

# Your Exam Content Outline

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

## Texas Examination for Life Agent Series 14-78

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 12%

#### 1.1 Licensing requirements

##### General provisions

Who are agents (Ins. 4001.003(1), .051)

Process (Ins. 4001.006, .102, .103, .104, .105;  
Ins. 4002.001)

Types of licensees (Ins. 4001.003)

Individuals (Ins. 4001.105)

Partnerships (Ins. 4001.106)

Corporations (Ins. 4001.106)

Banks (Ins. 4001.107)

Nonresident agents (Ins. 4056.001-.004)

Life agent (Ins. 4054.301-.304)

Life and health insurance counselor  
(Ins. 4052.001)

##### Maintenance and duration

Expiration and renewal (Ins. 4003.001, .004,  
.006, .007)

Temporary license (Ins. 4001.151-.156)

Continuing education and product certification  
course requirements (Ins. 4004.051-.054;  
TAC 19.1001-19.1030; Ins.code 1115.056)

##### Disciplinary actions

Denial of license (Ins. 4005.101, .102)

Cease and desist order (Ins. 83.001-.153;  
Ins. 541.108; TAC 1.901-.911)

Surrender of license (Ins. 4005.107;  
TAC 19.2)

Suspension, revocation or refusal to renew  
(Ins. 4001.254; Ins. 4005.101, .102, .105)

Penalties (Ins. 82.001-.056;  
Ins. 84.001-.051; Ins. 4005.102)

#### 1.2 State regulation

Commissioner's general duties and powers (Art.  
31.001, .002, .021; Ins. 201.004; Ins. 404.051-  
.053; Ins. 481.001-.009; Ins. 491.051-.052;  
Ins. 521.003-.004; Ins. 4001.005)

##### Company regulation

Certificate of authority (Ins. 801.051-.053)

Financial requirements (Ins. 401.001-.021)

Examination of records (Ins. 38.001;  
Ins. 86.001-.002; Ins. 401.051-.062)

##### Unfair claims settlement practices

(Ins. 541.060; Ins. 542.001-.014;  
TAC 21.201-.205)

##### Agent regulation

One agent, one license (TAC 19.902)

Acting without a license (Ins. 4001.101)

Unfair trade practices (TAC 21.3)

Misrepresentations (Ins. 541.051, .061;  
TAC 21.4)

False advertising (Ins. 541.052;  
TAC 21.115)

Defamation of insurer (Ins. 541.053)

Boycott, coercion and intimidation  
(Ins. 541.054)

False financial statements (Ins. 541.055)

Unfair discrimination (Ins. 541.057)

Rebates (Ins. 541.056; Ins.  
4005.053(c)(1), .101(b)(9))

Testimonials (TAC 21.107)

False use of statistics (TAC 21.108)

Unlawful inducement (TAC 21.109)

Disparagements (TAC 21.110)

Unfair comparisons (TAC 21.111)

Commissions and fees (Ins. 4001.157;  
Ins. 4005.053, .054)

Controlled business (Ins. 4001.104)

Joint advertising by similarly licensed agents  
(TAC 19.904)

Referral business and insurance company  
appointments (Ins. 4001.051(d), 4005.053;  
TAC 19.905)

Reporting change of address (Ins. 4001.252,  
4003.009; TAC 19.906)

Reporting of actions (Ins. 4001.252)

Records maintenance (Ins. 4001.255)

Illegal conversion of funds (Ins.  
4005.101(b)(4))

Probation due to disability  
(Ins. 4006.001-.056; TAC 1.1501-1506)

Agent appointment (Ins. 4001.201)

Termination of appointment (Ins. 4001.206)

##### Life, Accident, Health and Hospital Service

Insurance Guaranty Association  
(Ins. 463.001-.451; TAC 21.6)

Insurance fraud regulation (Ins. 701.001-.154)

Consumer privacy regulation (TAC 22.1-.26)

### 1.3 Federal regulation

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

## 2.0 General Insurance 11%

### 2.1 Concepts

Risk management key terms  
Risk  
Exposure  
Peril  
Loss  
Elements of insurable risks  
Adverse selection  
Law of large numbers

### 2.2 Insurers

Types of insurers  
Stock companies  
Mutual companies  
Fraternal associations  
Private versus government insurers  
Authorized versus unauthorized insurers  
Domestic, foreign and alien insurers  
Financial status (independent rating services)  
Marketing (distribution) systems

### 2.3 Agents and general rules of agency

Insurer as principal  
Agent/insurer relationship  
Authority and powers of agents  
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  
Aleatory contract  
Personal contract  
Unilateral contract  
Conditional contract  
Legal interpretations affecting contracts  
Reasonable expectations  
Indemnity  
Utmost good faith  
Representations/misrepresentations  
Warranties  
Concealment  
Fraud  
Waiver and estoppel

## 3.0 Life Insurance Basics 18%

### 3.1 Personal uses of life insurance

Survivor protection  
Estate creation  
Cash accumulation  
Liquidity

Estate conservation  
Life settlements HB 2277, 1115.056

### 3.2 Determining amount of personal life insurance

Human life value approach  
Needs approach  
Types of information gathered  
Determining lump-sum needs  
Planning for income needs

### 3.3 Business uses of life insurance

Buy-sell funding  
Key person

### 3.4 Classes of life insurance policies

Group versus individual  
Permanent versus term  
Participating versus nonparticipating  
Fixed versus variable life insurance and annuities  
Regulation of variable products (SEC, FINRA and Texas) (TAC 3.704, 3.806)

### 3.5 Premiums

Premium concepts  
Net single premium  
Gross annual premium  
Premium payment mode

### 3.6 Agent responsibilities

Solicitation and sales presentations (TAC 21.104)  
Advertising (TAC 3.303; TAC 21.111, .114, .122)  
Policy summary  
Illustrations (TAC 21.2201–.2214)  
Life insurance policy cost comparison methods  
Use and disclosure of insurance information  
Field underwriting  
Notice of information practices  
Application procedures including backdating (TAC 3.120)  
Delivery  
Policy review  
Effective date of coverage  
Premium collection  
Statement of good health

### 3.7 Individual underwriting by the insurer

Information sources and regulation  
Application  
Agent report  
Attending physician statement  
Investigative consumer (inspection) report  
Medical Information Bureau (MIB)  
Medical examinations and lab tests including HIV (TAC 21.704(b)(8–10), 21.705)  
Selection criteria and unfair discrimination (TAC 21.702–.704)  
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
- Indeterminate premium (TAC 3.301-.305)

##### **4.3 Flexible premium policies**

- Adjustable life
- Universal life

##### **4.4 Group life insurance**

- Characteristics of group plans
- Eligible groups (Ins. 1131.002)
- Group underwriting requirements
- Conversion to individual policy (Ins. 1131.110-.112)

##### **4.5 Credit life insurance (individual versus group)**

##### **4.6 Nature of variable life insurance**

- Variable life versus variable universal life
- Fixed premium payment versus flexible payment
- Face value versus death benefit
- Contract charges and fees

#### **5.0 Life Insurance Policy Provisions, Options and Riders 16%**

##### **5.1 Required provisions (Ins. 1101.002)**

- Entire contract (Ins. 1101.003; TAC 3.103)
- Payment of premiums (Ins. 1101.004; TAC 3.101)
- Grace period (Ins. 1101.005; TAC 3.102)
- Reinstatement (TAC 3.111)
- Incontestable clause (Ins. 1101.006; TAC 3.104)
- Misstatement of age (Ins. 1101.008; TAC 3.106)
- Statements of the insured (Ins. 1101.007; TAC 3.105)
- Legal action (TAC 3.119)
- Payment of claims (Ins. 1101.011; TAC 3.112)

##### **5.2 Other provisions**

- Ownership
- Assignment (TAC 3.123)
- Modifications
- Right to examine (free look)
- Medical examination
- Exclusions

##### **5.3 Beneficiaries**

- Designation options
  - Individuals
  - Classes
  - Estates
  - Minors
  - Trusts
- Succession
- Revocable versus irrevocable
- Common disaster clause

Spendthrift clause

##### **5.4 Settlement options**

- Cash payment
- Interest only
- Fixed-period installments
- Fixed-amount installments
- Life income
  - Single life
  - Joint and survivor

##### **5.5 Nonforfeiture options**

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

##### **5.6 Policy loan and withdrawal options**

- Cash loans
- Automatic premium loans
- Withdrawals or partial surrenders

##### **5.7 Dividend options**

- Cash payment
- Reduction of premium payments
- Accumulation at interest
- One-year term option
- Paid-up additions
- Paid-up insurance

##### **5.8 Disability riders**

- Waiver of premium
- Waiver of cost of insurance
- Disability income benefit

##### **5.9 Accelerated (living) benefit provision/rider (Ins. 1111.052, 1551.254; TAC 3.1708, 3.4301-.4317)**

- Conditions for payment
- Effect on death benefit

##### **5.10 Riders covering additional insureds**

- Spouse/other-insured term rider
- Children's term rider
- Family term rider

##### **5.11 Riders affecting the death benefit amount**

- Accidental death
- Guaranteed insurability
- Cost of living
- Return of premium

#### **6.0 Annuities 11%**

##### **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

#### **6.5 Uses of annuities**

Lump-sum settlements  
Qualified retirement plans including group versus individual  
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 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

#### **7.3 Taxation of individual retirement annuities (IRAs)**

Traditional IRAs  
Contributions and deductible amounts  
Premature distributions (including taxation issues)  
Annuity phase benefit payments  
Values included in annuitant's estate  
Amounts received by beneficiary  
Roth IRAs  
Contributions and limits  
Distributions

#### **7.4 Rollovers and transfers (IRAs and qualified plans)**

#### **7.5 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)  
Profit-sharing and 401(k) plans  
SIMPLE plans  
403(b) tax-sheltered annuities (TSAs)