

Test Alert!

Indiana

Life, Accident, and Health Insurance

License Exam Manual, 2nd Edition, Revised

8/23/07

L&H

The information included in this release, in addition to your other Kaplan Financial materials, is designed to assist you in preparing for concepts that your exam may include. We urge you to read it carefully and take time to review the sample questions and rationale.

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Part I: Changes to the Text

On page ix, insert the following in the Introduction, before the section “Preparing for the Exam”:

IMPORTANT: CHECK FOR UPDATES

Exam publishers sometimes change the topics on the exam unexpectedly or on short notice. To see whether we have issued an update for this product to accommodate a change in the exam, please go to www.kaplanfinancial.com, where you will see a heading for *TestAlerts!* Click on *View Insurance TestAlerts!* to see a list of updates we have issued for our license exam manuals. Then, click on your state to see a link to a portable document file that you can download to study with your license exam manual. (If you do not see a *TestAlert!* listed for your state, we have not issued one.) We suggest you check now, sometime during your study period, when you’ve completed your study, and one last time just before you take your exam.

On page 220, insert the content above before “I. Indiana Laws and Regulations Pertinent to Life, Accident, and Health Insurance.”

On page 229, replace the first sentence of paragraph no. 2 before “K. Lines of Insurance” with the following:

2. Insurance producer licenses and limited lines producer licenses must be renewed every two years.

On page 233, amend the first paragraph of “5. License Period” as follows:

1. Licenses are issued for two years and require 20 hours of continuing education before renewal. Insurance producer and limited lines insurance producer renewal fees are paid every two years. Consultant renewal fees are paid every two years, and surplus lines producers’ renewal fees are paid annually.

On page 234, amend “4. Continuing education requirement” as follows:

All resident producers must complete 20 hours of continuing education before each license renewal. Resident limited lines insurance producers must complete five hours of continuing education. However, limited lines producers with a title qualification must complete at least seven hours of continuing education courses related to the business of title insurance with at least one hour of instruction in each of the following subjects:

- Ethical practices in marketing and selling title insurance

- Title insurance underwriting
- Escrow issues
- Principles of the federal Real Estate Settlement Procedures Act

On page 234, amend the first sentence of paragraph no. 6 as follows:

6. Anyone who holds a license in more than one line of authority must only complete a total of 20 hours to renew the license.

Study the following content in addition to “T. Replacement Regulations” on page 244:

Rule 16.1: Life Insurance Replacement

Replacement refers to any transaction whereby new life insurance is to be purchased and existing life insurance is to be:

- lapsed or surrendered;
- converted into paid-up insurance or continued as extended term insurance;
- amended or reduced in face amount;
- reissued with any reduction in cash value; or
- pledged as collateral for a loan or subjected to borrowing more than 25% of the policy’s existing cash value.

Replacement does not include:

- individual or group credit life insurance;
- group life insurance;
- life insurance issued as part of a qualified retirement plan; or
- convertible term.

Producer’s duties

The producer’s duties are to provide both the applicant and the replacing insurer with an *Important Notice Regarding Replacement* and copies of any sales proposals used. Both the applicant and the producer must sign these forms.

Replacing Insurer’s duties

Once they obtain copies of the Notice Regarding Replacement and all sales proposals, they must provide the applicant with a policy summary; provide the existing insurer with a copy of the Notice Regarding Replacement within 3 working days of receipt; maintain records for three years; and provide the applicant with a 20-day, free-look period for a full refund.

Study the following content in addition to “V. Marketing, Solicitation, and Disclosure” on page 246:

Rule 24: Life Insurance Solicitation Certain disclosures are required of companies and producers during the solicitation of life insurance.

The purpose of this rule is to:

- improve a buyer’s ability to select the most appropriate life insurance plan for his needs;
- improve the buyer’s understanding of features in the policy; and
- improve the buyer’s ability to evaluate the relative costs of similar life insurance plans.

The disclosure requirements apply to all life insurance transactions in Indiana except:

- annuities;
- credit life insurance;
- group life insurance;
- variable life insurance; and
- life insurance issued as part of a qualified pension plan.

Disclosure requirements

A **Buyer’s Guide**, published by the NAIC, must be provided to the applicant including information to help a prospective purchaser decide how much insurance he should purchase, what kind of insurance he needs, and to compare the cost of similar life insurance policies (using the life insurance cost indexes to compare cost).

A **Policy Summary** is a statement describing policy elements: the cost and benefit information (for the first 5 policy years); surrender charges; name and address of the agent and home office; basic policy provisions and riders; loan rates; cost indexes; and statements that policy dividend projections are not guaranteed.

The delivery of these forms must be provided before the 10-day free look period begins.

General solicitation rules for producers

- Producers must inform the applicant that they are acting as agents for a particular insurance company.
- Terms such as *financial planner*, *financial consultant*, and *investment adviser* cannot be used to imply that the producer is engaged in an advisory business in which compensation is unrelated to sales, unless that is true.
- Any reference to policy dividends must include a statement that policy dividends are not guaranteed.

Study the following content in addition to “3. General solicitation rules” on page 248:

Rule 13: Life insurance advertising

Any written or oral statement used in a sales presentation designed to induce someone to buy life insurance is considered advertising. These advertisements are subject to Indiana’s unfair trade practices act or unfair competition statute.

- Insurers and producers cannot state or imply that the consumer is investing in an insurance company or imply that the consumer is buying anything other than life insurance.
- Insurers and producers cannot use the terms investment, investment plan, profit, profit sharing, savings, or similar terms that may mislead a prospect.
- Insurers and producers cannot imply that the consumer will be entitled to dividends, benefits, or other advantages unless they are specified in the policy and that dividends cannot be guaranteed.

Study the following content in addition to “H. AIDS Limitations and Exclusions” on page 253:

Rule 39: Queries regarding AIDS, HIV, and Underwriting

An insurer may ask an applicant for life or health insurance medically specific questions relating to whether the applicant has been diagnosed with AIDS. Questions may determine whether the applicant has sought treatment for a sexually transmitted disease. No question may be asked in an application that tries to determine the applicant’s sexual orientation.

Testing for AIDS may be required by the insurance company. The following procedures must be followed.

- The applicant must be informed of the purpose of the exam.
- The applicant must give their written consent for the test.
- All AIDS test results must be confidential and will be shared only with the applicant, his doctor, and the underwriting department. The test result will only be coded to the MIB as abnormal blood test results.

AIDS/HIV limitations and exclusions

Coverage cannot be limited because of AIDS or related conditions. No maximum dollar amount can be included in any policy. No exclusion of coverage due to AIDS can be included.

Study the following content in addition to “J. Accelerated Death Benefits” on page 258:

Rule 48: Accelerated Death Benefits for life policies only (based on mortality)

An acceleration of life insurance benefits provision or rider provides a special benefit under an individual or group life insurance policy that prepays all or a portion of the death benefit based on a disabling or life-threatening condition. Prepayment may be in a single sum or in installments and refers to benefits under a life insurance policy that:

- are payable to the policyowner during the insured's lifetime in anticipation of death or the occurrence of a catastrophic illness;
- reduce the death benefit that is otherwise payable; and
- are payable upon the occurrence of a serious chronic or terminal illness.

Qualifying events include if the insured suffers from AIDS, end stage renal failure, permanent neurological deficits, coronary artery disease, or any other medical condition approved by the Commissioner that results in a life span of 24 months or less.

If an insured has assigned benefits or has an irrevocable beneficiary, the insurer must obtain consent before paying an accelerated benefit.

Benefit payments include requirements that the benefit may be paid in a lump sum and no restrictions are permitted on how the proceeds are used.

Unless a waiver of premium rider or provision is included, additional premiums may be required to continue the policy. The company must fully explain the premium requirements.

If interest will be deducted from the payout, the maximum rate allowed is the greater of the yield on a 90-day, Treasury bill or the current statutory maximum for an adjustable policy loan interest rate.

Payment of a partial Accelerated Death Benefit will be deducted from any remaining death benefit.

Study the following content in addition to "4. Coordination of benefits" on page 265:

Rule 38.1: Group coordination of benefits

This rule, which applies only to policies issued to eligible groups, stipulates that a group plan may prioritize claim payments to prevent overpayment of or duplication of benefits.

If more than one group plan covers the same loss, this provision determines which plan is primary (or pays first) and which plan is secondary (and pays after the first).

In the case of parents whose children are covered by the parents' group plans, the primary payor is the plan of the parent whose birthday is closest to January 1, or earliest in the calendar year.

On page 272, change the citation for 6. Exclusions as follows:

6. Exclusions [Sec. 27-8-10-3(f)]

Study the following content in addition to “L. Health and Accident Insurance Advertising” on page 272:

Rule 18: Health Insurance Advertising

An **advertisement** is considered to be any printed or published literature; sales aids issued by an insurer for presentation to the public; and prepared sales talks, presentations, and materials used by producers and brokers.

Health advertisements must maintain the following standards.

- The words *all, full, complete, unlimited, comprehensive*, and phrases such as “*this policy will replace my income*” cannot be used to exaggerate any benefit beyond the terms of the policy.
- The insurer’s identity must be made clear in the advertisement.
- An advertisement may not state or imply that an insurer or policy has been approved or connected with any governmental agency (including Social Security).

On page 275, change the citation for 3. Minimum policy standards as follows:

3. Minimum policy standards [Regs. 760:3-6-1, 3-14-1]

On page 277, change paragraph d of “8. Other required disclosure provisions” as follows:

- d. The policy cannot base benefits on standards described as usual and customary, reasonable and customary, or similar terms.

Part II

Changes to Questions

On page 291, change the answer options for no. 6 as follows:

- A. An applicant who held the same type of license in another state within the preceding year
- B. Chartered Life Underwriters (CLUs)
- C. An applicant who holds the same kind of license in another state and applies for residency within 90 days of moving to Indiana
- D. Certified Financial Planners (CFPs)

On page 292, change the answer options for no. 8 as follows:

- A. \$1,000 per violation
- B. \$2,000 per violation
- C. \$10,000 per violation
- D. \$25,000 per violation

On page 292, change the answer options for no. 14 as follows:

- A. 10 hours every year
- B. 15 hours every year
- C. 20 hours every year
- D. 40 hours every year

Part III

Changes to Answers and Rationales

On page 298, change the answer key to the following questions:

- 6. **C** (from A)
- 22. **C** (from D)

Part IV
Corrections

There are no corrections at this time.

To submit comments or suggestions, please send an email to errata@kaplan.com.

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