forfeit, or surrender the policy.
- 2.)** It is also illegal to:
- state or represent that the insurance company's profits are derived from lapses, surrenders, mortality savings, or excess interest earnings;
  - represent that the size of a life insurance company or its total insurance in force necessarily affects the solvency or reliability of the products it issues;

- make statements or representations that may lead a prospective buyer to believe that he is purchasing stock in a company or will acquire an option to buy company stock;
- make statements that may lead a prospective buyer to believe that he will acquire a stockholder position or share in the company's profits on a basis similar to that of a stockholder;
- make statements relating to the growth patterns of the life insurance industry or tax status of life insurance companies to induce a prospect to purchase insurance company stock instead of a life insurance policy;
- make any statement regarding premium payments as "deposits" in connections of any life insurance policy or contract of an annuity;
- make any reference to a company's "investment department" or use similar terminology that might imply that the policy was issued by the investment department of the insurance company;
- state or represent that the applicant will receive special or favored treatment in the payment of dividends or receive dividends based on any percentage of the premiums paid;
- make statements or present illustrations regarding dividend payments that do not clearly state that dividends are not guaranteed;
- make statements or present illustrations about projected future dividends or refunds on a policy unless they are calculated by a recognized actuary based on the company's own actuarial experience, or based on another company with a comparable line of business, assets, resources, and age;
- offer guarantees that projected dividends earned under a participating policy will enable policyholders to receive benefits without paying premiums in the future;
- issue any material implying that any kind of dividend or monetary return is being declared in advance;
- issue statements indicating that, by recommending the company, a prospect is entitled to life insurance benefits not generally available to policyholders;
- sponsor, for a temporary life insurance license, an individual who the insurer is not genuinely considering to contract as a permanent insurance agent;
- make any reference that misrepresents the true nature of the product;
- state or represent that the prospective policyholder will receive the right to benefits that are not clearly stated in writing as part of the policy or a rider, unless accompanied by an explanation about the nature and source of benefits and the conditions under which they would occur;
- state or represent that only a limited number or class of persons will be eligible to buy a particular kind of policy, unless the limitation is related to recognized underwriting practices and is plainly stated in the policy;



- use any sales presentation that has not been submitted to and approved by the Commissioner;
- state or represent that any coupon or pure endowment benefits are earnings on premiums invested or anything other than guaranteed benefits for which a premium is being paid by the policyholder;
- make or issue any statements that may lead a prospective buyer to believe that the premium paid created a withdrawable fund (without reference to surrender value or policy loan provisions); and
- make any misrepresentation designed to induce a policyholder to lapse, forfeit, or surrender a policy (also known as twisting).

**f. Credit scoring: adverse action [Reg. 2003-1]** An insurer may not deny a consumer insurance solely on the basis of credit information. Insurers who use credit information must also consider other underwriting factors independent of credit information when deciding whether to offer coverage.

**g. Defamation of insurer [83-5-35]** It is illegal to make any written statement that is false or maliciously critical regarding an insurer's financial condition to injure the insurer or any person engaged in the insurance business.

**h. Discrimination [83-5-35, 19-1-14]**

**1.) Class or life expectancy** It is illegal to make or permit unfair discrimination between individuals of the same class and essentially the same hazard in the terms, conditions, premium amount, policy fees, or rates charged for any health and accident insurance policy or contract. It is also illegal to make or permit unfair discrimination between individuals of the same class and life expectancy in the terms, conditions, rates charged, or dividends payable for any life insurance contract.

**2.) Blindness**

**a.)** It is illegal to discriminate against individuals because they are blind or partly blind.

**b.)** Blind individuals do not constitute a specific class of insureds and, therefore, cannot be discriminated against solely on that basis in the amount of premium, policy fees, or rates charged for any life, accident, or health insurance contract, life annuity, or dividends.

**i. Failure to issue proper receipts** Producers are required to provide consumers with receipts for premium paid and acknowledgements of required disclosures. Failure to do so is a violation of the insurance law.

**j. Boycott, coercion, and intimidation [83-5-35]** A producer, or company, is not allowed to enter into any agreement to commit, or by any concerted action committing, any act of boycott, coercion, or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance.

**k. False financial statements [83-5-35]** It is illegal to file with any supervisory or other public official, or making, publishing, disseminating, circulating, or delivering to any person, or placing before the public, or causing directly or indirectly to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer, with intent to deceive.

**l. Penalties [83-5-41, 49]**

- 1.) If, after a hearing, the Commissioner determines that the person has engaged in unfair competition or a deceptive practice, the Commissioner will document the findings and serve the person with an order to cease and desist from engaging in the practice.
- 2.) In lieu of or in addition to the cease and desist order, the Commissioner may impose an administrative fine of up to \$5,000 per violation. Fines are deposited in the state treasury.
- 3.) Anyone who willfully violates a cease and desist order will be subject to a fine of up to \$1,000 for each violation and license suspension or revocation. The penalty can be appealed in a circuit court.

**m. Advertising [83-5-35]** It is illegal to issue any untrue, deceptive, or misleading advertisement, announcement, or statement concerning the insurance business or any person's conduct in the insurance business.

**3. Producer responsibilities** (As of September 1, 2016, these laws have been repealed, but they are still in the test outline dated January 1, 2009.)

- a. Policy delivery** It is the duty of the producer, if one is involved in the sale, to deliver the policy to the insured. Provisions such as the free look period begin from the date the policy is actually delivered to the insured, so producers must take care to fulfill this responsibility conscientiously.
- b. Premium accountability** Producers stand in a fiduciary relationship, meaning a relationship of special trust, in regard to any money they receive which is intended to be transmitted to the insurer (such as a premium) or the insured (such as a premium refund). A fiduciary relationship implies the need for greater than usual care in fulfilling one's responsibility to make sure that money is transmitted to its rightful destination in a timely and secure manner.
- c. Reply to the Commissioner** The Commissioner is empowered to investigate and make inquiries of anyone engaged in the insurance business in Mississippi. Producers are required to reply promptly to any inquiry from the Commissioner.

**d. Burden of determining authorization [83-17-103]** Agents may not sell or deliver insurance policies or annuities for an insurer that is not authorized to conduct business in Mississippi. It is up to the agent to verify that the insurers they are doing business with are authorized. Violators will be held personally liable for the full amount of any loss sustained under contracts issued by an unauthorized insurer and possibly for premium taxes.

#### 4. Compensation

##### a. Commissions [83-17-73]

- 1.) An insurance company or insurance producer shall not pay a commission, service fee, brokerage, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed and is not so licensed.
- 2.) A person shall not accept a commission, service fee, brokerage, or other valuable consideration for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed and is not so licensed.
- 3.) Renewal or other deferred commissions may be paid to a person for selling, soliciting, or negotiating insurance in this state if the person was required to be licensed at the time of the sale, solicitation, or negotiation and was so licensed at that time.
- 4.) An insurer or insurance producer may pay or assign commissions, service fees, brokerages, or other valuable consideration to an insurance agency or to persons who do not sell, solicit, or negotiate insurance in this state, unless the payment would violate Mississippi Code.

##### b. Receiving compensation [83-5-17, 83-17-7]

- 1.) Any insurer who pays commissions for policies written on risks in Mississippi by a person, firm, or corporation that is not licensed in Mississippi is subject to the following penalties:
  - Revocation of authority
  - Imposition of an administrative fine of not more than \$5,000
- 2.) It is legal, however, to pay:
  - renewals and deferred commissions to people who no longer hold agent licenses;
  - commissions to temporary license applicants; and
  - referral fees to unlicensed employees of an agent or agency who refer prospective insureds to the agent or agency.

**c. Charges for extra services** Producers are not allowed to charge consumers for services normally performed in the course of soliciting, selling, or negotiating insurance. Any charges for extra services must be approved in advance by the consumer.

**d. Referral fee [83-17-7]** Agents are permitted to pay a referral fee to an unlicensed employee for referring a prospective insured to the agent. The referral fee must be a one-time nominal payment of a fixed dollar amount for each referral customer. The payment of the fee must not depend on whether the referral results in a sale of any insurance products. Also, the referral fee may not be based on a percentage of any premiums or commissions collected by the agent. The referral fee must not be paid, either directly or indirectly, to the prospective insured.

**e. Controlled business [83-17-1]**

**1.)** Controlled business means policies of insurance to be issued to a producer or agent, or to their relatives, business associates, employers or employees, or in which they or either of them have an interest. A license will not be granted or renewed to any agent or producer until the applicant certifies with the Commissioner that the applicant shall, in good faith, engage in the insurance business as agent or producer, and that he is not seeking a license for the purpose of acquiring or saving commissions, premiums, or other valuable considerations on "controlled business." A violation of this paragraph shall be deemed to be probable if the Commissioner finds that, during any 24-month period, aggregate commissions or other compensations on controlled business have exceeded or will exceed 35% of the aggregate amount of commissions accruing to the agent or his agency during such period.

**2.)** The purpose of the limit on controlled business is to encourage licensees to engage in the insurance business with members of the general public and to discourage anyone from seeking a license only to reduce their own insurance costs or those of family members or associates. However, a few exceptions are made. The limitation does not apply to insurance sold by lenders or automobile sales agencies, which is designed to protect their legitimate insurable interests. In these cases, the law recognizes that the insurance sold is incidental to the primary business of lending money or selling automobiles and it is a necessary part of doing business.

## **II. MISSISSIPPI LAWS AND REGULATION PERTAINING TO LIFE INSURANCE ONLY**

### **A. REQUIREMENTS FOR PRODUCERS**

#### **1. Replacement [19-2-14.01-.13]**

##### **a. Purpose**

**1.)** Minimum standards of conduct have been established to regulate the activities of insurers and agents with respect to the replacement of existing

life insurance. The purpose of the regulation concerning the replacement life insurance and annuities is to:

- regulate the activities of insurers and producers with respect to the replacement of existing life insurance and annuities; and
- protect the interests of life insurance and annuity purchasers by establishing minimum standards of conduct to be observed in replacement or financed purchase transactions.

2.) The regulation is intended to:

- assure that purchasers receive information with which a decision can be made in his own best interest;
- reduce the opportunity for misrepresentation and incomplete disclosure; and
- establish penalties for failure to comply with the requirements.

## b. Definitions

1.) **Replacement** refers to any transaction involving new coverage that will cause an existing life insurance policy or annuity to be:

- lapsed, forfeited, surrendered, or otherwise terminated;
- reissued with a reduction in cash value;
- converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of nonforfeiture benefits or other policy values;
- amended either to reduce the benefits or the term for which coverage would otherwise remain in force; or
- subject to a withdrawal or loan to pay all or part of any premium due on the new policy (financed purchase).

2.) The **existing insurer** is the insurance company that issued the policy to be terminated.

3.) The **replacing insurer** is the insurance company that issues a new policy to replace existing life insurance.

4.) **Exemptions from replacement regulations** The replacement regulations do not apply to:

- credit life insurance;
- group life insurance, group annuities, group life insurance and annuities used to fund prearranged funeral contracts, or any life insurance policy issued in connection with a benefit plan qualifying for tax-deductibility of premiums (provided there is no direct solicitation of individuals by an insurance producer);
- variable life insurance under which death benefits and cash values vary according to unit values of investments held in a separate account;

- applications to the same insurer that issued the existing life insurance, where a contractual change or conversion privilege is being exercised;
- existing life insurance that is a nonconvertible, nonrenewable term policy that will expire in five years or less;
- immediate annuities that are purchased with proceeds from an existing contract;
- structured settlements; and
- proposed life insurance to replace life insurance under a binding or conditional receipt issued by the same company.

## **5.) Duties of all insurers [19.2-14.04]**

- a.)** Every insurer must maintain a system of supervision and control to ensure compliance with the replacement requirements that include at least the following:
- Inform its producers of the requirements of the regulation concerning policy replacement and incorporate the requirements into all relevant producer training manuals prepared by the insurer
  - Provide to each producer a written statement of the company's position with respect to the acceptability of replacements, providing guidance to its producer as to the appropriateness of these transactions
  - A system to review the appropriateness of each replacement transaction that the producer does not indicate is in accord with the company's position
  - Procedures to confirm that the requirements of the replacement regulation have been met
  - Procedures to detect transactions that are replacements of existing policies or contracts but that have not been reported as such by the applicant or producer (compliance may include systematic customer surveys, interviews, confirmation letters, or programs of internal monitoring)
- b.)** Insurers must have the capacity to monitor each producer's life insurance policy and annuity contract replacements for that insurer, and must produce such records on request and make them available to the Insurance Department.
- c.)** The capacity to monitor must include the ability to produce records for each producer's:
- life replacements, including financed purchases, as a percentage of the producer's total annual sales of life insurance;
  - number of lapses of policies by the producer as a percentage of the producer's total annual sales of life insurance;
  - annuity contract replacements as a percentage of the producer's total annual annuity contract sales;

- number of transactions that are unreported replacements of existing policies or contracts detected by the company's monitoring system; and
  - replacements, indexed by replacing producer and existing insurer.
- d.)** Insurers must require with, or as a part of, each application for life insurance or an annuity a statement signed by both the applicant and the producer as to whether the applicant has existing policies or contracts.
- e.)** Insurers must require with each application for life insurance or an annuity that indicates the applicant has an existing policy or contract a completed notice regarding replacements.
- f.)** When the applicant has existing policies or contracts, each insurer must be able to produce copies of any sales material, the basic illustration, and any supplemental illustrations related to the specific policy or contract that is purchased.
- g.)** The insurer must be able to furnish the producer's and applicant's signed statements with respect to financing and replacement for at least five years after the termination or expiration of the proposed policy or contract.
- h.)** Insurers must be able to ascertain that the sales material and illustrations used meet the requirements of the regulation and are complete and accurate for the proposed policy or contract.
- i.)** If an application does not meet the requirements of the regulation, the insurer must notify the producer and applicant and fulfill the outstanding requirements.
- j.)** Insurers may maintain records in paper, photograph, microprocess, magnetic, mechanical, or electronic media or by any process that accurately reproduces the actual document.
- 6.) Duties of replacing insurers [19-2-14.05]** Where a replacement is involved in the transaction, the replacing insurer must:
- verify that the required forms are received and are in compliance with the replacement regulation;
  - notify any other existing insurer that may be affected by the proposed replacement within five business days of receipt of a completed application indicating replacement or when the replacement is identified if not indicated on the application, and mail a copy of the available illustration or policy summary for the proposed policy or available disclosure document for the proposed contract within five business days of a request from an existing insurer;

- be able to produce copies of the notification regarding replacement, indexed by producer, for at least five years or until the next regular examination by the insurance department of a company's state of domicile, whichever is later; and
- provide the policy or contract owner notice of the right to return the policy or contract within 30 days of delivery and receive an unconditional full refund of all premiums or considerations paid on it, including any policy fees or charges (in the case of a variable or market value adjustment policy or contract, a payment of the cash surrender value provided under the policy or contract plus the fees and other charges deducted from the gross premiums or considerations or imposed under such policy or contract).

### **c. Duties of producers [19-2-14.03]**

- 1.) A producer who initiates an application must submit to the insurer, with or as part of the application, a statement signed by both the applicant and the producer as to whether the applicant has existing policies or contracts.
- 2.) If the applicant has no existing policies or contracts, the producer's duties with respect to replacement are complete.
- 3.) If the applicant indicates that he has existing policies or contracts, the producer must present and read to the applicant, not later than at the time of taking the application, a prescribed notice regarding replacements.
- 4.) The notice must be signed by both the applicant and the producer and left with the applicant.
- 5.) The notice must list all life insurance policies or annuities proposed to be replaced, identified by name of insurer, the insured, or annuitant, and policy or contract number if available; and must include a statement as to whether each policy or contract will be replaced or whether a policy will be used as a source of financing for the new policy or contract.
- 6.) In connection with a replacement transaction, the producer must leave the original or a copy of all sales material with the applicant at the time an application for a new policy or contract is completed.
- 7.) With respect to electronically presented sales material, it must be provided to the policy or contract owner in printed form no later than at the time of policy or contract delivery.
- 8.) In connection with a replacement transaction, the producer must submit the following to the replacing insurer:
  - A copy of each required document



- A statement identifying any preprinted or electronically presented company approved sales materials used
- Copies of any individualized sales materials, including any illustrations related to the specific policy or contract purchased

### 9.) **Duties of an existing insurer being replaced [19-2-14.06]**

Where a replacement is involved in the transaction, the existing insurer must:

- retain and be able to produce all replacement notifications received, indexed by replacing insurer, for at least five years or until the conclusion of the next regular examination conducted by the insurance department of its state of domicile, whichever is later;
- send a letter to the policy or contract owner of the right to receive information regarding the existing policy or contract values (the information must be provided within five business days of receipt of the request from the policy or contract owner); and
- upon receipt of a request to borrow, surrender, or withdraw any policy values, send a notice advising the policy owner that the release of policy values may affect the guaranteed elements, non-guaranteed elements, face amount, or surrender value of the policy from which the values are released. The notice must be sent separately from the check if the check is sent to anyone other than the policy owner. In the case of consecutive automatic premium loans, the insurer is only required to send the notice at the time of the first loan.

**10.) Repeat replacements [19-2-14.08]** If policyowners repeatedly replace policies with other policies from the same agent, the pattern is considered to be evidence of the agent's knowledge that replacement was intended in connection with the sale of those policies and that the agent intended to violate the regulation.

## 2. **Disclosure [83-7-1]**

- a. Purpose** Insureds are entitled to have basic disclosures made to them about the coverage they are purchasing. The disclosure requirement is designed to provide this information.
- b. Definition** All life insurance policies issued in Mississippi must specifically state:
  - the amount of benefits payable;
  - the manner of payment; and
  - what consideration will be paid for the policy.
- c. Duty of producer** Any company or agency delivering a policy that does not comply with these specifications will be subject to a \$50 fine for each offense.

## **B. POLICY REQUIREMENTS**

### **1. Contractual rights of minors [83-7-19]**

- a.** Any minor age 15 or older may contract for life, health, and accident insurance on his own life for the benefit of anyone who has an insurable interest in the minor's life. The minor has all contractual rights.
- b.** Upon approval of the chancery court, the guardian of any minor under age 15 may contract for life insurance on anyone for the benefit of the minor.

### **2. Policy loans [83-7-26]**

- a.** Many life insurance policies contain provisions that allow the policyholder to borrow a portion of the policy's cash value.
- b.** The policies that allow policy loans must include a provision stating the maximum policy loan interest rate.
- c.** Fixed interest rates cannot exceed 8% interest per year.
- d.** Policies that offer adjustable interest rates must include a provision providing for a periodic adjustment in the interest rate.
- e.** Maximum adjustable rates cannot exceed the greater of:
  - the rate used to compute the policy's cash surrender values, plus 1% per year; or
  - the Moody's Corporate Bond Yield Average (Monthly Average Corporates), or a similar average established by the Commissioner.
- f.** All insurers that issue adjustable maximum interest rate policies must:
  - notify policyholders of the initial interest rate whenever cash loans or premium loans are made; and
  - send advance notice to policyholders about any rate increases (and discuss in the notice the maximum adjustable interest rate provisions).

## **III. MISSISSIPPI LAWS AND REGULATIONS PERTAINING TO ACCIDENT AND HEALTH INSURANCE ONLY**

### **A. ADVERTISEMENT OF ACCIDENT AND HEALTH INSURANCE [19-3-5.01-.30]**

#### **1. Overview**

- a.** Minimum standards and guidelines for accident and health insurance advertising have been created to:
  - ensure truthful and adequate disclosure of all relevant information;

- prevent unfair competition among insurers; and
  - promote accurate presentation and description of policies to the insurance-buying public.
- b.** These rules apply to all accident and sickness insurance advertisements intended for use in Mississippi.
- c.** Insurers are responsible for establishing and maintaining control over the content, form, and method of dissemination of their policy advertisements.

## **2. Advertising defined [19-3-5.03]**

- a.** Advertisements may assume any of the following forms:
- An insurer's printed and published material, audio visual material, or descriptive literature used in direct mail, newspapers, magazines, television scripts, and similar displays
  - Descriptive literature and sales advertisements issued by an insurer or agent for presentation to members of the insurance-buying public, such as circulars, leaflets, depictions, illustrations, and form letters
  - Prepared sales talks, presentations, and material to be used by agents

### **b. Form and content of advertisements [19-3-5.05]**

- 1.)** The form and content of all accident and health insurance policy advertisements must be clear enough to avoid deception.
- 2.)** The Commissioner is responsible for determining whether an advertisement might mislead or deceive a person of average education and intelligence in the segment of the public to which the advertisement is directed.
- 3.)** Advertisements must be truthful and not misleading. Policies cannot include words or phrases that presuppose a familiarity with insurance terminology to be understood.

### **c. Deceptive words prohibited [19-3-5.06(A)]**

- 1.)** Advertisements cannot omit information or use words that have the tendency to mislead or deceive prospective purchasers regarding the nature or extent of all policy benefit, premium payable, or loss covered.
- 2.)** The fact that the policy is made available to the prospective insured for inspection, with an offer to refund the premium if the purchaser is not satisfied, does not correct or remedy misleading statements.
- 3.)** The following are prohibited regarding advertisements:
  - Using words such as *all*, *full*, *comprehensive*, or *unlimited* in a manner that exaggerates any benefits beyond the terms of the policy

- Using words such as *tax free* and *extra income* when advertising benefits that are conditional upon confinement in a hospital (such words tend to mislead the public into believing that the policy will enable them to profit from being hospitalized)
  - Advertising hospital benefit amounts as payable on a monthly or weekly basis when the amount is based upon a daily pro rata basis relating to the number of days in confinement (any limits on the days of coverage provided must appear in the advertisement)
  - Implying coverage beyond the terms of the policy, when the policy actually covers only specified diseases
- 4.) Advertisements for a policy providing benefits for specified accidents or illness only, such as cancer, must clearly state the limited nature of the policy.
  - 5.) Advertisements for direct response insurance products must not imply that, because no agent will visit, the policy is a low-cost plan.

**d. Disclosure of exceptions and limitations [19-3-5.06(B)]**

- 1.) When an advertisement refers to the specific cost of a policy or the time period for which its benefits are payable, it must also disclose the exceptions, reductions, and limitations that affect those provisions.
- 2.) Advertisements must disclose any waiting, elimination, or probationary period between the effective date of the policy and the effective date of coverage.
- 3.) Advertisements shall not use the words *only* or *minimum* or similar words to describe any exceptions and reductions.

**e. Preexisting conditions [19-3-5.06(C)]**

- 1.) Advertisements must disclose the extent to which any loss is not covered for conditions existing prior to the effective date of the policy.
- 2.) The phrase *preexisting condition* cannot be used without an appropriate definition.
- 3.) Advertisements for policies that do not cover losses resulting from preexisting conditions cannot state or imply that the applicant's physical condition or medical history will not affect the issuance of a policy or payment of a claim.
- 4.) This rule prohibits use of the phrase *no medical examination required*.
- 5.) Advertisements must disclose if a medical examination is required.

- 6.) Advertisements containing an application form to be completed by the applicant and returned by mail for a direct response insurance product must include a question or statement that reflects the policy's preexisting conditions provisions immediately preceding the blank space for the applicant's signature.

**f. Renewability and cancellability [19-3-5.07]** When an advertisement refers to a dollar amount, a period of time for which a benefit is payable, or the cost of the policy, it must disclose the provisions relating to renewability, termination, and any modification of benefits.

**g. Testimonials by third parties [19-3-5.08]**

- 1.) Testimonials used in advertisements must be genuine, represent the author's current opinion, be applicable to the policy advertised, and be accurately reproduced.
- 2.) If the individual making a testimonial or endorsement has any financial interest in the insurer (as a stockholder, officer, or employee) or receives any benefit other than union scale wages, this must be disclosed in the advertisement.
- 3.) Advertisements must not state or imply that an insurer or policy has been approved or endorsed by any organization unless it is true.
- 4.) Any relationship between the organization and the insurer must be disclosed.
- 5.) The advertisement must disclose whether the organization making the endorsement is controlled or managed by the insurer or receives any consideration from the insurer for making the endorsement.
- 6.) When a testimonial refers to benefits received under a policy, the specific claim date, claim number, and other pertinent information must be obtained by the insurer and held for inspection for either four years or until the next regular examination report is filed, whichever is longer.

**h. Use of statistics [19-3-5.09]**

- 1.) Advertisements relating to the dollar amounts of claims paid, the number of persons insured, or similar statistical information must not use irrelevant facts.
- 2.) Advertisements must not represent or imply that claim settlements by the insurer are "liberal" or "generous" or use similar words.
- 3.) An unusual amount paid for a unique claim for the policy advertised is misleading and must not be used.

**i. Identity of insurer [19-3-5.10, .13]**

- 1.) The insurer's name and the form numbers for the policies advertised must be stated in all advertisements.
- 2.) Advertisements must disclose the name of the insurer whenever they use trade names or slogans that might be misleading about the insurer's true identity.
- 3.) Advertisements must not use any combination of words or symbols that tend to mislead prospective insureds about any connection with a government program or agency.

**j. Special offers [19-3-5.15]**

- 1.) Advertisements for individual policies must not state or imply that the policy is an introductory or special offer, that applicants will receive substantial advantages not available at a later date, or that the offer is only available to a specified group of individuals, unless that is true.
- 2.) Insurers cannot advertise enrollment periods as limited if they use successive enrollment periods as their usual method of advertising accident and health insurance.
- 3.) Insurers may only offer an enrollment period during which a particular insurance product may be purchased on an individual basis if there has been a lapse of at least six months between the close of the preceding enrollment period for the same product and the opening of the new enrollment period.
- 4.) Advertisements must not state or imply that a specific number of policies will be sold or that a policy will be discontinued at a specific time because of its special advantages.
- 5.) Policies that use reduced premium rates must not be advertised in a manner that overemphasizes availability and amount of the reduced initial premium.

**k. Statements about an insurer [19-3-5.16]**

- 1.) Advertisements must not contain untrue or misleading statements about the assets, corporate structure, financial standing, age, or relative position of an insurer in the insurance business.
- 2.) They must not contain a recommendation by any commercial rating system without clearly indicating the purpose, limitations, scope, and extent of the recommendation.

### **I. Advertising records [19-3-5.17(A)]**

- 1.) Insurers must keep files of all advertisements, accompanied by notes indicating the manner and extent of distribution.
- 2.) These files are subject to inspection by the Commissioner and must be kept either for four years or until the filing of the next examination report, whichever is longer.

### **B. REPLACEMENT OF GROUP OR BLANKET POLICIES [83-9-35]**

1. If a group health and accident insurance policy that covers two or more people is replaced by another group policy, the preexisting condition limitations must not exceed the lesser of:
  - the benefits of the new policy (without applying the preexisting condition limitation); or
  - the benefits of the existing policy.
2. Replacing insurers must give credit for any deductibles or waiting periods that group members had satisfied under their existing policies (if similar benefits were provided).
3. Credit for deductibles must be given for expenses that were applied against the existing insurer's deductible within 90 days before the effective date of the replacing insurance (if the expenses are covered by the replacing policy).

### **C. POLICY REQUIREMENTS**

1. **Portability [19-1-26.01-.09]** The Health Insurance Portability and Accountability Act provides that a preexisting condition exclusion can only relate to a condition for which medical advice, diagnosis, care, or treatment was recommended or received within the six-month period ending on the enrollment date. When an individual's coverage terminates, the individual must receive a certificate of creditable coverage, and the duration of any preexisting condition exclusion in subsequently obtained coverage must be reduced or eliminated by the duration of the person's creditable coverage. Coverage is creditable if it ended within 63 days of the new coverage. The duration of consecutive creditable coverages are added to calculate the total amount of creditable coverage, as long as the break between such coverages does not exceed 63 days. Every health insurer in Mississippi must fully comply with these requirements.
2. **Maternity/Newborn coverage [83-9-33]**
  - a. Individual and group health insurance policies and contracts that provide coverage for a family member of the insured must also provide coverage for newborn children from the moment of birth.
  - b. Injury and sickness coverage must include necessary care and treatment of medically diagnosed congenital defects, prematurities, birth abnormalities, and up to \$200 for transportation.

- c. If payment of a specific premium is required to provide coverage for a child, the policy may require that the insured notify the insurer within 31 days of the child's birth and pay any required fees no later than 30 days after the insurer mails the premium notice.
- 3. Pregnancy complications [83-9-49; 19-1-26.05, .06]** A group hospital, health, or medical expense insurance policy preexisting condition exclusion may not apply to a pregnancy existing on the effective date of coverage.
- 4. Mammography/Prostate screenings [83-9-108]** Health insurers must offer in each group or individual policy coverage for annual breast cancer screenings by low-dose mammography for all women age 35 or older and prostate screenings for men age 50 and older. This coverage must be offered on an optional basis, and each primary insured must accept or reject such coverage in writing and accept responsibility for premium payment. The mammography benefit shall be at least as favorable as for other radiological examinations and subject to the same dollar limits, deductibles, and coinsurance factors.
- 5. Diabetes [83-9-46]** Individual and group health insurance policies must offer coverage for diabetes treatments, including equipment, supplies used in connection with the monitoring of blood glucose and insulin administration, self-management training/education, and medical nutrition therapy. An amount of coverage not to exceed \$250 must be offered annually for self-management training/education and medical nutrition therapy. The coverage must be offered on an optional basis, and each primary insured must accept or reject such coverage in writing and accept responsibility for premium payment. The coverage shall include treatment of all forms of diabetes. These requirements do not apply to accident-only, specified disease, hospital indemnity, Medicare supplement, long-term care, or other limited benefit health insurance policies.
- 6. Hospice/Home health care [41-85-3, 5]** A hospice is an autonomous, centrally administered, medically directed, nurse-coordinated program operated on either a nonprofit or profit basis that provides a continuum of home, outpatient and home-like inpatient care for not less than four terminally ill patients and their families. It employs a team to assist in providing supportive care to meet the special needs arising out of the physical, emotional, spiritual, social, and economic stresses which are experienced during the final stages of illness and during dying and bereavement. This care is available 24 hours a day, seven days a week and is provided on the basis of need regardless of inability to pay. Services provided by a hospital, nursing home, or other health care facility or health care provider does not constitute a hospice program unless that facility establishes a distinct hospice unit to provide home care, homelike inpatient hospice care, or outpatient hospice care under the separate administrative authority of a hospice program.
- 7. Notice of claim [Sec. 83-9-5]** Written notice of a claim must be given to the insurer within 30 days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible.



- 8. Prompt pay [Sec. 83-9-5]** Like many states, Mississippi has enacted a “prompt pay” policy that requires “clean” (undisputed) claims to be paid within a certain period of time. In Mississippi, a clean electronic claim must be paid within 25 days, and a clean paper claim must be paid within 35 days. If the claim is not paid within that time, the payee is entitled to collect interest on the payable amount at the rate of 1.5% per month.
- 9. Utilization review [41-83-29]** Utilization review is a managed care feature that requires treatment recommendations to be analyzed by third party to determine its appropriateness and effectiveness. In Mississippi, entities that perform utilization review must be certified as competent. Health insurers proposing to issue a group or blanket health insurance policy or administer a health benefit program which includes utilization review of hospital and medical benefits must either:
  - be certified as required by law; or
  - contract with a private review agent that is certified.

#### **D. INCOME TAX CREDIT FOR LONG-TERM CARE INSURANCE PREMIUMS [27-7-2233]**

- 1.** A taxpayer is allowed a Mississippi income tax credit in an amount equal to 25% of the qualified long-term care insurance policy premium paid during the taxable year. The tax credit shall not exceed \$500 or the taxpayer’s income tax liability, whichever is less, for each qualified long-term care insurance policy.
  - No tax credit is allowed under this section with respect to any premium for qualified long-term care insurance either deducted or subtracted by the taxpayer in arriving at the net taxable income or with respect to any premiums for qualified long-term care insurance which were excluded from the net taxable income.
  - Coverage must be for either the individual, the individual’s spouse, the individual’s parent or parent-in-law, or the individual’s dependent as defined in the Internal Revenue Code.

#### **E. PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA) [BULLETIN 2013-8]**

- 1.** The Patient Protection and Affordable Care Act (PPACA), also called Health Care Reform or Obamacare, was enacted in March 2010. It addresses quality of care, cost of care, and gaps in insurance coverage.
- 2. Qualified health plans (QHP)** are insurance plans sold on the health insurance exchange/marketplace. QHPs must be certified by the health insurance exchange/marketplace. QHPs provide essential health benefits, follow established limits on cost-sharing (like deductibles, copayments, and out-of-pocket maximum amounts), and meet other requirements. QHPs are only available on the health insurance exchange/marketplace and are the only plans that provide premium tax credits and cost-sharing reductions for eligible individuals.

- 3. Essential health benefits (EHBs)** are a set of health care service categories that must be covered by all individual and small group health plans subject to the PPACA. Essential health benefits must include items and services within at least the following 10 categories:

  - Ambulatory patient services
  - Emergency services
  - Hospitalization
  - Maternity and newborn care
  - Mental health and substance use disorder services, including behavioral health treatment
  - Prescription drugs
  - Rehabilitative and habilitative services and devices
  - Laboratory services
  - Preventive and wellness services and chronic disease management
  - Pediatric services, including oral and vision care
- 4. Health insurance exchange** PPACA requires states to have a health insurance exchange operated by either the state or the federal government. The state of Mississippi has chosen to use the federal government Health Insurance Marketplace to provide individuals and families with health insurance options. Individuals and families can access, view, and sign up for health insurance plans at [www.healthcare.gov](http://www.healthcare.gov).
- 5. Coverage tiers** There are four tiers of coverage available.

  - Bronze: Insurance covers 60% of covered expenses.
  - Silver: Insurance covers 70% of covered expenses.
  - Gold: Insurance covers 80% of covered expenses.
  - Platinum: Insurance covers 90% of covered expenses.
- 6. Plan enrollment** Initial enrollment in the plans available through the exchange began October 1, 2013. Individuals and families have an annual open enrollment each year. Special enrollment periods are available following certain life events such as the birth or adoption of a child, marriage, or divorce.
- 7. Navigators** are funded by the federal government to help individuals determine their eligibility for public assistance programs using the health insurance exchange/marketplace website. Navigators cannot legally provide advice to consumers about which health insurance plan to choose and are not permitted to sell insurance.
- 8. Agent/broker participation** Licensed agents and brokers are required to complete training to be permitted to enroll individuals and families in the Health Insurance Marketplace. Agents and brokers must register on the website and agree to comply with federal and state laws and regulations.

- 9. *One, Mississippi*<sup>TM</sup> [*One, Mississippi*<sup>TM</sup> factsheet]** As previously discussed, Mississippi individuals and families have access to the federal marketplace. For small businesses, Mississippi has a Small Business Health Options Program (SHOP) marketplace called *One, Mississippi*<sup>TM</sup>. To participate in *One, Mississippi*<sup>TM</sup>, the employer:
- must have 50 or fewer full-time employees;
  - must attest to offering coverage to all full-time equivalent employees who average 30+ hours worked per week; and
  - may offer coverage to part-time employees.
- a.** The SHOP marketplace provides an online application where small employers can shop and compare a variety of health insurance plans. Health insurance plans offered through SHOP use the same four metal tiers previously discussed: bronze, silver, gold, and platinum. The more the plan pays, the higher the premiums. All plans must provide essential health benefits previously discussed.
- b.** *One, Mississippi*<sup>TM</sup> enrollment for employers began May 1, 2014, with an insurance coverage effective date of July 1, 2014.
- c.** Employers are notified about policy renewals 75 days before their current coverage ends.





# 4

## Practice Exam

**HOW TO USE:** The practice exam tests your retention of the law supplement material. After you have studied the Cram Sheets, Class Notes, and Detailed Text take the following practice exam, as well as the state specific law questions in the InsurancePro™ QBank at [www.kaplanfinancial.com](http://www.kaplanfinancial.com).

**LAW SUPPLEMENT PRACTICE EXAM**

Student instructions: Following your thorough study of this supplement, take this 50-question sample examination. Grade your performance using the answer key provided. Carefully review the topics pertaining to those questions answered incorrectly.

**I. General Insurance**

1. What type of insurer is incorporated or formed in Mississippi?
  - A. Foreign
  - B. Domestic
  - C. Alien
  - D. International
2. In an insurance transaction, the insurance agent represents the
  - A. policyowner
  - B. insurer
  - C. state of Mississippi
  - D. broker
3. Who regulates all insurance companies and agents doing business in Mississippi?
  - A. Commissioner of Insurance
  - B. Insurance brokers
  - C. Federal Insurance Association
  - D. Mississippi legislature
4. Which of the following is NOT a duty of the Commissioner of Insurance?
  - A. Investigating the affairs of everyone engaged in the insurance business in Mississippi
  - B. Issuing certificates of authority to transact insurance business in Mississippi
  - C. Writing Mississippi's insurance laws
  - D. Executing Mississippi's insurance laws
5. Who selects the Commissioner of Insurance?
  - A. Department of Insurance
  - B. Mississippi voters
  - C. Governor
  - D. State legislature
6. Which of the following is NOT included in the Commissioner's annual report to the governor?
  - A. A list of licenses issued by the Commissioner
  - B. Report of the taxes received at the Commissioner's office
  - C. A summary of insurers' financial reports
  - D. A summary of all the advertisements created by the insurers
7. How many hours of approved education courses must applicants for life and accident and health agent licenses complete before they may take the agent's licensing examination?
  - A. 12
  - B. 24
  - C. 40
  - D. 45
8. Which of the following is considered to be an insurer?
  - A. Insurance agent
  - B. Insurance company
  - C. Insurance policyowner
  - D. Person who pays premiums
9. An insurer's license to do business in Mississippi is called
  - A. a notice of risk assignment
  - B. a certificate of authority
  - C. a mutual benefit card
  - D. a license to solicit registration

10. Which of the following people must complete the precicensing education and examination requirements before they can transact insurance business?
  - A. Applicants for renewal licenses who hold a current license
  - B. Applicants who are exclusively agents of a fraternal benefit society
  - C. Applicants who will only transact credit life, health, and accident insurance on borrowers or debtors
  - D. Applicants of sound character who wish to sell life insurance policies
11. Which of the following is NOT grounds for the Commissioner to suspend or revoke a certificate of authority?
  - A. The company violated any applicable provisions of the Mississippi insurance law.
  - B. The company's financial condition is unsound.
  - C. The company's assets in excess of its liabilities are less than its original capital.
  - D. The Commissioner does not care for the insurer's advertisements.
12. All agents must be licensed by the Commissioner. What must they hold from at least one insurer that authorizes the agent to transact business for that insurer?
  - A. Certificate of exemption
  - B. Certificate of authority
  - C. Certificate of completion
  - D. License verification
13. The Commissioner may suspend or revoke the license of an agent who has committed any of the following acts EXCEPT
  - A. obtained a license primarily to solicit insurance for his family members
  - B. willfully exaggerated prospective returns on investment features of policies
  - C. demonstrated a lack of trustworthiness or competence
  - D. failed to complete the minimum required number of business transactions
14. Circulation of a maliciously critical statement about any insurer's financial condition in order to injure the insurer is called
  - A. conservation
  - B. unfair discrimination
  - C. defamation
  - D. coercion
15. Which of the following is NOT an example of an unfair and deceptive trade practice?
  - A. Rebating premiums
  - B. Discriminating against a blind applicant for insurance
  - C. Issuing advisory board contracts, with the promise of returns, as an inducement to purchase insurance
  - D. Offering lower premiums for younger life insurance policyholders
16. All of the following are prohibited solicitation practices EXCEPT
  - A. using any sales presentation that has not been submitted and approved by the Commissioner
  - B. stating that the insurance company's profits are derived from lapses or excess interest earnings
  - C. stating that the dividends are not guaranteed
  - D. implying that the policy was issued by the insurance company's investment department
17. Producers must complete how many hours of continuing education every 2 years?
  - A. 18
  - B. 24
  - C. 30
  - D. 36
18. Temporary life insurance agent licenses are issued for how long?
  - A. 30 days
  - B. 60 days
  - C. 90 days
  - D. 180 days

19. At least how many days' advance notice must the Commissioner give a person of an unfair trade practice hearing?
- A. 1 day
  - B. 5 days
  - C. 10 days
  - D. 30 days
20. Insurance rates are regulated to prohibit rates from being all the following EXCEPT
- A. excessive
  - B. inadequate
  - C. unfairly discriminatory
  - D. competitive
21. Insurers must file their rates at least how many days before the proposed effective date of the rates?
- A. 30 days
  - B. 45 days
  - C. 60 days
  - D. 90 days
22. The purpose of the Guaranty Association is to
- A. offer life insurance to high-risk insureds
  - B. cover claims of insolvent insurers
  - C. offer health insurance to high-risk insureds
  - D. guarantee availability of both life and health insurance
23. The Guaranty Association pays a life insurance death claim up to
- A. \$10,000
  - B. \$100,000
  - C. \$250,000
  - D. \$300,000
24. The minimum age to obtain a producer's license is age
- A. 16
  - B. 18
  - C. 21
  - D. 26
25. Producers must notify the Commissioner of a change in address within how many days of the change?
- A. 10 days
  - B. 14 days
  - C. 21 days
  - D. 30 days
26. If a person has engaged in an unfair or deceptive practice, the Commissioner may impose an administrative fine of up to
- A. \$5,000 per violation
  - B. \$10,000 per violation
  - C. \$25,000 per violation
  - D. \$50,000 per violation
27. Producers must notify the Commissioner of an administrative action taken against the producer within how many days after final disposition of the matter?
- A. 10 days
  - B. 14 days
  - C. 21 days
  - D. 30 days
28. Of the total continuing education requirement, how many hours must be in ethics?
- A. 3 hours
  - B. 6 hours
  - C. 12 hours
  - D. 24 hours
29. A licensee may be deemed to have violated controlled business statutes if commissions on controlled business exceed what percentage of aggregate commissions?
- A. 25%
  - B. 35%
  - C. 50%
  - D. 51%
30. Which of the following referral fees may be paid to an unlicensed employee of a producer?
- A. None
  - B. A fixed percentage of premium paid
  - C. A fixed dollar amount
  - D. A fixed percentage of the producer's commission



31. What type of relationship does a producer have with insurers and insureds in handling their premium dollars?
- Fiduciary
  - Agent
  - Broker
  - Guarantor
32. Charging insureds in the same class with the same hazards a different premium is an example of
- misrepresentation
  - discrimination
  - twisting
  - rebating
33. Which of the following must be a member of the Guaranty Association?
- Authorized insurers
  - Licensed producers
  - Commissioner of Insurance
  - Admitted and nonadmitted insurers
- ## II. Life Insurance
34. Which of the following would be subject to replacement regulations?
- New policy issued by the same insurer
  - New policy that causes an existing life insurance policy to be surrendered
  - Credit life insurance policy that causes an existing credit life insurance policy to be forfeited
  - New policy issued to a first-time policyowner
35. With regard to replacement, insurers require all of the following EXCEPT
- a statement, signed by the applicant, reporting whether or not the transaction will involve replacement
  - a statement, signed by the existing insurer, allowing the replacement
  - a statement, signed by the agent, certifying that he knows that replacement may be involved
  - a policy summary or ledger statement containing policy data, provided by the existing insurer
36. Replacing insurers must do all of the following EXCEPT
- seek authorization for replacement from the Department of Insurance
  - require a list of the applicant's life insurance or annuity contracts that are to be replaced
  - send each existing insurer a written communication advising of the proposed replacement
  - inform their field representatives about the replacement regulations
37. Which of the following must sign the Notice Regarding Replacement?
- The agent, and a receipt must be signed by the applicant
  - The agent and the replacing insurer
  - The applicant, and a receipt must be signed by the existing insurer
  - The existing insurer and the replacing insurer
38. Any attempt by the existing insurer or agent to dissuade the policyowner from replacing existing life insurance or annuities is also known as
- conservation
  - replacement
  - cease and desist
  - supplemental insurance
39. All life insurance policies issued in Mississippi must specifically state all of the following EXCEPT
- the amount of benefits payable
  - the manner of benefit payment
  - what consideration will be paid for the policy
  - where the agent completed his prelicensing education
40. Which of the following statements regarding life insurance policy loans is NOT true?
- Many life insurance policies allow policyholders to borrow a portion of the policy's cash value.
  - The maximum fixed interest rate is 5%.
  - Policies must include a provision stating the maximum policy loan interest rate.
  - Policies that offer adjustable interest rates must provide for a periodic adjustment in the interest rate.

41. Regarding the contractual rights of minors, which of the following statements is NOT true?
- Any minor age 15 or older may purchase life, health, or accident insurance on his own life.
  - A minor may buy insurance on his own life for the benefit of anyone who has an insurable interest in the minor's life.
  - Guardians are allowed to buy life insurance on anyone else's life, for the benefit of the minor, with approval of the chancery court.
  - A minor has no contractual rights in connection with any life, health, and accident policy.
45. Newborn injury and sickness coverage must include all of the following EXCEPT
- medically diagnosed congenital defects
  - premature birth
  - birth abnormalities
  - up to \$5,000 in transportation expenses
46. The SHOP marketplace in Mississippi is for
- individuals and families
  - businesses with 50 to 300 full-time employees
  - businesses with 50 or fewer full-time employees
  - businesses with more than 300 employees

### III. Accident and Health Insurance

42. When does coverage begin for the children of family health insurance policyowners?
- At birth
  - 24 hours after birth
  - When the family notifies the insurer of the birth
  - At one year
43. All of the following are prohibited regarding medical insurance advertising EXCEPT
- using words such as *all* or *full* in a manner that exaggerates benefits beyond the terms of a policy
  - advertising hospital benefit amounts as payable on a monthly basis when they are actually payable on a daily basis relating to the number of days in confinement
  - using words such as *tax free* in advertisements of benefits for which payment is conditional upon confinement in a hospital
  - stating the limited nature of policies for specified accidents
44. When must a policyowner make the first premium payment to cover a new child on a family medical policy?
- Within 10 days of the child's birth
  - Within 20 days of leaving the hospital
  - Within 30 days after the insurer mails the premium bill
  - Within 90 days after the insurer mails the premium bill
47. The SHOP marketplace in Mississippi is called
- One, Mississippi*<sup>TM</sup>
  - Mississippi Health Options Cooperative
  - Mississippi Health Options Exchange
  - Mississippian Health
48. Which of the following health plans would have the highest premium?
- Bronze
  - Gold
  - Silver
  - Platinum
49. All individual and small group health plans must provide coverage for
- all important health benefits
  - disability
  - essential health benefits
  - long-term care expenses
50. Under PPACA, which of the following must be covered?
- Long-term care expenses
  - Preexisting conditions
  - Disability
  - All dental and vision expenses

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**LAW SUPPLEMENT PRACTICE EXAM**

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- |              |              |              |              |              |
|--------------|--------------|--------------|--------------|--------------|
| 1. <b>B</b>  | 11. <b>D</b> | 21. <b>A</b> | 31. <b>A</b> | 41. <b>D</b> |
| 2. <b>B</b>  | 12. <b>C</b> | 22. <b>B</b> | 32. <b>B</b> | 42. <b>A</b> |
| 3. <b>A</b>  | 13. <b>D</b> | 23. <b>D</b> | 33. <b>A</b> | 43. <b>D</b> |
| 4. <b>C</b>  | 14. <b>C</b> | 24. <b>B</b> | 34. <b>B</b> | 44. <b>C</b> |
| 5. <b>B</b>  | 15. <b>B</b> | 25. <b>D</b> | 35. <b>B</b> | 45. <b>D</b> |
| 6. <b>D</b>  | 16. <b>D</b> | 26. <b>A</b> | 36. <b>A</b> | 46. <b>C</b> |
| 7. <b>C</b>  | 17. <b>A</b> | 27. <b>D</b> | 37. <b>A</b> | 47. <b>A</b> |
| 8. <b>B</b>  | 18. <b>A</b> | 28. <b>A</b> | 38. <b>A</b> | 48. <b>D</b> |
| 9. <b>B</b>  | 19. <b>C</b> | 29. <b>B</b> | 39. <b>D</b> | 49. <b>C</b> |
| 10. <b>D</b> | 20. <b>D</b> | 30. <b>C</b> | 40. <b>B</b> | 50. <b>B</b> |

# Notes