

# 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

Please print out the ANSWER SHEET, CERTIFICATE and QUESTIONS 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. You must score 70% or better to receive credit for this course.

### STEP 3

After completing the TEST and STUDENT INFORMATION marked with a **RED X** on the Certificate of Completion, **mail the completed forms to:**

Commonwealth Schools of Insurance, Inc.  
P O Box 22414  
Louisville, KY 40252-0414

Please note that your ANSWER SHEET and CERTIFICATE 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  
\$110.00***

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**Commonwealth of Kentucky**  
Department of Insurance - Agent Licensing Division  
P. O. Box 517 - Frankfort, Ky. 40602  
502-564-6004 <http://insurance.ky.gov>

**APPROVED CONTINUING EDUCATION COURSE**

**CERTIFICATE OF COMPLETION**

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

**CONTINUING EDUCATION COURSE IDENTIFICATION**

Course Title: \_\_\_\_\_ ***Business Insurance Concepts*** \_\_\_\_\_

Course Certification Number: \_\_\_\_\_ ***C39597*** \_\_\_\_\_

Course Completion Date: \_\_\_\_\_ Number of Hours: ***12*** \_\_\_\_\_

Instructor Name: \_\_\_\_\_ ***PLEASE LEAVE BLANK*** \_\_\_\_\_  
(Required if certification is for a classroom course)

Provider Name: ***Commonwealth Schools of Insurance, Inc.*** Provider  
Certification Number: ***S12128/PROV0085***

**PROVIDER CERTIFICATION:**

*I hereby certify that this course was conducted as approved by the Commonwealth of Kentucky Department 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*** \_\_\_\_\_  
Authorized Provider Representative

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, adjuster, and/or life settlement broker licenses (KRS 304.9-295 and 806 KAR 9:220).*

Name: **X** \_\_\_\_\_ DOI# or NPN#: **X** \_\_\_\_\_

Signature: **X** \_\_\_\_\_ Date: **X** \_\_\_\_\_

*The provider is required by law to give the student who successfully completes any continuing education course the original of this form upon completion of the course and to retain a copy in the provider's records for at least five years. For a classroom course, the provider is required by law to submit the Continuing Education Course Attendance Roster (Form CE-300) to the Department of Insurance within thirty days through eServices electronic submission. Students must verify that credit has been recorded for this class by visiting our website at: <http://insurance.ky.gov>. If credit does not appear, please verify with the provider that the Roster has been submitted. If the Roster has been submitted and you do not receive credit, please forward this original document to the Department directly, and keep a copy for your file. For all correspondence credits, the provider must submit the Course Completion to the Department through eServices, or the student must mail this original form to DOI and verify credit on our website, as required by KRS 304.9-295(10)(11).*

# Business Insurance Concepts

(12 credit hours – LOA is Life & Health)

PLEASE PRINT CLEARLY

First Name	M.I.	Last Name	DOI# or NPN#
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	

Mail completed forms and payment to:

Commonwealth Schools of Insurance  
P O Box 22414  
Louisville, KY 40252-0414

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## YELLOW CARD SPECIAL

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COURSE FEE 64.00 or  Check Here for Yellow Card Special

CARD NO. \_\_\_\_\_ EXP DATE \_\_\_\_\_

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

## ***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 above

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 or 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 above

