

YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

If you do not receive all four pages of this outline, please contact Thomson Prometric.

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

Pennsylvania Producer's Examination for Life Insurance

Series 16-01

100 questions – Two-hour time limit

1.0 Insurance Regulation 10%

1.1 Licenses

- Process (40 P.S. §§ 310.3–310.14)
- Types of licensees (40 P.S. § 310.1)
 - Producer (40 P.S. §§ 310.3–310.5)
 - Nonresident (40 P.S. § 310.10)
 - Temporary (40 P.S. § 310.9)
 - Managers and exclusive general agents (40 P.S. § 310.31)
- Maintenance and duration
 - Renewal (40 P.S. § 310.8)
 - Reporting of actions (40 P.S. § 310.78)
 - Assumed names (40 P.S. § 310.7)
 - Address change (40 P.S. § 310.11(19))
 - Continuing education (40 P.S. § 310.8(b))
- Disciplinary actions
 - Cease and desist order (40 P.S. §§ 310.91, 1171.9)
 - Revocation, suspension, nonrenewal or denial of license (40 P.S. § 310.91)
 - Fines (40 P.S. §§ 310.12, 310.91, 1171.11)

1.2 State regulation

- Commissioner's general duties and powers (40 P.S. §§ 310.2, 1171.7)
- Company regulation
 - Solvency (40 P.S. §§ 72, 112)
 - Rates (40 P.S. §§ 1181–1199, 1221–1238)
 - Policy forms (40 P.S. §§ 477b, 510, 776.1–776.7)
 - Unfair claims settlement practices (40 P.S. § 1171.5(a)(10); 31 Pa. Code Ch. 146)
- Producer regulation
 - Fiduciary responsibility (40 P.S. § 310.96)

- Examination of books and records (40 P.S. § 323.3)
- Commissions and fees (40 P.S. §§ 310.72–310.74)
- Prohibited acts (40 P.S. § 310.11)
- Appointment of producers (40 P.S. § 310.71)
 - Producer as representative of insurer
 - Producer as representative of consumer — disclosure requirements
- Unfair insurance practices (40 P.S. §§ 1171.4–1171.5)
 - Rebating (40 P.S. §§ 310.45, 1171.5(a)(8))
 - Misrepresentation (40 P.S. §§ 310.47–48, 1171.5(a)(1),(2))
 - Twisting (40 P.S. §§ 310.47, 473)
 - False advertising (40 P.S. § 1171.5; 31 Pa. Code Ch. 51)
 - Defamation (40 P.S. § 1171.5(a)(3); 31 Pa. Code Ch. 51)
 - Boycott, coercion or intimidation (40 P.S. § 1171.5(a)(4))
 - Misappropriation of funds (40 P.S. §§ 310.11(4), 310.42)
 - Unfair discrimination (40 P.S. § 1171.5; 31 Pa. Code § 145.4)
 - Illegal inducement (40 P.S. §§ 310.46, 1171.5(a)(8))
 - Privacy of consumer financial information (40 P.S. § 310.77(a); 31 Pa. Code §§ 146a.1–44)
 - Insurance fraud regulation (40 P.S. §§ 325.1–325.62; 18 Pa. C.S. § 4117)
- 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
 - Reciprocals
 - Lloyd's associations
 - 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
 - Powers and authority 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 Life Insurance Basics 16%**
 - 3.1 Insurable interest (40 P.S. § 512)**
 - 3.2 Personal uses of life insurance**
 - Survivor protection
 - Estate creation
 - Cash accumulation
 - Liquidity
 - Estate conservation
 - Viatical 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
- Coordination with Social Security, employee benefit plans, and other assets
- 3.4 Business uses of life insurance**
 - Buy-sell funding
 - Key person
 - Executive bonuses
 - Deferred compensation funding
 - Change of insured provision
- 3.5 Viatical and life settlements**
 - Viatical settlement broker authority and licensing
 - 40 P.S. § 626.3
 - Disclosure to consumers 40 P.S. §§ 626.7, 626.206
 - General rules 40 P.S. § 626.8
 - Definitions 40 P.S. § 626.2
 - Chronically ill
 - Fraudulent Viatical Settlement Act
 - Terminally ill
 - Viatical Settlement broker
 - Viatical Settlement provider
 - Viatical settlement purchaser
 - Viator
- 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
 - General account versus separate account (40 P.S. § 506.2; 31 Pa. Code Ch. 82.41-.51)
 - Regulation of variable life insurance (31 Pa. Code Ch. 82.1, .14, .81)
- 3.7 Premiums**
 - Factors in premium determination
 - Mortality
 - Interest
 - Expense
 - Premium concepts
 - Net single premium
 - Gross annual premium
 - Premium payment mode
- 3.8 Producer responsibilities**
 - Solicitation and sales presentations
 - Advertising (31 Pa. Code Ch. 51.1–.36)
 - Life and Health Insurance Guaranty Association (40 P.S. § 991.1717)
 - Life insurance disclosure statement (31 Pa. Code Ch. 83)
 - Illustrations (40 P.S. § 625.7–625.8)
 - Life insurance surrender comparison index disclosure (31 Pa. Code Ch. 83.51–.57)
 - Replacement (31 Pa. Code Ch. 81.1–.8)
 - Use and disclosure of insurance information

- Field underwriting
 - Notice of information practices
 - Application
- Delivery
 - Policy review
 - Effective date of coverage
 - Premium collection
 - Statement of good health
 - Delivery receipt requirement (40 P.S. § 625.4)

3.9 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 (35 P.S. § 7605, 31 Pa. Code Ch. 90c)
- Selection criteria and unfair discrimination (40 P.S. § 477a)
- Classification of risks
 - Preferred
 - Standard
 - Substandard
 - Declined

4.0 Life Insurance Policies 17%

4.1 Term life insurance

- Level term
 - Annual renewable term
 - Level premium term
 - Life expectancy contract
 - Term-to-65 contract

Decreasing term

4.2 Whole life insurance

- Continuous premium (straight life)
- Limited payment
- Single premium
- Graded premium
- Modified life
- Current assumption

4.3 Flexible premium policies

- Adjustable life
- Universal life
- Equity indexed universal life
- Variable universal life

4.4 Specialized policies

- Joint life (first-to-die)
- Survivorship life (second-to-die)
- Juvenile life

4.5 Group life insurance

- Characteristics of group plans
- Types of plan sponsors
- Group underwriting requirements
- Conversion to individual policy (40 P.S. § 532.7)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 20%

5.1 Standard provisions (40 P.S. § 510)

- Ownership
- Assignment
- Entire contract (d)
- Modifications
- Right to examine (free look) (40 P.S. § 510c(a))
- Payment of premiums (a)
- Grace period (b)
- Reinstatement (k)
- Incontestability (c)
- Misstatement of age (e)
- Exclusions
- Payment of claims (l)
- Prohibited provisions including backdating (40 P.S. § 511)

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 loans 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**
 - Conditions for payment (31 Pa. Code Ch. 90f.3)
 - Effect on death benefit (31 Pa. Code Ch. 90f.3)
 - Exclusions and restrictions (31 Pa. Code Ch. 90f.4)
- 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
 - Installments for a fixed period
 - Installments for a fixed amount
 - 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 (modified guaranteed annuities) (40 P.S. § 71, 510a–510d)
 - Variable annuities
 - Assets in a separate account (31 Pa. Code Ch. 85.21–.27)
 - Regulation of variable annuities (SEC, NASD and Pennsylvania) (31 Pa. Code Ch. 85.1–.4)
 - 6.5 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

- 7.0 Federal Tax Considerations for Life Insurance and Annuities 7%**
 - 7.1 Taxation of personal life insurance**
 - Amounts available to policyowner
 - Cash value increases
 - Dividends
 - Policy loans
 - Surrenders
 - Accelerated benefits
 - Viatical settlements
 - 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, limits 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
 - Qualified distributions
 - 7.5 Rollovers and transfers (IRAs and qualified plans)**
 - 7.6 Section 1035 exchanges**
- 8.0 Qualified Plans 4%**
 - 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
 - Pension plans
 - 403(b) tax-sheltered annuities (TSAs)
 - 8.4 Special rules for life insurance**
 - Taxation of economic benefit
 - Taxation of life insurance distributions