Your Exam Content Outline

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

Massachusetts Producer’s Examination for Life Insurance
Series 16-51
100 questions – 2-hour time limit
Live Date August 25, 2017

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)
Life settlement broker (175:212–223E)
Portable Electronics Insurance Limited Lines license (175:162Y)
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)
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 20%

3.1 Insurable interest
3.2 Personal uses of life insurance
Survivor protection
Estate creation
Cash accumulation
Security
Liquidity
Estate conservation
3.3 Life Settlement Act (175:212-223E)

Life settlement broker authority and licensing (175:213)
Disclosure to customers (175:220)
Fraudulent acts (175:223A)
Definitions (175:212)

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 211 CMR 31.07
Advertising (176D:3)
Life and Health Insurance Guaranty Association Law (175:146B)
Policy summary (Reg 31.04)
Buyer's guide (Reg 31.05 (1)(a))
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 (175I:4)
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
- (175:17)
- 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)

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 14%

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)