

Pennsylvania Producer's Examination for Life Insurance

Series 16-01

100 Items - 120 Minutes

1.0 Insurance Regulation (14%)

Licensing

Process and types

Requirements (40 P.S. § 310.1, 310.3-310.14)

Resident/nonresident (40 P.S. § 310.3–310.5, 310.10)

Temporary license (40 P.S. § 310.9)

Managers and exclusive general producers (40 P.S. § 310.1, 310.31)

Maintenance and duration

Change in contact information (40 P.S. § 310.11(19))

Renewal (40 P.S. § 310.8)

Duty to report administrative or criminal actions (40 P.S. § 310.78)

Fictitious names (40 P.S. § 310.7)

Continuing education (40 P.S. § 310.8(b), 310.6(a), 31 Pa. Code Ch. 39a)

Waiver due to military or extenuating circumstances (40 P.S. § 310.8)

Disciplinary actions

License denial, nonrenewal, suspension, or revocation (40 P.S. § 310.91, 310.11)

Penalties and fines for violations (40 P.S. §§ 310.12, 310.41a, 310.91, 1171.11)

Cease and desist order (40 P.S. §§ 310.91, 1171.9)

Civil

Criminal

Hearings

Consent agreement

State regulation

Acts constituting insurance transactions

Negotiate, sell, solicit (40 P.S. §§ 310.1, 310.3, 310.8, 310.11)

Commissioner's general duties and powers (40 P.S. §§ 310.2, 1171.7)

Company regulation

Certificate of authority (40 P.S. §§ 47, 47a, 420)

Solvency (40 P.S. §§ 72, 112)

Policy forms and rates (40 P.S. §§ 510, 776.1–776.7, 1181–1199, 1221–1238)

Unfair claims settlement practices (40 P.S. § 1171.5(a)(10); 31 Pa. Code Ch. 146)

Producer regulation

Fiduciary responsibility (40 P.S. § 310.96; 31 Pa. Code Ch. § 37.81)

Examination of books and records (40 P.S. § 323.3-4)

Producer disclosure requirements (40 P.S. § 310.71(b))

Commissions and fees (40 P.S. §§ 310.72–310.74)

Prohibited acts (40 P.S. § 310.11)

Appointment procedures

Producer appointment (40 P.S. § 310.71, 31 Pa Code 37.61)

Appointment termination (40 P.S. § 310.71a)

Unfair insurance practices (40 P.S. §§ 1171.1 1171.5)

Rebates and Inducements (40 P.S. §§ 310.45, 310.46, 1171.5(a)(8))

Misrepresentation (40 P.S. §§ 310.47–.48, 1171.5(a)(1),(2))

Pennsylvania Producer's Examination for Life Insurance Series 16-01 100 Items - 120 Minutes	
Twisting (40 P.S. §§ 473)	
False advertising (40 P.S. § 1171.5; 31 Pa. Code Ch. 51)	
Defamation (40 P.S. § 1171.5(a)(3); 31 Pa. Code Ch. 51)	
Boycott, coercion or intimidation (40 P.S. § 1171.5(a)(4))	
Misappropriation of funds (40 P.S. §§ 310.11(4), 310.42)	
Unfair discrimination (40 P.S. § 1171.5; 31 Pa. Code § 145.4)	
Replacement (40 P.S. § 625, 31 Pa Code Ch. 81)	
Privacy of consumer financial information (40 P.S. § 310.77(a); 31 Pa. Code §§ 146a.1–.44)	
Insurance fraud regulation (40 P.S. §§ 325.1–325.62; 18 Pa. C.S. § 4117)	
Federal Regulation	
Fair Credit Reporting Act	
Fraud and False Statements (18 USC Sections 1033 and 1034)	
Privacy (Gramm-Leach-Bliley)	
National Do Not Call List (https://www.donotcall.gov/)	
2.0 General Insurance Concepts (10%)	
Risk	
Methods of Handling Risk (e.g., Avoidance, Retention, Sharing, Reduction, Transfer)	
Elements of Insurable Risks	
Definitions (e.g., Risk, Hazard, Peril, Loss)	
Classifications of Insurers	
Mutual, Stock	
Admitted, Non-Admitted	
Foreign, Domestic, Alien	
Elements of a Contract	
Consideration	
Competent Parties	
Legal Purpose	
Offer	
Acceptance	
Authority and Powers of Producers	
Express	
Implied	
Apparent	
The Law of Agency	
Legal Interpretations Affecting Contracts	
Reasonable Expectations	
Indemnity	
Good Faith	
Fraud	
Warranties, Representations, Misrepresentations, and Concealment	
3.0 Life Insurance Basics (20%)	
Insurable Interest (40 P.S. § 512)	
Personal Uses of Life Insurance	

Pennsylvania Producer's Examination for Life Insurance Series 16-01 100 Items - 120 Minutes	
Survivor Protection	
Estate Creation	
Liquidity	
Estate Conservation	
Asset Protection	
Determining Amount of Personal Life Insurance	
Human Life Value Approach	
Needs Approach	
Business Uses of Life Insurance	
Buy-Sell Funding	
Key Person	
Executive Compensation	
Viatical and life settlements	
Disclosure to consumers (40 P.S. § 626.7)	
General rules (40 P.S. § 626.8)	
Definitions (40 P.S. § 626.2)	
Classes of life insurance policies	
Group versus individual	
Permanent versus term	
Participating versus nonparticipating	
Fixed versus variable life insurance	
General account versus separate account (40 P.S. § 506.2; 31 Pa. Code Ch. 82.41-.51)	
Regulation of variable life insurance (31 Pa. Code Ch. 82.1, .14, .81)	
Factors in Premium Determination	
Mortality	
Interest	
Expense	
Premium Frequency	
Producer responsibilities	
Sales presentations	
Advertising (31 Pa. Code Ch. 51.1–.36, .42)	
Life and Health Insurance Guaranty Association (40 P.S. § 991.1717)	
Life insurance disclosure statement (31 Pa. Code Ch. 83)	
Illustrations (40 P.S. § 625.7–625.8)	
Life insurance surrender comparison index disclosure (31 Pa. Code Ch. 83.51–.57)	
Field Underwriting	
Application Procedures	
Warranties and Representations	
Policy Delivery	
Effective Date of Coverage	
Premium Collection	
Statement of Good Health	
Delivery receipt requirement (40 P.S. § 625.4)	

Pennsylvania Producer's Examination for Life Insurance Series 16-01 100 Items - 120 Minutes	
Company Underwriting	
Sources of Information	
Classifications of Risk (Preferred, Standard, Substandard, Declined)	
Selection criteria and unfair discrimination (40 P.S. § 477a)	
Classification of Risks	
Preferred	
Standard	
Substandard	
4.0 Types of Life Insurance Policies (17%)	
Term Life Insurance	
Level	
Decreasing	
Increasing Term	
Renewable Term	
Whole (Permanent, Ordinary) Life Insurance	
Single Premium	
Continuous Premium	
Limited Payment Life	
Adjustable Life	
Universal Life	
Index Whole Life	
Specialized Policies	
Joint Life	
Survivorship Life	
Juvenile	
Return of Premium Term Insurance	
Group Life Insurance	
Eligible Groups	
Characteristics of Group Life Insurance	
Conversion to individual policy (40 P.S. § 532.7)	
5.0 Life Insurance Policy Provisions, Options, and Riders (22%)	
Standard Life Insurance Provisions (40 P.S. § 510)	
Ownership	
Assignment	
Right to Examine (Free Look) (40 P.S. § 510C (a), (2), (3), (b1))	
Payment of Premiums (a)	
Grace Period (b)	
Misstatement of Age/Sex (e)	
Incontestability (c)	
Reinstatement (k)	
Entire Contract (d)	
Payment of claims (l)	
Prohibited provisions including backdating (40 P.S. § 511)	

Pennsylvania Producer's Examination for Life Insurance Series 16-01 100 Items - 120 Minutes	
Beneficiary Designation Options	
Individuals	
Classes	
Estates	
Minors	
Trusts	
Types of Beneficiaries	
Revocable versus Irrevocable	
Primary and Contingent	
Beneficiary-Related Clauses	
Common Disaster	
Spendthrift	
Effects of Divorce on Designation of Beneficiaries (20 Pa C.S.A. § 6111.2)	
Settlement Options	
Cash Payment (Lump Sum)	
Interest Only	
Life Income	
Fixed-Period	
Fixed-Amount Installments	
Retained Asset Account	
Nonforfeiture Options	
Cash Surrender Value	
Extended Term	
Reduced Paid-Up Insurance	
Policy Loan and Withdrawal Options	
Loans	
Automatic Premium Loans	
Withdrawals Partial Surrenders	
Dividend Options	
Paid-Up Additions	
Cash Payment (Lump Sum)	
One Year Term	
Reduction of Premium	
Accumulation at Interest	
Disability Riders	
Waiver of Premium	
Disability Income Benefit	
Payor Benefit Life	
Riders Covering Additional Insureds	
Spouse	
Children	
Family	
Riders Affecting Death Benefit Amount	

Pennsylvania Producer's Examination for Life Insurance Series 16-01 100 Items - 120 Minutes	
Accidental Death	
Guaranteed Insurability	
Cost of Living	
Return of Premium	
Accelerated (Living) Benefit Provision Rider	
Conditions for payment (31 Pa. Code Ch. 90f.3)	
Effect on death benefit (31 Pa. Code Ch. 90f.3)	
Exclusions and restrictions (31 Pa. Code Ch. 90f.4)	
Long-Term Care Rider	
Policy Exclusions	
6.0 Annuities (12%)	
Annuity Principles and Concepts	
Accumulation Period versus Annuity Period	
Owner, Annuitant, and Beneficiary	
Right to Examine (40 P.S. § 510D)	
Immediate versus Deferred Annuities	
Annuity (Benefit) Payment Options	
Life Contingency Options	
Annuities Certain	
Pure Life versus Life with Guaranteed Minimum	
Single Life versus Multiple Life	
Annuity Products	
Fixed Annuities	
Equity Indexed Annuities	
Immediate Annuities	
Variable annuities	
Assets in a separate account (31 Pa. Code Ch. 85.21–.27)	
Regulation of variable annuities (SEC, FINRA and Pennsylvania) (31 Pa. Code Ch. 85.1–.4)	
Suitability of annuities (Act 48 of 2018)	
Uses of Annuities	
Lump-Sum Settlements	
Retirement Income	
Education	
7.0 Federal Tax Considerations for Life Insurance (5%)	
Requirements of Life Insurance Qualified Plans	
Federal Tax Considerations for Qualified Plans	
Withdrawals	
Rollovers versus Transfers	
Qualified Plan Types, Characteristics, and Purchasers	
Individual Retirement Accounts (IRAs; Traditional versus Roth; Immediate Annuity)	
401k	
403b	

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Taxation of Personal Life Insurance

Premiums

Dividends

Settlements

Modified Endowment Contracts (MECs)