

Your Exam Content Outline

The following outline describes the content of one of the Arizona insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section 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 – Two-hour time limit

1.0 Insurance Regulation 5%

1.1 Licensing

- License application requirements (20-285)
 - Licensing eligibility (41-1080)
 - Licensing time frames (Rule R20-6-708)
 - Lawful presence (41-1080)
 - Types of licensees
 - Producers (20-281(5), 286)
 - Nonresidents (20-281(11))
 - Adjusters (20-321)
 - Managing general agents (MGAs) (20-311, 311.01)
 - 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, 331, 332, 411, 411.01, 1580)
 - 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 address (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))
 - Signature on insurance policy (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

- Fair Credit Reporting Act (15 USC 1681-1681d)
- Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
- 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)

2.0 General Insurance 7%

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
Captive insurance companies
Stock companies
Mutual companies
Fraternal benefit societies
Reciprocal
Risk retention groups
Lloyd's associations
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
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 21%

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
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

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

Common disaster clause

Spendthrift 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

4.0 Life Insurance Policies 15%

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

4.4 Specialized policies

Joint life (first-to-die)

Juvenile 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 20%

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)

5.10 Riders affecting the death benefit amount

- Accidental death
- Guaranteed insurability
- Cost of living
- Return of premium

6.0 Annuities 18%

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 products

- Fixed annuities
 - General account assets
 - Interest rate guarantees (minimum versus current)
 - Level benefit payment amount
- Equity indexed annuities
- Market value adjusted annuities

6.6 Uses of 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)

7.0 Federal Tax Considerations for Life Insurance and Annuities 8%

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 plans

- 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 6%

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)