

# 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

## Nebraska Producer's Examination for Life and Annuities Insurance Series 13-01

**100 questions (plus 5 unscored items) 2-hour time limit**  
**Effective Date: January 27, 2020**

### 1.0 Insurance Regulation 15% (15 Items)

#### 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)
- 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

- 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)
- Fair Credit Reporting Act (15 USC 1681-1681d)
- Fraud and false statements

### 2.0 General Insurance 10% (10 Items)

#### 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's 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 18% (18 Items)**

**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 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 18% (18 Items)**

### **4.1 Term life insurance**

Level term  
Annual renewable  
term Level  
premium term  
Decreasing term

### **4.2 Whole life insurance**

Continuous premium (straight life)  
Limited payment  
Single premium

### **4.3 Flexible premium policies**

Adjustable life  
Universal life — Indexed Universal  
Life Variable Insurance  
Variable Universal

### **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 20% (20 Items)**

### **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

**Riders covering additional insureds**

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

**5.9 Riders affecting the death benefit amount**

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

**6.0 Annuities 10% (10 Items)**

**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 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 Variable Annuity

**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 fund

**7.0 Federal Tax Considerations for Life Insurance and Annuities 5% (5 Items)**

**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% (4 Items)**

**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)