

# 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 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 "X" on the Certificate of Completion, the completed Answer Sheet and Certificate may be emailed, faxed or mailed to:

Emailed to:	<a href="mailto:info@commonwealthschools.com">info@commonwealthschools.com</a>
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 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

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*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 in Insurance*** \_\_\_\_\_

Course Certification Number: \_\_\_\_\_ ***C98466*** \_\_\_\_\_

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).*

**Suitability Issues in Insurance**  
*(12 credit hours – LOA is Life, Health, Property & Casualty)*

**PLEASE PRINT CLEARLY**

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

**Please send COMPLETED ANSWER SHEET, CERTIFICATE and PAYMENT VIA:**

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

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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** \_\_\_\_\_ **CV2 NO.** \_\_\_\_\_

**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. 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. Three  
B. Four  
C. Five  
D. Six

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                      C. State and federal government  
B. Mortgage amount                      D. Surcharges on highways, tobacco, and liquor
19. Auto policies are typically divided into different segments covering liability \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
- A. Medical, Life, and Health                      C. Medical, Uninsured motorists and Damages  
B. Life, Health, 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                      C. 50 million, Smallest  
B. 10 million, Largest                      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.
- A. Free alienability                      B. Restriction                      C. Zoning                      D. Maintenance
23. The general rule is that community property is \_\_\_\_\_ for debts of either spouse during the course of the marriage.
- A. Insurable                      B. Not liable                      C. Separable                      D. Liable
24. The creditor can look to attach the debtors profits and surplus from the partnership. This is called a \_\_\_\_\_.
- A. Contract                      B. Lien                      C. Insurance policy                      D. Charging order
25. The process by which medical and nursing home care reduces a person's assets is known as \_\_\_\_\_.
- A. Long term poverty                      B. Medicalcalulation                      C. Spend thrift                      D. Spend down

26. The most aggressive protection strategies involve the use of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
- A. Foreign trusts, Offshore corporations and Offshore banking
  - B. Life insurance, Savings & loans, Viaticals
  - C. Foreign trusts, Savings & loans, Viaticals
  - D. Life insurance, Offshore excursions, Viaticals
27. The Limited Liability Company (LLC) is a hybrid business entity which has similar characteristics to both a \_\_\_\_\_ and a \_\_\_\_\_.
- A. Corporation, Limited Partnership
  - B. Sole proprietorship, Corporation
  - C. Limited Partnership, General Partner
  - D. 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.
- A. Pension
  - B. Insurance
  - C. Vacation
  - D. 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.
- A. 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.
- A. Subjective analysis  
B. Quantitative analysis  
C. Insurance analysis  
D. Actuarial analysis
37. 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 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.
- A. Claims paying ability  
B. Insurance  
C. Application  
D. Underwriters
39. 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
40. 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
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.
- A. Agents  
B. Investors  
C. Policy holders  
D. None of the above



42. \_\_\_\_\_ provides even greater opportunity for different evaluations among the raters.
- A. Qualitative analysis
  - B. Agent analysis
  - C. Objective analysis
  - D. 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.
- A. Insurer opinions
  - B. Application limits
  - C. Risk Based Capital
  - D. 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.
- A. Underwriter
  - B. Injunction
  - C. Application
  - D. 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 \_\_\_\_\_.
- A. Non-payment of premium
  - B. 5th Amendment
  - C. Lapse
  - D. 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."
- A. Agent associations
  - B. Federal Insurance Commission
  - C. NAIC
  - D. 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.
- A. Sound, Safe
  - B. Impaired, Insolvent
  - C. Safe, Sound
  - D. 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.
- A. Licensing
  - B. Underwriting
  - C. Marketing
  - D. 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.
- A. Approve
  - B. Accept
  - C. Reject
  - D. 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