

CURRICULUM – LLQP

MODULE: Life insurance

DURATION OF THE EXAM: 75 minutes - NUMBER OF QUESTIONS: 35 questions (including 5 pilot questions that do not count in the candidate's score)

Competency: Recommend individual and group life insurance products adapted to the client's needs and situation

%	COMPETENCY COMPONENTS
35	<p>1. Assess the client's needs and situation</p> <ul style="list-style-type: none"> 1.1 Determine the client's situation 1.2 Assess the appropriateness of the client's existing coverage in regards to his or her situation 1.3 Articulate the client's needs based on the risks that could affect his or her financial situation
30	<p>2. Analyze the available products that meet the client's needs</p> <ul style="list-style-type: none"> 2.1 Analyze the types of contracts that meet the client's needs 2.2 Analyze the riders that meet the client's needs
25	<p>3. Implement a recommendation adapted to the client's needs and situation</p> <ul style="list-style-type: none"> 3.1 Consider the impact of underwriting criteria as they apply to the client's situation 3.2 Propose a recommendation adapted on the client's needs and situation 3.3 Confirm the requirements that must be met to implement the recommendation
10	<p>4. Provide customer service during the validity period of the coverage</p> <ul style="list-style-type: none"> 4.1 Validate the appropriateness of contract amendment, renewal and termination applications in regards to the client's situation 4.2 Inform the claimant of the claims process

COMPETENCY: RECOMMEND INDIVIDUAL AND GROUP LIFE INSURANCE PRODUCTS ADAPTED TO THE CLIENT'S NEEDS AND SITUATION

%	COMPETENCY COMPONENTS	COMPETENCY SUB-COMPONENTS	CONTENTS
35	1 Assess the client's needs and situation	1.1 Determine the client's situation	<p>Personal situation</p> <ul style="list-style-type: none"> • Family dynamics, particularly on-going dependency relationships <ul style="list-style-type: none"> – Spouse or common-law partner – Support obligations to ex-spouse or common-law partner (or multiple ex-spouses) – Minor children – Adult dependents – Stay-at-home parent or caregiver – Blended family • Lifestyle risks <ul style="list-style-type: none"> – Dangerous hobbies • Occupation <ul style="list-style-type: none"> – Regular employment vs. self-employed – Job stability – Current income and future income potential – Time to retirement • Tax exposure of client, spouse and other beneficiaries <p>Group client's situation</p> <ul style="list-style-type: none"> • Types of group plans (employer, association) • Conditions of membership • Vulnerability to termination <p>Financial situation</p> <ul style="list-style-type: none"> • Current and future income • Current and future expenses • Assets (liquid and fixed assets) • Liabilities (including payment terms) • Capital expenses arising upon death <ul style="list-style-type: none"> – Funeral expenses – Income taxes – Debt repayment – Setting up education or legacy funds – Charitable donations • Additional resources available upon death <ul style="list-style-type: none"> – Existing life insurance policies – Lump-sum payment from an employment pension or guaranteed annuity

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>1.2 Assess the appropriateness of the client's existing coverage in regards to his or her situation</p>	<p>Individual life insurance</p> <ul style="list-style-type: none"> • Coverage details <ul style="list-style-type: none"> – Type of policy – Policyholder – Life/lives insured – Beneficiary – Face amount – Supplementary benefits and/or riders – Renewability and convertibility – Premiums (amount, monthly vs. yearly pay) – Limitations or exclusions • Group life coverage (non-government) <ul style="list-style-type: none"> • Coverage details <ul style="list-style-type: none"> – End date – Face amount – Beneficiary – Additional benefits • Limitations of group insurance coverage <ul style="list-style-type: none"> – When it expires – Convertibility upon termination from group – Security (employer could terminate or change the plan without notice) – Limits on face amount • Benefits that might be lost or reduced upon death <ul style="list-style-type: none"> • Group or individual health insurance coverage • Group or individual disability insurance benefits • Retirement pension income from employer 	<p>Tax implications of existing policies</p> <ul style="list-style-type: none"> • Consumer value of 1982 and 2015 grandfathering rules • Cash value relative to adjusted cost basis (ACB) as the policy matures • Partial or full policy surrender vs. policy loan vs. collateral loan taxation • Tax considerations of replacements and other dispositions <p>Government death and survivor benefits</p> <ul style="list-style-type: none"> • Eligibility and method for receiving Canada Pension Plan (CPP) death benefit • CPP survivors' benefits for spouse and dependent children • Old Age Security (OAS), Allowance for surviving spouse • Provincial Workers' Compensation benefits related to death • Québec Pension Plan (QPP)

COMPETENCY: RECOMMEND INDIVIDUAL AND GROUP LIFE INSURANCE PRODUCTS ADAPTED TO THE CLIENT'S NEEDS AND SITUATION

COMPETENCY SUB-COMPONENTS	CONTENTS
<p>1.3 Articulate the client's needs based on the risks that could affect his or her financial situation</p>	<p>Needs analysis process</p> <ul style="list-style-type: none"> • Principles, concepts and techniques involved in needs analysis and fact-finding • The math behind insurance needs analysis <ul style="list-style-type: none"> – Income replacement approach – Capital needs approach – General discussion of the impacts of inflation, investment returns and income taxes • Benefits of using life insurance proceeds to defray the tax on capital gains that may be triggered at death • Current coverage assessment • Short term and/or permanent insurance needs • Coverage shortfall • Available cash flow to pay for additional coverage • Suitable beneficiaries • Impact of potential job advancement or job loss <p>Risk</p> <ul style="list-style-type: none"> • Severity of risk (i.e., what will be the financial impact of death on the survivors) • Probability of risk • Client's risk tolerance <p>Business life insurance needs</p> <ul style="list-style-type: none"> • Why a business might buy life insurance <ul style="list-style-type: none"> – Funding a buy-sell cross-purchase agreement – Funding a share (or units) redemption plan – Key person insurance • Why a buy-sell agreement might be an important part of a business continuation plan

COMPETENCY: RECOMMEND INDIVIDUAL AND GROUP LIFE INSURANCE PRODUCTS ADAPTED TO THE CLIENT'S NEEDS AND SITUATION

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30	2. Analyze the available products that meet the client's needs	2.1 Analyze the types of contracts that meet the client's needs	<p>Term life insurance</p> <ul style="list-style-type: none"> • How term life insurance works • Advantages/disadvantages, and limitations of term life insurance for the policyholder • Level term, increasing term, and decreasing term life insurance • Renewable and non-renewable term insurance • Convertible term insurance • Common situations when term insurance may be appropriate (short-term risks, limited funds for premiums, etc.) <p>Whole life insurance</p> <ul style="list-style-type: none"> • How whole life insurance works <ul style="list-style-type: none"> – Premium options • Policy reserve <ul style="list-style-type: none"> – Potential for policy loans – Guaranteed or adjustable whole life • Non-participating whole life policies <ul style="list-style-type: none"> – Identifying the difference between participating and non-participating policy • Participating whole life policies and their dividend payment options <ul style="list-style-type: none"> – Cash – Premium reduction/Offset – Accumulation – Paid-up additions – Term insurance • Non-forfeiture benefits <ul style="list-style-type: none"> – Cash surrender value (CSV) – Automatic premium loans – Reduced paid-up insurance – Extended term insurance • Limited payment whole life • Impact of a changing dividend scale on the completion of a premium offset policy • Advantages/disadvantages of whole life insurance • Common situations when whole insurance may be appropriate (e.g., longer term risks, savings component, etc.) <p>Permanent life insurance</p> <ul style="list-style-type: none"> • Primary characteristics that distinguish permanent life insurance from term life insurance • Three types of permanent insurance <ul style="list-style-type: none"> – Whole life – Term-100 (T-100) – Universal life <p>Term-100 insurance</p> <ul style="list-style-type: none"> • How term-100 (T-100) life insurance works • Level cost of insurance (LCOI) • Advantages/disadvantages of T-100 life insurance • Common situations when term-100 may be appropriate (e.g., needs are long term but non-forfeiture benefits are not required)

Universal life insurance

- How universal life (UL) works, including the flexibility to change
 - Face amount
 - Live(s) insured
 - Timing and amount of premiums ("deposits")
 - Impact of modal factor
- How the three separate parts of a UL policy are unbundled (insurance, investments and expenses)
 - Premium tax
- Difference between yearly renewable term (YRT) and LCOI /T-100 mortality costing in a universal life product
- Impact of investment choices on the viability of a UL policy
- Implications of early withdrawals, loans, and leveraging of a UL insurance policy
- Limitations on premiums to meet exemption test
- Advantages/disadvantages of UL insurance
- Common situations when UL insurance may be appropriate (e.g., wealth transfer to children, variable financial means and insurance need, an alternative for experienced investors)
- Differences between whole life policies and universal life policies

Business insurance

- Nature of business continuation insurance
- Buy-sell insurance
 - Purpose of buy-sell agreements
 - Cross-purchase agreements
 - Share redemption plans
 - Using life insurance to fund buy-sell agreements
- Key person insurance
- Role of the capital dividend account
- Split-dollar arrangements for employer/key employee
- Contract analysis
 - Current contract offerings
 - Client needs vs. products available in marketplace

Group life insurance specificities

- How group life insurance works, including
 - Who is the policyholder
 - Master contract
 - How a group is defined
 - Who is a member
 - Membership classes
 - Who pays the premiums
- Types of group life insurance, including
 - Term life
 - Dependent life
 - Survivor income benefit
 - Optional group life
 - Accidental death and dismemberment (AD&D)
- Basic vs. voluntary AD&D plans, including their
 - Qualification requirements
 - Exclusions
- Favourable tax treatment of group life insurance for both the employer and the employee
- Understand Canadian commodity tax system as it applies to employee benefits (federal and provincial)

Tax implications of the contracts that meet the client's needs

- Policy values
 - Collateralization
 - Policy loans
 - Dividends and benefits purchased via dividends
 - Gain calculations
 - Accrual calculations
 - Exempt test concepts and calculations
 - Situations and corrective actions where a tax-exempt policy fails the exempt test
- Corporately-owned policies
 - Tax treatment of co-owned corporate and personal insurance products - shared ownership
 - Crediting of "mortality gain" to Capital Dividend Account (CDA)

COMPETENCY SUB-COMPONENTS	CONTENTS	
2.2 Analyze the riders that meet the client's needs	<p>Supplementary benefits and riders</p> <ul style="list-style-type: none"> • Difference between a policy benefit and a rider • Accidental death (AD) • Accidental death and dismemberment (AD&D) • Waiver of premium benefit <ul style="list-style-type: none"> – Waiting period • Purpose and key provisions of accelerated death benefit riders <ul style="list-style-type: none"> – Terminal illness (TI) benefit – Dread disease (DD) benefit • Term insurance riders on term or permanent life insurance policies <ul style="list-style-type: none"> – Additional term insurance coverage for the primary insured – Coverage for additional insured persons, including family coverage riders • Guaranteed insurability benefit (GIB) rider • Paid-up additions rider • Critical illness rider • Parent/payor waiver 	<p>Rider analysis</p> <ul style="list-style-type: none"> • Customization and enhancement of coverage • Meaning and value of coverage in spite of limitations, modifications and exclusions • Difference between each carrier's equivalent riders • Advantages and disadvantages of policy options

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25	3. Implement a recommendation adapted to the client's needs and situation	3.1 Consider the impact of underwriting criteria as they apply to the client's situation	<p>Underwriting concepts and criteria</p> <ul style="list-style-type: none"> • Underwriting and factors considered • Eligibility requirements (e.g., newly landed immigrant, international students or frequent travelers) • Key components of the life insurance application <ul style="list-style-type: none"> – Agent comments section – Accurate completion of medical questions – Financial information – Product selection • Material misrepresentation vs. fraud vs. mistake • Insurable interest • Impact of incomplete or inaccurate information in the application • Temporary insurance agreements (TIAs) • Factors at the client level that may increase or decrease premium rates <ul style="list-style-type: none"> – Age – Health – Gender – Occupation – Family history – Life style • Substandard risks and rated policies • No underwriting required for basic and minimum amounts of group life insurance (underwriting only for additional coverage) <p>Reinsurance</p> <ul style="list-style-type: none"> • How reinsurance works • Reasons why insurance companies use reinsurance <p>Underwriting process</p> <ul style="list-style-type: none"> • How head office processes an application for life insurance when it is received from the field, including <ul style="list-style-type: none"> – Medical exam – Attending Physician's Statement (APS) – Role of the Medical Information Bureau (MIB) and ramifications for the applicant – Motor vehicle report (MVR) – Inspection reports – Hazardous sports and occupations – Financial underwriting – Multiple applications • Factors at the company level that may affect the pricing of a life insurance product, including <ul style="list-style-type: none"> – Mortality costs – Administration costs and expenses – Investment returns • Company's underwriting guidelines • Client's need to understand what underwriting is, its importance, and its implications for future applications

COMPETENCY SUB-COMPONENTS	CONTENTS	
<p>3.2 Propose a recommendation adapted on the client's needs and situation</p>	<p>Recommendation process</p> <ul style="list-style-type: none"> • How to present the findings from the needs analysis • Needs that can suitably be met with life insurance, such as: <ul style="list-style-type: none"> – Income replacement – Estate liquidity (final expenses, tax liabilities, debt elimination, etc.) – Charitable bequests – Estate equalization – Support for children, including education funding – Lifetime support of a spouse or special needs dependent – Funding a buy-sell agreement or meeting other business needs • How to choose the most appropriate life insurance category • How to identify specific products within that category that would address the client's needs • Purpose and limitations of using scenarios or illustrations to help the client compare products <p>Characteristics of recommendation</p> <ul style="list-style-type: none"> • Selected product(s) • Amount of coverage • Term (if applicable) • Premium • Recommended riders • Beneficiaries (primary and contingent) • Exclusions • Important clauses 	<p>Strategies for tax efficiency</p> <ul style="list-style-type: none"> • General strategies <ul style="list-style-type: none"> – Leveraging or borrowing to invest – Income splitting – Gift strategies • Credits and deductions <ul style="list-style-type: none"> – Charitable donations or tax credit – Tax-advantaged returns in investing

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<p>3.3 Confirm the requirements that must be met to implement the recommendation</p>	<p>Implementation process</p> <ul style="list-style-type: none"> • Application and delivery process, including <ul style="list-style-type: none"> - Application - Signed illustration - Interim or temporary insurance - Underwriting - Acceptance

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10	4. Provide customer service during the validity period of the coverage	4.1 Validate the appropriateness of contract amendment, renewal and termination applications in regards to the client's situation	<p>Review/update process</p> <ul style="list-style-type: none"> • Role of an effective financial planning process to address a client's ongoing needs, including <ul style="list-style-type: none"> – Factors that could impact insurance needs (e.g., change in dependents, marital status, employment or income, mortgage or new business owner, leaving Canada) – Updated needs analysis – New recommendations, including recommended policy changes – Periodic review cycle • How to make changes as a result of the review, including <ul style="list-style-type: none"> – Procedures for amending, renewing, terminating or cancelling an existing policy – Replacement rules and non-compliance penalties – How to handle minor amendments such as name changes or a change in address • Absolute and partial policy assignments
		4.2 Inform the claimant of the claims process	<p>Claims process</p> <ul style="list-style-type: none"> • Company requirements for a death claim <ul style="list-style-type: none"> – Completed claim form – Proof of death – Proof of age – Attending Physician's Statement (APS) – Confirmation of beneficiaries • Factors that could result in a lower payment • Time requirements • Tax treatment of death benefit (individual and group plans) <p>Agent's role in claims process</p> <ul style="list-style-type: none"> • How to assist the executor (liquidator in Québec) or beneficiary with completing a claims form • Role of the estate's executor (liquidator in Québec) or professional advisors