

# Your Exam Content Outline

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

## Utah Producer's Examination for Life Insurance Series 17-01

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 1.1 Licensing

- Purpose (31A-23a-101)
- Process (31A-23a-103–105, 107, 302)
- Types of licensees (31A-23a-106, 203, 401)
  - Producers
  - Consultants
  - Adjusters
  - Nonresidents (31A-23a-109)
- Maintenance and duration
  - Renewal (31A-23a-105)
  - Continuing education requirements (31A-23a-202; Reg R590-142-1 through 10)
  - Reinstatement (31A-23a-111(2), 113)
  - Assumed name (31A-23a-110(2))
  - Change of address or telephone number (31A-23a-412(1)(c))
  - Reporting of actions (31A-23a-105(2)(b))
- Disciplinary actions
  - License termination, suspension, or revocation (31A-2-308(10)(a); 31A-23a-111)
  - Probation (31A-23a-112)
  - Monetary forfeiture (fines) (31A-2-308)

#### 1.2 State regulation

- Commissioner's general duties and powers (31A-2-201)
- Company regulation
  - Solvency (31A-4-105, 105.5)
  - Rates (31A-19a-201–203)
  - Policy forms (31A-21-201–203)
  - Producer appointment (31A-23a-115; Reg R590-244-1–14)
  - Termination of appointment (Reg R590-244-1–14)
  - Unfair claim settlement practices (31A-26-303; Reg R590-190–192)
- Producer regulation
  - Fiduciary and trust account responsibilities (31A-23a-409)
  - Place of business/records maintenance (31A-23a-412)
  - Controlled business (31A-23a-502)
  - Shared commissions (31A-23a-504)

- Unfair marketing practices (Reg R590-154)
    - Misrepresentation (31A-21-105; 31A-23a-402(1))
    - False advertising (31A-23a-402(1))
    - Rebating (31A-23a-402(2))
    - Unfair discrimination (31A-23a-402(3))
    - Boycott, coercion or intimidation (31A-23a-402(4))
    - Illegal inducement (Reg R590-154-11)
  - Examination of records (31A-2-203–205; 31A-23a-412)
  - Privacy of Consumer Information (Reg R590-206)
  - Insurance fraud regulation (31A-31-103–106)
  - Personal liability for unpaid claims (31A-15-105)
- #### 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
  - Reciprocal
  - 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 producer

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 20%**

### **3.1 Insurable interest (31A-21-104)**

### **3.2 Personal uses of life insurance**

Survivor protection

Estate creation

Cash accumulation

Liquidity

Estate conservation

### **3.3 Life settlements (including stranger originated life insurance)**

### **3.4 Determining amount of personal life insurance**

Human life value approach

Needs approach

Types of information gathered

Determining lump-sum needs

Planning for income needs

### **3.5 Business uses of life insurance**

Buy-sell funding

Key person

Executive bonuses

Deferred compensation funding

Split dollar plans

Change of insured provision

### **3.6 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

including regulation of variable products

(SEC, FINRA, and Utah) (31A-5-217, 217.5;

31A-23a-206)

### **3.7 Premiums**

Factors in premium determination

Mortality

Interest

Expense

Premium concepts

Net single premium

Gross annual premium

Premium payment mode

### **3.8 Licensee responsibilities**

Solicitation and sales presentations

(Reg R590-79-1-8)

Advertising (Reg R590-130-4-16)

Utah Life and Health Insurance Guaranty

Association (31A-28-119(1))

Illustrations (31A-22-631;

Reg R590-177-1-13)

Policy summary (31A-22-631;

Reg R590-79-4(F), 5)

Buyer's guide (Reg R590-79-4(A), 5)

Guaranty association disclosure

(31A-28-119(2-4); Reg R590-155-2, 3)

Life insurance policy cost comparison methods

Replacement (Reg R590-93-1-12)

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

### **3.9 Individual underwriting by the insurer**

Information sources and regulation

Application

Licensee report

Attending physician statement

Investigative consumer (inspection) report

Medical Information Bureau (MIB)

Medical examinations and lab tests (including

HIV consent) (Reg R590-132-3)

Selection criteria and unfair discrimination

(31A-23a-402(3))

Classification of risks

Preferred

Standard

Substandard

#### 4.0 Life Insurance Policies 10%

##### 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
- Conversion to individual policy (31A-22-517-519)

#### 5.0 Life Insurance Policy Provisions, Options and Riders 20%

##### 5.1 Standard provisions

- Ownership
- Assignment (31A-22-412)
- Entire contract (31A-22-424)
- Modifications
- Right to examine (free look) (31A-22-423)
- Payment of premiums
- Grace period (31A-22-402)
- Reinstatement (31A-22-407)
- Incontestability (31A-22-403)
- Misstatement of age and gender (31A-22-405)
- Exclusions
- Suicide exclusion (31A-22-404)
- Medical examination; autopsy (31A-22-417)
- Prohibited provisions including backdating (31A-22-401)

##### 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

##### 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

- Qualifying events
- Disclosure
- Effect of benefit payment

##### 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 16%

##### 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 including group versus individual annuities

Personal uses

Individual retirement annuities (IRAs)

Tax-deferred growth

Retirement income

Education funds

## **7.0 Federal Tax Considerations for Life Insurance and Annuities 9%**

### **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 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 5%**

### **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)