Addendum: for use with Nebraska Life and Health online courses and study guide, version numbers 27418en and 27419en, per exam content outline update effective 2/1/2024.

The following are content additions to supplement your existing text unless otherwise indicated:

ALL LINES

Insurance Regulation

A. Licensing

Exemptions

An insurance agent license is not required of any officer, director or employee of an insurer or organizations employed by insurers, provided they are not directly or indirectly involved with the actual sale of an insurance contract and **do not receive any commission**. Furthermore, the following individuals are NOT required to hold an insurance producer license:

- A director or employee of an insurer whose activities are limited to executive, administrative, managerial, or clerical;
- A director or employee of a special agent assisting insurance producers by providing technical advice and assistance to licensed insurance producers;
- A person who secures and furnishes information for group insurance as long as no commission is paid;
- An employer or association engaged in the administration or operation of a program of employee benefits for the employer's or association's own employees;
- Employees of insurers or organizations engaging in the inspection, rating or classification of risks, or in the supervision of the training of insurance producers and who are not individually engaged in the sale of insurance;
- A person whose activities are limited to advertising without the intent to solicit insurance;

- A nonresident who sells, solicits or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract; or
- A salaried full-time employee who counsels or advises their employer relative to the insurance interests of the employer or subsidiaries.

C. Federal Regulation

3. Other Federal Regulations

Privacy Protection (Gramm-Leach-Bliley)

The Gramm-Leach-Bliley Act stipulates that in general, an insurance company may not disclose nonpublic personal information to a nonaffiliated third party except for the following reasons:

- The insurance company clearly and conspicuously discloses to the consumer in writing that information may be disclosed to a third party;
- The consumer is given the opportunity, before the time that information is initially disclosed, to direct that information not be disclosed to the third party; or
- The consumer is given an explanation of how the consumer can exercise a nondisclosure option.

The Gramm-Leach-Bliley Act requires 2 disclosures to a customer (a consumer who has an ongoing financial relationship with a financial institution):

- When the customer relationship is established (i.e., a policy is purchased); and
- Before disclosing protected information.
- The customer must also receive an annual privacy disclosure, and have the right to opt out, or choose not to have their private information shared with other parties.

LIFE

Life Insurance Policy Provisions, Options, and Riders

B. Beneficiaries

Retained Asset Account

A **Retained Asset Account (RAA)** is an interest-bearing money market checking account that is established for the beneficiary of a life insurance policy. The insurer deposits the policy's death benefit into this account, from which the beneficiary can draft the funds as needed. The purpose of creating an RAA is to allow the beneficiary time to consider available financial options.

In most states, insurers must disclose the interest rate that is paid on RAAs. The disclosure must include a description of how the interest is determined and how it is credited to the account.

Spendthrift Clause

The **spendthrift clause**, when included in a life insurance policy, protects beneficiaries from the claims of their creditors, as well as prevents the beneficiary's reckless spending of benefits by requiring that the benefits be paid in a fixed period or fixed-amount installments. The beneficiary does not have the right to select a different settlement option and is not allowed to assign or borrow any of the proceeds. The spendthrift clause is designed to protect life insurance policy proceeds that have not yet been paid to a named beneficiary from the claims of the creditors of the beneficiary or policyowner.

Federal Tax Considerations for Life Insurance and Annuities

B. Taxation of Personal Life Insurance

2. Amounts Received by Beneficiary

Estate Value

The death benefit or face amount of a life insurance policy may be included in the insured's taxable estate at death and subject to the federal estate tax. There are essentially 3 situations that will result in life insurance being included in the insured's taxable estate.

1. **Incidents of ownership** — An incident of ownership is defined as any one of the rights of policy ownership, such as the right to cash value, the right to change the beneficiary, the right to obtain policy loans, or the right to assign the policy. If the insured/policyowner possessed any one of these incidents of ownership at the time of the insured's death, the entire face amount of the policy will be included in the insured's taxable estate, even though the actual proceeds were paid out to the beneficiary.
2. **Estate as beneficiary** — If the insured's estate is the designated beneficiary at the time of the insured's death, the entire face amount of the policy will be included in the insured's taxable estate.
3. **Transfer of ownership** — If the insured, as policyowner, assigns or transfers ownership of the policy or makes a gift of the policy within 3 years prior to the insured's death, the entire face amount of the policy will be included in the insured's taxable estate.

HEALTH

Producer Authority, Contracts, and Customer Relations *(Health Course)*

Underwriting, Customer Relations and Privacy *(Life and Health course)*

B. Producer Authority and Powers / Producer Responsibilities in Individual Health Insurance

3. Recording, Reporting, and Securing Client Information

Security Rules

The Security Rules of HIPAA apply to electronically protected health information that is individually identifiable in electronic form. This includes information about a patient's past, present or future medical condition and payment for health care provision. The Security Rules were established to protect confidentiality, integrity, and availability of electronically protected health information.

Covered entities must comply with the security provisions of HIPAA by maintaining reasonable administrative, physical, and technical safeguards against any reasonably anticipated risks.

HIPAA regulations require the use of an **electronic data interchange (EDI)**, an electronic way of transmitting information and documentation between health care providers and insurance providers. The rule establishes specifications for transferring data between computers, including the precise format for each exchange.

The following transactions are governed by the EDI Rule:

- Health care claims or equivalent encounter information;
- Health care payment and remittance advice;
- Coordination of benefits;
- Health care claim status;
- Enrollment and disenrollment in a health plan;
- Eligibility for a health plan;
- Health plan premium payments; and
- Referral certification and authorization.

<u>Medical Plans</u>

I. Affordable Care Act (ACA) – *addition to the existing text:*

State insurance exchanges must provide for an initial open enrollment period, annual open enrollment periods after the initial period (currently scheduled from November 1 through January 31), and special enrollment periods. Unless specifically stated otherwise, individuals or enrollees have 60 days from the date of a triggering event to select a qualified health plan. Triggering, or qualifying, events include marriage, divorce, birth or adoption of a child, change in employment, or termination of health coverage.

Qualified individuals and enrollees may enroll in or change from one qualified health plan to another as a result of the following triggering events:

- A qualified individual or dependent loses minimum essential coverage;
- A qualified individual gains a dependent or becomes a dependent through marriage, birth, adoption or placement for adoption;

- An individual who was not previously a citizen or lawfully present individual who gains such status;
- A qualified individual's enrollment or non-enrollment in a qualified health plan is unintentional or erroneous and is the result of the error, misrepresentation, or inaction of an officer, employee, or agent of the exchange;
- An enrollee adequately demonstrates that the qualified health plan in which they are enrolled substantially violated a material provision of its contract;
- An individual is determined newly eligible or newly ineligible for advance payments of the premium tax credit or has a change in eligibility for cost-sharing reductions, regardless of whether such individual is already enrolled in a qualified health plan;
- A qualified individual or enrollee gains access to new qualified health plans as a result of a permanent move;
- A Native American, as defined by the Indian Health Care Improvement Act, may enroll in a qualified health plan or change from one qualified health plan to another one time per month; and
- A qualified individual or enrollee demonstrates that they meet other exceptional circumstances as the exchange may provide.

Termination of Coverage

A Health Insurance Exchange may cancel an enrollee’s coverage in the event of any of the following:

- The enrollee is no longer eligible for coverage;
- Premiums are no longer being paid and grace periods have been exhausted;
- The enrollee’s coverage has been rescinded;
- The health plan terminates or is decertified; or
- The enrollee changes from one plan to another.

D. Long-term Care (LTC) Policies

Cost of Living

Insureds can also use life insurance products to help pay for long-term care services. The cost of living rider attached to a life insurance policy allows the policyowner purchase increasing term insurance coverage to keep up with expected increases in the cost of living. This rider addresses the inflation factor by automatically increasing the amount of insurance without evidence of insurability from the insured. The face value of the policy may be increased by a cost of living factor tied to an inflation index such as the Consumer Price Index (CPI).