

# Your Exam Content Outline

The following outline describes the content of one of the South Carolina insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

## South Carolina Producer's Examination for Variable Contracts Series 19-07

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 1.1 Licensing

- Process (38-43-100)
- Types of licensees
  - Producer (38-43-10, 30)
  - Nonresident (38-43-70)
  - Temporary (38-43-102)
- Maintenance and duration (38-43-110)
  - Reinstatement (38-43-110(B))
  - Reporting of actions (38-43-247)
  - Change of address (38-43-107)
  - Assumed names (38-43-10(C))
  - Continuing education (38-43-106)
- Disciplinary actions
  - Cease and desist order (38-57-200, 230)
  - Hearings (38-3-170; 38-57-200)
  - Penalties (38-2-10–30, 38-43-130)

#### 1.2 State regulation

- Director's general duties and powers (38-3-60, 110)
- Company regulation
  - Certificate of authority (38-5-80)
  - Solvency (38-5-120)
  - Rates (38-3-110)
  - Policy forms (38-61-20)
  - Unfair claims settlement practices (38-59-20)
  - Examination of books and records (38-13-10–30)
  - Appointment (38-43-40, 50)
  - Termination of appointment (38-43-55)
- Producer regulation
  - Records maintenance (38-43-250)
  - Failure to act as fiduciary (38-43-240)
  - Blank forms (38-43-260)
  - Sharing commissions (38-43-200)
  - Representing an unauthorized insurer (38-43-160–180)
- Unfair and prohibited practices
  - Misrepresentation (38-57-40)
  - False advertising (38-57-50)
  - Defamation (38-57-90)

- Boycott, coercion and intimidation (38-57-100)
- False financial statements (38-57-80)
- Unfair discrimination (38-55-50)
- Rebating (38-57-130)
- Twisting (38-57-60)
- Prohibited inducements (38-57-130, 150)
- Insurance fraud act (38-55-510–590)
- Consumer information privacy regulation (Reg 69-58 Sec 1–16)

#### 1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033, 1034)

### 2.0 General Insurance 10%

#### 2.1 Concepts

- Risk management key terms
  - Risk
  - Exposure
  - Hazard
  - Peril
  - Loss
- Methods of handling risk
  - Avoidance
  - Retention
  - Sharing
  - Reduction
  - Transfer
- Elements of insurable risks
  - Adverse selection
  - Law of large numbers
  - Reinsurance

#### 2.2 Insurers

- Types of insurers
  - Stock companies
  - Mutual companies
  - Fraternal benefit societies
  - Lloyd's associations
  - Risk retention groups
  - Captive companies (Title 38, Ch 90)
- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating services)
- Marketing (distribution) systems

#### 2.3 Producers and general rules of agency

- Insurer as principal
- Producer/insurer relationship
- Authority and powers of producers

- Express
- Implied
- Apparent

Responsibilities to the applicant/insured

## **2.4 Contracts**

Elements of a legal contract

- Offer and acceptance
- Consideration
- Competent parties
- Legal purpose

Distinct characteristics of an insurance contract

- Contract of adhesion
- Aleatory contract
- Personal contract
- Unilateral contract
- Conditional contract

Legal interpretations affecting contracts

- Ambiguities in a contract of adhesion
- Reasonable expectations
- Indemnity
- Utmost good faith
- Representations/misrepresentations
- Warranties
- Concealment
- Fraud
- Waiver and estoppel

## **3.0 Regulation of Variable Products 10%**

### **3.1 Securities Exchange Act of 1933**

### **3.2 Securities Exchange Act of 1934**

- Suitability
- Compliance

### **3.3 Investment Company Act of 1940**

### **3.4 State regulation of variable products**

## **4.0 Nature of Variable Life Products 23%**

### **4.1 Variable life versus variable universal life**

### **4.2 Fixed premium payment versus flexible payment**

### **4.3 Face value versus death benefit**

### **4.4 Cash values**

### **4.5 Separate accounts**

### **4.6 Charges and fees**

### **4.7 Loans**

## **5.0 Annuities 25%**

### **5.1 Annuity principles and concepts**

- Accumulation period versus annuity period
- Owner, annuitant and beneficiary
- Insurance aspects of annuities

### **5.2 Immediate versus deferred annuities**

- Single premium immediate annuities (SPIAs)
- Deferred annuities
  - Premium payment options
  - Nonforfeiture
  - Surrender charges
  - Death benefits

### **5.3 Annuity (benefit) payment options**

- Life contingency options
  - Pure life versus life with guaranteed minimum
  - Single life versus multiple life
- Annuities certain (types)

### **5.4 Variable annuities**

- Assets in a separate account
- Free look
- Contract charges
  - Sales charge
  - Deferred sales charge
  - Annual contract fee
  - Mortality and expense charge
  - Investment management charge
  - State premium tax
- Accumulation period — units
- Annuity period — units
  - Assumed interest rate (AIR)
- Combination annuities — contracts with fixed and variable accounts
- Riders (living benefits and death benefits)

## **6.0 Federal Tax Considerations for Life Insurance and Annuities 10%**

### **6.1 Taxation of personal life insurance**

- Amounts available to policyowner
  - Cash value increases
  - Dividends
  - Policy loans
  - Surrenders
- Amounts received by beneficiary
  - General rule and exceptions
  - Settlement options
- Values included in insured's estate

### **6.2 Modified endowment contracts (MECs)**

- Modified endowment versus non-MEC life insurance
- Seven-pay test
- Distributions

### **6.3 Taxation of non-qualified annuities**

- Individually-owned
  - Accumulation phase (taxation issues related to withdrawals)
  - Annuity phase and the exclusion ratio
  - Distributions at death
- Corporate-owned

### **6.4 Taxation of individual retirement plans (IRAs)**

- Traditional IRAs
  - Contributions and deductible amounts
  - Premature distributions (including taxation issues)
  - Annuity phase benefit payments
  - Values included in the annuitant's estate
  - Amounts received by beneficiary
  - Required minimum distributions
- Roth IRAs
  - Contributions and limits
  - Distributions

**6.5 Rollovers and transfers (IRAs and qualified plans)**

**6.6 Section 1035 exchanges**

**7.0 Qualified Plans 12%**

**7.1 General requirements**

**7.2 Federal tax considerations**

Tax advantages for employers and employees

Taxation of distributions (age related)

**7.3 Plan types, characteristics and purchasers**

Simplified employee pension (SEPs)

Self-employed plans (HR 10 Keogh plans)

Profit-sharing and 401(k) plans

SIMPLE plans

Defined benefit pension plans

Section 457 deferred compensation

403(b) tax-sheltered annuities (TSAs)