

Your Exam Content Outline

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

Arizona Examination for Life Insurance Producer Series 13-31

100 questions – Two-hour time limit

1.0 Insurance Regulation 5%

1.1 Licensing

- License application requirements (20-285)
- Licensing time frames (Rule R20-6-708)
- Types of licensees
 - Producers (20-281(5), 286)
 - Nonresidents (20-281(11))
 - Adjusters (20-321)
 - Managing general agents (MGAs) (20-311, 311.01)
 - Business entities (20-281(1), 285(D, E), 290(B))
 - Surplus lines brokers (20-407, 411)
 - Temporary (20-294)
 - Vending machines (20-293)
- Fingerprinting requirements (20-142(E), 285(F), 286(C), 289(D))
- Assumed business name (20-297)
- Maintenance and duration
 - Expiration, surrender and renewal (20-289)
 - Inactive license status during military service (20-289.01)
 - Change of address (20-286(C))
 - Report of actions (20-301)
 - Continuing education (20-300(B), 2902, 2903)
- Disciplinary actions
 - Denial, suspension, revocation or refusal to renew (20-295, 296)
 - Cease and desist order (20-292)
 - Civil penalties (20-295(F, G))

1.2 State regulation

- Acts constituting insurance transaction (20-106)
 - Negotiate (20-281(10))
 - Sell (20-281(14))
 - Solicit (20-281(15))
- Director's general duties and powers (20-142, 156–157)
- Company regulation
 - Solvency (20-169; Rule R20-6-308)
 - Unfair claims settlement practices (20-461; Rule R20-6-801)
 - Claims payment (20-462)

- Examination of insurer's records (20-156–157; Rule R20-6-1702)
- Payment of commissions (20-298)
- Producer regulation
 - Sharing commissions (20-298)
 - Place of business and records (20-290)
- Unfair practices and frauds
 - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
 - False or deceptive advertising (20-444)
 - Defamation of insurer (20-445)
 - Boycott, coercion or intimidation (20-446)
 - False financial statements (20-447)
 - Unfair discrimination (20-448)
 - Gender discrimination (Rule R20-6-207)
 - Rebating (20-449–451)
 - Prohibited inducements (20-452)
- Insurance information and privacy protection (20-2101–2122)
- Insurance fraud (20-463, 466–466.04)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
- Telemarketing Sales Rule (16 CFR 310; 15 USC 6101–6108; A.R.S. 44-1282)
- CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

2.0 General Insurance 7%

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

- Captive insurance companies
- Stock companies
- Mutual companies
- Fraternal benefit societies
- Reciprocals
- Risk retention groups
- Lloyd's associations

- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- 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
 - 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 21%

3.1 Insurable interest (20-1104, 1106, 1107)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Viatical and life settlements

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, NASD and Arizona) (20-2604, 2606, 2633)
 - Qualifications of producers for the sale of variable products (20-2662)

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
 - General provisions (Rule R20-6-202; 20-1241.03)
 - Policy summary (Rule R20-6-209(B)(8), (D))
 - Buyer's guide (20-1242.02, Rule R20-6-209(C), Appendix)
 - Life and Disability Insurance Guaranty Fund (20-443(6), 683)
 - Life insurance policy cost comparison methods (Rule R20-6-209(B)(6))
 - Replacement (20-1241-1241.09; Rule R20-6-215)
- Field underwriting
 - Application procedures
- 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 (20-2107)
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests including HIV (20-448.01; Rule R20-6-1203, 1204)(Bul 2003-5, 9)
- Selection criteria
 - General selection criteria
 - Discrimination on basis of blindness prohibited (Rule R20-6-211)

- Genetic testing (20-448(D), (E), 448.02)
- 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
- Group eligibility (20-1251)
- Types of plan sponsors
- Group underwriting requirements
- Conversion to individual policy (20-1266–1269)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 20%

5.1 Standard provisions

- Ownership
- Assignment (20-1122)
- Entire contract (20-1205)
- Modifications
- Right to examine (free look)
 - (Rule R20-6-209(C)(1))
- Payment of premiums (20-1214)
- Grace period (20-1203)
- Reinstatement (20-1213)
- Incontestability (20-1204, 1217)
- Misstatement of age (20-1206)
- Exclusions (20-1226)
- Settlement of death benefit (20-1215)

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 (20-1136)

- Conditions for payment
- Effect on death benefit
- Long-term care
 - 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 plans
 - Tax-deferred growth
 - Retirement income
 - Education funds
- Compatibility and suitability
(20-1243, 1243.01–1243.06)

7.0 Federal Tax Considerations for Life Insurance and Annuities 8%

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 plans

- 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)