

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 Producer's Examination for Life Insurance Series 12-01

100 questions – Two-hour time limit

1.0 Insurance Regulation 8%

1.1 Licensing

Purpose

Process (ORS 744.058, .059, .062)

Types of licensees

Producers (ORS 744.052, .053)

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

Adjusters (ORS 744.531)

Nonresidents (ORS 744.063)

Temporary (ORS 744.073)

Maintenance and duration

Renewal and nonrenewal (ORS 744.072, .074)

Continuing education requirements (ORS
744.072(4); OAR 836-071-0215–0250)

Reinstatement (ORS 744.018, .072(6))

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 744.074)

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))

Producer appointment (ORS 744.078)

Termination of appointment (ORS 744.079,
.081)

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

Producer regulation

Fiduciary and trust account responsibilities
(ORS 744.083; OAR 836-074-0020–0050)

Place of business/records maintenance
(ORS 744.068)

Controlled business (ORS 746.065, .160)

Shared commissions (ORS 744.076, .077;
OAR 836-071-0269–0277)

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 744.068(2, 3))

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 7%

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

Reciprocals

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 20%

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

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 17%

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 12%

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 20%

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
 - Living benefit riders

7.0 Federal Tax Considerations for Life Insurance and Annuities 9%

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
- 403(b) tax-sheltered annuities (TSAs)