

# 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 Producer's Examination for Life Insurance

### Series 16-51

100 questions – Two-hour time limit

#### 1.0 Insurance Regulation 8%

##### 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)

Temporary (175:162Q)

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 (175:113B; 175A; 175E; 176A:6; 176H:6; 176J:3; 176M:4; 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, 181; 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 6%

##### 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 17%

### 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)

- 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
- Corporate-owned life insurance

### 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)
  - 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 (175l:7)
  - Medical Information Bureau (MIB)
  - Medical examinations and lab tests including HIV (Reg 36.03)

Selection criteria and unfair discrimination  
(175:120, 120 A-E)  
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  
Graded premium  
Modified life  
Interest sensitive  
Equity index (Bulletin 98-17)

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

Adjustable life  
Universal life  
Indexed life  
Variable life (211 CMR 95)

##### **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 24%**

##### **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 17%

### 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)
- Variable annuities (175:132FGH)

### 6.5 Uses of annuities

- Long term care riders (Reg 65.00)
- 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 7%

### 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 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)