

Your Exam Content Outline

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

Oregon Producer's Examination for Life Insurance Series 12-01

100 questions – Two-hour time limit

PLEASE NOTE: All code and RL references refer to ORS, unless otherwise noted.

1.0 Insurance Regulation 10%

1.1 Licensing

Purpose

Process (744.058, .059, .062)

Types of licensees

Producers (744.052, .053)

Consultants (744.605, .609, .626;
OAR 836-071-0150)

Adjusters (744.531)

Nonresidents (744.063)

Temporary (744.073)

Maintenance and duration

Renewal and nonrenewal (744.072, .074)

Continuing education requirements
(744.072(4); OAR 836-071-0215–0250)

Reinstatement (744.018, .072(6))

Assumed business name (744.028(2), .068)

Change of address or telephone number
(744.028(1), .068)

Reporting of actions (744.089)

Disciplinary actions

Cease and desist orders (731.252)

License probation, suspension, revocation or
refusal to issue or renew (744.074)

Civil penalty (731.988)

Criminal penalty (733.992)

1.2 State regulation

Director's general duties and powers (731.236)

Company regulation

Solvency (731.554(6))

Producer appointment (744.078)

Termination of appointment (744.079, .081)

Unfair claim settlement practices (746.230;
OAR 836-080-0205–0250)

Producer regulation

Fiduciary and trust account responsibilities
(744.083; OAR 836-074-0020–0050)

Place of business/records maintenance
(744.068)

Controlled business (746.065, .160)

Shared commissions (744.076, .077; OAR 836-071-0269–0277)

Unfair trade practices

Misrepresentation (746.075, .100)

False advertising (746.110;
OAR 836-080-0155)

Rebating (746.045)

Unfair discrimination (746.015;
OAR 836-081-0005 and 0010)

Illegal inducement (746.035)

Examination of records (744.068(2, 3))

Privacy of Consumer Information (746.620)

1.3 Federal regulation

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

Fraud and false statements including 1033 waiver
(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 (743.024, .027, .030)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation

3.3 Viatical settlements (744.319–.328; OAR 836-014-0200–0330)

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

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, NASD, and Oregon) (733.220)

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 (OAR 836-051-0005–0020)
 - Advertising
 - Oregon Life and Health Insurance Guaranty Association (734.750–.890)
 - Illustrations (OAR 836-051-0500–0600)
 - Policy summary
 - Buyer's guide
 - Life insurance policy cost comparison methods
 - Replacement (746.085; OAR 836-080-0001–.0043)
 - 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
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests (including HIV consent) (OAR 836-050-0250)
- Selection criteria and unfair discrimination (31A-23a-402(3))
- Classification of risks
 - Preferred
 - Standard
 - Substandard

4.0 Life Insurance Policies 17%

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
Conversion to individual policy (743.333–.339)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 12%

5.1 Standard provisions

Ownership
Assignment (743.043)
Entire contract (743.174)
Modifications
Right to examine (free look)
Payment of premiums (743.162)
Grace period (743.165)
Reinstatement (743.171–.189)
Incontestability (743.168)
Misstatement of age and gender (743.180)
Exclusions
Suicide exclusion
Medical examination; autopsy
Prohibited provisions including backdating (743.225)

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 (743.154; OAR 836-051-0300–0380, 052–0588)

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 15%

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

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 7%

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)