

# Commonwealth Schools of Insurance

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P.O. Box 22414, Louisville, KY 40252-0414 • 502.425.5987 • FAX 502.429.0755

E-mail: [info@commonwealthschools.com](mailto:info@commonwealthschools.com)

## INSTRUCTIONS TO COMPLETE CONTINUING EDUCATION COURSE

Thank you for choosing the Commonwealth Schools of Insurance to fulfill your continuing education requirements.

Please follow the instructions below to complete the course:

### STEP 1

Please print out the ANSWER SHEET and CERTIFICATE that follow this page. After printing the ANSWER SHEET, please fill out the requested information clearly and completely.

### STEP 2

TEST QUESTIONS must be answered on the page that follows and returned as instructed on the ANSWER SHEET. A score of 70% or better is required to pass.

### STEP 3

After completing the TEST, please complete the STUDENT CERTIFICATION portion only and return it with your ANSWER SHEET. Please note that the test and answer sheet must be mailed and cannot be faxed.

Please note that your ANSWER SHEET and TEST QUESTIONS will not be processed without payment. Payment arrangements are listed on the ANSWER SHEET.

## HELPFUL HINTS

- ▶ Read the material carefully.
- ▶ Carefully read each question and chose the most appropriate answer.
- ▶ All answers can be found in the text.

We hope you find this material useful and interesting. Happy studying!

## NOTICE

*The material contained herein may not be duplicated without the express written permission of Commonwealth Schools of Insurance.*

*The material contained in this course cannot be used as an original source of authority on legal matters. Any references made to laws and regulations in this material have been edited and summarized for clarity; and changes in these laws and regulations may have occurred since this course was published. The reader should always consult legal counsel as appropriate.*

**ETHICAL ISSUES IN INSURANCE  
EXAMINATION ANSWERS  
STUDENT INFORMATION**

FIRST NAME	M.I.	LAST NAME	SOCIAL SECURITY No.
HOME ADDRESS		CITY	ST ZIP CODE
BUSINESS ADDRESS		CITY	ST ZIP CODE
( )	( )		
HOME PHONE	BUSINESS PHONE		EMAIL ADDRESS

**STUDENT ANSWERS**  
**CIRCLE THE BEST ANSWER FOR EACH QUESTION**

<u>QUESTION</u>	<u>ANSWER</u>	<u>QUESTION</u>	<u>ANSWER</u>	<u>QUESTION</u>	<u>ANSWER</u>
1	A B C D	18	A B C D	35	A B C D
2	A B C D	19	A B C D	36	A B C D
3	A B C D	20	A B C D	37	A B C D
4	A B C D	21	A B C D	38	A B C D
5	A B C D	22	A B C D	39	A B C D
6	A B C D	23	A B C D	40	A B C D
7	A B C D	24	A B C D	41	A B C D
8	A B C D	25	A B C D	42	A B C D
9	A B C D	26	A B C D	43	A B C D
10	A B C D	27	A B C D	44	A B C D
11	A B C D	28	A B C D	45	A B C D
12	A B C D	29	A B C D	46	A B C D
13	A B C D	30	A B C D	47	A B C D
14	A B C D	31	A B C D	48	A B C D
15	A B C D	32	A B C D	49	A B C D
16	A B C D	33	A B C D	50	A B C D
17	A B C D	34	A B C D		

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**COMMONWEALTH of KENTUCKY**  
 Office of Insurance – Agent Licensing Division  
 P. O. Box 517 - Frankfort, Ky. 40602  
 PH: (502) 564-6004 <http://doi.ppr.ky.gov/kentucky>

**APPROVED CONTINUING EDUCATION**

**CERTIFICATE OF COMPLETION**

**STUDENT NAME:** \_\_\_\_\_

**CONTINUING EDUCATION COURSE IDENTIFICATION**

COURSE TITLE: \_\_\_\_\_ ETHICAL ISSUES IN INSURANCE \_\_\_\_\_

COURSE CERTIFICATION NUMBER: \_\_\_\_\_ C58856 \_\_\_\_\_

COURSE COMPLETION DATE: \_\_\_\_\_ NUMBER OF HOURS: \_\_\_\_\_ 06 \_\_\_\_\_

PROVIDER NAME: \_\_\_\_\_ CAPITAL RESOURCES CORPORATION \_\_\_\_\_

PROVIDER CERTIFICATION NUMBER: \_\_\_\_\_ S13859 / PR00345 \_\_\_\_\_

**PROVIDER CERTIFICATION**

*I hereby certify that this course was conducted as approved by the Commonwealth of Kentucky Office of Insurance. I further certify that the person whose name appears above did personally complete this course on the date indicated. Also, I acknowledge that fraudulent certification of this document will result in immediate withdrawal of approval of the provider, plus penalties and simultaneous withdrawal of approval of all of the provider's courses (KRS 304.9-295 and 806 KAR 9:220).*

NAME: \_\_\_\_\_ James F. Davis \_\_\_\_\_

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

**STUDENT CERTIFICATION**

*I hereby certify that I personally completed the course listed above in the manner required to satisfy Kentucky's continuing education laws and regulations. Also, I acknowledge that fraudulent certification of completion of this course will result in cancellation of my agent and/or viatical settlement broker licenses (KRS 304.9-295 and 806 KAR 9:220).*

NAME: \_\_\_\_\_ SS#: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_

The provider is required by law to give the student who successfully completes any continuing education course the original of this form and to retain a copy in the provider's records for at least three years. For a classroom course, the provider is required by law to submit the original Continuing Education Course Attendance Roster (Form CE-300) to the Office of Insurance within thirty days. Students must verify that credit has been recorded for this class by visiting our website at [www.doi.ppr.ky.gov/kentucky](http://www.doi.ppr.ky.gov/kentucky). If credit does not appear, please verify with the provider that the Roster has been submitted. If the Roster has been mailed and you do not receive credit, please forward this original document to the Office of Insurance directly. For all correspondence credits, the provider or student must submit the original Continuing Education Certificate of Completion to the Office of Insurance at the address above, and verify credit on our website, as required by KRS 304.9-295(8).

# ETHICAL ISSUES IN INSURANCE

## EXAMINATION QUESTIONS

1. In our society, both individuals and businesses depend on the insurance product to provide essential services and protect them from \_\_\_\_\_.
  - A. Financial Disaster
  - B. Termination
  - C. Emotional Disaster
  - D. Tax Liability
  
2. In his analysis of the insurance industry, Lawrence G. Brandon, CPCU, identified the following as a weakness of the insurance industry:
  - A. Lack of leadership allows insurance organizations to be driven by stockholder expectations rather than long-term goals.
  - B. Slow sales growth during a recession.
  - C. Both A & B
  - D. None of the above
  
3. Dr. Huebner believed the success of the industry depended on individuals who were both \_\_\_\_\_ and \_\_\_\_\_.
  - A. Experienced, Moral
  - B. Knowledgeable, Ethical
  - C. Popular, Influential
  - D. Compassionate, Emotional
  
4. Common areas where your integrity may be tested include: advertising, product sales, processing errors, and \_\_\_\_\_.
  - A. Experience
  - B. Disclosure
  - C. Morality
  - D. Personality
  
5. In exercising reasonable and prudent judgment, you may rely on your experience, knowledge, and education to determine an appropriate course of action. Again, prudent judgment does not imply \_\_\_\_\_.
  - A. Perfect judgment
  - B. Experience
  - C. Failure
  - D. None of the above

6. Aside from the various security regulations, you may have a conflict of interest when you make recommendations concerning companies in which you have a \_\_\_\_\_.
- A. Recommendation
  - B. Knowledge
  - C. Opinion
  - D. Financial stake
7. To effectively provide competent advice and financial planning, you must have attained and maintained an adequate level of \_\_\_\_\_ and \_\_\_\_\_.
- A. Commissions, Fees
  - B. Sales, Production
  - C. Knowledge, Skill
  - D. None of the above
8. In dealing with your clients, you should not only be well versed in the subject matter (e.g. retirement planning), but also you should have \_\_\_\_\_ with the subject.
- A. Experience
  - B. Financial Stake
  - C. Opinions
  - D. Recommendations
9. The duty to remain informed covers several areas: client information, relevant market information, tax information, and \_\_\_\_\_.
- A. Professional development
  - B. Sales goals
  - C. Commission schedules
  - D. Lapse ratios
10. Fairness requires impartiality, intellectual honesty, and \_\_\_\_\_.
- A. Compassion
  - B. Disclosure of conflicts of interests
  - C. Personality
  - D. Low compensation

11. In addition to maintaining an open relationship with clients where disclosure is customary, fairness dictates that you act with \_\_\_\_\_.
- A. Honesty and impartiality
  - B. Humility and compassion
  - C. Respect
  - D. All of the above
12. You may not disclose any nonpublic personal information about a client to a \_\_\_\_\_.
- A. Nonaffiliated third party
  - B. Insurance underwriter
  - C. Treating physician
  - D. None of the above
13. There are several areas where you should strive to work with other professionals. You should cooperate with professionals regarding \_\_\_\_\_ or \_\_\_\_\_.
- A. Current clients, Previous clients
  - B. Switching policies, Replacing contracts
  - C. Selling away, Churning
  - D. All of the above
14. The resources of most local, state, and federal agencies are limited. As a professional, you have a duty to report instances of \_\_\_\_\_.
- A. Disintermediation
  - B. Suitable sales
  - C. Due diligence
  - D. Unethical or illegal conduct
15. In addition to providing timely, accurate and thorough service to your clients, diligence also entails your ongoing planning and supervision of \_\_\_\_\_.
- A. Agency contracts
  - B. Commission statements
  - C. Client accounts
  - D. Bonuses and awards

16. For purposes of this Code of Ethics, a person recognized and certified by CFP Board to use the marks is called a \_\_\_\_\_.
- A. CFP Board designee
  - B. CFP approved planner
  - C. CFP PFP
  - D. Actuary
17. A CFP Board designee is obligated to determine what responsibilities he or she has in each \_\_\_\_\_ including, for example, duties that arise in particular circumstances from a position of trust or confidence that a CFP Board designee may have.
- A. Professional relationship
  - B. Line of business
  - C. Account
  - D. None of the above
18. Integrity demands honesty and candor which must not be subordinated to \_\_\_\_\_ and \_\_\_\_\_.
- A. Continuing education, Licensing
  - B. Personal gain, Advantage
  - C. Personal opinion, Disadvantage
  - D. Objectivity, Morality
19. One is competent only when he or she has attained and maintained an \_\_\_\_\_ level of knowledge and skill, and applies that knowledge effectively in providing services to clients.
- A. Expert
  - B. Substantial
  - C. Adequate
  - D. Overwhelming
20. A CFP Board designee shall not make a \_\_\_\_\_ about the size, scope or areas of competence of the CFP Board designee's practice or of any organization with which the CFP Board designee is associated.
- A. False or misleading communication
  - B. True and accurate statement
  - C. Substantially correct statement
  - D. All of the above

21. A CFP Board designee shall offer advice only in those areas in which the CFP Board designee has competence. In areas where the CFP Board designee is not professionally competent, the CFP Board designee shall \_\_\_\_\_.
- A. Suggest a course of action based on the designee's opinion
  - B. Not represent the client any further
  - C. Refuse to assist the client further
  - D. Seek the counsel of qualified individuals and/or refer clients to such parties
22. In rendering professional services, a CFP Board designee shall disclose to the client \_\_\_\_\_.
- A. Nothing
  - B. Material information relevant to the professional relationship
  - C. Nothing unless specifically asked
  - D. All information whether relevant or not
23. \_\_\_\_\_, the CFP Board designee in a financial planning engagement shall communicate in reasonable detail the requested compensation information related to the financial planning engagement, including compensation derived from implementation.
- A. Upon request by a client or prospective client
  - B. At least quarterly
  - C. Where required by statute
  - D. As a matter of discretion
24. A CFP Board designee shall inform his/her employer, partners or co-owners of \_\_\_\_\_ in connection with his or her services to clients, which are in addition to compensation from the employer, partners or co-owners for such services.
- A. Compensation or other benefit arrangements
  - B. Outside hobbies
  - C. Social activities
  - D. None of the above
25. In the more rare case where a financial planning practitioner lends funds to a client, the CFP Board (BOPR) will presume that the practitioner is \_\_\_\_\_.
- A. Not acting in the best interest of the client
  - B. Acting in the best interest of the client
  - C. Likely to be sued
  - D. Incompetent



26. Insurance agents automatically have a fiduciary responsibility to the insurer they represent by the nature of their \_\_\_\_\_.
- A. License
  - B. Contractual relationship
  - C. Experience
  - D. None of the above
27. Legally a personal relationship is created when a \_\_\_\_\_ consults an insurance agent, provides that agent with specific information about his unique circumstances and relies on the agent to obtain appropriate coverage tailored to these circumstances.
- A. Insurer
  - B. Prospective insured
  - C. Associate
  - D. Employee
28. \_\_\_\_\_ examples include insurance deductibles, co-insurance, self-insurance or simply ignoring the risk and absorbing the full cost if it occurs.
- A. Transferring risk
  - B. Retaining risk
  - C. Insuring risk
  - D. None of the above.
29. Agent education should focus on at least three areas: New products from the company or companies represented, Legislation and regulations affecting insurance, and \_\_\_\_\_.
- A. Tax considerations
  - B. Commission structure
  - C. Agent renewals
  - D. Target marketing
30. A \_\_\_\_\_ is a written acknowledgment that the coverage offered under the policy is in effect during the time it takes for the company to issue the policy.
- A. Letter
  - B. Application
  - C. Policy
  - D. Binder

31. A conditional receipt, used in life and health insurance, is similar to a binder in that it provides coverage once the initial premium is paid, and before the policy is issued. It is different from a binder in that coverage is provided during this period only if the applicant meets the \_\_\_\_\_ for the particular coverage
- A. Marketing requirements
  - B. Sales requirements
  - C. Underwriting requirements
  - D. Commission requirements
32. Because of the nature of estate or business planning, agents must be particularly careful not to cross the line from proper and appropriate advice to clients and engaging in the \_\_\_\_\_.
- A. Offering of uncompensated insurance advice
  - B. Providing of professional referrals
  - C. Unauthorized practice of law
  - D. All of the above
33. An agency relationship begins when agents are granted authority to operate by \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_ agreement.
- A. Intentional, Rational, Sensible
  - B. Oral, Written, Electronic
  - C. Expressed, Implied, Apparent
  - D. Agent, Insurer, Client
34. Theoretically, brokers are agents of \_\_\_\_\_.
- A. Insurers
  - B. Insurance buyers
  - C. No one
  - D. Agencies
35. An \_\_\_\_\_ is legally defined as "a person authorized by and on behalf of an insurer, to transact insurance".
- A. Broker
  - B. Agent
  - C. Insurer
  - D. Attorney

36. The purpose of determining whether the insurance producer was acting as a broker or as the insurer's agent when an insurance contract was placed helps establish the theories of \_\_\_\_\_ that the client may plead and what defenses the agent or his insurer may raise.
- A. Liability
  - B. Investment
  - C. Insurability
  - D. Indemnity
37. There are 3 ways to form an agency: \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
- A. Appointment, Estoppel, Ratification
  - B. Application, Underwriting, Approval
  - C. Appointment, Sale, Issue
  - D. Application, Appointment, Approval
38. \_\_\_\_\_ means adhering strictly to the lines of authority the principal has given the agent, and acting with absolute integrity in carrying out the principal's business.
- A. Credibility
  - B. Loyalty
  - C. Viability
  - D. Velcrosity
39. An insurer's \_\_\_\_\_ rests upon its ability to accurately calculate the monetary amount of the risks it assumes through the policies it issues and to charge rates which balance that sum, all within the rating regulatory framework governing the industry.
- A. Underwriting ability
  - B. Marketing ability
  - C. Fiscal stability
  - D. Competitive ability
40. The NAIC uses \_\_\_\_\_ which are presented to each state legislature; such models help insure the uniformity among state laws that work to the benefit of an industry which crosses state lines.
- A. Model applications
  - B. Model marketing programs
  - C. Model actuarial standards
  - D. Model laws

41. States require that any insurance \_\_\_\_\_ to be sold in that state be submitted for review and approval before it is offered to consumers.
- A. Coverage
  - B. Policy
  - C. Claim
  - D. Agent
42. The \_\_\_\_\_, passed by Congress in 1945, left insurance regulation to the states, with Congress regulating the industry only if the states failed to do an adequate job.
- A. Gramm Rudman Act
  - B. Patriot Act
  - C. Social Security Insurance Act
  - D. McCarran-Ferguson Act
43. The rule: "No agent shall make any written or oral statement which is false, maliciously critical of, or derogatory to, any person engaged in the business of insurance and which is calculated to injure any such person." refers to:
- A. Slander
  - B. Defamation
  - C. Libel
  - D. None of the above
44. The rule: "No person shall issue or deliver, or permit agents, officers or employees to issue or deliver, capital stock, benefit certificates or shares in any corporation, securities, and special or advisory board contracts, or any contract promising returns and profits, as an inducement to insurance." refers to:
- A. Prohibited inducements
  - B. Defamation
  - C. Twisting
  - D. Replacement
45. Insurers by law must keep a record of all the \_\_\_\_\_ they have received since the last examination by the commissioner, or during the previous three years, whichever date covers the most recent period of time.
- A. Employment applications
  - B. Complaints
  - C. Agent questions
  - D. Sales proposals

46. When an annuity, an accident and sickness policy, or a life insurance policy, will have an \_\_\_\_\_, the person soliciting or affecting the sales of such policy shall furnish disclosure information as required by the Commission's rules and regulations.
- A. Surrender charge
  - B. Nursing home rider
  - C. Accumulated cash value
  - D. Redemption fee
47. It is estimated that \_\_\_\_\_ agents face an errors and omissions claim each year.
- A. 1 in 10
  - B. 1 in 7
  - C. 1 in 3
  - D. 1 in 5
48. A person or employee shall not act in the capacity of an agent without holding a \_\_\_\_\_.
- A. Valid appointment
  - B. Valid agent license
  - C. Valid college degree
  - D. Valid professional designation (i.e. CLU)
49. Concealment is neglecting to communicate what the agent knows or ought to know to be true. Concealment can be intentional or unintentional. In either case the injured party is entitled to \_\_\_\_\_ the contract or policy.
- A. Replace
  - B. Rewrite
  - C. Rescind
  - D. Redeem
50. If you feel you have a potential errors and omissions claim, you should first review your policy for the \_\_\_\_\_ that you need to meet.
- A. Deductible
  - B. Reporting requirements
  - C. Standard of care
  - D. Sales quota