

# ***Your Exam Content Outline***

The following outline describes the content of one of the North Dakota 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.

## **North Dakota Examination for Life and Annuity Insurance Part I - Product Series 13-51**

**60 questions (plus 5 unscored items)  
70 minute time limit**

### **1.0 General Insurance 16% (9 Items)**

#### **1.1 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

#### **1.2 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

#### **1.3 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

#### **1.4 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

## **2.0 Life Insurance Basics 18% (11 Items)**

### **2.1 Insurable interest**

### **2.2 Personal uses of life insurance**

Survivor protection

Estate creation

Cash accumulation

Security

Liquidity

Estate conservation

### **2.3 Life Settlement Act**

Life settlement broker authority and licensing

Disclosure to customers

Fraudulent acts

Definitions

### **2.4 Determining amount of personal life insurance**

Human life value approach

Needs approach

Types of information gathered

Determining lump-sum needs

Planning for income needs

### **2.5 Business uses of life insurance**

Buy-sell funding

Key person

Executive bonuses

Corporate-owned life insurance

### **2.6 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 NASD)

### **2.7 Premiums**

Factors in premium determination

Mortality

Interest

Expense

Premium payment mode

### **2.8 Producer responsibilities**

Solicitation and sales presentations

Advertising

Life and Health Insurance Guaranty Association Law

Policy summary

Buyer's guide

Life insurance policy cost comparison methods

Replacement

Use and disclosure of insurance information

Field underwriting

Notice of information practices

Application procedures including backdating

Delivery

Policy review

Effective date of coverage

Premium collection

Statement of good health

Delivery receipt requirement

### **2.9 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

Selection criteria and unfair discrimination

Classification of risks

Preferred

Standard

Substandard

### **3.0 Life Insurance Policies 16% (10 Items)**

#### **3.1 Term life insurance**

- Level term
  - Annual renewable term
  - Level premium term
- Decreasing term

#### **3.2 Whole life insurance**

- Continuous premium (straight life)
- Limited payment
- Single premium
- Graded premium
- Modified life
- Interest sensitive
- Equity index

#### **3.3 Flexible premium policies**

- Adjustable life
- Universal life
- Indexed life
- Variable life

#### **3.4 Specialized policies**

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

#### **3.5 Group life insurance**

- Characteristics of group plans
- Types of plan sponsors
- Group underwriting requirements
- Conversion to individual policy

#### **3.6 Credit life insurance (individual versus group)**

### **4.0 Life Insurance Policy Provisions, Options and Riders 16% (10 Items)**

#### **4.1 Standard provisions**

- Ownership
- Assignability
- Entire contract
- Modifications
- Right to examine (free look)
- Payment of premiums

- Grace period
- Reinstatement
- Incontestability
- Misstatement of age
- Exclusions
- Interest on insurance proceeds

#### **4.2 Beneficiaries**

- Designation options
  - Individuals
  - Classes
  - Estates
  - Minors
  - Trusts
- Succession
- Facility of payment clause
- Revocable versus irrevocable
- Common disaster clause
- Spendthrift clause

#### **4.3 Settlement options**

- Cash payment
- Interest only
- Fixed-period installments
- Fixed-amount installments
- Life income
  - Single life
  - Joint and survivor

#### **4.4 Nonforfeiture options**

- Cash surrender value
- Extended term
- Reduced paid-up insurance

#### **4.5 Policy loan and withdrawal options**

- Cash loans
- Automatic premium loans
- Withdrawals or partial surrenders

#### **4.6 Dividend options**

- Cash payment
- Reduction of premium payments
- Accumulation at interest

One-year term option

Paid-up additions

#### **4.7 Disability riders**

Waiver of premium/waiver of stipulated premium (universal life)

Waiver of cost of insurance

Disability income benefit

Payor benefit life/disability (juvenile insurance)

#### **4.8 Living benefit provisions/riders**

Accelerated

Conditions for payment

Effect on death benefit

Minimum standards

Conditions for payment

Effect on death benefit

Long term care riders

#### **4.9 Riders covering additional insureds**

Spouse/other-insured term rider

Children's term rider

Family term rider

#### **4.10 Riders affecting the death benefit amount**

Accidental death

Guaranteed insurability

Cost of living

Return of premium

Long term care riders

### **5.0 Annuities 15% (9 Items)**

#### **5.1 Annuity principles and concepts**

Accumulation period versus annuity period

Owner, annuitant and beneficiary

Insurance aspects of annuities

#### **5.2 Immediate versus deferred annuities**

Single premium immediate annuities (SPIAs)

Deferred annuities

Premium payment options

Nonforfeiture

Surrender and withdrawal charges

Death benefits

#### **5.3 Annuity (benefit) payment options**

Life contingency options

Pure life versus life with guaranteed minimum

Single life versus multiple life

Annuities certain (types)

#### **5.4 Annuity products**

Fixed annuities

General account assets

Interest rate guarantees (minimum versus current)

Level benefit payment amount

Equity indexed annuities

Market value adjusted annuities (modified guaranteed annuities)

Variable annuities

#### **5.5 Uses of annuities**

Long term care riders

Lump-sum settlements

Qualified retirement plans

Group versus individual annuities

Personal uses

Individual retirement annuities (IRAs)

Tax-deferred growth

Retirement income

Education funds

### **6.0 Federal Tax Considerations for Life Insurance and Annuities 10% (6 Items)**

#### **6.1 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

#### **6.2 Modified endowment contracts (MECs)**

Modified endowment versus life insurance

Seven-pay test

Distributions

### **6.3 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

### **6.4 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

### **6.5 Rollovers and transfers (IRAs and qualified plans)**

### **6.6 Section 1035 exchanges**

## **7.0 Qualified Plans 9% (5 Items)**

### **7.1 General requirements**

### **7.2 Federal tax considerations**

Tax advantages for employers and employees

Taxation of distributions (age-related)

### **7.3 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)