

# Your Exam Content Outline

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

All citations are Vermont Insurance Statutes Title 8, unless otherwise noted. When preceded by "Reg" refer to Vermont Department Regulations, when preceded by "Bul" refer to Vermont Department Bulletins.

## Vermont Producer's Examination for Life Insurance Series 14-25

**100 questions (plus 5 unscored items)**  
**2-hour time limit**  
**Effective November 3, 2019**

### 1.0 Insurance Regulation 14% (14 Items)

#### 1.1 Licensing

- Process (4800; 4813f)
- Types of licensees (4791)
  - Resident (4800(3)(A))
  - Nonresident (4800(3)(B); 4813h)
- Maintenance and duration
  - Renewal and expiration (4798)
  - Address change (4800(3)(F))
  - Assumed business name (4813j)
  - Reporting of actions (4813o)
  - Continuing education requirements (4800a; Reg 2000-2 Sec 4)
- Disciplinary actions
  - Denial of license (4800(3)(E))
  - Cease and desist order (3661)
  - Suspension, revocation or nonrenewal (4804; 4806)
  - Penalties (3661(a)(2); 4804(d))

#### 1.2 State regulation

- Commissioner's general duties and powers (4726; 4804)
- Company regulation
  - Certificate of authority (3368)
  - Unfair claim settlement practices (4724(9); Reg 79-2 Sec 1-7)
  - Policy forms (3541)
  - Examination of records (3565)
  - Producer appointment (4798(d); 4813l)
  - Termination of appointment (4798(d); 4813m)
- Producer regulation
  - Acting without a license (4793; 4813c)
  - Shared commissions (4796)

- Trust accounts — anti-commingling (Reg 95-1; 4724(12))
  - Controlled business (4795)
  - Duties (4813c)
  - Unfair trade practices (4724)
    - Misrepresentation (4724(1, 11, 13))
    - Non-guaranteed elements
    - False advertising (4724(2))
    - Defamation (4724(3))
    - Boycott, coercion and intimidation (4724(4))
    - False financial statements and entries (4724(5))
    - Illegal inducement (4724(6))
    - Unfair discrimination (4724(7))
    - Rebating (4724(8))
    - Failure to maintain complaint record (4724(10))
    - Failure to act as fiduciary (4724(12); Reg 95-1)
    - Unsuitability (4724(16))
    - Nondisclosure of fees or charges (4724(95-1))
  - Consumer privacy regulation (IH-2001-01)
- #### 1.3 Federal regulation
- Fair Credit Reporting Act (15 USC 1681-1681d)
  - Fraud and false statements (18 USC 1033, 1034)

### 2.0 General Insurance 11% (11 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
  - Law of large numbers
  - Reinsurance

#### 2.2 Insurers

- Types of insurers
  - Captive Insurers
  - Stock companies

- Mutual companies
- Fraternal benefit societies
- Lloyd's associations
- Risk retention 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

### 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
- Legal interpretations affecting contracts
  - Ambiguities in a contract of adhesion
  - Reasonable expectations
  - Indemnity
  - Utmost good faith
  - Representations/misrepresentations
  - Warranties
  - Concealment
  - Fraud
  - Waiver and estoppel

- Group versus individual
- Ordinary (home service)
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
  - Regulation of variable products (SEC, FINRA and Vermont) (3855; Reg 88-3 Art VI, XI, 2001-03; Bul 121, 129)

### 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 77-2)
  - Advertising
  - Life and Health Insurance Guaranty Association (4151-4185)
  - Illustrations (Reg 98-1)
  - Policy summary (Reg 77-2 Sec 5(A, B), Appendix B)
  - General Rules (Reg 77-2 Sec 6 (B, C, K, L, N, O, P))
  - Buyer's guide (Reg 77-2 Sec 5(A, B), Appendix A)
  - Life insurance policy cost comparison methods
  - Replacement (Reg 2001-3 Sec 1-10)
  - Indexed Annuity Buyer's Guide (Bul 110)
  - Indexed Life Insurance Products (Bul 121)
  - Suitability
  - 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
    - Producer report
    - Attending physician statement
    - Investigative consumer (inspection) report
    - Medical Information Bureau (MIB)
    - Inquiry into sexual orientation 8 V.S.A Section 4724(7)(c)
    - Medical examinations and lab tests including HIV (4724(20); Bul 138)
  - Selection criteria and unfair discrimination (3701)
  - Classification of risks
    - Preferred
    - Standard
    - Substandard

## 3.0 Life Insurance Basics 17% (17 Items)

### 3.1 Insurable interest (3710)

- Power to contract

### 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
- Deferred compensation funding

### 3.5 Classes of life insurance policies

#### **4.0 Life Insurance Policies 16% (16 Items)**

- 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
  - Indexed universal life
- 4.4 SEC regulated policies**
  - Variable life insurance
  - Variable universal life
- 4.5 Specialized policies**
  - Joint life (first-to-die)
  - Survivorship life (second-to-die)
  - Juvenile life
  - Indexed Life Products
- 4.6 Group life insurance**
  - Characteristics of group plans
  - Types of plan sponsors (3803–3810a)
  - Insurability (3816)
  - Assignability (3713(a, b))
  - Conversion to individual policy (3820–3823)
  - Portability (3810a(c))
- 4.7 Credit life insurance (individual versus group)**

#### **5.0 Life Insurance Policy Provisions, Options and Riders 13% (13 Items)**

- 5.1 Required provisions (3731)**
  - Required interest (Bul 159)
  - Entire contract (3731(3))
  - Payment of premiums (3731(1))
  - Grace period (3731(2))
  - Reinstatement (3731(9))
  - Incontestability (3731(4))
  - Misstatement of age (3731(5))
  - Payment of claims (3731(10))
- 5.2 Other provisions**
  - Power to contract (3710)
  - Assignment (3713(a, b))
  - Modifications
  - Right to examine (free look)
  - Exclusions
  - Representations in applications (3736)
- 5.3 Beneficiaries**
  - Designation options
    - Individuals
    - Classes
    - Estates
    - Minors
    - Trusts
  - Succession
  - Revocable versus irrevocable

- Common disaster clause
- Spendthrift clause
- 5.4 Settlement options**
  - Cash payment
  - Interest only
  - Interest on death benefits 8 V.S.A Section 3665(c)(2).
  - Fixed-period installments
  - Fixed-amount installments
  - Life income
    - Single life
    - Joint and survivor
  - Retained asset accounts
- 5.5 Nonforfeiture options**
  - Cash surrender value
  - Extended term
  - Reduced paid-up insurance
- 5.6 Policy loan and withdrawal options**
  - Cash loans
  - Automatic premium loans
  - Withdrawals or partial surrenders
- 5.7 Dividend options**
  - Premium offset
  - Cash payment
  - Reduction of premium payments
  - Accumulation at interest
  - One-year term option
  - Paid-up additions
  - Paid-up insurance
- 5.8 Disability riders**
  - Waiver of premium
  - Waiver of cost of insurance
  - Disability income benefit
  - Payor benefit life/disability (juvenile insurance)
- 5.9 Accelerated (living) benefit provision/rider**
  - Conditions for payment
  - Effect on death benefit
- 5.10 Life settlements (3835–3849; Reg 95-4 Sec 1–15)**
  - Life settlement providers
  - Life settlement brokers
  - Life insurance providers
  - Life settlement contract provisions
  - Disclosure provisions
  - Rules of conduct
- 5.11 Riders covering additional insureds**
  - Spouse/other-insured term rider
  - Children's term rider
  - Family term rider
- 5.12 Riders affecting the death benefit amount**
  - Paid-up addition rider
  - Accidental death
  - Guaranteed insurability
  - Cost of living
  - Return of premium

#### **6.0 Annuities 20% (20 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

Definition

Suitability

Market value adjusted annuities

Variable annuity contracts

## 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

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 3% (3 Items)

### 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)

## 7.0 Federal Tax Considerations for Life Insurance and Annuities 6% (6 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 annuities (IRAs)