

**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**
 - SIMPLE plans
 - 403(b) tax-sheltered annuities (TSAs)