

Your Exam Content Outline

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

Oregon Consultant's Examination for Life Insurance Series 12-08

100 questions – Two-hour time limit

1.0 Insurance Regulation 15%

1.1 Licensing

Purpose

Process (ORS 744.619, .635; OAR 836-071-0150)

Types of licensees

Producers (ORS 744.052, .053)

Consultants (ORS 744.605, .609, .626;
OAR 836-071-0150)

Adjusters (ORS 744.531)

Nonresident consultants (ORS 744.026, .621)

Maintenance and duration

Renewal and nonrenewal (ORS 744.008, .009;
OAR 836-071-0130)

Reinstatement (ORS 744.018)

Assumed business name (ORS 744.028(2),
.068)

Change of address or telephone number
(ORS 744.028(1), .068)

Reporting of actions (ORS 744.089)

Disciplinary actions

Cease and desist orders (ORS 731.252)

License probation, suspension, revocation or
refusal to issue or renew (ORS 744.013)

Civil penalty (ORS 731.988)

Criminal penalty (ORS 731.992)

1.2 State regulation

Director's general duties and powers
(ORS 731.236)

Company regulation

Solvency (ORS 731.554(6))

Unfair claim settlement practices
(ORS 746.230; OAR 836-080-0205–0250)

Unfair trade practices

Misrepresentation (ORS 746.075, .100)

False advertising (ORS 746.110;
OAR 836-080-0155)

Rebating (ORS 746.045)

Unfair discrimination (ORS 746.015;
OAR 836-081-0005, 0010, 0020, 0030)

Illegal inducement (ORS 746.035)

Suitability (OAR 836-080-0001–0043,
836-080-0090)

Examination of records (ORS 744.024, .026)

Privacy of Consumer Information (ORS 746.620,
.630, .665)

1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681–1681d)

Fraud and false statements including 1033 waiver
(18 USC 1033, 1034)

2.0 General Insurance 13%

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 companies

Fraternal benefit societies

Reciprocal

Lloyd's associations

Risk retention groups

Private versus government insurers

Admitted versus nonadmitted insurers

Domestic, foreign and alien insurers

Financial status (independent rating services)

Marketing (distribution) systems

2.3 Producers and general rules of agency

Insurer as principal

Producer/insurer relationship

Authority and powers of producer

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

3.0 Life Insurance Basics 18%

3.1 Insurable interest (ORS 743.024, .027, .030)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation

3.3 Life settlements (ORS 744.319–.323, .326, .328; OAR 836-014-0200–0330)

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

3.5 Business uses of life insurance

- Buy-sell funding
- Key person
- Executive bonuses
- Deferred compensation funding
- Split dollar plans

3.6 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 including regulation of variable products (SEC, FINRA, and Oregon) (ORS 733.220)

3.7 Premiums

- Factors in premium determination
 - Mortality
 - Interest

- Expense
- Premium concepts
 - Net single premium
 - Gross annual premium
- Premium payment mode

3.8 Licensee responsibilities

- Solicitation and sales presentations (OAR 836-051-0005–0020)
 - Advertising
 - Oregon Life and Health Insurance Guaranty Association (ORS 734.750–.890)
 - Illustrations (OAR 836-051-0500–0600)
 - Policy summary
 - Buyer's guide
 - Life insurance policy cost comparison methods
 - Replacement (ORS 746.085; OAR 836-080-0001–0005, 0014, 0022, 0029, 0034–0043)
 - Use and disclosure of insurance information
- Field underwriting
 - Notice of information practices
 - Application procedures
- 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
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests (including HIV consent) (OAR 836-050-0250)
- Selection criteria and unfair discrimination (OAR 836-081-0005, 0010)
- Classification of risks
 - Preferred
 - Standard
 - Substandard

4.0 Life Insurance Policies 12%

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

- Characteristics of group plans
- Group underwriting requirements
- Conversion to individual policy
(ORS 743.333–.339)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 10%

5.1 Standard provisions

- Ownership
- Assignment (ORS 743.043)
- Entire contract (ORS 743.174)
- Modifications
- Right to examine (free look)
- Payment of premiums (ORS 743.162)
- Grace period (ORS 743.165)
- Reinstatement (ORS 743.171–.189)
- Incontestability (ORS 743.168)
- Misstatement of age and gender (ORS 743.180)
- Exclusions
- Suicide exclusion
- Medical examination; autopsy
- Prohibited provisions including backdating
(ORS 743.225)

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

- Cash surrender value
- Extended term
- Reduced paid-up insurance

5.5 Policy loan and withdrawal options

- 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

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 (ORS 743.154; OAR 836-051-0300–0380, 836-052–0646)

- Qualifying events
- Disclosure
- Effect of benefit payment

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 18%

6.1 Annuity principles and concepts

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

6.2 Immediate versus deferred annuities

- Single premium immediate annuities (SPIAs)
- Deferred annuities
 - Premium payment options
 - Nonforfeiture
 - Surrender charges
 - 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)

6.4 Annuity products

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

6.5 Uses of annuities

- Lump-sum settlements
- Qualified retirement plans including group versus individual annuities
- Personal uses
 - Individual retirement annuities (IRAs)
 - Tax-deferred growth
 - Retirement income
 - Education funds

7.0 Federal Tax Considerations for Life Insurance and Annuities 7%

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 annuities (IRAs)

Traditional IRAs

Contributions and deductible amounts

Premature distributions (including taxation issues)

Annuity phase benefit payments

Amounts received by beneficiary

Roth IRAs

Contributions and limits

Distributions

7.5 Rollovers and transfers

(IRAs and qualified plans) and suitability

7.6 Section 1035 exchanges and suitability

8.0 Qualified Plans 7%

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

Pension plans

Section 457 deferred compensation

403(b) tax-sheltered annuities (TSAs)

8.4 Special rules for life insurance

Incidental limitation

Taxation of economic benefit

Taxation of life insurance distributions