

**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, 44-4053)

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 to 44-3908)

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, 44-4059)

Surrender

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

Penalties

Civil

Criminal (28-631)

Hearings (44-4059(2))

Fines (44-2634, 44-4059(4))

Cease and desist order (44-1529, 44-1542)

1.2 Licensing Types, Purposes, and Processes

License types (44-4054)

Producer (44-4049, 44-4054)

Consultant (44-2606 to 44-2635)

Agency

Resident (44-2625, 44-4055, 44-4063)

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Nonresident (44-2625, 4055, 44-4063)

Temporary (44-4058)

Licensing requirements

Eligibility and qualification

Licensing exemptions (44-4051)

1.3 State Regulation

Acts constituting insurance transaction

Negotiate

Sell

Solicit

Director's general duties and powers (44-101.01, 44-2635)

Producer regulatory requirements

Policy signatures

Application signatures

Premium payment

Producer representation

Commissions/compensation and fees (44-4060)

Controlled business (44-361.01, 44-361.02)

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, 44-305)

Unfair trade practices complaint register (44-1525(9))

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

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- 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, 44-1525(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, 44-1540)

Nonpublic personal information and privacy protection

Policy replacement

Solicitation and sales (210 Nebraska Administrative Code Ch. 33)

- Advertising (210 Nebraska Administrative Code Ch. 50)

- Provisions/rules

- Policy summary

- Buyer's Guide (210 Nebraska Administrative Code Ch. 33, § 005, NAIC Current Model Buyer's Guide)

- Illustrations (210 Nebraska Administrative Code Ch. 72)

- Suitability

- Backdating

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

Insurance Fraud Act (44-6601 to 44-6608)

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

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)

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Can-Spam Act
Sarbanes-Oxley Act
Terrorism Risk Insurance Act
Consumer Data Privacy and Security Act
Gramm-Leach-Bliley Act

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

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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

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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

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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), 44-1613, 44-1614)

Standard provisions

5.0 Life Insurance Policy Provisions, Options and Riders 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, 44-143)

Prohibited provisions including backdating (44-503)

Suicide

Consideration

Insuring clause

5.2 Beneficiaries

Designation options

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- 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

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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 to 44-8109)

Types of annuities

- Single premium

- Fixed premium

- Flexible premium

- Immediate

- Deferred

Features/aspects of annuities

- Nonforfeiture

- Surrender charges

Fixed versus variable annuities (44-2212, 44-216; 210 Administrative Code Ch. 15, § 006, § 011)

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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