

**Maryland Life Producer
State and General Sections
Series 20-09 & 20-10
80 scored questions (plus 10 unscored)**

**Life Producer State Section
Series 20-10
25 questions- 30-minute time limit**

1.0 Insurance Regulation

1.1 Licensing

35% (7 items)

Purpose

General Provisions and Definitions

Process (*Insurance Article Annotated Code- Sec. 10-118(b)(2); Sec. 10.109; Sec. 10-103(c)(1)*)

Initial Licensure Qualifications

Examination

License fee & application

Types of licensees (*Insurance Article Annotated Code- Sec. 1-101(u)(1)*)

Producers

Consultants

Advisers

Nonresidents

Business entities

Viatical Settlements

Exceptions

Temporary

Maintenance (*Insurance Article Annotated Code- Sec. 10- 211(e)(2)(i); Sec. 10-115; Sec. 10-1-05; Sect. 10- 116(a)(2)(i);*)

Duration and termination

Address and/or name changes

Assumed names

Requirement to report felony convictions

Requirement to report other states actions

Renewal (*Insurance Article Annotated Code- Sec. 10- 211(e)(2)(i); Sec. 10-115; Sec. 10-1-05; 10-116*)

Duration and Termination

Continuing education

Appointment procedures (*Insurance Article Annotated Code- Sec. 1-101; Sec. 10- 118; Sec. 27-209*)

Producer's contract with insurer versus producer's appointment with insurer

Producer's appointment versus agency's appointment

Solicitation prior to appointment

Appointment requirement after becoming licensed

Acknowledgment of appointment/notice to producer

Requirement to cease solicitation

Termination of appointment/notice to producer

Termination of license without active appointment

Disciplinary actions (*Insurance Article Annotated Code- Sec. 1-301; Sec. 10- 126(e); Sec. 27-202*)

Probation, suspension, revocation or refusal to issue or renew

Cease and desist order

Penalties

Hearings/Notice of Hearings

Fraud (*Insurance Article Annotated Code- Sec. 27- 216(a)(1)(i); Sec. 2-401*)

1.2 State regulation

35% (7 items)

State Corporation Commission's general duties and powers (*Insurance Article Annotated Code- Sec. 2-102(a); Sec. 2-103(a)(4); Sec. 2-204(b)(1); 16-601; Sec. 1-301; Sec. 2- 101; Sec. 10-126*)

Insurer Regulation (*Insurance Article Annotated Code- Sec. 15-204(B); Sec. 15-208(A)(1); Sec. 15-211(A); Sec. 18-105(1); Sec. 18- 106(b)(1); Sec. 27-501(a)(1)*)

- Forms

- Unfair Claims Settlement Practices

- Certificate of Authority

Producer regulation (*Insurance Article Annotated Code- Sec. 27-209; Sec. 10-105; COMAR- Sec. 31.03.03*)

- Acting for an unlicensed insurer

- Record retention

- Activities of unlicensed individuals

- Payment and sharing of commissions

- Charging of fees

- Illegal compensation; exceptions

- Fiduciary capacity

- Commingling of Funds

- Responsibility of trust accounts

- Advertising

Unfair trade practices (*Insurance Article Annotated Code- Sec. 27-304; Sec. 27-213; Sec. 27-305(a); Sec. 27-504(b)(1); COMAR- Sec. 31.15.02.12; Sec.31.15.02.18(A); Sec. 31.15.02.02; Sec.31.15.02.03(B)*)

- Misrepresentation

- False advertising

- Defamation

- Boycott, coercion and intimidation

- False Financial Statements

- Prohibited Inducements

- Unfair Discrimination

- Rebating

- Blank Forms

- Twisting

- Referrals

Insurance information and privacy protection

1.3 State Insurance Requirements

30% (6 items)

Policy Replacement (*COMAR- Sec. 31.09.05.10*)

- Definitions

- Provisions and Disclosure

Group Life (*Insurance Article Annotated Code- Sec. 17-201(a); Sec. 17-202(b); Sec. 17-209(a)(2)(i)(ii)*)

- Eligibility

- Dependent Coverage

- Standard Provisions

- Conversion

- Assignment of Proceeds

Life and Health Insurance Guaranty Corporation (*Insurance Article Annotated Code- Sec. 9-405(a)(2); Sec. 9-409(b); Sec. 9-402*)

Life Producer General Section
Series 20-09
65 questions- 75-minute time limit

2.0 General Insurance

15% (9 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

Stock companies

Mutual assessment insurers

Fraternal benefit societies

Private versus government insurers

Admitted versus nonadmitted insurers

Purchasing Groups

Government Plans

Domestic, foreign and alien insurers

Financial status (independent rating services) and operating results

Marketing (distribution) systems

Life and Health Insurance Guaranty Corporation

2.3 Producers and general rules of agency

Types

Captive

Independent

Insurer as principal

Producer of insurer

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
- 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

2.5 Federal Regulation

- Fair Credit Reporting Act
- Fraud and False Statements
- Variable Products

2.6 Industry Associations

- NAIC
- NCOIL (National Conference of Insurance Legislators)
- Industry and Producer

3.0 Life Insurance Basics

25% (15 items)

3.1 Insurable interest

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Debt Protection on Personal Mortgages (only)

3.3 Viatical/Life Settlements

- Nature and Purpose
- Viatical Settlement, Broker Authority, and Licensing
- Disclosure to Consumers
- General Rules
- Fraudulent Acts
- Definitions
 - Chronically ill
 - Fraudulent Viatical Settlement Act
 - Terminally ill
 - Viatical Settlement broker
 - Viatical Settlement provider
 - Viatical settlement purchaser
 - Viator

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
- Social Security Benefits

3.5 Business uses of life insurance

- Buy-sell funding

- Key person
- Executive bonuses

3.6 Classes of life insurance policies

- Group versus individual
- Ordinary
- Industrial (Home Service)
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
 - Regulation of variable products (FINRA)
 - Types of variable products
- U.S. Government Plans

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

- Rules Governing Advertisement of Life Insurance and Annuities
- Solicitation and sales presentations
 - Maryland Life, Accident and Sickness Insurance Guaranty Association
 - Advertising
 - Illustrations
 - Policy summary
 - Buyer's guide
- Life Insurance Policy Cost Comparison Methods
- Replacement
- Use and disclosure of insurance information
- Field underwriting
 - Notice of information practices
 - Adverse underwriting decisions
 - Application procedures
 - Required signatures
 - Changes in the application
 - Consequences of incomplete applications
 - Warranties and representations
 - Collecting the initial premium and issuing the receipt
 - Disclosures at point of sale (e.g., HIPAA, HIV consent)
 - USA PATRIOT Act/anti-money laundering
- Delivery
 - Policy review
 - Effective date of coverage
 - Premium collection
 - Statement of good health

3.9 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
Discrimination against victims of domestic violence
Classification of risks
 Preferred
 Standard
 Substandard
 Declined

4.0 Life Insurance Policies

15% (9 items)

4.1 Term life insurance

Level term
 Annual renewable term
 Level premium term
 Convertible Term

Decreasing term
Increasing term
Return of premium

4.2 Whole life insurance

Ordinary whole life
Continuous premium (straight life)
Limited payment
Interest sensitive/current assumption
Indexed life
Equity indexed life
Graded Premium
Single premium
Variable whole life
Variable universal life

4.3 Flexible premium policies

Adjustable life
Universal life

4.4 Specialized policies

Family (Family Protection and Family Plan)
Joint life (first-to-die)
Survivorship life (second-to-die)
Juvenile/student life

4.5 Group life insurance

Characteristics of group plans
Types of eligible groups
 Employer/employee
 Debtor groups
 Labor union groups
 Trust
 Associations
Group underwriting requirements
Benefit payments
Covered dependents
Lives covered
Conversion to individual policy
Contributory vs. noncontributory

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders

20% (12 items)

5.1 Standard provisions

Ownership
Assignment

- Entire contract
- Right to examine (free look)
- Payment of premiums
- Grace period
- Reinstatement
- Incontestability
- Misstatement of age and misstatement of gender
- Exclusions
- Suicide
- War clause
- Interest on proceeds
- Prohibited provisions including backdating

5.2 Beneficiaries

- Designation options
 - Individuals
 - Classes
 - Estates
 - Minors
 - Trusts
- Succession
- Revocable versus irrevocable
- Annulment or divorce
- Common disaster clause
- Spendthrift clause
- Facility of Payment 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 loans

- Cash loans
- Automatic premium loans
- Withdrawals or partial surrenders
- Educational loans
- Automatic Option Required

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 benefit provision/rider

- Conditions for payment
 - Diagnosis of terminal illness
 - Diagnosis of catastrophic illness
 - Permanent confinement
 - Inability to perform ADLs
- Disclosure
 - Written disclosure required
 - Effect on death benefit
 - Cash value
 - Loans and loan interest
 - Tax consequences
 - Premium

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

12% (7 items)

6.1 Annuity principles and concepts

- Accumulation period versus annuity period
- Owner, annuitant and beneficiary
- Insurance aspects of annuities
- Suitability

6.2 Immediate versus deferred annuities

- Single premium immediate annuities (SPIAs)
- Deferred annuities
 - Premium payment options
 - Nonforfeiture
 - Surrender charges
 - Bail-out provisions
 - 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)
 - Installments for a fixed period
 - Installments for a fixed amount

6.4 Annuity products

- Fixed annuities
 - General account assets
 - Interest rate guarantees (minimum versus current)
 - Level benefit payment amount
- Variable Annuities
 - General Account Assets
 - Guarantees
 - Level Benefit Payment Amount
- Equity indexed annuities
- Market value adjusted annuities (modified guaranteed annuities)

6.5 Uses of annuities

- Lump-sum settlements

Qualified retirement plans including group versus individual
Personal uses
 Individual retirement plans
 Tax-deferred growth
 Retirement income
 Education funds
 Charitable gift annuity
Suitability in Annuity Transactions

7.0 Federal Tax Considerations for Life Insurance and Annuities

10% (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 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

3% (2 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)

