

Your Exam Content Outline

The following outline describes the content of one of the Nebraska insurance examinations. The outlines are the basis of the examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weights assigned to each part of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

Nebraska Producer's Examination for Life and Annuities; Accident and Health or Sickness Insurance Series 13-03

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 6%

1.1 Licensing

- Process (44-4052, 4053)
- Types of licensees (44-4054)
 - Producers (44-4049, 4054)
 - Consultants (44-2606–2635)
 - Resident versus nonresident (44-2625, 4055, 4063)
 - Temporary (44-4058)
- Maintenance and duration
 - Renewal (44-4054)
 - Name or address change (44-4054(8))
 - Reporting of actions (44-4065)
 - Assumed names (44-4057)
- Continuing education requirements including ethics education (44-3901–3908)
- Disciplinary actions
 - Right to hearing (44-4059(2))
 - Suspension, revocation or refusal to issue or renew (44-2633, 4059)
 - Fines (44-2634, 4059(4))
 - Cease and desist order (44-1529, 1542)

1.2 State regulation

- Director's general duties and powers (44-101.01, 2635)
- Company regulation
 - Certificate of authority (44-303)
 - Capital and surplus requirements (44-214, 305)
 - Unfair claims settlement practices (44-1539, 1540)
 - Examination of books and records (44-1527, 5904)
 - Appointment (44-4061)
 - Termination of appointment (44-4062)
 - Unfair trade practices complaint register (44-1525(9); Reg Ch 21)
- Producer regulation
 - Sharing commissions (44-4060)
 - Controlled business (44-361.01, .02)
 - Prohibited fees or charges (44-354)

- Records retention (44-5905)
- Unfair trade practices
 - Misrepresentation (44-1525(1))
 - False advertising (44-1525(2))
 - Defamation of insurer (44-1525(3))
 - Boycott, coercion or intimidation (44-1525(4))
 - Unfair discrimination (44-1525(7))
 - Rebating (44-361, 1525(8))
- Insurance Fraud Act (44-6601–6608)
- Privacy of Insurance Consumer Information Act (44-901–925)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033, 1034)

2.0 General Insurance 6%

2.1 Concepts

- Risk management key terms
 - Risk
 - Exposure
 - Hazard
 - Peril
 - Loss
- Methods of handling risk
 - Avoidance
 - Retention
 - Sharing
 - Reduction
 - Transfer
- Elements of insurable risks
 - Adverse selection
 - Law of large numbers
 - Reinsurance

2.2 Insurers

- Types of insurers
 - Stock companies
 - Mutual companies
 - Fraternal benefit societies
 - Reciprocal
 - Lloyd's associations
 - Risk retention groups
 - Surplus lines
- Private versus government insurers
- Admitted versus nonadmitted insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating services)
- Marketing (distribution) systems

2.3 Producers and general rules of agency

- Insurer as principal
- Producer/insurer relationship
- Authority and powers of licensees
 - Express
 - Implied
 - Apparent
- Responsibilities to the applicant/insured

2.4 Contracts

- Elements of a legal contract
 - Offer and acceptance
 - Consideration
 - Competent parties
 - Legal purpose
- Distinct characteristics of an insurance contract
 - Contract of adhesion
 - Aleatory contract
 - Personal contract
 - Unilateral contract
 - Conditional contract
- Legal interpretations affecting contracts
 - Ambiguities in a contract of adhesion
 - Reasonable expectations
 - Indemnity
 - Utmost good faith
 - Representations/misrepresentations
 - Warranties
 - Concealment
 - Fraud
 - Waiver and estoppel

3.0 Life Insurance Basics 8%

3.1 Insurable interest (44-704)

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation

3.3 Determining amount of personal life insurance

- Human life value approach
- Needs approach
 - Types of information gathered
 - Determining lump-sum needs
 - Planning for income needs

3.4 Business uses of life insurance

- Buy-sell funding
- Key person
- Executive bonuses

3.5 Classes of life insurance policies

- Group versus individual
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
 - Regulation of variable products (SEC, FINRA and Nebraska) (44-2212, 2216; Reg Ch 15 Sec 006, 011)

3.6 Premiums

- Factors in premium determination
 - Mortality
 - Interest
 - Expense
- Premium concepts
 - Net single premium
 - Gross annual premium
- Premium payment mode

3.7 Producer responsibilities

- Solicitation and sales presentations (Reg Ch 33)
 - Advertising (Reg Ch 50)
 - Life and Health Insurance Guaranty Association (44-2719.01)
 - Buyer's Guide and Policy Summary (Reg Ch 33 Sec 005, NAIC Current Model Buyer's Guide)
 - Illustrations (Reg Ch 72)
 - Replacement (Reg Ch 19)
 - Use and disclosure of insurance information
 - Annuity suitability (44-8101-8107)
- Field underwriting
 - Notice of information practices
 - Application procedures
- Delivery
 - Policy review
 - Effective date of coverage
 - Premium collection
 - Statement of good health

3.8 Individual underwriting by the insurer

- Information sources and regulation
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests including HIV (RL 71-531)
- Selection criteria and unfair discrimination (44-1525(7)(a))
- Classification of risks
 - Preferred
 - Standard
 - Substandard

4.0 Life Insurance Policies 8%

4.1 Term life insurance

- Level term
 - Annual renewable term
 - Level premium term
 - Term-to-65 contract
- Decreasing term

4.2 Whole life insurance

- Continuous premium (straight life)
- Limited payment
- Single premium
- Indeterminate premium
- Graded premium
- Current assumption

4.3 Flexible premium policies

- Adjustable life
- Universal life — Indexed Universal Life

4.4 Specialized policies

- Joint life (first-to-die)
- Survivorship life (second-to-die)
- Juvenile life

4.5 Group life insurance

- Characteristics of group plans
- Types of plan sponsors
- Group underwriting requirements
- Required provisions (44-1607)
- Assignability (44-1619)
- Conversion to individual policy (44-1607(8–10), 1613, 1614)

5.0 Life Insurance Policy Provisions, Options and Riders 8%

5.1 Required provisions (44-502)

- Entire contract (44-502(3))
- Right to examine (free look) (44-502.05)
- Payment of premiums (44-502(1))
- Grace period (44-502(2))
- Reinstatement (44-502(11))
- Incontestability (44-502(5))
- Misstatement of age (44-502(6))
- Exclusions (44-502(5))
- Statements of the insured (44-502(4))
- Payment of claims (44-502(12))
- Interest on proceeds (44-3, 143)
- Prohibited provisions including backdating (44-503)

5.2 Ownership and beneficiaries

- Ownership
- Assignment
- Beneficiary designation options
 - Individuals
 - Classes
 - Estates
 - Minors
 - Trusts
- Succession
- Revocable versus irrevocable
- Common disaster clause
- Spendthrift clause

5.3 Settlement options

- Cash payment
- Interest only
- Fixed-period installments
- Fixed-amount installments
- Life income
 - Single life
 - Joint and survivor

5.4 Nonforfeiture options

- Cash surrender value
- Extended term
- Reduced paid-up insurance

5.5 Policy loan and withdrawal options

- Cash loans
- Automatic premium loans
- Withdrawals or partial surrenders

5.6 Dividend options

- Cash payment
- Reduction of premium payments
- Accumulation at interest
- One-year term option
- Paid-up additions

5.7 Disability riders

- Waiver of premium
- Waiver of cost of insurance
- Disability income benefit
- Payor benefit life/disability (juvenile insurance)

5.8 Accelerated (living) benefit provision/rider

- Conditions for payment
- Effect on death benefit

5.9 Riders covering additional insureds

- Spouse/other-insured term rider
- Children's term rider
- Family term rider

5.10 Riders affecting the death benefit amount

- Accidental death
- Guaranteed insurability
- Cost of living
- Return of premium
- No lapse guarantee

5.11 Viatical settlements

- Disclosure to consumers (44-1108)
- General rules (44-1109)
- Stranger owned life (44-1110)
- Fraudulent acts (44-1112)
- Definitions (44-1102)
 - Chronically ill
 - Terminally ill
 - Viatical settlement broker
 - Viatical settlement provider
 - Viatical settlement purchaser
 - Viator

6.0 Annuities 10%

6.1 Annuity principles and concepts

- Accumulation period versus annuity period
- Owner, annuitant and beneficiary
- Insurance aspects of annuities
- Nebraska Protection in Annuity Transactions Act (44-8101–8107)

6.2 Immediate versus deferred annuities

- Single premium immediate annuities (SPIAs)
- Deferred annuities
 - Premium payment options
 - Nonforfeiture
 - Surrender charges
 - Death benefits

6.3 Annuity (benefit) payment options

- Life contingency options
- Pure life versus life with guaranteed minimum

Single life versus multiple life
Annuities certain (types)

6.4 Annuity products

Fixed annuities
General account assets
Interest rate guarantees (minimum versus current)
Level benefit payment amount
Equity indexed annuities
Market value adjusted annuities

6.5 Uses of annuities

Lump-sum settlements
Qualified retirement plans
Group versus individual annuities
Personal uses
Individual retirement annuities (IRAs)
Tax-deferred growth
Retirement income
Education funds

7.0 Federal Tax Considerations for Life Insurance and Annuities 5%

7.1 Taxation of personal life insurance

Amounts available to policyowner
Cash value increases
Dividends
Policy loans
Surrenders
Amounts received by beneficiary
General rule and exceptions
Settlement options
Values included in insured's estate

7.2 Modified endowment contracts (MECs)

Modified endowment versus life insurance
Seven-pay test
Distributions

7.3 Taxation of non-qualified annuities

Individually-owned
Accumulation phase (tax issues related to withdrawals)
Annuity phase and the exclusion ratio
Distributions at death
Corporate-owned

7.4 Taxation of individual retirement annuities (IRAs)

Traditional IRAs
Contributions and deductible amounts
Premature distributions including taxation issues
Annuity phase benefit payments
Values included in the annuitant's estate
Amounts received by beneficiary

Roth IRAs

Contributions and limits
Distributions

7.5 Rollovers and transfers (IRAs and qualified plans)

7.6 Section 1035 exchanges – disclosure pros and cons

7.7 Taxation of corporate owned life insurance

8.0 Qualified Plans 4%

8.1 General requirements

8.2 Federal tax considerations

Tax advantages for employers and employees
Taxation of distributions (age-related)

8.3 Plan types, characteristics and purchasers

Simplified employee pensions (SEPs)
Self-employed plans (HR 10 or Keogh plans)
Profit-sharing and 401(k) plans
SIMPLE plans
Pension plans
403(b) tax-sheltered annuities (TSAs)
Safe Harbor 401(k)
Single (k)

9.0 Sickness and Accident Insurance Basics 7%

9.1 Definitions of perils

Accidental injury
Sickness

9.2 Principal types of losses and benefits

Loss of income from disability
Medical expense
Dental expense
Long-term care expense

9.3 Classes of health insurance policies

Individual versus group
Private versus government
Limited versus comprehensive

9.4 Limited policies

Limited perils and amounts
Required notice to insured
Types of limited policies
Accident-only
Specified (dread) disease
Hospital indemnity (income)
Credit disability
Blanket insurance (teams, passengers, other)
Prescription drugs
Vision care

9.5 Common exclusions from coverage

9.6 Producer responsibilities in individual health insurance

Marketing requirements
Advertising (Reg Ch 14 Sec 001–020)
Life and Health Insurance Guaranty Association (44-2719.01)
Sales presentations
Field underwriting
Nature and purpose
Disclosure of information about individuals
Application procedures
Requirements at delivery of policy
Common situations for errors/omissions

9.7 Individual underwriting by the insurer

- Underwriting criteria
- Sources of underwriting information
 - Application procedures
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests including HIV (RL 71-531)
- Unfair discrimination (44-749)
- Classification of risks
 - Preferred
 - Standard
 - Substandard

9.8 Considerations in replacing health insurance

- Pre-existing conditions
- Benefits, limitations and exclusions
- Underwriting requirements
- Producer liability for errors and omissions

10.0 Individual Sickness and Accident Insurance Policy General Provisions 6%

10.1 Uniform required provisions (44-710.03)

- Entire contract: changes (44-710.03(1), .12)
- Time limit on certain defenses (44-710.03(2))
- Grace period (44-710.03(3))
- Reinstatement (44-710.03(4))
- Claim procedures (44-710.03(5-9))
- Physical examinations and autopsy (44-710.03(10))
- Legal actions (44-710.03(11))
- Change of beneficiary (44-710.03(12))

10.2 Uniform optional provisions (44-710.04)

- Change of occupation (44-710.04(1))
- Misstatement of age (44-710.04(2))
- Other insurance in this insurer (44-710.04(3))
- Insurance with other insurers
 - Expense-incurred basis (44-710.04(4))
 - Other benefits (44-710.04(5))
- Unpaid premium (44-710.04(7))
- Cancellation (44-710.04(8))
- Conformity with state statutes (44-710.04(9))
- Illegal occupation (44-710.04(10))
- Intoxicants and narcotics (44-710.04(11))

10.3 Other general provisions

- Right to examine (free look) (44-710.18)
- Insuring clause
- Consideration clause
- Renewability clause (44-787)
 - Noncancelable
 - Guaranteed renewable
 - Conditionally renewable
 - Renewable at option of insurer
 - Nonrenewable (cancelable, term)

11.0 Disability Income and Related Insurance 6%

11.1 Qualifying for disability benefits

- Inability to perform duties
 - Own occupation
 - Any occupation
- Pure loss of income (income replacement contracts)
- Presumptive disability
- Requirement to be under physician care

11.2 Individual disability income insurance

- Basic total disability plan
 - Income benefits (monthly indemnity)
 - Elimination and benefit periods
 - Waiver of premium feature
- Coordination with social insurance and workers compensation benefits
 - Additional monthly benefit (AMB)
 - Social insurance supplement (SIS)
 - Occupational versus nonoccupational coverage

At-work benefits

- Partial disability benefit
- Residual disability benefit

Other provisions affecting income benefits

- Cost of living adjustment (COLA) rider
- Future increase option (FIO) rider
- Relation of earnings to insurance (44-710.04(6))

Other cash benefits

- Accidental death and dismemberment
- Rehabilitation benefit
- Medical reimbursement benefit (nondisabling injury)

Refund provisions

- Return of premium
- Cash surrender value

Exclusions

11.3 Unique aspects of individual disability underwriting

- Occupational considerations
- Benefit limits
- Policy issuance alternatives

11.4 Group disability income insurance

- Group versus individual plans
- Short-term disability (STD)
- Long-term disability (LTD)

11.5 Business disability insurance

- Key person disability income
- Disability buy-sell policy

11.6 Social Security disability

- Qualification for disability benefits
- Definition of disability
- Waiting period
- Disability income benefits

11.7 Workers compensation

- Eligibility
- Benefits

12.0 Medical Plans 7%

12.1 Medical plan concepts

- Fee-for-service basis versus prepaid basis
- Specified coverages versus comprehensive care
- Benefit schedule versus
 - usual/reasonable/customary charges
- Any provider versus limited choice of providers
- Insureds versus subscribers/participants

12.2 Types of providers and plans

- Major medical insurance (indemnity plans)
 - Characteristics
 - Common limitations
 - Exclusions from coverage
 - Provisions affecting cost to insured
- Health maintenance organizations (HMOs)
 - General characteristics
 - Preventive care services
 - Primary care physician versus referral (specialty) physician
 - Emergency care
 - Hospital services
 - Other basic services
- Preferred provider organizations (PPOs)
 - General characteristics
 - Open panel or closed panel
 - Types of parties to the provider contract
- Point-of-service (POS) plans
 - Nature and purpose
 - Out-of-network provider access (open-ended HMO)
 - PCP referral (gatekeeper PPO)
 - Indemnity plan features

12.3 Cost containment in health care delivery

- Cost-saving services
 - Preventive care
 - Hospital outpatient benefits
 - Alternatives to hospital services
- Utilization management (44-5416–5431)
 - Prospective review
 - Concurrent review

12.4 Nebraska requirements (individual and group)

- Eligibility requirements
 - Newborn child coverage (44-710.19)
 - Dependent coverage (44-710.01)
 - Full-time students (44-710.01)
- Benefit offers
 - Treatment for alcoholism (44-769–781)
 - Treatment of bones or joints of the face, neck or head (44-789)

12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements

- Eligibility
- Guaranteed issue
- Pre-existing conditions
- Creditable coverage
- Renewability

12.6 Health savings accounts (HSAs)

- Definition
- Eligibility
- Contribution limits

13.0 Group Sickness and Accident Insurance 6%

13.1 Characteristics of group insurance

- Group contract
- Certificate of coverage (44-761(2))
- Experience rating versus community rating

13.2 Types of eligible groups

- Employment-related groups
 - Individual employer groups
 - Multiple-Employer Trusts (METs) or Welfare Arrangements (MEWAs)
- Associations (alumni, professional, other)
- Customer groups (depositors, creditor-debtor, other)

13.3 Marketing considerations

- Advertising
- Regulatory jurisdiction/place of delivery

13.4 Employer group health insurance

- Nebraska underwriting requirements (44-760)
- Insurer underwriting criteria
 - Characteristics of group
 - Plan design factors
 - Persistency factors
 - Administrative capability
- Eligibility for insurance
 - Annual open enrollment
 - Employee eligibility
 - Dependent eligibility
- Coordination of benefits provision
- Change of insurance companies or loss of coverage
 - Coinsurance and deductible carryover
 - No-loss no-gain
 - Events that terminate coverage
 - Extension of benefits
 - Continuation of coverage under COBRA and Nebraska specific rules (44-1640–1645)
 - Conversion privilege (44-1613; 44-32, 130)

13.5 Small employer group medical plans

- Definition of small employer (44-5253)
- Renewability of coverage (44-5259)
- Benefit plans offered — basic and standard (44-5260)
- Marketing (44-5266)
- Prohibited practices (44-5266)

14.0 Dental Insurance 1%

14.1 Types of dental treatment

- Diagnostic and preventive
- Restorative
- Oral surgery
- Endodontics
- Periodontics
- Prosthodontics

Orthodontics

14.2 Indemnity plans

Choice of providers

Scheduled versus nonscheduled (comprehensive) plans

Benefit categories

Diagnostic/preventive services

Basic services

Major services

Deductibles and coinsurance

Combination plans

Exclusions

Limitations

Predetermination of benefits

14.3 Employer group dental expense

Integrated deductibles versus stand-alone plans

Minimizing adverse selection

15.0 Insurance for Senior Citizens and Special Needs Individuals 9%

15.1 Medicare

Nature, financing and administration

Part A — Hospital Insurance

Individual eligibility requirements

Enrollment

Coverages and cost-sharing amounts

Part B — Medical Insurance

Individual eligibility requirements

Enrollment

Coverages and cost-sharing amounts

Exclusions

Claims terminology and other key terms

Part C — Medicare Advantage

Part D — Prescription Drug Insurance

15.2 Medicare supplements

Purpose (Reg Ch 36 Sec 001)

Open enrollment (Reg Ch 36 Sec 011)

Standardized Medicare supplement plans (Reg Ch 36 Sec 009)

Core benefits

Additional benefits

Nebraska regulations and required provisions

Standards for marketing (Reg Ch 36 Sec 020)

Advertising (44-3608.01; Reg Ch 36 Sec 019)

Appropriateness of recommended purchase and excessive insurance (Reg Ch 36 Sec 021)

Buyer's guide (Reg Ch 36 Sec 017(017.01F))

Outline of coverage (44-3607; Reg Ch 36 Sec 017(017.03))

Guaranteed issue for eligible persons (Reg Ch 36 Sec 012)

Right to return (free look) (44-3608; Reg Ch 36 Sec 017(017.01E))

Unfair trade practices (44-3610)

Replacement (Reg Ch 36 Sec 018, 023)

Minimum benefit standards (Reg Ch 36 Sec 008)

Required disclosure provisions

(Reg Ch 36 Sec 017)

Permitted compensation (Reg Ch 36 Sec 016)

Notice of change

(Reg Ch 36 Sec 017(017.02))

Medicare Select (Reg Ch 36 Sec 010)

15.3 Other options for individuals with Medicare

Employer group health plans

Disabled employees

Employees with kidney failure

Individuals age 65 and older

Medicaid

Eligibility

Benefits

15.4 Long-term care (LTC) insurance

LTC, Medicare and Medicaid compared

Eligibility for benefits

Levels of care

Skilled care

Intermediate care

Custodial care

Home health care

(Reg Ch 46 Sec 005(005.10), 010)

Adult day care (Reg Ch 46 Sec 005(005.02))

Respite care

Assisted living (Reg Ch 46 Sec 005(005.21))

Benefit periods

Benefit amounts

Optional benefits

Guarantee of insurability

Return of premium

Qualified LTC plans

Exclusions (Reg Ch 46 Sec 006(006.02))

LTC Partnerships

Underwriting considerations

Nebraska regulations and required provisions

Standards for marketing (Reg Ch 46 Sec 020)

Advertising (Reg Ch 46 Sec 019)

Shopper's guide (Reg Ch 46 Sec 027)

Outline of coverage (44-4516; Reg Ch 46 Sec 026)

Suitability (Reg Ch 46 Sec 021)

Right to return (free look) (44-4515)

Unintentional lapse (Reg Ch 46 Sec 007)

Incontestability (44-4517.01)

Replacement (Reg Ch 46 Sec 006(006.05), 012, 022)

Benefit standards (44-4509)

Nonforfeiture (44-4517.02; Reg Ch 46 Sec 023)

Benefit triggers (Reg Ch 46 Sec 024, 025)

Inflation protection (Reg Ch 46 Sec 011)

Prohibited policy provisions (44-4513)

Renewal considerations

(Reg Ch 46 Sec 006(006.01))

Continuation of benefits

(Reg Ch 46 Sec 006(006.04))

Required disclosure provisions

(Reg Ch 46 Sec 008)

Pre-existing conditions (44-4513(2, 3))

15.5 Nebraska Comprehensive Health Insurance Pool

Eligibility (44-4221)

Coverages and limits (44-4226;

Reg Ch 44 Sec 006, 007, 010)

Exclusions (44-4228(1))

Deductibles and coinsurance (44-4226(3);

Reg Ch 44 Sec 004, 008)

16.0 Federal Tax Considerations for Sickness and Accident Insurance 3%

16.1 Personally-owned health insurance

Disability income insurance

Medical expense insurance

Long-term care insurance

16.2 Employer group health insurance

Disability income (STD, LTD)

Medical and dental expense

Long-term care insurance

Accidental death and dismemberment

16.3 Medical expense coverage for sole proprietors and partners

16.4 Business disability insurance

Key person disability income

Buy-sell policy

16.5 Health savings accounts (HSAs)