

Your Exam Content Outline

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

Massachusetts Adviser's Examination for Life Insurance Series 16-55

100 questions – Two-hour time limit

1.0 Insurance Regulation 15%

1.1 Licensing

Process (175:162G–X)

Types of licensees

Producers (175:162H, L, M)

Business entity producers (175:162L)

Nonresident producers (175:162N, U)

Special brokers (175:168)

Advisers (175:177A, B)

Public insurance adjusters (175:172)

Reinsurance intermediaries (175:177M–W)

Viatical settlement brokers (175:212–223)

Maintenance and duration

Reinstatement and renewal (175:162M(b–d), 177B, 177O)

Address change (175:162M(f))

Reporting of actions (175:162V)

Assumed names (175:162P)

Continuing education requirements, exemptions and penalties (175:177E; Reg 211 CMR 50.00)

Disciplinary actions

Cease and desist order (176D:7)

Hearings (175:162R; 176D:6)

Probation, suspension, revocation, refusal to issue or renew (175:162R, 177B; 176D:7, 10; 30A:13)

Penalties and fines (175:162R(b–e), 170, 174, 175, 176, 177, 194; 176D:7, 10)

1.2 State regulation

Commissioner's general duties and powers (175:3A; 176D:5)

Company regulation

Certificate of authority (175:4, 32, 151)

Solvency (175:6, 180A–L; 175J)

Rates (Reg 211 CMR 55.05)

Policy forms (175:2B, 192)

Examination of books and records (175:4)

Producer appointments (175:162S)

Termination of producer appointment (175:162T)

Producer regulation

Impersonation (175:175)

Larceny (175:176)

Unlicensed persons compensation (175:177)

Unfair or deceptive insurance practices

Misrepresentation (175:181, 186; 176D:3(1),(11))

False advertising (175:181; 176D:3(1),(2))

Defamation of insurer (176D:3(3))

Boycott, coercion and intimidation (176D:3(4), 3A)

False financial statements (176D:3(5))

Failure to maintain complaint record (176D:3(10))

Unfair discrimination (176D:3(7))

Unfair claims settlement practices (176D:3(9))

Rebating (175:182–184; 176D:3(8))

Insurance fraud regulation (175:170; 176D:3)

Insurance Information and Privacy Protection (175I)

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 13%

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

Risk retention and risk purchasing groups

- Self-insurance 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 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
 - 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 18%

3.1 Insurable interest

3.2 Personal uses of life insurance

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

3.3 Viatical Settlement Act (175:212)

- Viatical settlement broker authority and licensing (175:214)
- Disclosure to customers (175:216, 219)
- General provisions (175:220)
- Fraudulent acts (175:222)
- Definitions (175:213)

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
- Corporate-owned life insurance
- Change of insured rider

3.6 Classes of life insurance policies

- Group versus individual
- Permanent versus term
- Ordinary versus industrial (home service)
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
- Regulation of variable products (SEC, FINRA and Massachusetts (Reg 95.03))

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 (Reg 31.06, 31.07)
 - Advertising (176D:3)
 - Life and Health Insurance Guaranty Association Law (175:146B(19))
 - Policy summary (Reg 31.04)
 - Buyer's guide (Reg 31.00)
 - Life insurance policy cost comparison methods (Reg 31.04, 31.05)
 - Replacement (Reg 34.01–34.09)
 - Use and disclosure of insurance information (Reg 31.05)
- Field underwriting
 - Notice of information practices
 - Application procedures including backdating (175:130)
- Delivery
 - Policy review
 - Effective date of coverage
 - Premium collection
 - Statement of good health
 - Delivery receipt requirement

3.9 Individual underwriting by the insurer

- Information sources and regulation
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report (175I:7)
 - Medical Information Bureau (MIB)

- Medical examinations and lab tests including HIV (Reg 36.03)
- Selection criteria and unfair discrimination (175:120, 120A–E)
- Classification of risks
 - Preferred
 - Standard
 - Substandard
 - Declined

4.0 Life Insurance Policies 12%

4.1 Term life insurance

- Level term
 - Annual renewable term
 - Level premium term
 - Life expectancy contract
 - Term-to-65 (or older) contract
- Decreasing term

4.2 Whole life insurance

- Continuous premium (straight life)
- Limited payment
- Single premium
- Graded premium
- Modified life
- Interest sensitive
- Equity index (Bulletin 98-17)

4.3 Flexible premium policies

- Adjustable life
- Universal life
- Equity index

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 (175:134(4), 134A)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 10%

5.1 Standard provisions

- Ownership
- Assignability (175:134C)
- Entire contract (175:132(3))
- Modifications
- Right to examine (free look) (Reg 34.06 (1)(d); 175:187H)
- Payment of premiums
- Grace period (175:132(1))
- Reinstatement (175:132(11))
- Incontestability (175:132(2))
- Misstatement of age (175:132(4),(12))
- Exclusions

- Interest on insurance proceeds (175:119A, 119C)

5.2 Beneficiaries

- Designation options
 - Individuals
 - Classes
 - Estates
 - Minors
 - Trusts
- Succession
- Facility of payment clause
- 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 (175:144)

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

5.5 Policy loan and withdrawal options

- Cash loans (175:142)
- 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 stipulated premium (universal life) (175:24)
- Waiver of cost of insurance
- Disability income benefit
- Payor benefit life/disability (juvenile insurance)

5.8 Living benefit provisions/riders

- Accelerated (Reg 55.01–.07, 55.100, 110)
 - Conditions for payment
 - Effect on death benefit
- Minimum standards (Reg 55.05)
 - Conditions for payment
 - Effect on death benefit
- Long term care riders (Reg 65.00)

5.9 Riders covering additional insureds

- Spouse/other-insured term rider
- Children's term rider (175:144(7)(iv))
- Family term rider

5.10 Riders affecting the death benefit amount

- Accidental death (175:24, 144(7)(i))
- Guaranteed insurability
- Cost of living
- Return of premium

Long term care riders (Reg 65.00)

6.0 Annuities 10%

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 (175:144A 1/2)
Premium payment options
Nonforfeiture
Surrender and withdrawal 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 (175:144A 1/2)
Interest rate guarantees (minimum versus current)
Level benefit payment amount
Equity indexed annuities (Bul 98-17)
Market value adjusted annuities (modified guaranteed annuities)

6.5 Uses of annuities

Lump-sum settlements
Qualified retirement plans
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 10%

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
Premature distributions (including taxation issues)
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 12%

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
Section 457 deferred compensation
403(b) tax-sheltered annuities (TSAs)

8.4 Special Rules for life insurance

Incidental limitation
Taxation of economic benefit
Taxation of life insurance distributions