

Commonwealth Schools of Insurance

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

E-mail: info@commonwealthschools.com

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

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.

**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: Suitability Issues in Insurance - 12 hrs - 45385

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.

Suitability Issues in Insurance
(Approved by INDOI for 12 hrs of Continuing Education)

PLEASE PRINT CLEARLY

First Name	M.I.	Last Name	DOI No. and NPN No.	
Home Mailing Address		City	State	Zip Code
Business Name				
Business Address		City	State	Zip Code
Home Telephone	Business Telephone		Email Address	
Date of Birth	Month	Year	Fax Number	

Please send COMPLETED ANSWER SHEET, CERTIFICATE and PAYMENT VIA:

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

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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**

**CHECKS AND ALL MAJOR CREDIT CARDS ARE ACCEPTED:
COURSE FEE \$64.00 or Check Here for Yellow Card Special**

CARD NO. _____ **EXP DATE** _____

CREDIT CARD BILLING ADDRESS _____

SIGNATURE: _____

SUITABILITY ISSUES IN INSURANCE

EXAMINATION QUESTIONS

1. For a majority of suitability lawsuits, the basis of liability is _____ and _____.
 - a. Relationship, Purpose
 - b. Product, Interest Rate
 - c. Date, Time
 - d. Agent, Insurance
2. Reducing risk involves the issues of _____ control with a focus on safety, procedures, pooling, segregation, and diversification.
 - a. Loss
 - b. Insurance
 - c. Maximum
 - d. Central
3. Needs-based analysis has been around since the early days of insurance but it was refined in the late 1960's by _____.
 - a. Thomas J. Wolff
 - b. B. J. Edgar Hoover
 - c. J. K. Rawling
 - d. Thomas Moore
4. Needs analysis helps the agent sell the _____ of insurance to the client for the _____.
 - a. Minimum amount, Maximum commission
 - b. Maximum amount, Maximum commission
 - c. Right amount, Right reasons
 - d. Correct amount, Maximum commission
5. The relationship should be terminated if the prospect is _____, if his or her needs do not meet the agent's minimum requirements, area of knowledge or if insurability does not permit the agent to offer help.
 - a. Helpful
 - b. Cooperative
 - c. Uncooperative
 - d. Disabled
6. One process for determining an estimate of the amount of life insurance needed is called _____.
 - a. Insurance needs analysis
 - b. Capital needs analysis
 - c. Life needs analysis
 - d. Estate needs analysis
7. Ongoing monitoring of capital needs is necessary to plan for new client objectives, repositioning of debt, inflation, estate settlement changes and potential _____ that may prohibit coverage in the future.
 - a. Residence changes
 - b. Job changes

- c. Marital changes
 - d. Health problems
8. Statistics have surfaced which indicate that the average person is _____ times more likely to suffer a lengthy disability than die.
- a. 3
 - b. 4
 - c. 5
 - d. 6
9. Health insurance is one of the most _____ segments of risk management and the _____ to predict.
- a. Valuable, Most difficult
 - b. Valuable, Easiest
 - c. Inexpensive, Most difficult
 - d. Inexpensive, Easiest
10. Most long-term care policies and state regulations define a “chronically ill” individual as someone unable to perform at least _____ activities of daily living for a period of at least _____ days and/or someone who requires “substantial supervision” to protect themselves from threats to health and safety due to severe cognitive impairment.
- a. 3, 180
 - b. 3, 90
 - c. 2, 180
 - d. 2, 90
11. Who should invest in annuities? One rule of thumb follows that a client looking for a long term investment with a tax bracket greater than _____ percent might consider annuities.
- a. 15
 - b. 28
 - c. 10
 - d. 36
12. Where the client is withdrawing all or part of an annuity contract prior to age 59½, he should be apprised of the IRS penalty for early withdrawals.
- a. 10%
 - b. 15%
 - c. 20%
 - d. 6%
13. Sales conduct in business analysis involves a determination of the _____ and _____ that may result from the death or disability of a key person in the business, including the possible costs to replace or sell the business, if necessary.
- a. Reduced revenues, Increased expenses
 - b. Increased revenues, Reduced revenues
 - c. Reduced commission, Increased insurance
 - d. Increased commission, Reduced insurance
14. Agents should determine needs or pre-loss arrangements of the surviving family to continue the business, sell it or liquidate it in the event of the owners _____ and _____.
- a. Marriage, Death
 - b. Marriage, Divorce

- c. Death, Disability
- d. Divorce, Disability

15. However, a higher standard of due care and agent liability exist in property/casualty because of _____, _____, and _____.
- a. Redlining, Commissions, and Underwriting
 - b. Commission, Binders, and Redlining
 - c. Binders, Indemnity disputes and Redlining
 - d. Underwriting, Mortality, and Commissions
16. In the insurance industry, the process of risk reduction is called _____.
- a. Underwriting
 - b. Loss control
 - c. Disintermediation
 - d. All of the aforementioned
17. A recent survey by a well-known real estate statistics firm found that almost _____ percent of the homes in the U.S. are underinsured by an average of _____ percent.
- a. 70, 35
 - b. 50, 10
 - c. 60, 20
 - d. 70,10
18. The amount of dwelling insurance requested is typically a reflection of the _____.
- a. Payroll and income taxes
 - b. Mortgage amount
 - c. State and federal government
 - d. Surcharges on highways, tobacco, and liquor
19. Auto policies are typically divided into different segments covering liability _____, _____, and _____.
- a. Medical, Life, and Health
 - b. Life, Health, and Damages
 - c. Medical, Uninsured motorists and Damages
 - d. Damages, Medical, and Life
20. There are over _____ Boomers alive today making them one of the _____ consumer groups ever.
- a. 80 million, Largest
 - b. 10 million, Largest
 - c. 50 million, Smallest
 - d. 30 million, Smallest
21. People are living longer and older citizens will represent more of the mix. In most areas of the world, people over age _____, who equal about 18 percent of the total population, are expected to climb to over _____ percent by 2030.
- a. 60, 30
 - b. 50, 50
 - c. 30, 60
 - d. 100, 10

22. Our common law system favors the _____ of property.
- Free alienability
 - Restriction
 - Zoning
 - Maintenance
23. The general rule is that community property is _____ for debts of either spouse during the course of the marriage.
- Insurable
 - Not liable
 - Separable
 - Liable
24. The creditor can look to attach the debtors' profits and surplus from the partnership. This is called a _____.
- Contract
 - Lien
 - Insurance policy
 - Charging order
25. The process by which medical and nursing home care reduces a person's assets is known as _____.
- Long term poverty
 - Medical calculation
 - Spend thrift
 - Spend down
26. The most aggressive protection strategies involve the use of _____, _____ and _____.
- Foreign trusts, Offshore corporations and Offshore banking
 - Life insurance, Savings & loans and Viaticals
 - Foreign trusts, Savings & loans and Viaticals
 - Life insurance, Offshore excursions and Viaticals
27. The Limited Liability Company (LLC) is a hybrid business entity which has similar characteristics to both a _____ and a _____.
- Corporation ... Limited Partnership
 - Sole proprietorship ... Corporation
 - Limited Partnership ... General Partner
 - S-Corporation ... General Partner
28. Utilizing the corporate format, business owners can set up their own corporate _____ plan which they can control as both the administrator and trustee.
- Pension
 - Insurance
 - Vacation
 - Financial
29. The courts have found that when an insurance agent agrees to obtain insurance for a client, with a view to earning a commission, the broker becomes the client's _____ and owes a _____ to the client to act with reasonable care, skill and diligence.
- Agent, Duty

- b. Broker, Rebate
 - c. Agent, Rebate
 - d. Broker, Discount
30. The _____ contains detailed records of the insurance industry's deliberations regarding policies and seeks the original meaning of policy terms and the manner in which they were intended to apply.
- a. Sales material
 - b. Application
 - c. Drafting history
 - d. NAIC
31. The term _____ is merely a label for the event or events that, under the terms of an insurance policy, determine whether a policy must respond to a claim in a given set of circumstances.
- a. Commission
 - b. Trigger
 - c. Rebate
 - d. Replacement
32. The prevalent view by the courts is that an insurer has the _____ to defend an insured where the policy language gives the insured a reasonable expectation that the insurer will provide a defense.
- a. Right
 - b. Ability
 - c. Duty
 - d. Option
33. A PRP letter (Potentially Responsible Party), received by a client although not an actual claim, has also been interpreted by the courts to be a serious event that could, in fact, represent _____.
- a. A breach of fiduciary duty.
 - b. A re-filing of a prior claim.
 - c. An appeal of a prior insurance denial.
 - d. A new legal action against the insured.
34. _____ typically allege that an insurance company failed to defend or indemnify the policy holder under terms of the insurance contract.
- a. Breach of contract claims
 - b. Bad faith claims
 - c. Criminal complaints
 - d. Applications
35. Defenses consist of legal tools and techniques that help an insurer initially determine pertinent aspects of the insurance risk for purposes of deciding whether to _____ and at what _____.
- a. Issue the policy ... Premium
 - b. Underwrite, ... Terms
 - c. Pay a claim ... Amount
 - d. Underwrite ... Time

36. Of particular concern to some regulators and the industry are the practices of Weiss Research and Standard & Poor's (S&P) publications of qualified solvency ratings. Both the Weiss "safety" ratings and the S&P "qualified solvency" ratings are based on a strictly _____ of financial data.
- Subjective analysis
 - Quantitative analysis
 - Insurance analysis
 - Actuarial analysis
37. Best views its ratings as an inducement for insurers to operate in a manner and maintain _____ financial health.
- Risky, Adequate
 - Prudent, Strong
 - Friendly, Average
 - None of the aforementioned
38. S&P's _____ rating is an assessment of an operating insurance company's financial capacity to meet its policy holder obligations in accordance with their terms.
- Claims paying ability
 - Insurance
 - Application
 - Underwriters
39. Moody's _____ ratings reflect its opinion as to an insurer's ability to discharge senior policy holder obligations and claims.
- Insurance
 - Agent
 - Financial strength
 - Application
40. Insurers are subject to a thorough _____ and _____ evaluation in Fitch's rating process.
- Agent, Underwriter
 - Quantitative and Qualitative
 - Financial, Insurance
 - Application, Underwriter
41. Weiss' safety rating indicates its opinion regarding an insurer's ability to meet its commitments to _____ not only under current economic conditions, but also during a declining economy or in an environment of increased liquidity.
- Agents
 - Investors
 - Policy holders
 - None of the above
42. _____ provides even greater opportunity for different evaluations among the raters.
- Qualitative analysis
 - Agent analysis
 - Objective analysis
 - None of the aforementioned

43. _____ defines acceptable levels of risk that insurance companies may incur with regards to their assets, insurance products, investments and other business operations.
- Insurer opinions
 - Application limits
 - Risk Based Capital
 - None of the aforementioned
44. Once a company is placed under supervision, an _____ is issued to restrain the insurer, its officers, agents and others from any disposition of property without court approval.
- Underwriter
 - Injunction
 - Application
 - Contract
45. Many insolvencies attributed to "reinsurance failure" are almost always the result of other causes, with reinsurance only becoming a factor after the ceding insurer has been declared insolvent and when the reinsurer disclaims its coverage alleging _____.
- Non-payment of premium
 - 5th Amendment
 - Lapse
 - Fraud
46. Guaranty associations are created by _____ "to protect policy owners, insureds, beneficiaries, annuitants, payees and assignees against losses, both in terms of paying claims and continuing coverage, which might otherwise occur due to an impairment or insolvency of an insurer."
- Agent associations
 - Federal Insurance Commission
 - NAIC
 - State Law
47. State guaranty associations provide coverage is triggered when the company has been declared financially _____ or has been ruled to be _____ by a court of law.
- Sound, Safe
 - Impaired, Insolvent
 - Safe, Sound
 - None of the aforementioned
48. _____ is the function of evaluating the subject of insurance, whether a person, property, profession, business, or other entity, and determining whether to insure it.
- Licensing
 - Underwriting
 - Marketing
 - Champerty
49. Insurers _____ applications for insurance when they find that the applicant represents a risk that falls outside of the underwriting standards established by the insurance company.
- Approve
 - Accept
 - Reject
 - Issue

50. When an application is received in underwriting, the insurer's underwriting process begins. The application is reviewed to make sure it is complete, and that the application, on its face, meets _____.
- a. Legal requirements
 - b. Underwriting standards
 - c. NAIC requirements
 - d. None of the aforementioned