
Prelicensing Education Educational Objectives

California Life-Only Agent Examination

Overview

For purposes of the prelicensing curriculum and examination, the successful applicant is defined as an individual of an agency or an insurer. Twenty hours of life-only agent prelicensing education must, at a minimum, include the material in these objectives.

Section 1677 of the California Insurance Code (CIC) requires that the Life-Only agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws. In addition, Section 1626(a)(1) defines a Life-Only Agent licensee as authorized to transact insurance coverage on human lives, including benefits of endowment and annuities, and may include benefits in the event of death or dismemberment by accident and benefits (by rider) for disability income.

The new life-only agent will be introduced and trained to sell and service the less complex types of business first and the other lines later. Sufficient knowledge is what this new life-only agent needs to know at the start of one's career.

- (1) Basic knowledge including:
 - basic life insurance concepts and principles
 - responsibilities and authority of a life-only insurance agent
 - commonly written life insurance products
 - insurance products for seniors
 - ethics and insurance code
 - insurance coverage on human lives
 - benefits of endowment and annuities
 - benefits in the event of death or dismemberment by accident
 - insurable interest

- (2) With a general understanding of:
 - commonly used non-insurance disability systems
 - social life and disability insurance programs
 - what is happening in today's marketplace

- (3) In addition, this license authorizes the transaction of insurance coverage on:
 - **Cash Value Life (permanent life)** - A type of life insurance that includes both a death benefit and a cash value component.
 - **Credit Life** - A policy that can pay off or reduce the balance of a loan or accumulated debt in the event of the insured's death.

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- **Fixed Annuities*** – Contracts offering a guaranteed rate of interest and a possibility of lifetime income stream for the term of the contract.
- **Funeral and Burial** - Specific life insurance policies or annuities having an initial face amount of twenty thousand dollars (\$20,000) or less that are designated by the purchaser for the payment of funeral and burial expenses.
- **Group Life** - Life Insurance provided for members of a group. It is most often issued to a group of employees but may be issued to any group provided it is not formed for the purpose of buying insurance. The cost is lower than for individual policies because administrative expenses per life are decreased, there are certain tax advantages, and measures taken against adverse selection are effective.
- **Indexed Annuity*** - a fixed annuity contract which uses a crediting index, such as the Standard&Poor's 500.
- **Term Life** – This product provides death protection for a stated time period or term.
- **Third-party Contract** - Insurance owned by a person other than the insured.
- **Universal Life** – This product is a flexible-premium, adjustable benefit life insurance policy that accumulates account value. The flexibility of this policy allows the insured to change the amount of insurance as the needs for insurance change.
- **Variable Annuities** – This product is issued by insurance companies and gives the investor the flexibility to select from a variety of investment fund options. Earnings are tax deferred. The life-only agent must have registration with the Financial Industry Regulatory Authority to transact in California.
- **Variable Life** - A form of whole life insurance providing death benefits and/or cash values based on a tax-deferred investment portfolio.

* **All cash value contracts may be adversely affected by surrender charges**

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- (4) No prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs (Section 1749.1(b) of the CIC)

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The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187. of the California Code of Regulations (CCR).

Ethics and California Insurance Code

The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by “(Section XXXX of the CIC)” or “(Ethics)”. References to “Code” or “CIC” in the educational objectives mean the California Insurance Code.

The Examination

The California Department of Insurance’s (CDI) applicant for a Life-only agent license without any aids (e.g. reference materials, electronic aids) is allowed 1 and 30 minutes (90 minutes) to answer the 75-question multiple-choice examination.

CDI examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays. Check-in is at 8:10 a.m. for the 8:30 a.m. examination, and check-in is at 12:40 p.m. for the 1:00 p.m. examination.

Sacramento:

California Department of Insurance
Examination Site
320 Capitol Mall, 1st Floor
Sacramento, California 95814

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower,
Suite 1000
Los Angeles, California 90013

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San Francisco:

California Department of Insurance
Examination Site
45 Fremont Street, 22nd Floor
San Francisco, California 94105

PSI's test centers are located at the following locations:

Anaheim	El Monte	Riverside	Santa Rosa
Atascadero	Fresno	Sacramento	Walnut Creek
Bakersfield	Hayward	San Diego	Ventura
Burbank	Laguna Hills	San Francisco	Visalia
Carson	Redding	Santa Clara	

The check-in times and driving directions to PSI's test centers are listed on pages 3, 4, and 5 in the [Candidate Information Bulletin](#).

For additional information on license examinations (i.e., online examination scheduling, fingerprint requirements, examination admittance, forms of identification, check your scheduled examination date, check your examination results), please review the following link:

<http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm>

Candidate Information Bulletin

The Candidate Information Bulletin (CIB) provides detailed information on how to prepare for your license examination, prelicensing education requirements, examination site procedures, sample examination questions, test taking strategies, and driving directions to the California Department of Insurance's examination sites and PSI's test centers that are located throughout California. Please review the following link:

<http://www.insurance.ca.gov/0200-industry/0020-apply-license/0100-indiv-resident/CandidateInformation.cfm>

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I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I.A. Basic Insurance Concepts and Principles (9 questions of the 22 General Insurance questions). Be able to:

1. Identify the definition of insurance (Section 22 of the CIC).
2. Recognize the definition of risk
3. Differentiate between a pure risk and a speculative risk
4. Identify the definition of peril
5. Identify the definition of hazard
6. Differentiate between moral, morale, and physical hazards
7. Identify the definition of the law of large numbers
8. Identify the definition or the correct usage of the term loss exposure
9. Identify risk management techniques
10. Identify risk situations that present the possibility of a loss
11. Recognize the requisites of an ideally insurable risk
12. Identify the definition of insurable events (Section 250 of the CIC)
13. Identify and apply the definitions of insurable interest, the principle of indemnity, and utmost good faith
14. Identify the main purpose of insurance underwriting
15. Identify the meaning of adverse selection and profitable distribution of exposures

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I.B. Contract Law (6 questions of the 22 General Insurance questions)

1. Be able to compare contract law and tort law
2. Be able to identify the four basic elements of a contract
 - a. agreement, offer and acceptance
 - b. competent parties
 - c. legal purpose
 - d. consideration
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
 - a. contract of adhesion
 - b. conditional contract
 - c. aleatory
 - d. unilateral
 - e. personal
4. Be able to identify the term "insurance policy" (Section 380 of the CIC)
5. Be able to identify the meaning and effect of each of the following on a contract:
 - a. concealment (Section 333 of the CIC)
 - i. Be able to identify information that does not need to be

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- communicated in a contract:
- 1) known information
 - 2) information that should be known
 - 3) information which the other party waives
 - 4) information that is excluded by a warranty and not material to the risk
 - 5) information that is excepted from insurance and not material to the risk
 - 6) information based on personal judgment (Section 339 of the CIC)
- b. warranty (Sections 440-445, 447 of the CIC)
 - i. know that a warranty may be expressed or implied
 - ii. know that violation of a material warranty allows the other party to rescind the contract
 - c. representations (Sections 350-361 of the CIC)
 - i. know when a representation can be altered or withdrawn (Section 355 of the CIC)
 - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (Section 358 of the CIC)
 - iii. know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (Section 354 of the CIC)
 - d. misrepresentation (Sections 780-784 of the CIC)
 - e. materiality (Section 334 of the CIC)
 - i. know that the materiality is to be determined not by the event, but solely by the probable and reasonable influence of the facts on the party to whom the communication is due
6. Be able to identify when an insurer has the right of rescission (Sections 331, 338, 359, 447 of the CIC)
- a. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Section 331 of the CIC)
7. Be able to identify six required specifications for all insurance policies (Section 381 of the CIC).
- a. the parties between whom the contract is made
 - b. the property or life insured
 - c. the interest of the insured in property insured, if he is not the absolute owner thereof
 - d. the risks insured against
 - e. the period during which the insurance is to continue
 - f. either:
 - i. a statement of the premium

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- ii. if the insurance is of a character where the exact premium is only determinable upon the termination of the contract, a statement of the basis and rates upon which the final premium is to be determined and paid
 - g. know that the financial rating of the insurer is not required to be specified in the insurance policy (Section 381 of the CIC)
- 8. Given an insurance situation, be able to identify the following terms correctly:
 - a. application, policy, rider
 - b. cancellation, lapse, grace period
 - c. rate, premium, earned and unearned premium

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions of the 22 General Insurance questions)

I. C1. Distribution Systems

- 1. Be able to identify different distribution systems that include, but are not limited to, the following:
 - a. agency
 - b. direct response

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions of the 22 General Insurance questions)

I. C2. Producers

- 1. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company
 - a. the responsibilities and duties of each
 - b. the effect of the types of authority an agent may exercise (express, implied, or apparent)
- 2. With regard to the underwriting of applicants and/or insureds, be able to:
 - a. identify a producer's responsibilities
 - b. understand the insurers' requirements
- 3. Be able to define the following:
 - a. life-only agent (Section 1626.(a)(1) of the CIC)
 - b. accident and health agent (Section 1626(a)(2) of the CIC)
 - c. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC)
- 4. Be able to identify the CIC definition of transact and why the definition is important (Sections 35, 1631, 1633 of the CIC)
 - a. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC)

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5. Be able to identify:
 - a. that the CIC prohibits certain actions by unlicensed persons (Section 1631 of the CIC)
 - b. the penalty for such prohibited actions (Section 1633 of the CIC)
6. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
 - a. be able to identify what conduct is prohibited by Title 18 United States Code Section 1033
 - b. be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034
7. Be able to identify the differences between the terms “agent” and “broker” with respect to their relationship with insurers and with their insureds
 - a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life, disability, or health insurance (Section 31 of the CIC)
 - b. a life licensee is a person authorized to act as a life agent on behalf of a life insurer or a disability insurer to transact life insurance, accident and health insurance, or life and accident and health insurance (Section 32 of the CIC)
 - i. licenses to act as a life agent under this chapter shall be of the types as set forth in Section 1626
 - ii. a life agent may be authorized to transact 24-hour care coverage, as defined in Section 1749.02, pursuant to the requirements of subdivision (d) of Section 1749 or subdivision (b) of Section 1749.33
 - c. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life, disability, or health with, but not on behalf of, an insurer (Section 33 of the CIC)
 - d. life settlement broker means a person who, on behalf of an owner, and for a fee, commission, or other valuable consideration, offers or attempts to negotiate life settlement contracts between an owner and providers. A life settlement broker represents only the owner and owes a fiduciary duty to the owner to act according to the owner’s instructions, and in the best interest of the owner, notwithstanding the manner in which the broker is compensated. (Sections 10113.1(b), 10113.2(b)(1) (A) to (D) of the CIC)
8. Be able to recognize:
 - a. the differences between the authority of an agent and a solicitor
 - b. that there is no such license as “life solicitor” (Section 1704(d) of the CIC)
 - c. that an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life, disability, or health (Section 1624 of the CIC)

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9. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - a. the types of coverages available
 - b. the types of losses commonly covered and not covered
 - c. the need for the coverage
10. Be able to identify acts prohibited (unless a surplus line broker) with regard to nonadmitted insurers (Section 703 of the CIC)
11. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC)
12. Be able to identify the Code requirements for the following:
 - a. an agency name, use of name (Sections 1724.5, 1729.5 of the CIC)
 - b. change of address (Section 1729 of the CIC)
 - c. filing license renewal application (Section 1720 of the CIC)
 - d. printing license number on documents (Section 1725.5 of the CIC)
13. Be able to identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC)
14. Be able to identify the requirements applicable to an insurer for life insurance policy illustrations (Sections 10509.950-10509.965 of the CIC)
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Sections 1666, 1668 through 1669, 1738 of the CIC)
16. Be able to identify the importance and the scope of the Code regarding:
 - a. the filing of a notice of appointment to transact insurance (Sections 1704, 1705 of the CIC)
 - b. an inactive license (Section 1704(b) of the CIC)
 - c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC)
17. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Sections 1708-1712.5 of the CIC)
18. Be able to identify and apply:
 - a. the definition of the term "fiduciary"
 - b. producer fiduciary duties described in the Code (Sections 1733 -1735 of the CIC)
19. Be able to identify the continuing education (CE) requirements for:
 - a. an individual licensed as a life-only agent (Section 1749.3-1749.33 of the CIC)
 - i. life-only agents also licensed as a property and casualty broker-agent must complete 24 hours of continuing education in either license type, three (3) hours of which must be in ethics (Section 1749.3(b)) and 1749.33(a))
 - b. a life-only agent who sells annuity products to individual consumers must complete:

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- i. eight (8) hours of initial training prior to soliciting for sales
 - ii. four (4) hours of subsequent training every two years prior to license renewal (Section 1749.8 of the CIC)
 - c. the total hours of continuing education required for the life-only agent are not increased by the above
- 20. Be able to describe the differences between benefits provided under an accelerated death benefit rider for chronic illness under Section 10295 et seq. of the CIC and benefits provided under long-term care insurance under Section 10234.93 of the CIC, including but not limited to, the following:
 - a. Long-term care training requirements
 - i. Long-term care training is required when an agent is transacting accelerated death benefit provisions or riders that require services to the chronically ill insured
 - ii. Long-term care training is not required when transacting accelerated death benefit provisions or riders that do not require services
 - 1) The insured may take the accelerated death benefits in a lump sum when the individual qualifies (Section 10295.1 of the CIC), as well as choose the option to receive the benefit in periodic payments that is provided for a certain period only
 - 2) Insurers are required to ensure that agents offering, marketing, or selling accelerated death benefits on their behalf are able to describe the differences between benefits provided under an accelerated death benefit and benefits provided under long-term care insurance (Section 10295.12 of the CIC)
 - (a) difference between the benefits afforded to an insured through an accelerated death benefit and a long-term care insurance policy or rider
 - (b) differences between benefit eligibility criteria
 - (c) whether an elimination period applies to either an accelerated death benefit or long-term care insurance and a description of the elimination period
 - (d) the benefits under the accelerated death benefit or long-term care insurance if benefits are never needed
 - (e) the benefits under the accelerated death benefit or long-term care insurance if benefits are needed
 - (f) restrictions on benefit amounts
 - (g) tax treatment of benefits and premiums
 - (h) income and death benefit considerations
- 21. Be able to identify the definition of “administrator” (Section 1759 of the CIC)

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22. Concerning a Life and Disability Insurance Analyst license, be able to identify requirements and prohibitions for charging fees (Section 1848 of the CIC)

The following Educational Objectives are derived from the California Insurance Code (CIC) and codes of ethics of major industry organizations. This is the basis for life-only examination questions.

23. Be able to identify and apply the meaning of the following:
- place the customer's interest first
 - know your job and continue to increase your level of competence
 - identify the customer's needs and recommend products and services that meet those needs
 - accurately and truthfully represent products and services
 - use simple language; talk the layman's language when possible
 - stay in touch with customers and conduct periodic coverage reviews
 - protect your confidential relationship with your client
 - keep informed of and obey all insurance laws and regulations
 - provide exemplary service to your clients
 - avoid unfair or inaccurate remarks about the competition
24. Be able to identify that the CIC and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior
25. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I.C. The Insurance Marketplace (7 questions of the 22 General Insurance questions)

I.C3. Insurers

- Be able to differentiate between:
 - admitted and nonadmitted insurers (Sections 24-25 of the CIC)
 - domestic, foreign and alien insurers (Sections 26-27, and 1580 of the CIC)
 - regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers (Sections 24, 25, and 1760 through 1780 of the CIC)
- be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority (Section 703 of the CIC)
- Be able to identify the functions of the following major operating divisions of insurers: marketing or sales, underwriting, claims, and actuarial
- Be able to identify that a primary insurer (e.g., ceding company) is the insurance company who transfers its loss exposure to another insurer in a reinsurance

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- transaction
5. Know that any person, association, organization, partnership, business trust, limited liability company or corporation capable of making a contract may be an insurer (Section 19, 150 of the CIC)
 6. Be able to differentiate between Mutual, Stock and Fraternal insurers:
 - a. earned surplus
 - b. divisible surplus as policy dividends

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions of the 22 General Insurance questions)

I. C4. Market Regulation – General

1. Be able to identify:
 - a. the California Insurance Code (CIC) and how it may be changed
 - b. the California Code of Regulations (CCR) Title 10, Chapter 5 and how it may be changed
 - c. how the Insurance Commissioner is selected and the responsibilities of the position (Sections 12900, 12921 of the CIC)
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (Sections 790-790.15 of the CIC)
 - a. know that only the Commissioner may enforce the provisions of the Unfair Practices Act . Be able to identify the privacy protection provisions of:
 - a. the California Financial Information Privacy Act (SB 1)
 - b. insurance information and Privacy Protection Act regarding practices prohibitions and penalties (Sections 791-791.26 of the CIC)
 - c. Cal-Gramm Leach Bliley Act (GLBA)/"California Financial Information Privacy Act" Section 4050 of the California Financial Code
4. Be able to define an insolvent insurer (Section 985 of the CIC):
 - a. know the definition of Paid-in Capital (Sections 36, 985 of the CIC)
 - b. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (Section 1013 of the CIC)
5. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC)
6. Be able to identify the purpose and scope of the CIC concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (Sections 1067.02(a)(1), 1067.02(b)(1) of the CIC)
 - a. basic coverages and exclusions of CLHIGA (Sections 1067 through CIC 1067.18 of the CIC)
7. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the CIC (Sections 1871, 1871.4 of the CIC):

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- a. efforts to combat fraud (Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1) of the CIC)
 - b. that if an insured signs a false claim form, the insured may be guilty of perjury
- 8. Be able to identify the requirements for discontinuance of Group Life Insurance (Sections 10128.1-10128.4 of the CIC)
 - 9. Be able to identify discriminatory practices prohibited by the California Insurance Code (Sections 10140-10145 of the CIC)
 - 10. Be able to identify the meaning of shall and may (Section 16 of the CIC)
 - 11. Be able to identify the requirements for notice by mail and by electronic transmission (Section 38, 38.5 of the CIC)

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions of the 22 General Insurance questions)

I. C5. Fair Claims Settlement Practices Regulations (Title 10, Chapter 5, Subchapter 7.5, Article 1 of the CCR)

- 1. Be able to identify a definition of the following:
 - a. Claimant (Section 2695.2(c) of the CCR)
 - b. Notice of legal action (Section 2695.2(o) of the CCR)
 - c. Proof of claim (Section 2695.2(s) of the CCR)
- 2. Be able to identify File and Record Documentation (Section 2695.3 of the CCR)
- 3. Be able to identify Duties upon Receipt of Communications (Section 2695.5 of the CCR)
- 4. Be able to identify Standards for Prompt, Fair and Equitable Settlements (Sections 2695.7(a), (b), (c), (g), and (h) of the CCR)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. A. Life Insurance - Basics (8 questions of the 49 Life Insurance questions)

- 1. Be able to identify examples or definitions of:
 - a. life insurance
 - b. applicant, policy owner, insured, beneficiary
- 2. Be able to identify the elements of the personal insurance planning process:
 - a. identify overall financial objectives
 - b. develop and implement an insurance plan to accomplish the objectives
- 3. Be able to identify the two approaches used to determine life insurance amounts
 - a. human life value approach or
 - b. needs approach
- 4. Be able to identify methods of Managing Risk
 - a. avoidance

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- b. retention
 - c. sharing
 - d. reduction
 - e. transferring
5. Be able to identify the following business funding uses of life insurance:
- a. key person insurance
 - b. buy-sell agreements
 - c. other uses (e.g. split dollar, deferred compensation, business overhead, salary continuation, etc)
6. Be able to identify the meaning of term limit of liability in a life policy
7. Know when insurable interest is required to exist under life insurance policies (Section 10110 of the CIC)
8. Be able to identify:
- a. the term mortality
 - b. the term mortality table including how it is developed
9. Be able to identify the meaning of the statement "Life insurance creates an immediate estate"

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. B. Types of Life Policies (10 questions of the 49 Life Insurance questions)

1. Be able to differentiate between the following types of life insurance policies:
- a. participating and non-participating
 - b. individual
 - c. group
2. Be able to identify the key features of each of the following general classes and their appropriate uses:
- a. term
 - b. whole life
 - c. universal life
 - d. indexed universal life
 - e. variable life and variable universal life
3. Be able to differentiate between common modes of premium payment:
- a. single premium
 - b. limited pay
 - c. modified premium
 - d. level
 - e. fixed vs. flexible
 - f. initial premium and guaranteed maximum premium
4. Be able to identify each of the following special coverages and when they are appropriate:

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- a. mortgage redemption
 - b. family protection, family policy, family rider
 - c. policies linked to indexes
 - d. juvenile policies (including Jumping Juvenile, Payor Rider)
 - e. return of premium
 - f. joint-life and survivorship policies
5. Be able to identify the following types of term products:
- a. level term
 - i. guaranteed level premium
 - ii. non-guaranteed level premium
 - iii. indeterminate level premium
 - b. renewable term
 - c. convertible term
 - d. decreasing term
 - e. universal life designed as term (e.g., Guaranteed Universal Life)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. C. Annuities (8 questions of the 49 Life Insurance questions)

- 1. Be able to identify a definition of an annuity
 - a. accumulation period and distribution phase
- 2. Be able to identify the parties to an annuity:
 - a. annuitant
 - b. owner
 - c. beneficiary
- 3. Be able to identify the business and personal uses for annuity products
- 4. Be able to differentiate the different types of annuities
 - a. fixed
 - i. general account
 - b. variable
 - i. separate account
 - c. equity indexed
- 5. Be able to identify the different annuity distribution choices and funding mechanisms
 - a. immediate
 - b. deferred
 - i. single premium
 - ii. flexible premium
- 6. Be able to identify
 - a. qualified vs. nonqualified annuities
 - b. group vs. individual annuities

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- c. market value adjusted annuities
- d. tax sheltered annuities (Internal Revenue Service 403(b) plan)
- 7. Be able to identify and differentiate between different types of annuity payment options:
 - a. life-only
 - b. life with period certain
 - c. period certain
 - d. refund life
 - e. joint-life and joint-and-survivor annuities
- 8. Be able to identify the following:
 - a. the required suitability information to be obtained prior to making recommendations to a consumer:
 - i. occupation and occupational status
 - ii. marital status
 - iii. age
 - iv. number and type of dependents
 - v. sources of income
 - vi. yearly income
 - vii. consumer's existing insurance
 - viii. consumer's insurance needs and objectives
 - ix. cost to the consumer and the consumer's ability to pay for the proposed transaction or transactions
 - x. source of funds to pay premiums
 - xi. investment savings
 - xii. liquid net worth
 - xiii. tax status
 - xiv. need for tax advantages
 - xv. investment experience of the consumer
 - xvi. consumer concern for preservation of principal
 - xvii. product time horizon
 - b. the need for consumer's awareness of liquidity limitations or surrender charges
 - c. the standards for determining whether agent's recommended transactions meet consumer's insurance needs and financial objectives
- 9. Be able to identify the rules regarding conduct with seniors 65 and older (Sections 785-789.10 of the CIC)
 - a. know what types of disclosures are required if the applicant requests an immediate investment of funds in a variable annuity (Section 10127.10 of the CIC)

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II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. D. Life Insurance and Annuities - Policy Replacement and Cancellation (4 questions of the 49 Life Insurance questions)

1. Be able to identify the insured's rights to cancel a recently purchased life policy, when insured is:
 - a. individuals age 60 or over
 - b. individuals under 60 years of age (Sections 10127.9-10127.10 of the CIC)
2. Be able to identify the requirements and penalties of the "Replacement of Life Insurance and Annuity Policies" article (Sections 10509 through 10509.09 of the CIC)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. E. The Individual Life Insurance Contract (10 questions of the 49 Life Insurance questions)

1. Regarding life insurance applications, be able to identify:
 - a. the types of information required on the application
 - b. a "non-medical application" and why a medical examination may be required
 - c. required signatures
 - d. changes to the application
 - e. why insurers attach the application to a life policy
 - f. conditional receipt vs. binding receipt
 - i. binders are prohibited in life and disability insurance
 - g. temporary insurance agreement
2. Be able to identify the life insurance policy disclosures:
 - a. requirements for using illustrations (Sections 10509.950, 10509.955, and 10509.970 et seq. of the CIC)
 - b. buyers guide
 - c. cost indexes
 - d. surrender charges
 - e. surrender period
3. Be able to define a life settlement contract and know what its purpose and suitability are:
 - a. possible alternatives to life settlements
 - b. the owners' rescission rights
 - c. fraudulent life settlements (including Stranger Originated Life Insurance-Senate Bill 98 effective 7/2010)
4. Regarding insurable interest, be able to identify the requirements for the:
 - a. policyowner
 - b. insured

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5. Regarding the life insurance policy, be able to identify:
 - a. the types of information recorded on the policy specification page
 - b. that there are no “standard” life policies (unlike property and casualty insurance)
 - c. premium payment mode (annual, semiannual, quarterly, and monthly)
6. Regarding policy delivery, be able to identify:
 - a. the acceptable methods for delivery of a life policy to the owner of the policy (Section 10113.6 of the CIC)
 - b. the purpose of a delivery receipt
7. Be able to identify the following “common provisions” of life policies:
 - a. insuring clause
 - b. free look
 - c. consideration clause
 - d. owner’s rights, including:
 - i. assignment or transfer of policy
 - ii. selecting or changing payment mode
 - iii. selecting or changing beneficiaries
 - iv. conversion privilege (when applicable)
 - v. cash values
 - vi. dividends
 - vii. surrender charges and periods
 - e. beneficiary designations, including:
 - i. eligible beneficiaries
 - ii. primary and contingent (secondary)
 - iii. common disaster clause (Uniform Simultaneous Death Act)
 - iv. spendthrift clause
 - v. revocable vs. irrevocable
 - vi. be able to identify per capita vs. per stirpes
 - vii. be able to identify the rights of beneficiaries and creditors
 - f. grace period
 - g. automatic premium loan
 - h. reinstatement
 - i. policy loan
 - j. incontestability
 - k. suicide
 - l. misstatement of age or sex
8. Be able to differentiate the three Nonforfeiture Options:
 - a. cash surrender
 - b. reduced paid up
 - c. extended term

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9. Be able to identify the common Settlement Options and why each might be selected
 - a. lump sum
 - b. fixed amount
 - c. fixed period
 - d. life income
 - e. interest only
10. Be able to identify the Dividend Options available to insureds, including:
 - a. cash payments
 - b. accumulation at interest
 - c. paid-up additions
 - d. reduced premium payment
 - e. one-year term
11. Common Policy Exclusions
 - a. war
 - b. aviation

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. F. Taxation of Life Insurance and Annuities 3 questions of the 49 Life Insurance questions)

1. Be able to identify the tax treatment regarding:
 - a. premium payments
 - b. cash value accumulation or dividends
 - c. death benefit proceeds
 - d. surrender and mature policy values
 - e. annuity payments to the annuitant or the beneficiary
 - f. group life insurance
 - g. Internal Revenue Service (IRS)1035 exchanges
2. Be able to identify the IRS definition of Modified Endowment Contract, including what effect this might have on a policyholder (IRS section 7702)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. G. Group Life Insurance Plans (2 questions of the 49 Life Insurance questions)

1. Be able to differentiate between the basic characteristics of group and individual policies concerning:
 - a. an insurance policy vs. master contract vs. certificate of insurance
 - b. medical examinations and eligibility
 - c. contributory and non-contributory plans
 - d. employer responsibilities

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- i. selection of coverage
 - ii. non-discrimination within a class of employees
 - iii. recordkeeping
 - iv. enrollment
- 2. Know the following characteristics of group life insurance:
 - a. eligible groups (Sections 10202.5, 10270.505, 10270.55, 10270.57 of the CIC)
 - b. coverage for dependents of insureds (Section 10270.65 of the CIC)
 - c. types of life policies (Section 10200 of the CIC)
 - d. incontestability (Section 10350.2 of the CIC)
 - e. exclusions for war, military, and aviation risk (Section 10206.5 of the CIC)
 - f. misstatement of age (Section 10369.3 of the CIC)
 - g. conversion privilege (Section 10209 of the CIC)
 - h. grace period coverage (Section 10209 of the CIC)
 - i. blanket life insurance (Section 10270.2 of the CIC)
 - j. domestic partnership (Section 381.5 of the CIC)
- 3. Be aware that life insurance can be held within a qualified plan under certain circumstances

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. H. Social Security Disability Program (1 questions of the 49 Life Insurance questions)

- 1. Be able to identify the Social Security System's requirements to be currently insured vs. fully insured for disability and survivors' benefits.
 - a. know that the minimum requirement for workers under age 24 to obtain "currently insured" status is 6 credits in the last three years
 - b. know that beginning at age 24 additional credits are required to obtain "currently Insured" status based on the worker's age at the time of disability
 - c. know that 40 credits is the requirement for fully insured status in order to obtain retirement and premium-free Medicare Part A benefits
- 2. Be able to identify the kinds of benefit payments paid and the insured status required for the following types of benefits:
 - a. survivor
 - i. income benefits (spouse and minor children, and the effect of the "Blackout Period")
 - ii. lump sum death benefit
 - b. disability income
 - c. retirement income

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II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. I. Individual Underwriting, Pricing, and Claims (3 questions of the 49 Life Insurance questions)

1. Purpose of underwriting
 - a. Prevention of adverse selection
 - b. Properly classify risks
 - i. be able to differentiate between preferred, standard, and substandard risk classification
2. Process of underwriting
 - a. Be able to identify the responsibility of the agent as the field underwriter
 - i. field underwriting prior to application
 - ii. the application must be completed accurately and truthfully to the best of the agent's ability
 - iii. the agent's report
 - iv. know that the insurers must not make unfair distinctions between individuals in underwriting for the risk of human immunodeficiency virus (HIV) and acquired immune deficiency syndrome AIDS (Section 799 of the CIC)
 - v. know that insurers may not unfairly discriminate on the basis of tests of a person's genetic characteristics (Section 10146 of the CIC). "Genetic characteristics" means any scientifically or medically identifiable gene or chromosome that is known to be a cause of a disease or disorder that is presently not associated with any symptoms of any disease or disorder (Section 10147(b) of the CIC)
 - b. Completing the application
 - i. know that basic underwriting requirements will vary based on the company
 - c. Know that additional information may be required if an application reveals certain health conditions or other risk exposures
 - i. MIB, Inc. report
 - ii. attending physician's statement (APS)
 - iii. credit and/or inspection report
 - iv. Department of Motor Vehicle (DMV) report
 - v. hazardous activity questionnaires (e.g. aviation, scuba diving, auto/boat/motorcycle racing)
 - vi. additional medical testing (e.g., electrocardiogram (EKG), treadmill examination, physician examination)
3. Underwriting outcomes for:
 - a. insurer

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- b. insured
- c. agent
- 4. Be able to identify the following rate-making components:
 - a. mortality
 - b. insurer expenses
 - c. investments

III. LIFE POLICY RIDERS (4 questions (5 percent) on the examination)

- 1. Be able to identify which of an applicant's needs might be fulfilled by each of the following riders or clauses:
 - a. disability income
 - b. waiver of premium or waiver of monthly deduction
 - c. accidental death
 - d. cost of living
 - e. living need (living benefits, terminal illness and critical illness)
 - f. guaranteed insurability (guaranteed purchase options)
 - g. long-term care
 - i. Long-term care training is required when the following occurs;
 - (1) Long-term care training is required when an agent is transacting accelerated death benefit provisions or riders that require services to the chronically ill insured
 - a) eight (8) hours per year of LTC CE each of the first four years of licensing
 - b) eight (8) hours per license term of LTC CE beginning with the second renewal
 - (2) Long-term care training is not required when transacting accelerated death benefit provisions or riders that do not require services
 - h. no-lapse guarantee riders