

Your Exam Content Outline

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

Arizona Examination for Life Insurance Producer

Series 13-31

100 questions - 2-hour time limit

Effective January 22, 2020

1.0 Insurance Regulation 5%

1.1 Licensing

- License application requirements (20-285)
- Number of exam attempts 20-284(H)
- Licensing eligibility/lawful presence (41-1080)
- Types of licensees
 - Producers (20-281(5), 286)
 - Nonresidents (20-281(11))
 - Adjusters (20-321)
 - Life Settlement Broker (ARS 20-3202)
 - Business entities (20-281(1), 285(D, E), 290(B))
 - Surplus lines brokers (20-407, 411)
 - Temporary (20-294)
 - Vending machines (20-293)
- Lines of producer license authority (20-286, (A), 321, 331, 332, 411, 411.01, 1580, 1693.01, 2662)
- Fingerprinting requirements (20-142(E), 285(E), 286(C), 289(D))
- Assumed business name (20-297)
- Maintenance and duration
 - Expiration, surrender and renewal (20-289)
 - Inactive license status during military service (20-289.01)
 - Change of personal contact information (20-286(C))
 - Change of business information (20-286)(C))
 - Business information (20-286)(C))
 - Report of actions (20-301)
 - Continuing education (20-2902, 2903)
- Disciplinary actions
 - Denial, suspension, revocation or refusal to renew; civil penalties (20-295, 296)

Cease and desist order (20-292)

1.2 State regulation

- Acts constituting insurance transaction (20-106, 282, 401.01)
 - Negotiate (20-281(10))
 - Sell (20-281(14))
 - Solicit (20-281(15))
 - Payment of premiums (20-191)
 - Certificate of authority (20-217(A))
 - Identification of Producer (20-229)
 - Producer regulation
 - Sharing commissions (20-298)
 - Place of business and records (20-157, 290; AZ Const Art 14 s 16)
 - Unfair practices and frauds
 - Unfair trade practices (20-442)
 - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
 - False or deceptive advertising (20-444)
 - Defamation of insurer (20-445)
 - Boycott, coercion or intimidation (20-446)
 - False financial statements (20-447)
 - Unfair discrimination (20-448)
 - Gender discrimination (Rule R20-6-207)
 - Rebating (20-449-451)
 - Prohibited inducements (20-452)
 - Fees (20-465)
 - Unfair claims settlement practices (20-461; Rule R20-6-801)
 - Claims payment (20-462)
 - Insurance fraud (20-463, 466-466.04)
 - Insurance information and privacy protection (20-2101-2122)
- ### 1.3 Federal regulation
- Violent Crime Control and Law Enforcement Act (20-489; 18 USC 1033, 1034; 15 USC 6101-6108; ARS 44-1282)
 - Fair Credit Reporting Act (15 USC 1681-1681d)

Telemarketing Sales Rule (16 CFR 310; 15 USC 6101-6108; A.R.S. 44-1282)

CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

Gramm-Leach-Bliley Act (20-2121; Public Law 106-102)

Terrorism Insurance Program (15 USC 6701; Public Law 107-297, 109-144, 110-160)

2.0 General Insurance 10%

2.1 Concepts

Insurance, definition of (20-103)

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

Mutual, stock, fraternal (20-702, -703)

Captive insurance insurers (20-1098)

Stock insurers

Mutual insurers

Fraternal benefit societies

Reciprocal (20-761,-762)

Risk retention groups (20-2401(10), 15 USC SS 3901, 3902)

Lloyd's associations (20-1021)

Private versus government insurers

Authorized versus unauthorized insurers

Domestic, foreign and alien insurers (20-201, 203, 204)

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

Personal contract

Aleatory 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 24%

3.1 Insurable interest (20-443.02, 20-1104, 1106, 1107)

3.2 Personal uses of life insurance

Survivor protection

Estate creation

Cash accumulation

Liquidity

Estate conservation

Viatical and life settlements

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

3.5 Classes of life insurance policies

Group versus individual

Ordinary versus industrial (home service)

Permanent versus term

Participating versus nonparticipating

Fixed versus variable life insurance and annuities

Regulation of variable products (SEC, FINRA and Arizona) (20-2604, 2606, 2633)

Qualifications of producers for the sale of variable products (20-2662)

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, advertising requirements, and disclosures

General provisions (20-1241.03; Rule R20-6-202)

Policy summary (Rule R20-6-209(B)(8), (D))

Buyer's guide (20-1242.02, Rule R20-6-209(C), R20-6-211 Appendix)

Life and Disability Insurance Guaranty Fund (20-443(6), 683)

Life insurance policy cost comparison methods (Rule R20-6-209(B)(6))

Replacement (20-1241-1241.09; Rule R20-6-212)

Field underwriting

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 (20-2107)

Medical Information Bureau (MIB)

Medical examinations and lab tests including HIV (20-448.01; Rule R20-6-1203, 1204; Bul 2003-5, 9)

Selection criteria

General selection criteria

Discrimination on basis of blindness prohibited (Rule R20-6-211)

Genetic testing (20-448(D), (E), 448.02)

Classification of risks

Preferred

Standard

Substandard

Certificate of Authority (20-206(A))

4.0 Life Insurance Policies 23%

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

Adjustable life

Universal life

Variable universal

Index whole life

4.4 Specialized policies

Joint life (first-to-die)

Juvenile life

Survivorship life

4.5 Group life insurance

Individual certificates (20-1265)

Characteristics of group plans

Group eligibility (20-1251)

Types of plan sponsors

Group underwriting requirements
Conversion to individual policy (20-1266-1269)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 23%

5.1 Standard provisions

Ownership
Assignment (20-1122, 1277)
Limitation of liability (20-1226)
Entire contract (20-1205)
Modifications
Right to examine (free look) (Rule R20-6-209(C)(1))
Payment of premiums (20-1214)
Grace period (20-1203, 1259)
Reinstatement (20-1213)
Incontestability (20-1204, 1217, 1260)
Misstatement of age (20-1206, 1263)
Policy title (20-1216)
Policy settlements and proceeds (20-1228-1230)
Exclusions (20-1226)
Payment of claims (20-1215)

5.2 Beneficiaries

Designation options
Individuals
Classes
Estates
Minors
Trusts
Succession
Revocable versus irrevocable
Primary and contingent
Common disaster 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 (20-1231)

Cash surrender value

Extended term
Reduced paid-up insurance

5.5 Policy loan and withdrawal options (20-1209, 1209.01)

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
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 (living) benefit provision/rider (20-1136)

Conditions for payment
Effect on death benefit
Long-term care
Conditions for payment
Effect on death benefit

5.9 Riders covering additional insureds (20-1257)

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 10%

6.1 Standard provisions

Grace period (20-1219, 1271)
Incontestability (20-1220)
Entire contract (20-1221, 1272)
Misstatement of age (20-1222, 1227, 1273)
Reinstatement (20-1224, 1227)
Free look (20-1233)

Disclosure (20-1242, 1242.01–1242.05)

6.2 Annuity principles and concepts

Accumulation period versus annuity period

Owner, annuitant and beneficiary

Insurance aspects of annuities

6.3 Immediate versus deferred annuities

Single premium immediate annuities (SPIAs)

Deferred annuities

Premium payment options

Nonforfeiture (20-1232, 1274)

Surrender charges

Death benefits

6.4 Annuity (benefit) payment options

Life contingency options

Pure life versus life with guaranteed minimum

Single life versus multiple life

Annuities certain (types)

6.5 Annuity

Fixed annuities

General account assets

Interest rate guarantees (minimum versus current)

Level benefit payment amount

Equity indexed annuities

6.6 Uses of annuities

Market value adjusted annuities

Lump-sum settlements

Qualified retirement plans

Group versus individual annuities

Personal uses

Individual retirement plans

Tax-deferred growth

Retirement income

Education funds

Compatibility and suitability (20-1243, 1243.01–1243.06)

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 Section 1035 exchanges

7.0 Federal Tax Considerations for Life Insurance and Annuities 5%

7.1 Taxation of personal life insurance

Amounts available to policyowner

Cash value increases

Dividends

Policy loans