

**Nebraska Producer's Examination for
Life and Annuities Insurance
Series 13-01
100 questions (plus 5 unscored items)
2-hour time limit**

1.0 Insurance Regulation 15%

1.1 General

State specific licensing requirements

License issuance (44-4052, 4053)

 Application

License maintenance

 Change of name/phone number/address/email address (44-4054(8))

 Assumed business name (44-4057)

 Reporting of actions (44-4065)

 Continuing education including exemptions (44-3901–3908)

 Penalties

 Appointment and termination process

License duration

 Renewal/nonrenewal (44-4054)

 Reinstatement

 Continuation

 Termination (44-4062)

 Surrender

 Lapse

 Inactivity due to military service

 Inactivity due to extenuating circumstances

Disciplinary actions related to the license

 Denial

 Probation

 Suspension (44-2633, 4059)

 Surrender

 Revocation or refusal to issue or renew (44-2633, 4059)

Penalties

 Civil

 Criminal

 Hearings (44-4059(2))

 Fines (44-2634, 4059(4))

 Cease and desist order (44-1529, 1542)

1.2 Licensing Types, Purposes, and Processes

- License types (44-4054)
 - Producer (44-4049, 4054)
 - Consultant (44-2606–2635)
 - Public adjuster
 - Agency
 - Resident (44-2625, 4055, 4063)
 - Nonresident (44-2625, 4055, 4063)
 - Temporary (44-4058)
 - Surplus lines
 - Crop
- Licensing requirements
 - Eligibility and qualification

1.3 State Regulation

- Acts constituting insurance transaction
 - Negotiate
 - Sell
 - Solicit
- Director's general duties and powers (44-101.01, 2635)
- Producer regulatory requirements
 - Policy signatures
 - Application signatures
 - Premium payment
 - Producer representation
 - Commissions/compensation and fees (44-4060)
 - Controlled business (44-361.01, .02)
 - Appointment (44-4061)
 - Fiduciary responsibility
 - Impersonation
 - Records maintenance (44-5905)
 - Claims reporting
- Company regulatory requirements
 - Solvency
 - Financial requirements
 - Certificate of authority (44-303)
 - State of domicile
 - Records maintenance
 - Policy forms/rates/exceptions
 - Appointment/termination
 - Capital and surplus requirements (44-214, 305)
 - Unfair trade practices complaint register (44-1525(9); Reg Ch 21)

Difference between admitted, non-admitted, foreign, and domestic insurers

Unfair trade practices

Unfair discrimination (44-1525(7))

Misrepresentation (44-1525(1))

False or deceptive advertising (44-1525(2))

Claims settlement

Boycott (44-1525(4))

Coercion (44-1525(4))

Intimidation (44-1525(4))

Defamation (44-1525(3))

False financial statements

Fraud

Illegal inducements including rebating and twisting (44-361, 1525(8))

Misappropriation of funds

Testimonials

Comparisons

Nondisclosure of fees or charges (44-354)

Other prohibited practices

Comingling of funds

Non-transparency

STOLI/IOLI

Prohibited fees/premiums/extra charges

Larceny

Acting without a license

Unfair claims settlement practices (44-1539, 1540)

Nonpublic personal information and privacy protection

Policy replacement

Solicitation and sales (Reg Ch 33)

Advertising (Reg Ch 50)

Provisions/rules

Policy summary

Buyer's Guide (Reg Ch 33 Sec 005, NAIC Current Model Buyer's Guide)

Illustrations (Reg Ch 72)

Suitability

Backdating

Selection criteria and unfair discrimination (44- 1525(7)(a))

Insurance Fraud Act (44-6601–6608)

Privacy of Insurance Consumer Information Act (44-901–925)

1.4 Federal Regulation

Federal Law (18 U.S. Code § 1033)

Fair Credit Reporting Act (15 USC 1681–1681d)
Fraud and false statements including 1033 and 1034 waiver
"Prohibited Persons" Waiver (Consent to Work) (18 U.S. Code § 1033-1034)
Other federal regulations
 Do Not Call List (Telephone Consumer Protection Act)
 Can-Spam Act
 Sarbanes-Oxley Act
 Terrorism Risk Insurance Act
 Consumer Data Privacy and Security Act
 National Flood Insurance Program

2.0 General Insurance

13%

2.1 Risk management key terms

Risk
Exposure
Hazard
Peril
Loss
Insurance

2.2 Methods of handling risk

Avoidance
Retention
Sharing
Reduction
Transfer

2.3 Other risk concepts

Elements of insurable risks
Adverse selection
Law of large numbers
Reinsurance

2.4 Types of insurers

Stock
Mutual
Fraternal benefit society

2.5 Financial rating services

A.M. Best
Standard and Poor's

Moody's

2.6 Distribution systems

Independent

Direct

Exclusive/captive agent

Exchanges

2.7 Law of agency

Insurer as principal

Producer/agent/broker-insurer relationships

2.8 Authority and powers of producers/agents/brokers

Express

Implied

Apparent

2.9 Elements of a legal contract

Offer and acceptance

Consideration

Competent parties

Legal purpose

2.10 Legal interpretations affecting contracts

Reasonable expectations

Indemnity

Utmost good faith

Concealment

Representations

Misrepresentations

Warranties

Fraud

3.0 Life Insurance Basics

17%

3.1 Producer Authority and Powers

Insurable interest

Personal uses of life insurance

Survivor protection

Estate creation/conservation

Cash accumulation

Security

- Exemption from creditor claims/probate
- Needs approach to determining amount of personal life insurance
 - Types of information gathered
 - Determining lump-sum needs
 - Planning for income needs
- Business uses of life insurance
 - Key person
 - Buy-sell
- Factors in premium determination
 - Mortality
 - Interest
 - Expense
- Field underwriting
 - Application procedures
 - Required signatures
 - Notice of information practices and premium collection
 - Conditional receipt
- Policy delivery
 - Policy review
 - Effective date of coverage
 - Premium collection
 - Statement of Good Health
 - Delivery/electronic delivery requirements
- Information sources and regulation
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer report
 - Medical Information Bureau (MIB)
 - Medical examination and lab tests including HIV (RL 71-531)
 - Financial information
- Risk classifications
 - Preferred
 - Standard
 - Substandard/rated
 - Declined

4.0 Life Insurance Policies

18%

4.1 Characteristics of Level Term

Renewability

- Level premium
- Convertibility
- Term-to-65

- 4.2 Decreasing Term
 - Credit/mortgage protection

- 4.3 Whole Life
 - Ordinary
 - Limited pay
 - Single premium

- 4.4 Characteristics of Whole Life
 - Cash value
 - Maturity
 - Guarantees

- 4.5 Universal and Indexed Life

- 4.6 Variable products
 - Regulation of variable products
 - Qualifications of producers for the sale of variable products
 - General account versus separate account

- 4.7 Specialized policies
 - Joint life/first-to-die
 - Survivorship life/second-to-die

- 4.8 Characteristics of Group Life
 - Individual certificates
 - Eligibility
 - Plan sponsors
 - Underwriting requirements
 - Required provisions (44-1607)
 - Assignability (44-1619)
 - Conversion (44-1607(8– 10), 1613, 1614)
 - Standard provisions

5.0 Individual Health Insurance Policy General Provisions and Clauses 18%

- 5.1 Required Provisions (44- 502)
 - Ownership
 - Assignment

- 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 or sex (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)
- Suicide
- Consideration
- Insuring clause

5.2 Beneficiaries

- Designation options

- Individuals
- Classes
- Estates
- Minors
- Trusts

- Succession

- Primary
- Contingent

- Revocable versus irrevocable
- Common Disaster Clause

5.3 Settlement Options

- Types of settlement options

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

- Retained asset account
- Spendthrift clause

5.4 Nonforfeiture Options

- Types of nonforfeiture options
 - Cash surrender value
 - Extended term
 - Reduced paid-up insurance

5.5 Policy Loan and Withdrawal Options

- Types of loans and withdrawals
 - Policy loans
 - Automatic premium loans
 - Withdrawals or partial surrenders

5.6 Dividend Options

- Dividend options
 - Cash
 - Reduction of premium/loan
 - Accumulation at interest
 - One-year term
 - Paid-up additions
 - Paid-up insurance

5.7 Policy Riders

- Disability riders
 - Waiver of premium
 - Waiver of cost of insurance (Universal Life)
 - Disability income benefit
 - Guaranteed insurability
- Accelerated (living) and long-term care benefits/riders
 - Conditions for payment
 - Effect on death benefit
 - Qualifying events
 - Disclosure
 - Exclusions and restrictions
- Additional insureds
 - Spouse/other-insured term
 - Children's term
 - Family term
- Riders affecting death benefit
 - Accidental death and dismemberment
 - Cost of living
 - Return of premium

6.0 Annuities

11%

6.1 Annuity Basics

Annuity concepts and uses

Accumulation/annuity periods

Owner

Annuitant

Beneficiary

Death of owner

Nebraska Protection in Annuity Transactions Act (44-8101-8109)

Types of annuities

Single premium

Fixed premium

Flexible premium

Immediate

Deferred

Features/aspects of annuities

Nonforfeiture

Surrender charges

Fixed versus variable annuities (44-2212, 216; Reg Ch 15 Sec 006, 011)

Interest rate guarantees

Separate account

General account

6.2 Payout Options

Life contingency benefit options

Pure life

Life with guaranteed minimum

Single life

Multiple life

Annuity certain payment options

Installments for a fixed period/amount

7.0 Federal Taxation of Life Insurance and Annuities

8%

7.1 General

Taxation of amounts available to policyowner

Cash value increases

Dividends

Loans

Surrenders

Accelerated benefits

Death benefit

Taxation of amounts received by the beneficiary

General rules and exceptions

Settlement options

Tax implications of estate as beneficiary

Section 1035 exchanges

Qualified versus nonqualified annuities

General requirements

Taxation of distributions/withdrawals/contributions

Premature distributions

During accumulation phase

Annuity phase, exclusion ratio

Modified endowment contracts (MECs)

Modified endowment versus life insurance

Seven-pay test

Distributions