

# Your Exam Content Outline

The following outline describes the content of one of the New Hampshire 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.

## New Hampshire Producer's Examination for Life Insurance Series 12-61

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 12%

#### 1.1 Licensing

- Process (402-J:5, 6)
- Types of licensees
  - Producer (402-J:2, 14)
  - Producer with appointment (402-J:14)
  - Business entity (402-J:6)
  - Financial institutions (406-C:1–19)
  - Resident versus nonresident (402-J:8, 16; Reg 1301.06)
  - Temporary (402-J:11)
- Maintenance and duration
  - Renewal (402-J:7(II–IV))
  - Change of address (402-J:7(VI))
  - Reporting of actions (402-J:17)
  - Assumed names (402-J:10)
  - Continuing education requirements (Reg 1302.03, 1302.04, 1304.03)
- Disciplinary actions
  - Cease and desist order (417:12)
  - Denial, suspension or revocation (402:49; 402-J:12)
  - Penalties and fines (400-A:15(III); 402:42, 48; 402-J:12(IV); 417:10, 13)

#### 1.2 State regulation

- Commissioner's general duties and powers (400-A:3, 15; 417:5, 14)
- Company regulation
  - Producer appointment (402-J:14)
  - Termination of appointment (402-J:15)
- Producer regulation
  - Acting without a license (402-J:3, 13)
  - Commissions (402-J:13)
  - Conversion of funds by producer (402:53)
  - Controlled business (402:74)
  - Fiduciary requirements (Reg 4301.01–4301.09)
  - License to transact business (402:12)
  - Unfair claim settlement practices (417:4(XV); Reg 1001.01–.11, Reg 1002.01–.20)
- Unfair insurance trade practices
  - Misrepresentation (402:46; 417:4(I, II))

- Twisting (402:47; 417:4(I))
- False information and advertising (417:4(III))
- Defamation (417:4(IV))
- Boycott, coercion and intimidation (417:4(V))
- Illegal inducement (417:4(VII))
- Unfair discrimination (417:4(VIII))
- Rebating (402:39–41; 417:4(IX))
- Examination of books and records (400-A:37)
- Insurance fraud regulation (400-A:36-b(II); 417:23; RL 638:20)
- Consumer privacy regulation (Reg 3001–3006)

#### 1.3 Federal regulation

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

### 2.0 General Insurance 8%

#### 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
  - Reciprocal
  - Lloyd's associations
  - Risk retention groups
  - Surplus lines
- Private versus government insurers
- Authorized versus unauthorized 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
- 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 17%**

### **3.1 Insurable interest (408:2, 2-a)**

### **3.2 Personal uses of life insurance**

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

### **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
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
  - Regulation of variable products (SEC, NASD and New Hampshire) (408:30)

### **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 (Reg 301.01-.07)
  - Advertising
  - Life and Health Insurance Guaranty Association (408-B:19(I))
  - Buyer's guide and policy summary (Reg 301.05)
  - Guaranty association disclaimer (408-B:19(II-IV))
  - Illustrations (Reg 309.01-.12)
  - Life insurance policy cost comparison methods
  - Replacement (Reg 302.01-.09)
  - Use and disclosure of insurance information
- Field underwriting
  - Notice of information practices
  - Application procedures including backdating of policies (Reg. 301.06(j))
- Delivery
  - Policy review
  - Effective date of coverage
  - Premium collection
  - Statement of good health

### **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 (417:4(XIX); Reg 1103.01, .02)
- Selection criteria and unfair discrimination (408:11)
- Classification of risks
  - Preferred
  - Standard
  - Substandard
  - Declined

## **4.0 Life Insurance Policies 10%**

### **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**

- Universal life

#### 4.4 Specialized policies

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

#### 4.5 Group life insurance

- Characteristics of group plans
- Group eligibility (408:15)
- Group underwriting requirements
- Standard provisions (408:16)
- Conversion to individual policy (408:16(VIII-X))
- Coverage during labor dispute (408:16-b)

### 5.0 Life Insurance Policy Provisions, Options and Riders 20%

#### 5.1 Standard provisions

- Ownership
- Assignment
- Entire contract (408:9; Reg 401.04(a)(3))
- Modifications
- Right to examine (free look) (Reg 401.04(f))
- Payment of premiums (Reg 401.04(a)(1))
- Grace period (Reg 401.04(a)(2))
- Reinstatement (Reg 401.04(d))
- Incontestability (408:10; Reg 401.04(a)(6,7))
- Misstatement of age or sex (Reg 401.04(a)(8))
- Exclusions (Reg 401.04(m))
- Interest on life insurance benefits (408:10-a)

#### 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
- 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
- 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 18%

#### 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

### 7.0 Federal Tax Considerations for Life Insurance and Annuities 13%

#### 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
- 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 2%**

### **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)