

Your Exam Content Outline

For examinations on and after February 7, 2007

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The following outline describes the content of one of the New York 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.

New York Life Insurance Agent/Broker Examination Series 17-51

100 questions – Two-hour time limit

1.0 Insurance Regulation 10%

1.1 Licensing

Process (2103(d-i))

Definitions

Producer definition (2101(k))

Who should be licensed (2101(k)(1))

Home state (2101(l))

Negotiate (2101(m))

Sell (2101(n))

Solicit (2101(o))

Types of licensees

Agents (2101(a, k); 2103; Reg 22.2, 23.2)

Brokers (2101(c, h, k); 2104)

Consultants (2107)

Adjusters (2101(g), 2108)

Nonresident (2101(d, e); 2103(g)(5, 11); 2136)

Business entities (2101(p), 2103(e))

Temporary (2109; Reg 20.1)

Maintenance and duration

Renewal (2103(j); Reg 21.2)

Continuing education (2132)

Assumed names (2102(f))

Change of address (2134; Reg 21.4, 22.3, 23.4)

Reporting of actions (2110(i))

Disciplinary actions

Cease and desist order (2405)

Hearings (2405)

Suspension, revocation, and nonrenewal (2110)

Penalties (2127)

1.2 State regulation

Superintendent's general duties and powers (201, 2404)

Company regulation

Certificate of authority (1102)

Solvency (307)

Unfair claim settlement practices (2601; Reg 216.3-.6)

Appointment of agent (2112(a-c))

Termination of agent appointment (2112(d); Reg 20.2)

Unfair and prohibited practices

Misrepresentation (2123; Reg 216.3)

False advertising (2603)

Defamation of insurer (2604)

Unfair discrimination (2606-2608, 2612)

Rebating (2324)

Licensee regulation

Controlled business (2103(i))

Sharing commissions (2121, 2128)

Fiduciary responsibility (2120; Reg 20.3, 20.4)

License display (Reg 34.5)

Commissions and compensation (2102(e), 2114-2116, 2119; Reg 20.6)

Termination responsibilities of producer (2112)

Examination of books and records (2404; Reg 243.0-.3)

Insurance Frauds Prevention Act (401-409)

Consumer privacy regulation (Reg 420.0-.24)

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 10%

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
 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 Agents and general rules of agency

Insurer as principal
Agent/insurer relationship
Authority and powers of agents
 Express
 Implied
 Apparent
Responsibilities to the applicant/insured

2.4 Contracts

Elements of a legal contract
 Offer and acceptance
 Consideration
 Competent parties
 Legal purpose
Characteristics of insurance contracts
 Contract of adhesion
 Aleatory contract
 Personal contract
 Unilateral contract
 Conditional contract
Legal concepts and 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 22%

3.1 Insurable interest (3205, 3207)

3.2 Personal uses of life insurance

Survivor protection
Estate creation
Cash accumulation
Liquidity
Estate conservation

3.3 Viatical Settlements (380.2, 380.3, 380.6, 380.8; 2406; 7801-10)

Definitions
License requirements

License revocation
Approval of Contract
Reporting requirements
Examination
Disclosure
General Rules
Prohibited Insurance Practices
Authority to Promulgate Standards

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
Business continuation

3.6 Differences in life insurance policies

Group versus individual
Permanent versus term
Participating versus nonparticipating
Fixed versus variable life insurance and annuities
 Regulation of variable products (SEC, NASD and New York) (4240; Reg 50.3, 54.3)

3.7 Factors in premium determination

Mortality
Interest
Expense
Mode of premium

3.8 Licensee responsibilities

Solicitation and sales presentations
 Advertising (2122)
 Life Insurance Company Guaranty Corporation (7718)
 Policy summary (3209; Reg 53-2.2)
 Buyer's guide (3209; Reg 53-2.6)
 Illustrations (Reg 53-3.1-.6)
 Life insurance policy cost comparison methods
 Replacement (2123(a)(2, 3); Reg 51.1-.8)
 Use and disclosure of insurance information
Field underwriting
 Application procedures including backdating of policies (3208)
Delivery
 Policy review
 Effective date of coverage
 Premium collection
 Statement of good health
 Amendments

3.9 Individual underwriting by the insurer

Information sources and regulation
 Application
 Agent report
 Attending physician statement
 Investigative consumer (inspection) report

Medical Information Bureau (MIB)
Medical examinations and lab tests including HIV (2611)
Selection criteria and unfair discrimination
Classification of risks
 Preferred
 Standard
 Substandard
 Declined

4.0 Life Insurance Policies 16%

4.1 Term life insurance

Level term
 Annual renewable term
 Convertible term
 Level premium term
Increasing and decreasing term

4.2 Whole life insurance

Continuous premium (straight life)
Limited payment
Single premium
Modified whole life

4.3 Flexible premium policies

Adjustable life
Universal life

4.4 Specialized policies

Joint life (first-to-die)
Survivorship life (second-to-die)
Life insurance on minors (3207)

4.5 Group life insurance

Characteristics of group plans
Types of plan sponsors
Group underwriting requirements
Conversion to individual policy (3220)

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 19%

5.1 Required provisions (3203)

Ownership
Assignment
Entire contract (3203(a)(4), 3204)
Right to examine (free look) (3203(a)(11))
Payment of premiums
Grace period (3203(a)(1))
Reinstatement (3203(a)(10))
Incontestability (3203(a)(3))
Misstatement of age (3203(a)(5))
Exclusions (3203(b, c))
Statements of the applicant (3204)

5.2 Beneficiaries

Designation options
 Individuals
 Classes (per stirpes/per capita)
 Estates
 Minors
 Trusts

Succession
Revocable versus irrevocable
Common disaster clause

5.3 Settlement options

Cash payment
Interest only
Fixed-period installments
Fixed-amount installments
Life income
 Single life
 Joint and survivor
 Spendthrift clause

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 provisions/riders (3230)

Conditions for payment
Effect on death benefit

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
Term rider

6.0 Annuities 10%

6.1 Annuity principles and concepts

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

6.2 Required provisions (3219, 4220, 4223)

6.3 Immediate versus deferred annuities

Single premium immediate annuities (SPIAs)
Deferred annuities
 Premium payment options
 Nonforfeiture
 Surrender and withdrawal 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 accounts (IRAs)
Tax-deferred growth
Retirement income
Education funds

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)

Definition of modified endowment
Seven-pay test
Distributions

7.3 Taxation of non-qualified annuities

Individually-owned
Accumulation phase (taxation issues related to withdrawals)
Annuity phase and the exclusion ratio
Values included in the annuitant's estate
Distributions at death
Non-living entity owned

7.4 Taxation of individual retirement accounts (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)

7.6 Section 1035 exchanges

8.0 Qualified Plans 4%

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)

8.4 Section 529 plan characteristics (college savings programs)