

# Your Exam Content Outline

The following outline describes the content of one of the Connecticut insurance examinations. The outlines are the basis of the examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weights assigned to each part of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

## Connecticut Producer's Examination for Life Insurance Series 18-01

**100 questions – Two-hour time limit**

### 1.0 Insurance Regulation 10%

#### 1.1 Licensing

- Process (38a-702d, 702e, 769)
- Types of licensees (38a-702f(a), 769)
  - Resident producers (38a-782)
  - Certified insurance consultants (38a-731-733, 786)
  - Nonresident producers (38a-702g, 702n)
  - Temporary (38a-702j)
- Maintenance and duration
  - Renewal (38a-702f(b)(c), 784, 786(b))
  - Change in name or address (38a-702f(f), 771(a))
  - Reporting of actions (38a-702o, 771(b))
  - Assumed names (38a-702i)
  - Continuing education requirements, exemptions and penalties (Reg 38a-782a-2, 10, 13-15)
- Disciplinary actions
  - Cease and desist order (38a-817)
  - Hearings (38a-16, 817, 818)
  - Suspensions, revocations, refusal to issue or renew, fines (38a-2, 702k, 735, 774, 777, 817(b, e), 830)

#### 1.2 State regulation

- Commissioner's general duties and powers (38a-8, 10)
- Company regulation
  - Certificate of authority (38a-41)
  - Capital and surplus requirement (38a-72)
  - Unfair claim settlement practices (38a-816(6))
- Producer regulation
  - Controlled business (38a-782(b))
  - Commissions (38a-702l, 734)
  - Acting as an agent (38a-702m)
  - Representing an unauthorized insurer (38a-275, 703, 714)
  - Failure to remit premiums (38a-712)
- Unfair and prohibited practices
  - Misrepresentation (38a-816(1), (8))
  - False advertising (38a-816(1), (2))
  - Defamation of insurer (38a-816(3))

- Boycott, coercion and intimidation (38a-816(4))
- False financial statements (38a-816(5))
- Failure to maintain complaint record (38a-816(7))
- Unfair discrimination (38a-816(12), (13))
- Rebating (38a-816(9), 825)
- Twisting (38a-826)

- Examination of books and records (38a-769(f))
- Connecticut Insurance Information and Privacy Protection Act (38a-975-999a)

#### 1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681-1681d)
- Fraud and false statements (18 USC 1033, 1034)

### 2.0 General Insurance 10%

#### 2.1 Concepts

- Risk management key terms
  - Risk
  - Exposure
  - Hazard
  - Peril
  - Loss
- Methods of handling risk
  - Avoidance
  - Retention
  - Sharing
  - Reduction
  - Transfer
- Elements of insurable risks
  - Adverse selection
  - Law of large numbers
  - Reinsurance

#### 2.2 Insurers

- Types of insurers
  - Stock companies
  - Mutual companies
  - Fraternal benefit societies
  - Lloyd's associations
  - Risk retention groups
- Private versus government insurers
- Admitted versus nonadmitted insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating services)
- Marketing (distribution) systems

#### 2.3 Producers and general rules of agency

- Insurer as principal
- Producer/insurer relationship

- Authority and powers of producers
  - Express
  - Implied
  - Apparent

## 2.4 Contracts

- Elements of a legal contract
  - Offer and acceptance
  - Consideration
  - Competent parties
  - Legal purpose
- Distinct characteristics of an insurance contract
  - Contract of adhesion
  - Aleatory contract
  - Personal contract
  - Unilateral contract
  - Conditional contract
- Legal interpretations affecting contracts
  - Ambiguities in a contract of adhesion
  - Reasonable expectations
  - Indemnity
  - Utmost good faith
  - Representations/misrepresentations
  - Warranties
  - Concealment
  - Fraud
  - Waiver and estoppel

## 3.0 Life Insurance Basics 17%

### 3.1 Insurable interest

### 3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Life settlements (38a-465, 465a, 465f, 465g; Reg 38a-465-1-10)

### 3.3 Determining amount of personal life insurance

- Human life value approach
- Needs approach
  - Types of information gathered
  - Determining lump-sum needs
  - Planning for income needs

### 3.4 Business uses of life insurance

- Buy-sell funding
- Key person
- Executive bonuses

### 3.5 Classes of life insurance policies

- Group versus individual
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
  - Regulation of variable products (SEC, FINRA and Connecticut) (38a-433; Reg 38a-433-1-11)

### 3.6 Premiums

- Factors in premium determination

- Mortality
- Interest
- Expense
- Premium concepts
  - Net single premium
  - Gross annual premium
- Premium payment mode

### 3.7 Producer responsibilities

- Solicitation and sales presentations (Reg 38a-819-32-39)
  - Advertising (Reg 38a-819-21-31)
  - Life and Health Insurance Guaranty Association (38a-859, 871(e))
  - Illustrations (Reg 38a-819-58-69)
  - Policy summary (Reg 38a-819-35(G))
  - Buyer's guide (Reg 38a-819-35 Appendix)
  - Life insurance policy cost comparison methods (Reg 38a-819-35(F), Appendix)
  - Replacement (38a-435)
  - Use and disclosure of insurance information (38a-988)
- Field underwriting
  - Notice of information practices (38a-979, 981)
  - Application procedures (38a-442)
- Delivery
  - Policy review
  - Effective date of coverage
  - Premium collection
  - Statement of good health

### 3.8 Individual underwriting by the insurer

- Information sources and regulation
  - Application
  - Producer report
  - Attending physician statement
  - Investigative consumer (inspection) report (38a-982)
  - Medical Information Bureau (MIB)
  - Medical examinations and lab tests including HIV (RL 19a-583, 586)
- Selection criteria and unfair discrimination (38a-446, 447)
- Classification of risks
  - Preferred
  - Standard
  - Substandard

## 4.0 Life Insurance Policies 18%

### 4.1 Term life insurance

- Level term
  - Annual renewable term
  - Level premium term
- Decreasing term

### 4.2 Whole life insurance

- Continuous premium (straight life)
- Limited payment
- Single premium
- Graded premium
- Modified life
- Interest sensitive

Equity index

#### **4.3 Flexible premium policies**

Adjustable life  
Universal life

#### **4.4 Specialized policies**

Joint life (first-to-die)  
Survivorship life (second-to-die)  
Juvenile life

#### **4.5 Group life insurance**

Characteristics of group plans  
Group underwriting requirements  
Conversion to individual policy (Bul S-4 (8-10))

#### **4.6 Credit life insurance (individual versus group)**

### **5.0 Life Insurance Policy Provisions, Options and Riders 18%**

#### **5.1 Standard provisions**

Ownership  
Assignment (38a-455)  
Entire contract  
Modifications  
Right to examine (free look) (38a-436)  
Payment of premiums  
Grace period  
Reinstatement  
Incontestability  
Misstatement of age  
Exclusions  
Interest on insurance proceeds (38a-452)

#### **5.2 Beneficiaries**

Designation options  
Individuals  
Classes  
Estates  
Minors  
Trusts  
Succession  
Facility of payment clause  
Revocable versus irrevocable  
Common disaster clause  
Spendthrift clause

#### **5.3 Settlement options**

Interest only  
Fixed-period installments  
Fixed-amount installments  
Life income  
Single life  
Joint and survivor

#### **5.4 Nonforfeiture options**

Cash surrender value  
Extended term  
Reduced paid-up insurance

#### **5.5 Policy loan and withdrawal options**

Cash loans  
Automatic premium loans  
Withdrawals or partial surrenders

#### **5.6 Dividend options**

Cash payment  
Reduction of premium payments  
Accumulation at interest  
One-year term option  
Paid-up additions

#### **5.7 Disability riders**

Waiver of premium/waiver of stipulated premium (universal life)  
Waiver of cost of insurance  
Disability income benefit  
Payor benefit life/disability (juvenile insurance)

#### **5.8 Living benefit provisions/riders**

Accelerated (38a-457; Reg 38a-457-1-11)  
Conditions for payment  
Effect on death benefit  
Long-term care (Reg 38a-458-1-12)  
Conditions for payment  
Effect on death benefit

#### **5.9 Riders covering additional insureds**

Spouse/other-insured term rider  
Children's term rider  
Family term rider

#### **5.10 Riders affecting the death benefit amount**

Accidental death  
Guaranteed insurability  
Cost of living  
Return of premium

### **6.0 Annuities 10%**

#### **6.1 Annuity principles and concepts**

Accumulation period versus annuity period  
Owner, annuitant and beneficiary  
Insurance aspects of annuities

#### **6.2 Immediate versus deferred annuities**

Single premium immediate annuities (SPIAs)  
Deferred annuities  
Premium payment options  
Nonforfeiture  
Surrender and withdrawal charges  
Death benefits

#### **6.3 Annuity (benefit) payment options**

Life contingency options  
Pure life versus life with guaranteed minimum  
Single life versus multiple life  
Annuities certain (types)

#### **6.4 Annuity products**

Fixed annuities  
General account assets  
Interest rate guarantees (minimum versus current)  
Level benefit payment amount  
Equity indexed annuities  
Market value adjusted annuities (modified guaranteed annuities) (Reg 38a-433-12-22)

#### **6.5 Uses of annuities**

Lump-sum settlements  
Qualified retirement plans

- Group versus individual annuities
- Personal uses
  - Individual retirement accounts (IRAs)
  - Tax-deferred growth
  - Retirement income
  - Education funds

## **6.6 Senior Protection in Annuity Transactions (38a-432a-1-7)**

## **7.0 Federal Tax Considerations for Life Insurance and Annuities 10%**

### **7.1 Taxation of personal life insurance**

- Amounts available to policyowner
  - Cash value increases
  - Dividends
  - Policy loans
  - Surrenders
- Amounts received by beneficiary
  - General rule and exceptions
  - Settlement options
- Values included in insured's estate

### **7.2 Modified endowment contracts (MECs)**

- Modified endowment versus life insurance
- Seven-pay test
- Distributions

### **7.3 Taxation of non-qualified annuities**

- Individually-owned
  - Accumulation phase (tax issues related to withdrawals)
  - Annuity phase and the exclusion ratio
  - Distributions at death
- Corporate-owned

### **7.4 Taxation of individual retirement accounts (IRAs)**

- Traditional IRAs
  - Contributions and deductible amounts
  - Premature distributions (including taxation issues)
  - Annuity phase benefit payments
  - Values included in the annuitant's estate
  - Amounts received by beneficiary
- Roth IRAs
  - Contributions and limits
  - Distributions

### **7.5 Rollovers and transfers (IRAs and qualified plans)**

### **7.6 Section 1035 exchanges**

## **8.0 Qualified Plans 7%**

### **8.1 General requirements**

### **8.2 Federal tax considerations**

- Tax advantages for employers and employees
- Taxation of distributions (age-related)

### **8.3 Plan types, characteristics and purchasers**

- Simplified employee pensions (SEPs)
- Profit-sharing and 401(k) plans
- SIMPLE plans
- 403(b) tax-sheltered annuities (TSAs)