Key Facts
A. Life Insurance Policies

Term Life Insurance:

- Term insurance is renewable without a physical examination, up to a certain age.
- Term insurance may be converted to whole life, but not the reverse. Conversion is based on the insured's current age.
- Convertible term is convertible based upon the current or attained age of the insured.
- In a level term policy, the premium and the amount of coverage are level throughout the term.
- On an annual renewable level term policy, the premium will increase every year, although the face amount will remain the same.
- The face amount of a mortgage protection life insurance policy will decrease at the same rate as the mortgage balance declines.
- It is the face amount that decreases on a decreasing term policy, not the premium.
- Decreasing term is the type of life insurance provided in mortgage redemption insurance.

Whole Life Insurance:

- Whole life policies must contain a table showing their guaranteed cash value at the end of each year (anniversary date) for the first 20 years. It is shown per unit (per thousand).
- Whole life benefits are bundled (packaged). Universal life benefits are transparent (stand-alone).
- Whole life and limited pay life both reach maturity at the same time (age 100).
- In a traditional whole life policy, premiums are due until the insured dies or reaches age 100. Conversely, in a limited pay policy, the premiums are paid for a shorter period of time.
- Straight or traditional whole life has a level premium and will provide coverage until the insured dies or reaches age 100.
- Whole life insurance will pay the face amount upon death or age 100, whichever comes first.
- Limited pay whole life insurance has limits that pertain either to the number of years payments must be made, such as 20 pay-life, or the age by which all premiums must be paid, such as life paid-up at 65.
- Limited pay whole life policies, though paid up earlier, do not mature until the insured reaches age 100.
- On a 20-pay life, the cash value will equal the face amount at maturity.
- A single premium may buy a policy that is paid up for life.
- A single premium policy has an immediate cash value.

Flexible Premium Policies:

- An adjustable whole life policy may be suitable for someone with fluctuating income.
- Adjusting the premium paid on an adjustable whole life policy will affect the face amount, and vice versa.

- Universal life insurance is different from whole life because it has a premium that is flexible.
- Universal life insurance policies permit their owners to take partial surrenders.
- Taking a partial surrender on a universal life policy allows the policyowner to withdraw some of the cash value without paying tax on the interest.
- Universal life insurance is also known as interest sensitive whole life.
- Universal life is a combination of 1-year renewable term and a cash value account.
- Universal life offers flexible premiums and a minimum guaranteed rate of return.
- Loans are allowed on universal life policies.

Variable Life:

- Variable whole life allows the insured to self-direct the cash value investment.
- Variable products have no guarantees and are not backed by the guaranty fund.
- Investing in variable products is considered a hedge against inflation.
- A universal life policy that has an investment component is called variable universal life.
- A life insurance policy that invests its cash values in equities is known as variable life.
- A life insurance policy that has a flexible premium and allows the policyowner to self-direct their cash values into equities is known as variable universal life.
- To sell variable products, an agent must be registered with FINRA.

Specialized Policies:

- A joint life policy pays only when the first insured dies. A joint and survivor life policy pays only when the second insured dies.
- Survivorship life insurance is commonly used in estate planning so the death benefit of the policy can be used to pay estate taxes when due.
- Survivorship life pays when the surviving insured dies.
- A juvenile life insurance policy is a life insurance policy written on the life of a minor.

Group Life Insurance:

- On group life insurance, the employees receive a certificate of insurance that summarizes coverage and lists the employee's beneficiary.
- In group insurance the policyowner, who is usually an employer, is issued the master policy.
- In a contributory group life insurance policy, 75% eligible employees must enroll.
- In a noncontributory group life plan (employer pays total premium), 100% of all eligible employees must participate.
- Individual policies are usually more expensive than group.
- On group life, the employer may require an employee to pay the premium for dependent's coverage.
- Group insurance participation requirements help to avoid adverse selection.
- A group cannot be formed just to buy insurance.
- Experience rating is for large groups only. Rates are based on claims experience of the group.
- Conversion from a group life policy to an individual policy when employment is terminated is permitted for 31 days, regardless of health.

Credit Life Insurance:

- On group credit life, the creditor is both the policyholder and the beneficiary.
- The type of policy used to provide credit life insurance is decreasing term.
- Although it is a type of decreasing term, credit life is usually NOT used for mortgage protection.
- The policy limits on credit life cannot exceed the amount of the loan.

B. Annuities

Annuity Principles and Concepts:

- A contract that will pay a specified indemnity to its owner over a period of time is an annuity.
- Annuity tables are different than mortality tables since there is no insurance protection.
- Insurers take the money from annuitants who die too soon and pay it to those who live too long.
- If an insured dies during the accumulation period of an annuity, the account value will be paid to the insured's beneficiary, who is responsible for taxes on interest earned.
- The rights of ownership on an annuity become effective as of the contract date.
- The annuitant is the party whose life the benefits are based upon.
- Although annuity benefits paid to a beneficiary are usually taxable upon the death of the owner/annuitant, beneficiaries who are spouses may continue the contract on a tax deferred basis as the contingent owner.
- Endowments provide life insurance protection. Annuities do not.
- Annuities are the opposite of life insurance. Life insurance creates an estate. Annuities systematically liquidate an estate over a period of time.
- All annuities are insurance products, although often sold by bankers with Life insurance licenses.
- Annuities are often used as life insurance settlement options.

Immediate vs. Deferred:

- An immediate annuity begins paying out immediately after the initial premium is paid.
- The premium for a $100,000 immediate annuity is $100,000, regardless of the annuitant's age, health or gender. It is the payout that depends on these factors.
- Single premium immediate annuities (SPIAs) are often purchased with a lump sum upon retirement.
- In order to be considered a single-premium deferred annuity, there must be a period longer than one benefit payment interval before payments begin.
- A flexible-premium fixed deferred annuity has a flexible premium, minimum guaranteed rate of return and a death benefit equal to its cash value.
- Deferred annuities are purchased by making periodic payments over a period of time.
- A deferred annuity can only be surrendered for cash during its accumulation (pay-in) period.
- The owner of an annuity is responsible for paying the premium.
- When a policyowner surrenders an annuity for cash, they have exercised a nonforfeiture option.
- During the surrender period of an annuity, the surrender value is less than the contract's cash value.
- The surrender charge on an annuity is sometimes referred to as a back-end load.
- Annuities waive surrender charges for death or disability.
- The death benefit on an annuity during the accumulation period is equal to its cash value.

Annuity (Benefit) Payment:

- If the owner of a life income annuity with a 10-year period certain dies 13 years after he or she annuitized the contract, the beneficiary will receive nothing.
- One cannot outlive the income from a life annuity.
- A life income annuity (straight or pure life annuity) has no beneficiary, and is the riskiest choice.
- A life annuity does not start making payments at death. Payments stop at death.
- On a joint life annuity, payments stop when the first annuitant dies.
- A refund annuity has the least amount of risk.
- An annuitant would select the period certain annuity pay-out option if the annuitant wanted payments to continue to a beneficiary after the annuitant's

death.
- If an annuitant selects a pay-out option that will pay for a specified period of time, the annuitant has selected the fixed-period option.

Fixed vs. Variable Annuities:
- The primary challenge faced by those that purchase fixed annuities is purchasing power risk, since the rate of return is fixed.
- The rate of return that an insurer pays on a fixed annuity might not keep up with inflation.
- Fixed annuities guarantee a fixed rate of return and are backed by the state guaranty fund.
- Fixed annuities are backed by the insurer's general account.
- Fixed annuities usually pay an interest rate that is similar to other types of conservative investments.
- An annuity which has a rate of return that is based on an index of equity products is an equity-indexed annuity.
- Equity-indexed annuities (EIAs) have little purchasing power (or inflation) risk since their rate of return is based in part on an equity (stock) index, such as the S&P 500.
- On a market value adjusted annuity, the contract will pay the specified interest rate if it is held for a specific period of time. Adjustments are only made if the contract is surrendered early.

Uses of Annuities:
- Employers may use annuities to fund deferred compensation plans, but not corporate pension plans.
- Lottery payouts and structured settlements are often funded by annuities.
- A self-employed person cannot use an annuity to fund a 403(b) tax-sheltered annuity (TSA).
- A 403(b) tax-sheltered annuity (TSA) is funded by making voluntary before-tax contributions.
- 403(b) TSAs are owned by the employee, not the employer.
- A corporation cannot use an annuity to build tax-deferred growth on corporate assets. Only individuals are entitled to tax deferred annuity earnings.
- Most immediate annuities are purchased by those who wish to supplement their retirement income.
- Most annuities are used for retirement purposes and are considered to be long-term investments.
- One purpose of an annuity is to keep customers from outliving their savings.
- When recommending a variable annuity, the agent should inquire about the applicant's tax status.
- Producers selling annuities must have reasonable grounds for believing that the transaction is suitable based upon a customer's financial status, tax status and investment objectives.

C. Policy Provisions, Options, And Riders

Standard Provisions:

- Although producers must sign the application, they are not a party to the contract. It is the responsibility of the producer to explain the policy provisions, riders, and exclusions to the applicant.
- The owner's rights section of a life policy states who has the right to change the beneficiary, who can take a loan, and who can take cash surrender.
- Owners of life insurance policies may temporarily assign their life insurance policy to a bank as collateral for a loan, which is known as a collateral assignment.
- The policy is the sole collateral for a policy loan. Policy loans are not taxable.
- The owner of a life insurance policy may transfer his or her ownership to another person by making an absolute assignment.

- The entire contract includes the policy and anything else attached at issue, such as the application.
- Producers may not make changes to a policy.
- Policy modifications must be in writing and signed by a company officer.
- Under the life insurance free look, a policyowner who returns their policy 5 days after delivery will receive a full refund since the free look is commonly 10 days.
- A policyowner may exercise the free look provision without giving any reason.
- The free-look period (usually 10 days) starts upon policy delivery. If the policy is mailed to the applicant by the company, the free look starts on the date of mailing. This is called constructive delivery.
- Ordinary life insurance has a grace period of 30 days.
- A life insurance policy provision that allows coverage to continue even if the premium is not paid on time is known as the grace period.
- If a terminated employee dies within the grace period of his or her employer provided group life policy without converting, the full death benefit will be paid to the beneficiary.
- When an insured dies during the grace period without paying the premium due, the face amount will be paid to the beneficiary, less the overdue premium.
- If an insured whose policy has lapsed wants it back, the insured can apply for reinstatement.
- Upon policy reinstatement, the incontestability and suicide clauses start over.
- A life insurance policy that has been surrendered for cash may not be reinstated.
- Life insurance policies are incontestable after they have been in force for 2 years.
- New life insurance policies are contestable for material misrepresentation for the first 2 years.
- Under the misstatement of age provision, if an insurer discovers that an insured has misstated his or her age on the policy application, the insurer will adjust the premiums and benefits according to the correct age of the insured.
- The misstatement of age provision runs for the duration of the policy.
- Under the misstatement of age clause, if the insured understates his or her age, it is the face amount that is reduced.
- Proceeds of a life insurance policy, left with an insurer, for the benefit of a beneficiary, may NOT be attached by creditors.
- Proceeds cannot be directly paid to a minor child since a minor can't sign a release.
- If the insured dies in an accident, the insurer may order an autopsy to determine that death was not the result of a suicide.
- In most states, suicide is covered after 2 years. If an insured commits suicide within a specified period of time after policy issue (usually the first 2 years), no benefit is payable, but all premiums are refunded to the beneficiary. *Check your state regulations section for the time limit in your state.*
- If an insured buys a life insurance policy and dies one month later, the insurer must pay the claim.

Beneficiaries:

- When a policyowner lists a group of people as beneficiaries, it is known as a class designation.
- Life insurance proceeds create an immediate estate for the beneficiary.
- The beneficiary does not have to be of the age of majority (18 or 21, depending upon the state) in order to receive policy proceeds; however, proceeds cannot be directly paid to a minor child since they cannot sign the release.
- If the insured names an individual as their irrevocable beneficiary, the insured cannot change this designation without the beneficiary's consent.
- A revocable beneficiary may be changed at any time by the policyowner.
- A revocable beneficiary has no vested rights under a life policy.
- An irrevocable beneficiary has a vested interest in the policy.
- A contingent beneficiary will receive the policy proceeds if the primary beneficiary dies before the insured.
- Under the common disaster provision, it is assumed that the insured died last.
- If the policy proceeds are paid out in a lump sum, the spendthrift clause will not apply.

Policy Loan and Withdrawal Options:

- Failure to repay a loan will have a permanent effect on cash value accumulation.
- The annual interest on a life insurance loan is added to the amount of the loan as it accrues.
- If an outstanding policy loan, plus interest, exceeds the cash value of the policy, the policy will lapse.
- A loan may be taken from a whole life policy as soon as it develops a cash value.
- The automatic premium loan rider can be added to a whole life policy, but not to a term or credit life policy.
- Partial surrenders are usually allowed in annuities, universal life and variable life policies.

Riders:

- Waiver of premium is a rider that will pay the premium on behalf of a disabled insured, after a short waiting period, until the insured either recovers or dies.
- The waiver of premium rider does not pay a cash benefit to the insured.
- If a parent paying the premium on a child's life insurance policy dies, the provision that allows the premium to be waived is known as payor benefit, NOT waiver of premium.
- If the payor benefit rider is attached to the policy, an insured will not have to worry about premiums being paid if the policyowner dies or becomes disabled.
- The accelerated benefits rider will pay proceeds prior to death for those with a terminal illness.
- The change of insured rider may be utilized by an employer who wants to transfer a key person life insurance policy from one key person to another.
- On a term life rider added to a parent's policy to cover the life of a child, the child's coverage terminates when the child reaches age 18, unless the child converts the rider to permanent coverage.
- When adding a children's term rider to a life insurance policy, all of the insured's children are covered for a single, flat premium charge, no matter how many.
- A level term rider may be added to a parent's life policy in order to insure a child.
- A combination policy that automatically covers all family members, including newborn children (after a short waiting period) at no extra premium charge is called a family policy.
- The guaranteed insurability rider is also known as the guaranteed purchase benefit.
- The guaranteed insurability rider allows the insured to increase coverage periodically without a physical exam.
- If a person purchases a whole life policy and adds a return of premium rider, they will have level coverage from the whole life policy, and increasing coverage from the rider.
- The return of premium rider and the return of cash value rider are both types of increasing term coverage.

Nonforfeiture Options:

- Surrender charges levied by some insurers on annuities and universal life will reduce the amount a policyowner will receive upon cash surrender.
- If a policy with a cash value lapses for nonpayment, the insured has 60 days from the premium due date to select a nonforfeiture option.
- Extended term is the automatic nonforfeiture option.
- When the reduced paid-up nonforfeiture option is selected, the amount of coverage in the new policy is reduced from that of the original policy.
- The reduced paid-up nonforfeiture option may be taken any time there is a cash value.
- The reduced paid-up nonforfeiture option will provide coverage for life.

Dividend Options:

- If an insured with a life insurance policy issued by a mutual insurer allows the insurer to keep the dividends but mail the insured a monthly check, the insured has chosen the interest option.

- On a participating life insurance policy, if the policyowner selects the 1-year term dividend option, the dividend may be used to buy term insurance.

Settlement Options:

- If the insured/owner of a life policy does not designate a settlement option prior to death, the beneficiary may choose whichever option he or she wants. Most choose cash, which is not taxable.
- If the interest settlement option is selected, the interest paid is subject to taxes.
- When a beneficiary selects the interest only settlement option, interest payments (which are taxable) will vary, but the beneficiary may withdraw the principal at any time.
- For estate conservation purposes, a beneficiary should select the interest only settlement option.
- A life insurance beneficiary who elects to take the proceeds payable upon the death of the insured over a period of time has selected the fixed period settlement option.

D. Other Life Topics

1. Qualified Plans

General Requirements:

- A defined benefit qualified plan is structured based on a pre-determined benefit amount.
- A defined contribution plan is a qualified plan.
- Most qualified retirement plans require participants to begin taking required minimum distributions no later than April 1 of the year after they reach age 73.
- The coverage requirement in a qualified plan is that a broad range of employees is covered by the plan.
- Trustees must manage qualified plan assets exclusively for the benefit of the participants.

Plan Types, Characteristics and Purchasers:

- A plan where an employee forgoes current pay in exchange for future benefits is known as a deferred compensation plan.
- Amounts contributed to qualified plans are limited by the IRS.
- There is no maximum dollar limit that applies to rollovers from one qualified plan to another.
- All or part of a distribution from a qualified plan may be rolled over into an IRA without tax.
- A trustee-to-trustee rollover eliminates the withholding tax requirement.
- Although Keogh plans are available to self-employed sole proprietors, partners, and their employees, they are NOT available to corporate officers.
- When a corporation sets up a qualified retirement plan to contribute a portion of their net income for the benefits of employees, it is known as a profit-sharing plan.
- Contributions made by participants to a SIMPLE plan must be vested immediately.
- When surrendering a 403(b) TSA for cash under age 59 ½, all the proceeds are taxable as ordinary income plus the proceeds are subject to an IRS 10% premature distribution penalty.

2. Retirement Plans

Taxation of Personal Life Insurance:

- Death benefits paid to beneficiaries are tax free on all life insurance.
- Dividends which are paid out by mutual insurers are not taxable to the policyowner because they are considered to be a return of the premium paid by the policyowner.
- Dividends received by the owner of stock in a stock company are taxable as ordinary income. Dividends are NEVER taxed as capital gains.

- A cash surrender where the amount received is more than amount paid in in premiums would cause a taxable event.
- Surrendering a life insurance policy for cash and using the proceeds to buy a new life insurance policy from a different insurer is a tax-deferred 1035 exchange.
- On cash surrender of a life insurance policy, amounts received in excess of premiums paid in are taxable.
- In group life insurance, benefits are NOT taxable to the beneficiary should the employee die.
- Premiums paid for individual life insurance are NOT tax deductible, nor are benefits taxed. This is true of key person life insurance as well.
- Life insurance policyowners who gift their policies to a charity are entitled to a tax deduction in the year of the gift.

Taxation of Individual Retirement Plans:

- If a surviving spouse is the beneficiary of an IRA owner who died before distributions begin, the spouse may elect to treat the IRA as his or her own, by continuing it or rolling it over to a new one.
- IRAs may be funded with annuities, but NOT with whole life policies.
- Children cannot buy an IRA unless they have earned income.
- Deferred annuities may be used to fund an IRA.
- If income is below a certain level, traditional IRA contributions may be tax deductible even though the employee is an active participant in another qualified plan.
- The direct transfer of IRA funds from one trustee to another is not taxable.
- Contributions made to qualified plans are generally made before taxes, which benefits employees.
- Qualified retirement plans offer special tax advantages to both employers and employees, in that employers can tax deduct contributions (although they are not taxable to employees until distributed).
- Qualified plans have early withdrawal penalties. The IRS levies a 10% penalty for cash surrenders on annuities, IRAs, TSAs, and Keogh plans prior to age 59 ½ unless the individual has died or become disabled. This penalty is in addition to income taxes due.
- Premature distributions may be made to a first-time homebuyer from an IRA without incurring a 10% penalty, subject to a lifetime dollar limit.
- Premature distributions made from a deductible IRA for qualified educational expenses are exempt from the 10% penalty, but they are not exempt from income tax.
- Premature distribution penalties are not waived due to bankruptcy.
- A Roth IRA is different from a traditional IRA because contributions are not tax deductible, but distributions are tax free.
- A Roth IRA is different from a traditional IRA in that a Roth IRA does not have any required distribution date.
- Distributions from a Roth IRA are not taxable if the participant held the contract for at least 5 years and is at least age 59 ½.
- Contributions to a traditional IRA will always be tax deductible if an individual and spouse (if married) aren't covered by a retirement plan at work.
- If a surviving spouse inherits an IRA, the spouse must start withdrawals no later than April 1st of the year after they reach age 72.

Modified Endowment Contracts (MECs):

- Modified endowment contracts (MECs) lose their favored tax treatment as life insurance since the IRS considers them to be investments.
- MECs are classified that way for the life of the contract.
- A modified endowment contract that is classified as life insurance but fails the 7-pay test would have taxable loans and withdrawals.
- Making a material change to a cash value life insurance policy may cause the 7-pay test to be applied again and could cause the policy to be classified as a modified endowment contract.
- Modified endowment contracts have a 10% IRS penalty for premature distributions.

E. North Carolina Statutes And Regulations Pertinent To Life

Definitions:

- An insurance contract is an agreement between the insurer (insurance company) and the insured (client). The insurer is obligated to pay the insured in case of a loss, injury or destruction of something the insured has an insurable interest in.
- An insurer with a home office in this state is a domestic insurer.
- An insurer with a home office in another state is a foreign insurer.
- An insurer with a home office in another country but authorized to do business in North Carolina is considered an alien insurer.
- An unauthorized insurer means an insurance company transacting business in North Carolina without a license. This act is unlawful.

Commissioner of Insurance:

- The Commissioner of Insurance is elected by the people of North Carolina.
- The Commissioner serves a 4-year term in office.
- The Commissioner is required to report any violation of insurance law to the Attorney General.
- The Commissioner is required to investigate all domestic insurers at least once every 5 years.
- The Commissioner is required to review the insurer's annual report filings.
- If the Insurance Commissioner finds that there is sufficient evidence to charge a person with a criminal violation, he or she may have the person arrested.
- The Commissioner must give 10 days' written notice of all hearings.
- Whenever an insurer knows that a person has violated the fraudulent claims provisions, it is that person's duty to notify the Commissioner.
- Every licensee must report any change in residence or email address to the Commissioner within 10 days of the change. The penalty for violating this requirement is a $50 administrative fee paid to the Commissioner.
- If a licensee is convicted in any court for any fine, other than a traffic violation, the licensee must notify the Commissioner in writing within 10 days of the conviction date.
- The Commissioner may order the payment of a monetary fine of between $100 and $1,000 in addition to, or instead of, suspending or revoking a person's license.
- If an agent's license is suspended or revoked it must be returned to the Commissioner.
- If the Commissioner denies an initial application for an agent, the applicant may request a review within 30 days of receiving notification of the denial.
- If a person holding a resident insurance license moves out of state, that person must surrender his or her license to the Commissioner within 30 days of terminating residence.
- Business may be conducted under an assumed name so long as the Commissioner is notified of the assumed name prior to use.

Licensing:

- In order to obtain an agent's license, one must be 18 years old, pass the examination, complete pre-licensing training, be a good person, pay fees, and submit an application to the Commissioner.
- The prelicensing education requirement is 20 hours for each license.
- If an insurance licensee is convicted of a criminal violation, the licensee's insurance license is automatically suspended.
- Any licensee who fails to keep adequate books and records may have his or her license suspended for 1 to 6 months.
- A person who knowingly presents a fraudulent claim to an insurer is guilty of a felony.
- An insurance agent who embezzles a client's monies is guilty of a felony.
- A person who willfully misstates information in any financial statement is guilty of perjury.

- An agent represents the insurer.
- A broker represents the insured.
- A limited representative could sell credit life, travel accident or dental services coverages.
- In order to obtain a broker's license, the applicant must maintain a bond in the amount of $15,000 in favor of North Carolina for the use of aggrieved parties.
- An agent can share up to 50% of his or her commission with another licensed agent, even if that agent is not appointed by the paying insurer.
- In order to be granted a nonresident North Carolina license, a person must be licensed in their home state (in good standing), the person must be from a state with a reciprocal agreement with North Carolina, and the person must have submitted an application and paid the appropriate fee.
- A person holding a nonresident license that moves into the state is allowed to apply for a resident license without needing to take pre-licensing training or pass the examination so long as the person applies for a resident license within 90 days of establishing legal residence in this state.
- A licensed resident agent or broker does not need to countersign an application on behalf of a nonresident agent or broker.
- Failure to pay child support, the use of fraudulent practices and making an untrue statement on the license application are all grounds for license suspension, revocation, or refusal.
- A temporary license is good for 180 days.

Continuing Education:

- The continuing education requirement is 24 hours every 2 years, of which 3 hours must be in ethics.
- Paperwork related to completion of continuing education must be kept for 5 years.
- If a person is not in compliance with the continuing education requirement, their license will lapse. The license may be reinstated with the proper completion of continuing education if completed within 120 days of the person's previous compliance year.

Insurance Information & Privacy Protection Act:

- The purpose of the Insurance Information and Privacy Protection Act is to establish standards for the collection and use of information gathered by insurers and agents.
- Insurers or agents must provide written notice of information practices to all applicants or policyholders.
- In the case of an insurance application, notice must be provided no later than the policy delivery date when personal information is only collected from the applicant or public records; or the date when personal information is collected from a source other than the applicant or public records.
- Upon written request for access to recorded personal information, the insurer or agent must, within 30 business days, inform the individual of the nature of the information and permit the individual to receive a copy of it.
- When an insurer will be collecting personal information from a source other than the applicant or public records, the applicant must be advised as to the insurer's information practices no later than the date when personal information is collected.
- No notice is required in connection with a policy renewal if personal information is collected only from the policyholder or from public records or if a notice has been given within the previous 24 months.
- If an individual submits a written request for access to recorded personal information, the insurer must permit the individual access to such information within 30 days.
- A person who violates a cease and desist order related to violation of the Information and Privacy Protection Act may be fined a fine of no more than $50,000 if the violation constitutes a general business practice.

Unfair Trade Practices:

- Using blindness or deafness as an underwriting factor in life insurance is unfair discrimination.
- Insurers may not discriminate against an applicant because of race, color, or national or ethnic origin.
- Twisting occurs if an insurer makes a statement misrepresenting or incompletely comparing the terms of any insurance policy to induce a policyholder to drop an existing policy to his or her detriment.
- A lender cannot require that a borrower buy insurance from them as a condition to a loan, as this is coercion.
- Commingling is an illegal practice in which a client's funds are deposited with the general agency funds.
- An insurer cannot require that the insured use a specific source for the repair of property damage.
- Offering a client something of value that is not specified in the policy is a rebate and is illegal.
- Intimidating or discouraging a claimant from seeking legal advice would be a violation of ethical standards.
- Twisting is not an unfair claims settlement practice.
- Unfair trade practices include unfair methods of competition, unfair or deceptive acts or practices, and unfair claims settlement practices.
- Misrepresentation and false advertising of policies, defamation, false financial statements, unfair discrimination, rebates, and twisting are examples of unfair methods of competition and unfair or deceptive practices in North Carolina.
- A person who willfully engages in an unfair claims practice or unfair method of competition must pay the Commissioner between $1,000 and $5,000 for each violation.
- Offering an applicant shares of stock in the insurance company as an inducement to buy is prohibited.
- Giving a special advantage as an inducement to buy insurance is prohibited.

False Pretenses and Cheats:

- A person who acts without the proper insurance license may be deemed guilty of a misdemeanor and fined $1,000 to $5,000 for each day the violation occurs.
- A person who knowingly obtains information about an individual from an agent or the insurer under false pretenses is guilty of a Class 1 misdemeanor.
- A person who attempts to obtain anything of value from another by false pretenses, with the intent to cheat or defraud, is guilty of a felony.
- Any question on an application used for marketing or research must be clearly marked as such.

Replacement Regulations:

- The replacement rules related to life insurance do not apply to any of the following: group life, group annuities, credit life or nonconvertible term that expires in 5 years or less and cannot be renewed.
- Records related to replacement life policies must be kept on file for 5 years.
- A producer that initiates an application for life insurance must submit to the insurer a statement signed by both the producer and the applicant as to whether the applicant has existing policies or contracts.
- Replacement policies must contain a 30-day free look.

General Regulations:

- Selling insurance for an insurer that is not properly licensed in North Carolina is a felony.
- Selling insurance for an insurer, an agent thought was properly licensed in North Carolina, but it turns out was not, is a misdemeanor.
- An agent who signs a blank policy is guilty of a misdemeanor and may be fined from $1,000 to $5,000.

Life and Health Insurance Guaranty Association:

- All authorized life and health insurers must participate in the Life and Health Insurance Guaranty Association.

- The Guaranty Association is designed to detect and prevent insurer insolvencies, and to pay claims (within limits) of the insolvent insurer.

Viaticals:

- Terminally ill means having an illness or sickness that can reasonably be expected to result in death in 24 months or less.
- Viatical settlement providers and brokers must be licensed.
- Copies of all records related to viatical settlements must be kept for 5 years.
- A person who commits a fraudulent act in connection with a viatical settlement is guilty of a Class H felony.