

Insurance Exam Content Outline

The following outline describes the content of one of the Michigan insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section 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.

Michigan Life Counselor

Series 16-73

100 questions – Two-hour time limit

1.0 Insurance Regulation 25% (25 items)

1.1 Licensing

Process (500.1201, .1201a, .1204, .1205, .1206, .1206b, .1240)

Types of licensees (500.1206)

Producer (500.240, 500.1201, .1201a, .1204, .1205, .1206, .1206b, .1240)

Counselor (500.1232, .1234, .1236)

Managing general agent (500.1401(b), .1405) Limited (R501.157)

Business entity (500.1201, .1205)

Financial institutions (500.1206, .1243)

Resident versus nonresident (500.1201, 500.1201a, 500.1204–.1206b, 500.1240; R500.635)

Temporary (500.1211b)

Maintenance and duration

Continuation (24.291; 500.1206, .134, .1153)

Change of address (500.1206(5), .1238)

Reporting of actions (500.1208b, .1239, .1244, .1246, .1247)

Assumed names (500.1211a)

Continuing education requirements (500.1204, .1204c, .1204d, .1204e, .1204f, .1206)

Bond (500.1153, .1407, .1504)

Disciplinary actions

Cease and desist order (500.1244, .2038)

Suspension, revocation, refusal to issue or renew (500.1200, .1209, .1239, .1379, .2029, .2043)

Penalties and fines (500.1242, .1244, .1379, .2038, .2040, .2064, .2069)

1.2 State regulation

Commissioner's general duties and powers (500.102, .200, .202, .210)

Company regulation

Certificate of authority (500.108, .402)

Solvency (500.408, .410, .436a)

Rates (500.1609, .1615, .1904, .2106, .2403, .2411, .2603)

Forms and exceptions (500.2236)

Unfair claims settlement practices (500.2006, .2026)

Producer appointment (500.1208a, .1208b, .1209, .1411)

Termination of appointment (500.1208b, .1209)

Producer regulation

Acting without a license (500.251, .1201a, .1202, .1203)

Prohibited conduct (500.1207, .1216, .2003, .2059, .2062)

Commissions (500.1240, .2011)

Fiduciary capacity (500.1207)

Types of compensation — disclosures

Unfair insurance trade practices (500.1239, .1244, .2003, .2006–.2014, .2016–.2021, .2026, .2029)

Misrepresentation (500.2005, .2005a, .2055, .2057, .2064, .2218)

False information and advertising (500.2001, .2002, .2005, .2005a, .2007, .2055, .2057, .2064)

Twisting (500.2005(f), .2064(2))

False financial statements (500.1015, .2014, .2018, .2055, .2062, .2474, .2666)

Defamation (500.2007, .2009; 600.2911; 750.389; R500.662, .1377(14))

Boycott, coercion and intimidation (500.1242, .2012)

Unfair discrimination (500.2019, .2020, .2027, .2082)

Rebating (500.1242, .2024, .2069, .2070)

Illegal inducement (500.2005a, .2024, .2069, .2070)

Examination of books and records (500.249, .222)

Insurance fraud regulation (500.2088, .4501, .4503, .4507, .4509, .4511, .8197; 752.1003, .1005)

Consumer privacy regulation (500.501, .505, .507, .515, .535, .2005a, .4501, .4507, .4509)

1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681–1681d)

Fraud and false statements (18 USC 1033, 1034)

Patriot Act

Violent Control Act

2.0 General Insurance 5% (5 items)

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

Authorized versus unauthorized 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

Responsibilities to the applicant/insured

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% (17 items)

3.1 Michigan life insurance laws

Insurable interest (500.2207, .2211)

Viatical settlements (550.521-.528)

Regulation of variable products (SEC, FINRA and Michigan) (R500.830-.839, 841-.842; Bul 90-4)

Solicitation and sales presentations (500.1371-.1383)

Advertising (R500.1371-.1387)

Life and Health Insurance Guaranty Association (500.7702)

Illustrations (R500.863)

Policy summary (R500.863)

Buyer's guides for life insurance and annuities

Life insurance policy cost comparison methods

Replacement (R500.601-.606)

Use and disclosure of insurance information

Selection criteria and unfair discrimination

(500.2027)

3.2 Personal uses of life insurance

Survivor protection

Estate creation

Cash accumulation

Security

Liquidity

Estate conservation

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

Deferred compensation funding

Split dollar plans

Corporate-owned life insurance

Change of insured rider

Minimum deposit

3.5 Classes of life insurance policies

Group versus individual

Permanent versus term

Participating versus nonparticipating

Fixed versus variable life insurance and annuities

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

Field underwriting
Notice of information practices
Application procedures including conditional receipts
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
Medical Information Bureau (MIB)
Medical examinations and lab tests including HIV
Classification of risks
Preferred
Standard
Substandard

4.0 Life Insurance Policies 15% (15 items)

4.1 Term life insurance

Level term
Annual renewable term
Level premium term
Life expectancy contract
Term to 65 (or older) contract
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

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
Types of plan sponsors
Group underwriting requirements

4.6 Life insurance policy law (550.601-.624; R550.201-.216)

Credit life insurance (individual versus group) (550.601-.624; R550.201-.216)
Universal life (500.4001, .4037, .4038)

Group life conversion to individual policy (500.4438)

5.0 Life Insurance Policy Provisions, Options and Riders 18% (18 items)

5.1 Standard provisions

Ownership
Assignment
Entire contract (500.4014)
Modifications
Right to examine (free look) (500.4015, .4073)
Payment of premiums (500.4010)
Grace period (500.4012)
Reinstatement (500.4028)
Incontestability (500.4014)
Misstatement of age or gender (500.4018)
Exclusions and restrictions (500.4046)
Interest on insurance proceeds (500.4060)

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

Cash payment
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 (500.3928, .3949)

- Accelerated
 - Conditions for payment
 - Effect on death benefit
- Long-term care
 - 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% (10 items)

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)
- Variable annuities

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

7.0 Federal Tax Considerations for Life Insurance and Annuities 6% (6 items)

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 4% (4 items)

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)
- Self-employed plans (HR 10 or Keogh plans)
- Money purchase plans
- Profit-sharing and 401(k) plans
- SIMPLE plans
- Pension plans
- Section 457 deferred compensation
- 403(b) tax-sheltered accounts (TSAs)

8.4 Special rules for life insurance

- Incidental limitation
- Taxation to economic benefit
- Taxation to life insurance distributions