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

150 questions – 2.5-hour time limit
Live Date: January 21, 2017

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(3))
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

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
Reciprocals
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
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

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 (44-8101-8109)

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

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

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

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 (44-8101–8109)

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

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

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

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

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 nonoccidental 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
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
Endodontology
Periodontology
Prosthodontontology
Orthodontontology

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
Disability 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)
Coverage and limits (44-4226; Reg Ch 44 Sec 006, 007, 009, 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)