

# Your Exam Content Outline

The following outline describes the content of one of the Louisiana 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.

## 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 (22:1547, 1962(F))
  - Individual producer (22:1542(6), 1546(A))
  - Business entity (22:1542(2), 1546(B))
  - Resident versus nonresident (22:1546, 1548, 1560)
  - Temporary (22:1553)
- Maintenance and duration
  - Expiration (22:1547(B))
  - Renewal (22:1547(C))
  - Change of address (22:1547(G))
  - Assumed names (22:1552)
  - Reporting of actions (22:1563)
  - Continuing education requirements (22:1573; Rule 10.703,.705)
- Disciplinary actions
  - Hearings (22:1968, 2191–2208)
  - Cease and desist order (22:1969)
  - License probation, suspension, revocation, or refusal to issue or renew (22:1554)
  - Penalties with or without suspension of license (22:1969, 1970)

#### 1.2 State regulation

- Commissioner's general duties and powers (22:2, 1967)
- Company regulation
  - Certificate of authority (22:37, 65)
  - Unfair claims settlement practices (22:1964(14))
  - Appointment (22:1558)
  - Termination of appointment (22:1559)
- Producer regulation
  - Controlled business (22:1544(C))
  - Shared commissions (22:1557)
  - Payment to unlicensed entities (22:1562)
- Unfair trade practices (22:1964)
  - Misrepresentation (22:1964(1, 18))
  - False advertising (22:1964(2))
  - Defamation (22:1964(3))
  - Boycott, coercion and intimidation (22:1964(4))
  - False financial statements (22:1964(5))

- Unfair discrimination (22:1964(7))
- Rebating (22:1964(8))
- Examination of books and records (22:1967, 1981, 1990)
- Insurance fraud (22:1964(13), 1921–1929)
- Privacy of Consumer Financial Information (Rule 76.9903–.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

## 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 (22:852, 856, 901-2)

### 3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Viatical settlements (22:1791-1805)

### 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

### 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 (22:2098(A))
  - Illustrations (Reg 37:XIII.3301-.3323)
  - Policy summary
  - Guaranty association disclaimer (22:2098(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 (22:931(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 (22:34, 1964(7))
- Classification of risks
  - Preferred
  - Standard
  - Substandard

## 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

Group underwriting requirements  
Group standard provisions (22:942)  
Conversion to individual policy (22:942(10–12))

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

### **5.0 Life Insurance Policy Provisions, Options and Riders 24%**

#### **5.1 Standard provisions (22:931)**

Ownership  
Assignment (22:876)  
Entire contract (22:931(A)(3))  
Modifications  
Right to examine (free look) (22:931(A)(10))  
Payment of premiums  
Grace period (22:931(A)(1))  
Reinstatement (22:931(A)(9))  
Incontestability (22:931(A)(2))  
Misstatement of age (22:931A)(4))  
Exclusions (22:931(B))  
Interest on life insurance proceeds (22:908)  
Settlement of death benefit (22:1811)  
Backdating of policies (22:904)

#### **5.2 Beneficiaries**

Designation options  
Individuals  
Classes  
Estates  
Minors  
Trusts  
Succession  
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  
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 accounts (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 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 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)