

Your Exam Content Outline

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

Arizona Examination for Life Insurance Producer Series 13-31

100 questions – Two-hour time limit

1.0 Insurance Regulation 5%

1.1 Licensing

- License application requirements (20-285)
- Licensing eligibility (41-1080)
- Licensing time frames (Rule R20-6-708)
- Types of licensees
 - Producers (20-281(5), 286)
 - Nonresidents (20-281(11))
 - Adjusters (20-321)
 - Managing general agents (MGAs) (20-311, 311.01)
 - Business entities (20-281(1), 285(D, E), 290(B))
 - Surplus lines brokers (20-407, 411)
 - Temporary (20-294)
 - Vending machines (20-293)
- Lines of producer license authority (20-286, 411, 411.01, 1580)
- Fingerprinting requirements (20-142(E), 285(F), 286(C), 289(D))
- Assumed business name (20-297)
- Maintenance and duration
 - Expiration, surrender and renewal (20-289)
 - Inactive license status during military service (20-289.01)
 - Change of address (20-286(C))
 - Report of actions (20-301)
 - Continuing education (20-300(B), 2902, 2903)
- Disciplinary actions
 - Denial, suspension, revocation or refusal to renew (20-295, 296)
 - Cease and desist order (20-292)
 - Civil penalties (20-295(F, G))

1.2 State regulation

- Acts constituting insurance transaction (20-106, 282, 401.01)
 - Negotiate (20-281(10))
 - Sell (20-281(14))
 - Solicit (20-281(15))
- Director's general duties and powers (20-142, 157)
- Payment of premiums (20-191)
- Certificate of authority (20-216(B), 217(A))

- Signature on insurance policy (20-229)
- Producer regulation
 - Sharing commissions (20-298)
 - Place of business and records (20-290)
 - Fees (20-465)
- Unfair practices and frauds
 - Unfair trade practices (20-442)
 - Unfair claims settlement practices (20-461; Rule R20-6-801)
 - Claims payment (20-462)
 - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
 - False or deceptive advertising (20-444)
 - Defamation of insurer (20-445)
 - Boycott, coercion or intimidation (20-446)
 - False financial statements (20-447)
 - Unfair discrimination (20-448)
 - Gender discrimination (Rule R20-6-207)
 - Rebating (20-449-451)
 - Prohibited inducements (20-452)
 - Insurance fraud (20-463, 466-466.04)
- Insurance information and privacy protection (20-2101-2122)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681-1681d)
- Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
- Telemarketing Sales Rule (16 CFR 310; 15 USC 6101-6108; A.R.S. 44-1282)
- CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

2.0 General Insurance 7%

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

- Captive insurance companies
- Stock companies
- Mutual companies
- Fraternal benefit societies
- Reciprocal
- Risk retention groups
- Lloyd's associations

Private versus government insurers

Authorized versus unauthorized insurers

Domestic, foreign and alien insurers

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
- 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 21%

3.1 Insurable interest (20-443.02, 20-1104, 1106, 1107)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Viatical and life settlements

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, FINRA and Arizona) (20-2604, 2606, 2633)

Qualifications of producers for the sale of variable products (20-2662)

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

General provisions (Rule R20-6-202; 20-1241.03)

Policy summary (Rule R20-6-209(B)(8), (D))

Buyer's guide (20-1242.02, Rule R20-6-209(C), R20-6-211 Appendix)

Life and Disability Insurance Guaranty Fund (20-443(6), 683)

Life insurance policy cost comparison methods (Rule R20-6-209(B)(6))

Replacement (20-1241-1241.09; Rule R20-6-212)

Field underwriting

Application procedures

Delivery

Policy review

Effective date of coverage

Premium collection

Statement of good health

3.8 Individual underwriting by the insurer

Information sources and regulation

Application

Producer report

Attending physician statement

Investigative consumer (inspection) report (20-2107)

Medical Information Bureau (MIB)

Medical examinations and lab tests including HIV (20-448.01; Rule R20-6-1203, 1204)(Bul 2003-5, 9)

Selection criteria

- General selection criteria
- Discrimination on basis of blindness prohibited (Rule R20-6-211)
- Genetic testing (20-448(D), (E), 448.02)
- Classification of risks
 - Preferred
 - Standard
 - Substandard

- 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 (20-1231)

- Cash surrender value
- Extended term
- Reduced paid-up insurance

5.5 Policy loan and withdrawal options (1209, 1209.01)

- 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 (20-1136)

- Conditions for payment
- Effect on death benefit
- Long-term care
 - Conditions for payment
 - Effect on death benefit

5.9 Riders covering additional insureds (20-1257)

- 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 18%

6.1 Standard provisions

- Grace period (20-1219, 1271)
- Incontestability (20-1220)

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

- Individual certificates (20-1265)
- Characteristics of group plans
- Group eligibility (20-1251)
- Types of plan sponsors
- Group underwriting requirements
- Conversion to individual policy (20-1266–1269)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 20%

5.1 Standard provisions

- Ownership
- Assignment (20-1122, 1277)
- Limitation of liability (20-1226)
- Entire contract (20-1205)
- Modifications
- Right to examine (free look) (Rule R20-6-209(C)(1))
- Payment of premiums (20-1214)
- Grace period (20-1203, 1259)
- Reinstatement (20-1213)
- Incontestability (20-1204, 1217, 1260)
- Misstatement of age (20-1206, 1263)
- Policy title (20-1216)
- Policy settlements and proceeds (20-1228–1230)
- Exclusions (20-1226)
- Payment of claims (20-1215)

5.2 Beneficiaries

- Designation options
 - Individuals
 - Classes

Entire contract (20-1221, 1272)
Misstatement of age (20-1222, 1227, 1273)
Reinstatement (20-1224, 1227)
Free look (20-1233)
Disclosure (20-1242, 1242.01–1242.05)

6.2 Annuity principles and concepts

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

6.3 Immediate versus deferred annuities

Single premium immediate annuities (SPIAs)
Deferred annuities
Premium payment options
Nonforfeiture (20-1232, 1274)
Surrender charges
Death benefits

6.4 Annuity (benefit) payment options

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

6.5 Annuity products

Fixed annuities
General account assets
Interest rate guarantees (minimum versus current)
Level benefit payment amount
Equity indexed annuities
Market value adjusted annuities

6.6 Uses of annuities

Lump-sum settlements
Qualified retirement plans
Group versus individual annuities
Personal uses
Individual retirement plans
Tax-deferred growth
Retirement income
Education funds
Compatibility and suitability
(20-1243, 1243.01–1243.06)

7.0 Federal Tax Considerations for Life Insurance and Annuities 8%

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 plans

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 6%

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)