

Your Exam Content Outline

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

Louisiana Examination for Life Insurance Series 14-01

100 questions – Two-hour time limit

1.0 Insurance Regulation 10%

1.1 Licensing

- Types of licensees (22:1547, 1962(F))
 - Individual producer (22:1542(6), 1546(A))
 - Business entity (22:1542(2), 1546(B))
 - Resident versus nonresident (22:1546, 1548, 1560)
 - Temporary (22:1553)
- Maintenance and duration
 - Expiration (22:1547(B))
 - Renewal (22:1547(C))
 - Change of address (22:1547(G))
 - Assumed names (22:1552)
 - Reporting of actions (22:1563)
 - Continuing education requirements (22:1573; Rule 10 Sec 703, 705)
- Disciplinary actions
 - Hearings (22:1968, 2191–2208)
 - Cease and desist order (22:1969)
 - License probation, suspension, revocation, or refusal to issue or renew (22:1554)
 - Penalties with or without suspension of license (22:1969, 1970)

1.2 State regulation

- Commissioner's general duties and powers (22:2, 1967)
- Company regulation
 - Certificate of authority (22:37, 65)
 - Unfair claims settlement practices (22:1964(14))
 - Appointment (22:1558)
 - Termination of appointment (22:1559)
- Producer regulation
 - Controlled business (22:1544(C))
 - Shared commissions (22:1557)
 - Payment to unlicensed entities (22:1562)
- Unfair trade practices (22:1964)
 - Misrepresentation (22:1964(1, 18))
 - False advertising (22:1964(2))
 - Defamation (22:1964(3))
 - Boycott, coercion and intimidation (22:1964(4))
 - False financial statements (22:1964(5))

- Unfair discrimination (22:1964(7))
- Rebating (22:1964(8))
- Examination of books and records (22:1967, 1981, 1990)
- Insurance fraud (22:1964(13), 1921–1929)
- Privacy of Consumer Financial Information (Reg 76 Sec 9901–.9953)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033, 1034)

2.0 General Insurance 5%

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
 - Self insurers
 - Surplus lines
- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating service)
- 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 Life Insurance Basics 30%

3.1 Insurable interest (22:852, 856, 901-2)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Viatical settlements (22:1791–1805)

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 Louisiana) (22:1500; Reg 37:XIII.7705, .7715, .8309)

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

- Advertising (Reg 37:XIII.4101–.4123)
- Prohibited advertising of Life and Health Insurance Guaranty Association (22:2098(A))

Illustrations (Reg 37:XIII.3301–.3323)

Policy summary

Guaranty association disclaimer (22:2098(B–D); Reg 37:XIII.901–.909)

Suitability

Life insurance policy cost comparison methods

Replacement (Reg 37:XIII.8901–.8925)

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

Delivery receipt requirements

(22:931(A)(10)(b), (c))

3.8 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 (RL 40:1300.11, .13, .14)

Selection criteria and unfair discrimination

(22:34, 1964(7))

Classification of risks

Preferred

Standard

Substandard

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

- Characteristics of group plans
- Types of plan sponsors
- Group underwriting requirements
- Group standard provisions (22:942)
- Conversion to individual policy (22:942(10–12))

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 24%

5.1 Standard provisions (22:931)

- Ownership
- Assignment (22:876)
- Entire contract (22:931(A)(3))
- Modifications
- Right to examine (free look) (22:931(A)(10))
- Payment of premiums
- Grace period (22:931(A)(1))
- Reinstatement (22:931(A)(9))
- Incontestability (22:931(A)(2))
- Misstatement of age (22:931(A)(4))
- Exclusions (22:931(B))
- Interest on life insurance proceeds (22:908)
- Settlement of death benefit (22:1811)
- Backdating of policies (22:904)

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
- 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 (Reg 37:XIII.1501–.1523)

- Conditions for payment
- Effect on death benefit

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 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
 - 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
 - Group versus individual annuities
- Personal uses
 - Individual retirement annuities (IRAs)
 - Tax-deferred growth
 - Retirement income
 - Education funds

Interest only income
Using tax advantage of exclusion ratio to fund
purchase of other insurance

7.0 Federal Tax Considerations for Life Insurance and Annuities 3%

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 (including taxation issues)

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

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 3%

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)