

Life Producer
Series 20-27
80 scored questions (plus 10 unscored)
1-hour 45-minute time limit

1.0 Insurance Regulation

30% (24 items)

1.1 Licensing

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

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*)

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

Maryland Insurance Administration'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. 27-501(a)(1)*)
 Forms *Sec. 12-203(a)(2)*
 Unfair Claims Settlement Practices
 Certificate of Authority *Sec. 4-101*

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

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*)

2.0 General Insurance

10% (8 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
- IIPRC (Interstate Insurance Product Review Committee)/ the Compact
- NCOIL (National Conference of Insurance Legislators)
- Industry and Producer

3.0 Life Insurance Basics

18% (14 items)

3.1 Insurable interest

3.2 Personal uses of life insurance

- Survivor protection
- Estate planning
- 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
 - 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 & Health Insurance Guaranty Corporation
 - Advertising
 - Illustrations
 - Policy summary
 - Buyer's guide
- Policy Cost and Benefit Information
- 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

10% (8 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

14% (11 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
- 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

9% (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

8% (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)