

**Nebraska Producer's Examination for
Life 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/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

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)

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 (44-5905)
 - 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
 - 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
 - Commingling 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) Neb. Rev. Stat. §44-902(1)(a)

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
 - 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
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), 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
 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 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)

- 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