

Commonwealth Schools of Insurance

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INSTRUCTIONS TO COMPLETE THE 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

Once you have read the material, please print the ANSWER SHEET, AFFIDAVIT and QUESTIONS that follow this page. IDOI requires that all continuing education test be proctored by and currently licensed Indiana insurance agent. 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. You must score 70% or better to receive credit for this course.

STEP 3

After completing the TEST and STUDENT INFORMATION marked with an "X" on the Affidavit, have the test proctor complete the bottom of the Affidavit. Completed Answer Sheet and Affidavit may be emailed, faxed or mailed to:

Emailed to:	info@commonwealthschools.com
Faxed to:	502.429.0755
Mailed to:	Commonwealth Schools of Insurance, Inc. P O Box 22414 Louisville, KY 40252-0414

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

YELLOW CARD SPECIAL

Simply complete and return all 24 hours of CE at the same time.

Regardless of the prices listed, your total charge will be

\$99.00

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INDIANA DEPARTMENT OF INSURANCE AFFIDAVIT OF PERSONAL RESPONSIBILITY

Instructions to Course Provider: This document does not replace Certificate of Completion. The original affidavit is to be returned to you with finished examination and must be retained in your files for seven (7) years.

I affirm, under penalties of perjury, that I personally completed the entire text of the self-study course(s) listed below. I also affirm, under penalties of perjury, that I completed the exam without assistance from any source. I understand that it is my responsibility to file or maintain my Certificate of Completion as required by the Indiana Department of Insurance.

X _____
AGENT'S SIGNATURE

X _____
DATE

X _____
AGENT'S LICENSE NUMBER

AFFIDAVIT OF EXAM COMPLETION

I hereby certify, under penalty of perjury, that I am a duly licensed insurance agent in the State of Indiana and that I administered the **closed book final examination** for the course listed below and that it was completed without assistance or outside help of any kind, including the study material.

Name of Student X _____ License Expiration Date X _____

Address X _____ City/State/Zip X _____

Social Security No. X _____ Date of Birth X _____

Name of Course: Business Insurance Concepts - 12 hrs - 19893

Name of Course Provider: **Commonwealth Schools of Insurance**

Location Exam was taken _____

Date Exam was taken _____

***Printed Name of Exam Witness

Signature of Exam Witness

***License Number of Witness

Business Phone Number of Witness

Witness' Business Mailing Address _____

*****Your test must be proctored by an actively licensed Indiana Insurance Agent.**

Please Note: This form must be completed before your course will be graded and submitted to INDOI.

Business Insurance Concepts

(This course is approved in Indiana for 12 credit hours)

PLEASE PRINT CLEARLY

First Name	M.I.	Last Name	DOI# and NPN#
Home Mailing Address	City	State	Zip Code
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YELLOW CARD SPECIAL

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CHECKS AND ALL MAJOR CREDIT CARDS ARE ACCEPTED:

COURSE FEE \$64.00 or Check Here for Yellow Card Special

CARD NO. _____ EXP DATE _____

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SIGNATURE: _____

Thank you for choosing CSI for your training requirements.

Business Insurance Concepts Exam

1. Which of the following is true concerning the creation of a C Corporation?
 - A. An operating agreement must be filed with the state.
 - B. Have an oral agreement among the partners.
 - C. File Articles of incorporation with the state.
 - D. It is not necessary to have written documentation.

2. All of the following are disadvantages of corporations, **EXCEPT**:
 - A. The cost to establish a corporation
 - B. Limited liability
 - C. Need to observe corporate formalities
 - D. Double taxation of income if dividends are paid

3. Which statement(s) is true about corporations?
 - I The corporation dies when a shareholder dies.
 - II Corporations are inexpensive to set to establish
 - A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I or II

4. Under an S Corporation:
 - A. The corporation generally pays no tax.
 - B. All profits and losses pass through the corporation to the shareholders.
 - C. The shareholder pays taxes on the profits whether or not they are taken out of the corporation.
 - D. All of the above

5. The number of shareholders within an S Corporation cannot exceed:
 - A. 75
 - B. 80
 - C. 85
 - D. 100

6. Limited Liability Companies (LLC):
 - A. Leaves the owner open to personal liability.
 - B. Limits the number of shareholders.
 - C. Avoids double taxation.
 - D. Does not allow for the owners to participate in the management of the LLC.

7. Which statement is not true about diversification to reduce risk?

- A. Using business income to fund employer-sponsored qualified plans.
 - B. Paying all or portions of the employees' health insurance premiums.
 - C. Establishing a general investment portfolio outside the framework of the business.
 - D. Having nonqualified deferred compensation plans to reward selected employees.
8. Split-Dollar insurance can have a policy ownership in which of the following form(s):
- I Cross-purchase method
 - II Endorsement method
 - III Collateral assignment
- A. I only B. II only C. I and II only D. I, II and III
9. Dividing the cost of a Split-Dollar policy can be done in any manner desired.
- A. True B. False
10. Under the Classic method payment arrangement:
- A. The employee pays the entire premium.
 - B. The employer pays the entire premium.
 - C. The employee pays an amount equal to the annual cash-value buildup.
 - D. The employer pays an amount equal to the annual cash-value buildup.
11. Which statement is true concerning the benefits of an Employer-pay-all method Split-Dollar plan?
- A. The employer receives the greater of the cash value or the total premiums paid.
 - B. The employer recovers amounts according to the split-dollar agreement.
 - C. The employee receives the greater of the cash value or the total premiums paid.
 - D. The employee's beneficiary receives the face amount less amount paid to the employer.
12. Under a Reverse Split-Dollar insurance plan the owner of the policy is:
- A. The corporation B. The beneficiary C. The employee
13. The interest of most surviving owners include which of the following:
- A. Prompt transfer of business interest.
 - B. Retention of customers and employees.
 - C. Minimum cost for the interest.
 - D. All of the aforementioned
14. Without a written agreement all of the following are potential problems between heirs of a deceased owner and surviving owners, **EXCEPT**:

- A. Heated conflicts among the remaining owners and the decedent's family.
- B. Delays in settling the estate.
- C. Loss of customers.
- D. No problems! They will always get along.

15. Which of the following not a common perspective of the surviving stockholder:

- A. Build and expand the business.
- B. Pay dividends and hire family.
- C. Maintain a long-term outlook.
- D. Build a strong cash reserve.

16. There is a "perfect" buy-sell funding mechanism.

- A. True
- B. False

17. Which of the following is an advantage of a buy-sell agreement:

- A. Guarantees a buyer for an asset which probably will not pay dividends to one's heir's.
- B. Can establish a value for federal estate tax purposes which is binding the IRS.
- C. Spells out the terms of payment and is easily funded with life insurance and disability insurance.
- D. All of the above

18. A buy-sell agreement could be arranged as a:

- I Cross-Purchase plan
- II Entity plan

- A. I only
- B. II only
- C. Both I and II
- D. Neither I or II

19. If a partnership has six (6) partners, how many life insurance policies would have to be purchased under an Entity purchase buy-sell agreement?

- A. 6
- B. 12
- C. 30
- D. 36

20. If a partnership has six (6) partners, how many life insurance policies would have to be purchased under a cross-purchase buy-sell agreement?

- A. 6
- B. 12
- C. 30
- D.36

21. A buy-sell agreement benefits the deceased's family in which way?

- A. Forced liquidation of assets.
- B. Family gets a fair price for business interest.
- C. The estate will be settled quickly.
- D. There are no advantages to the deceased family.

22. Which statement is incorrect concerning the executor's choices when a sole proprietor dies?

- I The executor can divide the interest in any manner he or she chooses.
- II The executor can "close down" the business.
- III The executor can continue the business.

- A. I only
- B. I and II
- C. II and III
- D. I,II and III

23. A buy-sell agreement brings certainty to corporation in which way(s)?

- A. The buyer has control of the business and its future earning potential.
- B. The deceased family will receive a fair price for the stock.
- C. The deceased family is free from business worries.
- D. All of the above.

24. Which of the following correctly describes the cross-purchase buy-sell arrangement?

- A. The business owns the policies, but the partners are the beneficiaries.
- B. The partners own the policies, and the heirs are the beneficiaries.
- C. The business owns the policies and is the beneficiary.
- D. Each partner is the beneficiary of the policies he or she owns insuring the lives of the other partners.

25. Under a Wait-And-See buy-sell agreement the stockholders and the corporation agree to the following

- I The corporation has the obligation to redeem the shares to the extent they are not purchased by the shareholders.
- II The surviving shareholders have the option to purchase the shares of the deceased shareholder.

- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II

26. A disadvantage of some cross-purchase buy-sell agreements is that some policies will lapse because the owner doesn't make a premium payment:

- A. True
- B. False

27. When the stockholders enter into an agreement with one another and not the corporation this is known as:
- A. An entity buy-sell agreement
 - B. A cross-purchase buy-sell agreement
 - C. This arrangement is used in both the cross-purchase and entity purchase buy-sell agreements
 - D. None of the above.
28. Under the cross-purchase buy-sell agreement, the surviving partner will:
- A. Sell their interest to the estate of the deceased partner
 - B. Buy the interest from the deceased partner's estate
 - C. Allow the heirs to decide if they want to be a partner.
 - D. All of the above.
29. Which of the following is an advantage with the Stock Redemption Plan?
- A. Usually easier to understand than the cross-purchase plan.
 - B. Fewer policies in insured plans.
 - C. No questions as to "unreasonable compensation" issues.
 - D. All of the above.
30. Who owns the life insurance policy under a Stock Redemption plan?
- A. The heirs.
 - B. The shareholders.
 - C. The corporation
 - D. The estate of the shareholder.
31. Under a Stock Redemption plan the estate must sell the deceased shareholder's interest to:
- A. The corporation
 - B. The surviving shareholders
 - C. To a willing buyer
 - D. They don't have to sell
32. All of the following are reasons to value a business, **EXCEPT**:
- A. To establish a purchase price in the business
 - B. To determine the size of the gross estate for death tax purposes
 - C. So the owner can brag to all of their friends
 - D. To determine the value of lifetime gifts of the business
33. The Value of a business interest is generally based on which of the following:
- I What the company owns, which is reflected on the balance sheet.
 - II What the company earns, which is reflected in the income statement.

- A. I only
- B. II only
- C. Neither I nor II
- D. Both I and II

34. Which statement best describes the capitalized returns method of valuing a business:
- I It examines the company's history of earnings or cash flow (either gross or net), generally over the previous five (5) or more years
 - II It looks at projected future earnings of the company and then applies a discount to them to determine the current or present value of the projected income stream.

- A. I only
- B. II only
- C. Neither I nor II
- D. Both I and II

35. Which Asset based approach method considers both the adjusted book value and a capitalization of earnings in excess of a fair return on the company's asset?

- A. Book value method
- B. Excess earnings method
- C. Book value or adjusted book value method
- D. None of the aforementioned