

Your Exam Content Outline

The following outline describes the content of one of the New Mexico 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 Mexico Examination for Life Insurance Series 18-25

100 questions – 2-hour time limit
Effective April 30, 2019

1.0 Insurance Regulation 10%

1.1 Licensing

- Process (59A-11-2, 3, 59A-12-12; Reg 13.4.2.8, .9)
- Types of licensees (Reg 13.4.2.7, .11)
 - Insurance Producer (59A-12-2)
 - Brokers (59A-12-3)
 - Consultants (59A-11A-1-8)
 - Nonresident (59A-12-25) (59A-11-24)
 - Temporary (59A-11-4; 59A-12-19; Reg 13.4.2.12)
- Maintenance and duration
 - Expiration and renewal (59A-11-10, 11; Reg 13.4.2.17, .18)
 - Address change (59A-12-17) (59A-11-24)
 - Continuing education (59A-12-26; Reg 13.4.7.9, .12)
- Disciplinary actions
 - Suspension, revocation, or refusal to renew (59A-11-8, 10, 14-16, 18)
 - Cease and desist orders (59A-16-27)
 - Penalties and fines (59A-1-18, 59A-11-17, 21)

1.2 State regulation

- Superintendent's general duties and powers (59A-2-8-10)
- Company regulation
 - Certificate of authority (59A-5-10)

- Unfair claim settlement practices (59A-16-20)
- Complaint record (59A-16-22)
- Appointment of Insurance Producer (59A-11-12; Reg 13.4.2.17)
- Termination of Insurance Producer appointment (59A-11-13; Reg 13.4.2.29)

Insurance Producer regulation

- Shared commissions (59A-12-24)
- Fiduciary duties (59A-12-22)
- Prohibited premiums or charges (59A-16-24)

Unfair trade practices

- Misrepresentation (59A-16-4, 23)
- False advertising (59A-16-4, 5)
- Twisting (59A-16-6)
- Defamation (59A-16-10)
- Unfair discrimination (59A-16-12, 13, 17(D))
- Rebating (59A-16-16-18)
- Boycott, coercion, or intimidation (59A-16-19)

Examination of books and records (59A-4-3, 4)

Insurance Fraud Act (59A-16C-1-16)

Consumer information privacy (59A-2-9.3; Reg 13.1.3.1-.28)

1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681-1681d)

Fraud and false statements (18 USC 1033, 1034)

2.0 General Insurance 10% (10 Items)

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
- Reinsurance

2.2 Insurers

Types of insurers

- Stock companies
- Mutual companies
- Fraternal benefit societies
- Risk retention groups

- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating service)
- Marketing (distribution) systems

2.3 Insurance Producers and general rules of agency

- Insurer as principal
- Insurance Producer/insurer relationship
- Authority and powers of Insurance 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% (21 Items)

3.1 Insurable interest (59A-18-4, 5, 7, 8)

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 including key person

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, FINRA and New Mexico) (59A-20-30; Reg 13.9.8.38)

3.6 Premiums

Factors in premium determination

Mortality
Interest
Expense

Premium payment mode

3.7 Insurance Producer responsibilities

Solicitation and sales presentations

Advertising
Prohibited advertising of Life and Health Insurance Guaranty Association (59A-42-13(E))
Illustrations (Reg 13.9.14.10-.31)
Policy summary (Reg 13.9.5.8, .9)
Buyer's guide (Reg 13.9.5.9, .14)
Replacement (Reg 13.9.6.5-.15)
Use and disclosure of insurance information

Field underwriting

Notice of information practices
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
Insurance Producer report
Attending physician statement
Investigative consumer (inspection) report
Medical Information Bureau (MIB)
Medical examinations and lab tests

Selection criteria and unfair discrimination (59A-16-11)

Classification of risks

Preferred
Standard
Substandard

4.0 Life Insurance Policies 19% (19 Items)

4.1 Term life insurance

Level term
Annual renewable term
Level premium term
Decreasing term

4.2 Whole life insurance

Limited payment
Single premium
Modified premium

4.3 Flexible premium policies

Adjustable life
Universal life

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 (59A-21-4-8)
Group underwriting requirements
Conversion to individual policy (59A-21-19-22)
Continuation of coverage (59A-21-23)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 21% (21 Items)

5.1 Individual standard provisions

Ownership
Assignment
Entire contract (59A-20-6)
Modifications
Right to examine (free look)

Payment of premiums (59A-20-13)
Grace period (59A-20-4)
Reinstatement (59A-20-12, 16)
Incontestability (59A-20-5)
Misstatement of age (59A-20-7)
Exclusions (59A-20-25)
Settlement of death benefit (59A-20-14)
Prohibited provisions including backdating (59A-20-26)

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

5.7 Disability riders

Waiver of premium
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 14% (14 Items)

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

6.5 Uses of annuities

Lump-sum settlements

Qualified retirement plans including group and individual annuities

Personal uses

Individual retirement accounts (IRAs)

Tax-deferred growth

Retirement income

Education funds

7.0 Federal Tax Considerations for Life Insurance and Annuities 4% (4 Items)

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 accounts (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 1% (1 Item)

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)