Addendum: for use with Nebraska Life and Life & Health online courses and study guide, version number 27418en, per exam content outline update effective 2/1/2023.

Please note that Nebraska is changing testing providers. Effective 2/1/2023, state insurance exams will be administered by PSI.

The overall chapter layout and the exam breakdown remain unchanged. The following are content additions to supplement your existing text.

Life Insurance Policies

A. Term Life Insurance

2. Decreasing Term

Mortgage Protection

Decreasing term policies are commonly used to pay off a loan balance on the death of the insured, so they are most suitable as mortgage protection coverage. **Mortgage Protection Term Life (or Mortgage Redemption)** policy is a type of decreasing term insurance in which the face amount directly correlates with the amount of outstanding loan and length of time remaining on a mortgage. If the insured dies during the mortgage period, the insurance company will pay the outstanding balance to the beneficiary or to the mortgage company. Note that debt protection is provided on personal mortgages only.

Credit Life

Credit insurance is a special type of coverage written to insure the life of the debtor and pay off the balance of a loan in the event of the death of the debtor. Credit life is usually written as **decreasing term insurance**, and it may be written as an individual policy or as a group plan. When written as a group policy, the creditor is the owner of the master policy, and each debtor receives a certificate of insurance.

The creditor is the owner and the beneficiary of the policy although the premiums are generally paid by the borrower (or the debtor). **Credit life insurance cannot pay out more than the balance of the debt**, so that there is no financial incentive for the death of the insured. The creditors may require the debtor to have life insurance; they cannot, however, require that the debtor buys insurance from a specific insurer.

Annuities

D. Annuity Products – Investment Options

2. Variable Annuities

Regulation of Variable Products

Any domestic insurer issuing variable life insurance must establish **one or more separate accounts.** The insurer must maintain in each separate account assets with a value at least equal to the greater of the valuation reserves for the variable portion of the variable life insurance policies or the benefit base for such policies. A separate investment account may not be chargeable with any liabilities arising out of any other separate investment account or any other business of the company which has no specific and determinable relation to or dependence upon the separate account.

Unless approved by the Director, individuals cannot handle separate accounts if within the last **10 years** they have violated any provision of any state or federal insurance law involving embezzlement, misappropriation of funds, fraud, deceit, or misrepresentation. Furthermore, all persons with access to the cash, securities, or other assets of the separate account must be under a **bond** of at least **$500,000**.

All individuals selling individual variable annuities must be **licensed to write variable contracts** in this state under the Insurance Producers Licensing Act.

Any person qualified in this state to sell variable life insurance product must immediately report to the Director any of the following:

- Any suspension or revocation of their license in any other state or U.S. territory;
- The imposition of any disciplinary sanction; and
- Any judgment or injunction involving fraud, deceit, misrepresentation, or violation of any insurance law.

Nebraska Protection in Annuity Transaction Act

The purpose of the **Nebraska Protection in Annuity Transaction Act** is to require producers to act in the best interest of the consumer when making a recommendation of an annuity, and to require insurers to establish and maintain a system to supervise recommendations so that the consumers' insurance needs and financial objectives at the time of the transaction are appropriately addressed. The Act applies to any recommendation or sale of an annuity.

The Nebraska Protection in Annuity Transaction Act does NOT apply to transactions involving:

1. Direct response solicitations if there is no recommendation based on information collected from the consumer pursuant to the act; or
2. Contracts used to fund:
   - An employee pension or welfare benefit plan that is covered by the federal Employee Retirement Income Security Act of 1974;
   - Employer-sponsored plans 401(a), 401(k), 403(b), 408(k), or 408(p);
   - A government or church plan, a government or church welfare benefit plan, or a deferred compensation plan of a state or local government or tax exempt organization;
   - A nonqualified deferred compensation arrangement established or maintained by an employer or plan sponsor;
   - Settlements of or assumptions of liabilities associated with personal injury litigation or any dispute or claim resolution process; or
   - Contracts entered into pursuant to the Burial Pre-Need Sale Act.

An insurance producer, or insurer if an insurance producer is not involved, must have reasonable basis to believe that any recommendation made for the consumer is suitable and based on information disclosed by the consumer regarding investments, other insurance products, and the financial needs of the applicant.

The consumer profile information must include, at a minimum:

- Age;
- Annual income;
- Financial situation and needs, including debts and other obligations;
- Insurance needs;
- Financial objectives;
- Intended use of the annuity;
- Financial time horizon;
- Existing assets or financial products, including investment, annuity, and insurance holdings;
- Liquidity needs;
- Liquid net worth;
- Risk tolerance;
- Financial resources used to fund the annuity; and
- Tax status.

Each insurer is responsible for compliance with the Nebraska Protection in Annuity Transactions Act. If a **violation** occurs, either because of the action or inaction of the insurer or its producer, the Director of Insurance may order an insurer or producer to take necessary corrective action for any consumer harmed by the insurer or producer, and may order appropriate penalties and sanctions. A violation of the Act is considered an **unfair trade practice**.

A producer may not solicit the sale of an annuity product unless the producer has adequate knowledge of the product to recommend the annuity and is in compliance with the insurer's standards for product training. Prior to engaging in the sale of annuity products, producers are required to complete a **one-time 4-credit training course** approved by the Department of Insurance and provided by a department-approved education provider.

Insurance Regulation

B. State Regulation

5. Solicitation and Sales Presentations – *state-specific additions to the existing text:*

Solicitation rules apply to any life insurance transactions performed by any issuer of life insurance contracts, including fraternal benefit societies. The following types of life insurance products, however, are **excluded** from solicitation regulations:

- Annuities (individual and group);
- Credit life insurance;
- Group life insurance;
- Variable products; and
- Life insurance policies issued in connection with pension and welfare plans.

Each insurer must maintain in their home office a complete file of each document authorized by the insurer for use under the solicitation rule. Buyer's guides, policy summaries, and illustrations must be kept on file for a period of **3 years** following the date of their last authorized use.

Advertising

According to Nebraska rules concerning advertising of life insurance and annuities, **advertising** is defined as any type of communication intended to create public interest in life insurance, an insurer, or to induce someone to buy, change or retain an insurance policy. The definition covers any printed and published material, descriptive literature, material used for the recruitment and training of an insurer's producers, and sales talks and sales aids.

Any insurance advertisement must **always be truthful and not misleading**. Some examples of activities that would be **in violation** of this regulation include, but are not limited to:

- Illustrating dividends on other than the current scale;
- Stating that future dividends can pay up a policy without describing precisely the benefits and conditions that pertain;
- Putting information in an obscure place or small type size;
- Using words or symbols similar to those of a governmental agency;
- Presenting information in an ambiguous or confusing way;
- Using testimonial that is not the true, current opinion of the endorser, or taken out of context;
- Creating the impression that availability of a policy is limited, or
- Using outdated, misleading, or irrelevant statistics, or not giving the source.

In addition, the use of the following terms is specifically prohibited in advertisements (unless they are true) as they may be misleading to a consumer:

- For life insurance: *investment, profit, interest plan, savings*, or similar terms
- For benefits and services: *free, no cost,* or similar
- For an agent/producer: *financial planner, investment adviser*
- For successive enrollment periods: *special, limited*

If the Director determines that an advertisement has the capacity or tendency to mislead or deceive the public, the Director may require an insurer or insurance producer to submit all or any part of the advertising material for review or approval prior to use. Any insurer or its producers or employees who violate any of the provisions of this regulation will be subject to a **monetary penalty** and/or **cease and desist order**, as well as **suspension or revocation** of their certificate of authority or license.

Insurers must keep a complete file of all printed, published, or prepared advertisements for a period of **5 years** after discontinuance of its use of publication.

Illustrations

The purpose of the Nebraska **life insurance illustrations regulation** is to establish standards for formats, content and disclosure of illustrations that will protect consumers and foster consumer education. The goals of this regulation are to ensure that illustrations do not mislead purchasers of life insurance and to make illustrations more understandable. *For example,* insurers are required to eliminate the use of footnotes and caveats as much as possible, and define terms used in the illustration in language that would be understood by a typical person within the segment of the public to which the illustration is directed.

This regulation applies to all individual and group life insurance policies and certificates **except**:

- Variable life insurance;
- Individual and group annuity contracts;
- Credit life insurance; or
- Life insurance policies with no illustrated death benefits on any individual exceeding $10,000.

When using an illustration in the sale of a life insurance policy, an insurer or its producers **may not**

- Represent the policy as anything other than a life insurance policy;
- Describe nonguaranteed elements in a manner that could be misleading;
- Use an illustration that depicts policy's performance as being more favorable than it really is;
- Imply that the amount or payment of nonguaranteed elements is guaranteed;
- Provide an incomplete illustration or one that does not meet requirements;
- Claim that premium payments will not be required for each year of the policy in order to maintain the illustrated death benefits, unless that is the fact;
- Use the term "vanish" or "vanishing premium," or a similar term, that implies the policy becomes paid up; or
- Use an illustration that is not self-supporting.

If an interest rate used to determine the illustrated nonguaranteed elements is shown, it may not be greater than the earned interest rate underlying the disciplined current scale.