

Your Exam Content Outline

For examinations on and after March 1, 2007

If you do not receive all four pages of this outline, please contact Prometric.

The following outline describes the content of one of the Louisiana insurance exams. The outline is the basis of the exam. The exam 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.

Louisiana Examination for Life Insurance Series 14-01

100 questions – Two-hour time limit

1.0 Insurance Regulation 10%

1.1 Licensing

- Types of licensees (22:1137, 1212(F))
 - Individual producer (22:1132(6), 1136(A))
 - Business entity (22:1132(2), 1136(B))
 - Resident versus nonresident (22:1136, 1138, 1146)
 - Temporary (22:1141)
- Maintenance and duration
 - Expiration (22:1137(B))
 - Renewal (22:1137(C))
 - Change of address (22:1137(G))
 - Assumed names (22:1140)
 - Reporting of actions (22:1149)
 - Continuing education requirements (22:1193; Rule 10 Sec 703, 705)
- Disciplinary actions
 - Hearings (22:1216, 1351-1367)
 - Cease and desist order (22:1217)
 - License probation, suspension, revocation, or refusal to issue or renew (22:1142)
 - Penalties with or without suspension of license (22:1217, 1217.1)

1.2 State regulation

- Commissioner's general duties and powers (22:2, 1215)
- Company regulation
 - Certificate of authority (22:35, 37)
 - Unfair claims settlement practices (22:1214(14))
 - Appointment (22:1144)
 - Termination of appointment (22:1145)
- Producer regulation
 - Controlled business (22:1134(C))
 - Shared commissions (22:1143)
 - Payment to unlicensed entities (22:1148)
- Unfair trade practices (22:1214)
 - Misrepresentation (22:1214(1, 18))
 - False advertising (22:1214(2))
 - Defamation (22:1214(3))

Boycott, coercion and intimidation (22:1214(4))

False financial statements (22:1214(5))

Unfair discrimination (22:1214(7))

Rebating (22:1214(8))

Examination of books and records (22:1215, 1301, 1309)

Insurance fraud (22:1214(13), 1241-1247.1)

Privacy of Consumer Financial Information (Reg 76 Sec 9901-.9933, .9945-.9953)

1.3 Federal regulation

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

Fraud and false statements (18 USC 1033, 1034)

2.0 General Insurance 5%

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

Self insurers

Surplus lines

Private versus government insurers

Authorized versus unauthorized insurers

Domestic, foreign and alien insurers

Financial status (independent rating service)

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 30%

3.1 Insurable interest (22:612, 613, 614.1, 616)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Viatical settlements (22:191-200.1)

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
- Ordinary versus industrial (home service)
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities

- Regulation of variable products (SEC, NASD and Louisiana) (22:1500; Reg 37:XIII.7705, .7715, .8309)

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
 - Advertising (Reg 37:XIII.4101-.4123)
 - Prohibited advertising of Life and Health Insurance Guaranty Association (22:1395.18(A))
 - Illustrations (Reg 37:XIII.3301-.3323)
 - Policy summary
 - Guaranty association disclaimer (22:1395.18(B-D); Reg 37:XIII.901-.909)
 - Suitability
 - Life insurance policy cost comparison methods
 - Replacement (Reg 37:XIII.8901-.8925)
 - Use and disclosure of insurance information
- Field underwriting
 - Notice of information practices
 - Application procedures
- Delivery
 - Policy review
 - Effective date of coverage
 - Premium collection
 - Statement of good health
 - Delivery receipt requirements (22:170(A)(10)(b), (c))

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 (RL 40:1300.11, .13, .14)
- Selection criteria and unfair discrimination (22:652, 1214(7))
- Classification of risks
 - Preferred
 - Standard
 - Substandard
 - Declined

4.0 Life Insurance Policies 15%

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

4.3 Flexible premium policies

Adjustable life
Universal life

4.4 Specialized policies

Joint life (first-to-die)
Juvenile life

4.5 Group life insurance

Characteristics of group plans
Types of plan sponsors
Group underwriting requirements
Group standard provisions (22:176)
Conversion to individual policy (22:176(10–12))

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 24%

5.1 Standard provisions (22:170)

Ownership
Assignment (22:642)
Entire contract (22:170(A)(3))
Modifications
Right to examine (free look) (22:170(A)(10))
Payment of premiums
Grace period (22:170(A)(1))
Reinstatement (22:170(A)(9))
Incontestability (22:170(A)(2))
Misstatement of age (22:170(A)(4))
Exclusions (22:170(B))
Interest on life insurance proceeds (22:182)
Settlement of death benefit (22:656)
Backdating of policies (22:171)

5.2 Beneficiaries

Designation options
Individuals
Classes
Estates
Minors
Trusts
Succession
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
Paid-up insurance

5.7 Disability riders

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

5.8 Accelerated (living) benefit provision/rider (Reg 37:XIII.1501–.1523)

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 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

6.5 Uses of annuities

Lump-sum settlements

Qualified retirement plans

Group versus individual annuities

Personal uses

Individual retirement annuities (IRAs)

Tax-deferred growth

Retirement income

Education funds

Interest only income

Using tax advantage of exclusion ratio to fund purchase of other insurance

7.0 Federal Tax Considerations for Life Insurance and Annuities 3%

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 (including taxation issues)

Annuity phase and the exclusion ratio

Distributions at death

Corporate-owned

7.4 Taxation of individual retirement annuities (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 3%

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)

Profit-sharing and 401(k) plans

SIMPLE plans

403(b) tax-sheltered annuities (TSAs)