

# 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 received 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***

### 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.*

# 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:           **Suitability Issues - Part II**          

Course Certification Number:           **C58950**          

Course Completion Date: \_\_\_\_\_ Number of Hours:           **10**          

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

Provider Name:           **Capital Resources Corporation**          

Provider Certification Number:           **S13859/PROV0345**          

### 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).*



## SUITABILITY ISSUES – PART II

### EXAMINATION QUESTIONS

1. 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.
  - A. Subjective analysis
  - B. Quantitative analysis
  - C. Insurance analysis
  - D. Actuarial analysis
2. Best views its ratings as an inducement for insurers to operate in a \_\_\_\_\_ manner and maintain \_\_\_\_\_ financial health.
  - A. Risky, Adequate
  - B. Prudent, Strong
  - C. Friendly, Average
  - D. None of the above
3. 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.
  - A. Claims paying ability
  - B. Insurance
  - C. Application
  - D. Underwriters
4. Moody's \_\_\_\_\_ ratings reflect its opinion as to an insurer's ability to discharge senior policy holder obligations and claims.
  - A. Insurance
  - B. Agent
  - C. Financial strength
  - D. Application
5. Insurers are subject to a thorough \_\_\_\_\_ and \_\_\_\_\_ evaluation in Fitch's rating process.
  - A. Agent, Underwriter
  - B. Quantitative and Qualitative
  - C. Financial, Insurance
  - D. Application, Underwriter

6. 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.
- A. Agents
  - B. Investors
  - C. Policy holders
  - D. None of the above
7. \_\_\_\_\_ provides even greater opportunity for different evaluations among the raters.
- A. Qualitative analysis
  - B. Agent analysis
  - C. Objective analysis
  - D. None of the above.
8. \_\_\_\_\_ defines acceptable levels of risk that insurance companies may incur with regards to their assets, insurance products, investments and other business operations.
- A. Insurer opinions
  - B. Application limits
  - C. Risk Based Capital
  - D. None of the above
9. 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.
- A. Underwriter
  - B. Injunction
  - C. Application
  - D. Contract
10. 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 \_\_\_\_\_.
- A. Non-payment of premium
  - B. 5<sup>th</sup> Amendment
  - C. Lapse
  - D. Fraud
11. 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."
- A. Agent associations
  - B. Federal Insurance Commission
  - C. NAIC
  - D. State law

12. 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.
- A. Sound, Safe
  - B. Impaired, Insolvent
  - C. Safe, Sound
  - D. None of the above
13. \_\_\_\_\_ is the function of evaluating the subject of insurance, whether a person, property, profession, business, or other entity, and determining whether to insure it.
- A. Licensing
  - B. Underwriting
  - C. Marketing
  - D. Champerty
14. 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.
- A. Approve
  - B. Accept
  - C. Reject
  - D. Issue
15. 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 above.
16. Under contract law, parties involved in a contract must agree to contract terms as they exist. This legal concept is known as \_\_\_\_\_.
- A. Mutual assent
  - B. Insurance
  - C. Underwriting
  - D. Solvency
17. Another key aspect of each application reviewed by an underwriter is the determination if the risk the application represents is an \_\_\_\_\_.
- A. Licensed risk
  - B. Insurable risk
  - C. Safe risk
  - D. None of the above

18. Insurance covers losses that can be defined in terms of cause, time, \_\_\_\_\_ and \_\_\_\_\_.
- A. Name, Income
  - B. Marital status, Beneficiary
  - C. Health, Opinion
  - D. Place, Amount
19. \_\_\_\_\_ may result in an adjustment of premium in the preceding period and for ongoing coverage and are the basis for paying benefits from the policy.
- A. Underwriting
  - B. Actual losses
  - C. Acceptance
  - D. Issuance
20. \_\_\_\_\_ are required to give due consideration to past and prospective loss experience, to the type and scope of hazards, to a reasonable profit margin, to dividends and return of premium, to past and prospective expenses and to any special assessments when setting rates.
- A. Clients
  - B. Insurers
  - C. States
  - D. Agents
21. In a \_\_\_\_\_, consumers are able to easily compare insurance products and obtain insurance from competing insurers.
- A. Competitive market
  - B. Recession
  - C. Depression
  - D. None of the above
22. State \_\_\_\_\_ forms generally include comparative information for the applicant to read regarding the proposed insurance and the policy.
- A. Licensing
  - B. Agency
  - C. Replacement
  - D. Malpractice
23. If a life insurance policy is a participating policy, the application will include a section regarding the owner's dividend options. A participating life insurance policy participates in the \_\_\_\_\_ of the insurance company.
- A. Losses
  - B. Earned surplus
  - C. Premiums
  - D. Claims

24. Disability income insurance applications also include information regarding the \_\_\_\_\_ of an applicant that is not found in other forms of health insurance.

- A. Health
- B. Religion
- C. Marital Status
- D. Financial status

25. Items such as the location of the home, the construction materials used, and the age of the home most directly affects the \_\_\_\_\_ coverage.

- A. Life
- B. Mental
- C. Health
- D. Property