

# 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 Variable Annuities Producer

### Series 16-83

60 questions – One-hour time limit

#### 1.0 Insurance Regulation 10% (6 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, .1206; 418.207)

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 10%(6 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 Regulation of Variable Products 10% (6 items)

### 3.1 Securities Exchange Act of 1933

### 3.2 Securities Exchange Act of 1934

- Suitability
- Compliance

### 3.3 Investment Company Act of 1940

### 3.4 State regulation of variable products

## 4.0 Nature of Variable Life Products 23% (14 items)

### 4.1 Variable life versus variable universal life

### 4.2 Fixed premium payment versus flexible payment

### 4.3 Face value versus death benefit

### 4.4 Cash values

### 4.5 Separate accounts

### 4.6 Charges and fees

### 4.7 Loans

## 5.0 Annuities 25% (15 items)

### 5.1 Annuity principles and concepts

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

### 5.2 Immediate versus deferred annuities

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

### 5.3 Annuity (benefit) payment options

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

### 5.4 Variable annuities

- Assets in a separate account
- Free look
- Contract charges
  - Sales charge
  - Deferred sales charge
  - Annual contract fee
  - Mortality and expense charge
  - Investment management charge
  - State premium tax
- Accumulation period — units
- Annuity period — units
  - Assumed interest rate (AIR)
- Combination annuities — contracts with fixed and variable accounts
- Riders (living benefits and death benefits)

## **6.0 Federal Tax Considerations for Life Insurance and Annuities 10% (6 items)**

### **6.1 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

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

Modified endowment versus non-MEC life insurance

Seven-pay test

Distributions

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

Individually-owned

Accumulation phase (taxation issues related to withdrawals)

Annuity phase and the exclusion ratio

Distributions at death

Corporate-owned

### **6.4 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

Required minimum distributions

Roth IRAs

Contributions and limits

Distributions

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

### **6.6 Section 1035 exchanges**

## **7.0 Qualified Plans 12% (7 items)**

### **7.1 General requirements**

### **7.2 Federal tax considerations**

Tax advantages for employers and employees

Taxation of distributions (age related)

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

Simplified employee pension (SEPs)

Self-employed plans (HR 10 Keogh plans)

Profit-sharing and 401(k) plans

SIMPLE plans

Defined benefit pension plans

Section 457 deferred compensation

403(b) tax-sheltered accounts (TSAs)