



# **Life Insurance Agents Certification**

## **Summary of the Syllabus**

## **OBJECTIVE OF THE EXAMINATION**

The objective of this course is to equip the trainee with the knowledge and skills which enables them to perform as insurance Distribute efficiently and effectively.

## **TARGET AUDIENCE**

This Exam will be mandated for sale staff of Life Insurance companies and banks selling/ distributing Life Insurance.

## **SYLLABUS STRUCTURE**

The curriculum is divided into elements and these are broken down into a series of learning objectives. Each learning objective begins with one of the following prefixes: **know**, **understand**, **be able to calculate** and **be able to apply**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **Know** require the candidate to recall information such as facts, rules and principles
- **Understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **Be able to calculate** require the candidate to be able to use formulae to perform calculations
- **Be able to apply** require the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle

## EXAMINATION SPECIFICATIONS

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element will not change by more than plus or minus 2.

<b>Examination Specification</b>		
<b>100 multiple choice questions</b>		
<b>Element</b>	<b>Element description</b>	<b>Questions</b>
1	<b>Introduction to Insurance</b>	<b>10</b>
2	<b>Insurance Companies: Structure and Management</b>	<b>10</b>
3	<b>Insurance Regime in Pakistan: Regulatory Framework and Ethics</b>	<b>10</b>
4	<b>Risk and Risk Management</b>	<b>10</b>
5	<b>Governing Law and Contractual Provisions</b>	<b>10</b>
6	<b>Types of Life Insurance and its Mechanisms</b>	<b>15</b>
7	<b>Introduction to Islamic Insurance / Family Takaful</b>	<b>10</b>
8	<b>Underwriting, Claim and Withdrawals</b>	<b>10</b>
9	<b>Insurance Selling: Career and Processes and Personal Grooming</b>	<b>15</b>
	<b>Total</b>	<b>100</b>

## ASSESSMENT STRUCTURE

- This will be a two-hour examination of 100 Multiple Choice Questions.
- All questions will carry equal marks.
- There will be no negative marking.

# **SUMMARY OF THE SYLLABUS**

## **Element I**

### **Introduction to Insurance**

- 1.1 What is Insurance?
  - 1.1.1 Some Misconception about Insurance
    - 1.1.1.1 Insurance and Wager or Gambling
    - 1.1.1.2 Insurance and hedging
- 1.2 A Brief History of Insurance
  - 1.2.1 Life insurance
  - 1.2.2 Insurance Industry in Pakistan
  - 1.2.3 Benefit of Insurance to Society
- 1.3 Uses and Benefits of Life Insurance to Consumer
  - 1.3.1 Survivor's Benefits
  - 1.3.2 Living Benefits
  - 1.3.3 Benefits as Property
  - 1.3.4 Business Uses
- 1.4 Different Categories of Insurance
  - 1.4.1 Individual Life Insurance
  - 1.4.2 Individual Health Insurance
  - 1.4.3 Group Life Insurance
  - 1.4.4 Group Health Insurance
  - 1.4.5 Group Pension Plan
  - 1.4.6 General or Non-life Insurance
  - 1.4.7 Property Insurance
  - 1.4.8 Engineering Insurance
  - 1.4.9 Marine Insurance
    - 1.4.10 Motor
    - 1.4.11 Miscellaneous
    - 1.4.12 Cash in Safe
    - 1.4.13 Cash In Transit
    - 1.4.14 Travel Insurance
    - 1.4.15 Fidelity Guarantee Insurance
    - 1.4.16 Householder's Comprehensive

## Element 2

### **Insurance Companies: Structure and Management**

- 2.1 Background
  - 2.1.1 Structure of the company
  - 2.1.2 Management
  - 2.1.3 Vision, Mission and Core Values
  
- 2.2 Company's financial position
  - 2.2.1 Paid Up Capital
  - 2.2.2 Assets
  - 2.2.3 Claims History.
  - 2.2.4 Credit rating
  - 2.2.5 Partners and Clientele
  
- 2.3 Marketing & Common Distribution Channel
  - 2.3.1 Marketing
  - 2.3.2 Distribution Channels
  - 2.3.3 Marketing Intermediaries
  
- 2.4 Agency Building distribution
  - 2.4.1 Agency Management
  - 2.4.2 Non-Agency - Building Distribution
  - 2.4.3 Direct response
  
- 2.5 Bancassurance or Bank Insurance Model (BIM)
  
- 2.6 Direct Sales model or Non-integrated models
  - 2.6.1 Referral model or Integrated models

## **Element 3**

### **Insurance Regime in Pakistan and Ethical Issues**

- 3.1 SECP's Regulatory Role in Life Insurance & Takaful
- 3.2 Fraudulent Practices and Role of CDC
- 3.3 Ethical Issues in Life Insurance Selling
  - Misrepresentations
  - False or Deceptive Advertising
  - Twisting
  - Churning
  - False Financial Statements
  - Defamation
  - Rebating
- 3.4 About IAP
  - Executive
  - Technical
  - Companies Working under IAP
  - Life
  - Reinsurer
  - Risk and Risk Management

## Element 4

### **Risk and Risk Management**

#### 4.1 The concept of risk

- Types of Risks
- Pure risk
- Speculative risk

#### 4.2 Perils and Hazard

#### 4.3 Managing Risk

#### 4.4 Law of Large Numbers

#### 4.5 Principle of Insurable Interest

#### 4.6 Insurable Risks

- Large Numbers of Homogeneous Units
- Loss Must Be Measurable
- Loss Must Be Uncertain
- Economic Hardship Exclusion of Catastrophic Perils

#### 4.7 Principle of Indemnity

#### 4.8 Classification of Risks

- Standard Risks
- Substandard Risk
- Preferred Risks
- Declined Risks



## Element 5

### Governing Law and Contractual Provisions

#### 5.1 Formation of a Life or Health Insurance Contract

- Contract Elements
- Agreement (Offer and Acceptance)
  - o Presentation of Illustration / Offer
    - Purpose of illustration
    - Legal Importance of illustration
    - How to prepare and illustration
  - o Acceptance
- Consideration
- Competent Parties
- Legal Purpose
- Parts of the Insurance Contract
  - o Policy Face (Title Page)
  - o Insuring Clause
  - o Conditions
  - o Exclusions
- Contract Characteristics
  - o Utmost Good Faith
  - o Aleatory
  - o Adhesion
  - o Unilateral
  - o Conditional
  - o Personal Contract
  - o Warranties and Representations
- Impersonation
- Misrepresentation and Concealment
- Fraud
- Void and Void able Contract

#### 5.2 Law governing insurance distributor/agent's role

- Collection of Premium
- Agent's Responsibility to Insured/Applicant
- Suitability considerations
- Agent's Responsibilities to the Company

- Company's Responsibility to the Agent

### 5.3 Contractual Provision

- Insuring Clause
- Entire Contract Clause
- The Consideration Clause
- Payment of Premium
- Ownership Rights
- Applicant Control or Ownership Clause
- Grace Period
- Automatic Premium Loan Provision
- Reinstatement
- Policy Loan Provisions
- Withdrawals and Partial Surrenders
- Incontestability
- Suicide Clause
- Assignment
- Collateral, Partial, Conditional Assignment
- Absolute, Voluntary, Complete Assignment
- Beneficiaries' Assignment Rights
- Misstatement of Age or Sex
- Modifications
- Policy Change Provision (Conversion Option)
- Free Look
- Beneficiaries
- Revocable Versus Irrevocable
- Revocable beneficiary
- Irrevocable beneficiary
- Naming Beneficiaries
- Filing Method
- Endorsement Method
- Succession of Beneficiaries
- Primary beneficiary
- Contingent beneficiary
- Changing Beneficiaries
- Designation Options
- A Trust as Beneficiary
- The Insured's Estate as Beneficiary
- Class Designations
- Exclusions and Limitations

- Aviation Exclusion
- Wars or Military Service Exclusion
- Status-type clause
- Results-type clause
- Hazardous Occupations or Hobby Exclusion
- Prohibited Provisions
- Backdating

## Element 6

### **Type of Life Insurance and its Mechanism**

- 6.1 Term Insurance
  - Types of Term Policies
  - Level Term: Decreasing Term: Renewable Term: Convertible Term
  - Advantages and Uses of Term Insurance
  - Disadvantages of Term Insurance
  
- 6.2 Whole Life Insurance
  - Characteristics of All Whole Life Policies
  - Level Premiums
  - Level Face Amount
  - Non forfeiture Value
  - Types of Whole Life Policies
  - Continuous Premium
  - Limited-Payment Whole Life
  - Single Premium Whole Life
  - Current Assumption Whole Life
  - Advantages and Uses of Whole Life Insurance
  - Disadvantages of Whole Life Insurance
  
- 6.3 Flexible Policies
  - Characteristics of Flexible Policies
  - Types of Flexible Policies
  - Adjustable Life Insurance
  - Universal Life
  - Variable Life
  - Advantages and Uses of Flexible Policies
  - Disadvantages of Flexible Policies
  
- 6.4 Endowment Insurance
  - Endowments
  - Types of Endowments
  - Specialized Insurances
  - The Family Policy (Family Protection Policy)
  - Retirement Income
  - Joint Life Policies
  - Juvenile Policies
  - Index-Linked Policies

## 6.5 Riders

- Introduction
- Types of Riders
- Additional Benefit Riders
- Accelerated Benefit Riders
- Additional Term Life
- Accidental Death
- Accidental Death & Dismemberment
- Family Income
- Dread Disease
- Waiver of Premium
- Payer Rider
- Guaranteed Insurability
- Return of Premium
- Return of Cash Value

## 6.6 Fixed Return Policies

- With-profits policy
- Types of bonus
- Reversionary Bonus or Annual Bonus
- The Terminal Bonus or Final Bonus
- Vested Bonus

## 6.7 Unit-Linking System

- Composition of Fund
- The prices calculation of the units
- Unit allocation
- Bid/offer price
- Cash Value
- Unit Account
- Powers to Make Deductions from Funds
- Switching between funds
- Purchase of units
- Front-end loading
- Back-End Loading
- Surplus

## **Element 7**

### **Introduction to Islamic Insurance / Takaful**

#### 7.1 Introduction to Takaful

- Evolution of takaful
- Principles of takaful
- Al-gharar (uncertainty)
- Al-maisir (gambling)
- Riba (interest)
- Models of takaful
- Mudarabah
- Wakalah model
- Wakalah waqf model

#### 7.2 Takaful Model is followed in Pakistan

- Surplus Sharing

#### 7.3 Emerging Takaful Industry in Pakistan

## **Element 8**

### **Underwriting, Claim & Withdrawal**

#### 8.1 The Underwriting Process

- The Underwriter's Job
- Adverse selection
- Sources of Underwriting Information
- The Proposal/Application

#### 8.2 Field Underwriting

- Proposal/Application Processing
- Risks and Underwriting Process
- Changes in the Application
- Declarations
- Incomplete Applications
- Amendments
- Issuing the Policy

#### 8.3 Delivering and Servicing the Policy

- Personal Delivery
- Mailing the Policy
- Policy Review
- Policy Summary

#### 8.4 Reinsurance

- Definition
- Reasons
- Methods
- Effects for the Insured

#### 8.5 Claims, Withdrawals and Maturity

- Handling a claim
- Payment of Claims
- Payment Less than Face Amount
- Producer Responsibilities Upon Insured's Death

#### 8.6 Determining life insurance need

- Human life value Approach
- Needs Approach



## Element 9

### Insurance Selling: Career, Processes and Personal Grooming

- 9.1 Sales Process of Life Insurance
- 9.2 Sales Cycle
  - 9.2.1 Prospecting
  - 9.2.2 Making Appointment
  - 9.2.3 Needs Assessment
    - 9.2.3.1 Need of Life Insurance
    - 9.2.3.2 Protection needs (in case of death, disability, and disease)
    - 9.2.3.3 Investment needs (for future objectives like, retirement planning, child's higher education, marriage etc.)
    - 9.2.3.4 Other specialized needs (like; mortgage, business debts)
  - 9.2.4 Designing Solution
    - 9.2.4.1 Determining the insured's financial goals
    - 9.2.4.2 Fund for dependents
    - 9.2.4.3 Loans Payable
    - 9.2.4.4 Education and child marriage fund
    - 9.2.4.5 Retirement income for surviving spouse
    - 9.2.4.6 Assessing the existing life insurance
    - 9.2.4.7 Determining the new amount of new life insurance needed
    - 9.2.4.8 Human Life Value Approach
    - 9.2.4.9 Needs Approach
    - 9.2.4.10 Capital Retention Approach
  - 9.2.5 Reviewing the program periodically
  - 9.2.6 Presenting Plan
  - 9.2.7 Closing
    - 9.2.7.1 Objection Handling
    - 9.2.7.2 Closing Techniques
- 9.3 Proposal Form Filling
- 9.4 Policy Issuance Process
- 9.5 Insurance selling as a Career
  - 9.5.1 Benefits, Rewards and Compensation
  - 9.5.2 Career Path

9.5.3 Promotion Policy and Requirements

9.5.4 Job responsibilities of an agent

9.6 Customer Service

9.6.1 Who is your customer (internal and external customer)

9.6.2 What is an effective customer service?

9.6.3 Agent as point of contact for customer

9.6.4 Company's customer touch points

9.6.5 Importance of quality selling

9.6.6 Levels of customer service - meeting expectations VS exceeding expectations

9.6.7 Customer Acquisition VS Retention - importance of customer retention for business growth

9.7 Personal Grooming

9.7.1 Definition of Communication and its process

9.7.2 Types of communication (verbal and non-verbal)

9.7.3 Do's and Don'ts of communication

9.7.4 Barriers of communication

9.7.5 Email Etiquettes

9.7.6 Active Listening skills

9.7.7 Fundamental of dressing - Company's dress code

9.7.8 Body language

9.7.9 Personal hygiene

9.7.10 Professional etiquettes

## RECOMMENDED READINGS

The next section of this study guide covers a brief extract from some of the below mentioned documents. Candidates are advised to study the respective documents (in detail and original) which are available free-to-download from IFMP's website and / or the respective organization's websites.

1. Anti-Money Laundering Act, 2010
2. Anti-Money Laundering Ordinance, 2009
3. Anti-Money Laundering Regulations, 2008
4. Anti-Money Laundering Rules, 2008
5. Bond Automated Trading System (BATS) Regulations, 2009
6. Broker Agents Registration Rules, 2001
7. CDC Act, 1997
8. CDC Regulations
9. Code of Corporate Governance, 2012
10. Companies Ordinance, 1984
11. Debt Securities Trustee Regulations, 2012
12. Directive to Brokers on Conduct of Business (February 7, 2003)
13. Income Tax Ordinance, 2001
14. ISE/ KSE/ LSE Listing Regulations
15. KSE Investor Protection Fund Regulations
16. KSE Cash Settled Future Contract Regulations (October, 2008)
17. KSE Members Default Management Regulations (September, 2009)
18. KSE Deliverable Future Contract Regulations (April, 2009)
19. General Regulations of KSE Amended (August 20, 2009)
20. Karachi Automated Trading System (KATS) Regulations (March, 1998)
21. KSE Investor Protection Fund Regulations
22. NCCPL Procedure, 2003
23. NCCPL Regulations, 2003
24. NCEL General Regulations (May, 2007)
25. Commodity Exchange and Futures Contracts Rules (March, 2005)
26. Regulations Governing Over the Counter Market (September, 2009)
27. Regulations Governing System Audit of Brokers of Exchanges, 2004
28. SECP Act, 1997
29. Securities (Leveraged Market and Pledging) Rules, 2011
30. Securities Act, 2015
31. Securities and Exchange Rules, 1971
32. Short Selling Regulations, 2002
33. Stock Exchange Members (Inspection of Books and Record) Rules, 2001
34. Takaful Rules, 2012