

# Your Exam Content Outline

The following outline describes the content of one of the South Dakota insurance examinations. The outlines are the basis of the examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weights assigned to each part 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 Dakota Producer's Examination for Personal Lines Insurance Series 10-53

**100 questions – Two-hour time limit**

### 1.0 Insurance Regulation 11%

#### 1.1 Licensing

- Process (58-30-145, 148)
- Types of licensees
  - Producers (58-30-142, 175)
  - Business entities (58-30-149)
  - Nonresident producers (58-30-100, 159, 160)
  - Temporary (58-30-165, 166)
- Maintenance and duration
  - Renewal (58-30-74, 120, 121)
  - Termination (58-30-112)
  - Change of address (58-30-157, 162)
  - Assumed business name (58-30-164)
  - Reporting of actions (58-30-193)
  - Continuing education (58-30-116, 120;  
Reg 20:06:18:01-04, 09-10, 12-13, 18)
- Disciplinary actions
  - Cease and desist order (58-4-7)
  - Suspension, revocation and refusal to issue or  
renew (58-30-108, 110, 167)
  - Right to hearing (58-30-168)
  - Penalties and fines (58-4-28.1; 58-30-133,  
167, 170)

#### 1.2 State regulation

- Director's general duties and powers (58-2-22)
- Company regulation
  - Certificate of authority (58-6-1)
  - Solvency (58-6-23; Reg 20:06:23:02)
  - Appointment (58-30-175-192)
  - Unfair claims settlement practices (58-33-67)
- Producer regulation
  - Reporting of felonies and crimes of moral  
turpitude (58-30-194)
  - Commissions (58-30-171-174)
  - Loans (58-30-140)
  - Influence of witnesses (58-30-196)
- Unfair trade practices
  - Rebating (58-33-14, 24, 25)
  - Misrepresentation (58-33-5, 6, 37)
  - False advertising (58-33-5, 6)
  - Twisting (58-33-8)
  - Illegal inducement (58-33-11, 15, 24)

- Boycott, coercion or intimidation (58-33-32)
- Charges for extra services (58-33-36)
- Defamation of insurer (58-33-7)
- Unfair discrimination  
(58-11-55; 58-33-13.1, 26)
- Examination of books and records  
(58-3-5; 58-30-91; Reg 20:06:01:05-.01)
- Producer appointment (58-30-6, 175)
- Termination of appointment (58-30-8, 180)
- Insurance fraud regulation (58-4A-1-17)
- Privacy of consumer financial information  
(Reg 20:06:45:01-26)

#### 1.3 Federal regulation

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

### 2.0 General Insurance 11%

#### 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
  - Reciprocal
  - Lloyd's associations
  - Surplus lines
  - Risk retention groups
- Risk purchasing groups
- 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 Property and Casualty Insurance Basics**

**17%**

### **3.1 Principles and concepts**

Insurable interest

Underwriting

Function

Loss ratio

Rates

Types

Loss costs

Components

Hazards

Physical

Moral

Morale

Negligence

Elements of a negligent act

Defenses against negligence

Damages

Compensatory — special versus general

Punitive

Absolute liability

Strict liability

Vicarious liability

Causes of loss (perils)

Named perils versus special (open) perils

Direct loss

Consequential or indirect loss

Blanket versus specific insurance

Basic types of construction

Loss valuation

Actual cash value

Replacement cost

Market value

Agreed value

Stated amount

### **3.2 Policy structure**

Declarations

Definitions

Insuring agreement or clause

Additional/supplementary coverage

Conditions

Exclusions

Endorsements

### **3.3 Common policy provisions**

Insureds — named, first named, additional

Policy period

Policy territory

Cancellation and nonrenewal

Deductibles

Other insurance

Nonconcurrency

Primary and excess

Pro rata

Contribution by equal shares

Limits of liability

Per occurrence (accident)

Per person

Split

Combined single

Restoration/nonreduction of limits

Appraisal

Coinsurance

Vacancy or unoccupancy

Named insured provision

Duties after loss

Assignment

Abandonment

Insurer provisions

Liberalization

Subrogation

Salvage

Claim settlement options

Duty to defend

Third-party provisions

Standard mortgage clause

Loss payable clause

No benefit to the bailee

### **3.4 South Dakota laws, regulations and required provisions**

South Dakota Valued Policy Law (58-10-10)

South Dakota Insurance Guaranty Association  
(58-29A-54-109)

Cancellation and nonrenewal  
(58-1-14, 15; 58-33-61)

Binders (58-11-29-31)  
Suit against insurer (58-23-1; RL 15-2-13(1))

#### **4.0 Dwelling ('02) Policy 11%**

##### **4.1 Characteristics and purpose**

##### **4.2 Coverage forms – Perils insured against**

Basic  
Broad  
Special

##### **4.3 Property coverages**

Coverage A – Dwelling  
Coverage B – Other structures  
Coverage C – Personal property  
Coverage D – Fair rental value  
Coverage E – Additional living expense  
Other coverages

##### **4.4 General exclusions**

##### **4.5 Conditions**

##### **4.6 Selected endorsements**

Special provisions – South Dakota (DP 01 40)  
Automatic increase in insurance (DP 04 11)  
Broad theft coverage (DP 04 72)  
Dwelling under construction (DP 11 43)

##### **4.7 Personal liability supplement**

#### **5.0 Homeowners ('00) Policy 22%**

##### **5.1 Coverage forms**

HO-2 through HO-6  
HO-8

##### **5.2 Definitions**

##### **5.3 Section I – Property coverages**

Coverage A – Dwelling  
Coverage B – Other structures  
Coverage C – Personal property  
Coverage D – Loss of use  
Additional coverages

##### **5.4 Section II – Liability coverages**

Coverage E – Personal liability  
Coverage F – Medical payments to others  
Additional coverages

##### **5.5 Perils insured against**

##### **5.6 Exclusions**

##### **5.7 Conditions**

##### **5.8 Selected endorsements**

Special provisions – South Dakota (HO 01 40)  
Limited fungi, wet or dry rot, or bacteria coverage  
(HO 04 26, HO 04 27)  
Permitted incidental occupancies – residence  
premises (HO 04 42)  
Earthquake (HO 04 54)  
Scheduled personal property (HO 04 61)  
Personal property replacement cost (HO 04 90)  
Home day care (HO 04 97)  
Business pursuits (HO 24 71)  
Watercraft (HO 24 75)  
Personal injury (HO 24 82)

#### **6.0 Auto Insurance 22%**

##### **6.1 Laws**

South Dakota Financial Responsibility of Vehicle  
Owners and Operators Law (RL 32-35)  
Required limits of liability (RL 32-35-70)  
South Dakota Automobile Insurance Plan  
(58-11-57)  
Supplemental coverage (58-23-7, 8)  
Medical  
Disability  
Accidental death  
Uninsured/underinsured motorist (58-11-9, 9.4)  
Definitions (58-11-9.1)  
Bodily injury (58-11-9.5)  
Stacked and non-stacked  
(58-11-9.7, 9.8, 9.9)  
Required limits (58-11-9)  
Cancellation/nonrenewal  
Grounds (58-11-46, 47, 50)  
Notice (58-11-49, 51, 52)  
Notice of eligibility in assigned risk plan  
(58-11-53)  
Repair standards (58-12-16)  
Aftermarket crash parts (58-33-70, 71)

##### **6.2 Personal ('05) Auto Policy**

Definitions  
Liability coverage  
Bodily injury and property damage  
Supplementary payments  
Exclusions  
Medical payments coverage  
Uninsured motorist coverage  
Coverage for damage to your auto  
Collision  
Other than collision  
Deductibles  
Transportation expense  
Exclusions  
Duties after an accident or loss  
General provisions  
Selected endorsements  
Amendment of policy provisions – South  
Dakota (PP 01 65)  
Towing and labor costs (PP 03 03)  
Extended non-owned coverage (PP 03 06)  
Miscellaneous type vehicle (PP 03 23)  
Joint ownership coverage (PP 03 34)

#### **7.0 Other Coverages and Options 6%**

##### **7.1 Personal umbrella liability policy (DL 98 01)**

##### **7.2 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

##### **7.3 Other policies**

Boatowners