

# 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 Insurance Series 13-01

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 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 10%

#### 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 15%

### 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 15%

### 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 15%

### 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 18%

### 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 10%**

#### **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 7%**

#### **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)