

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 Life, Accident and Health Insurance Series 19-03

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 15%

1.1 Licensing

- Process (38-43-100)
- Types of licensees
 - Producer (38-43-10, 30)
 - Nonresident (38-43-70)
 - Temporary (38-43-102)
 - Broker (38-45-10)
- 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)
- Free insurance (38-57-170)
- 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 5%

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 Life Insurance Basics 9%

3.1 Insurable interest

3.2 Personal uses of life insurance

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation
- Viatical settlements
- Life settlements
- Exemption from claims of creditors
- Exemption from probate

3.3 Determining amount of personal life insurance

- Human life value approach
- Needs approach
 - Types of information gathered
 - Determining lump-sum needs
 - Planning for income needs

3.4 Business uses of life insurance

- Buy-sell funding
- Key person
- Supplemental executive retirement plans (SERPs)
- Executive bonuses

3.5 Classes of life insurance policies

- Group versus individual
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities

- Regulation of variable products (SEC, FINRA and South Carolina) (Reg 69-12 Part A (Art IV), Part B (Art VI))

3.6 Premiums

- Factors in premium determination
 - Mortality
 - Interest
 - Expense
- Premium payment mode

3.7 Producer responsibilities

- Solicitation and sales presentations
 - Advertising
 - Life and Accident and Health Insurance Guaranty Association (38-29-130(5))
 - Illustrations (Reg 69-40 Sec 5-8)
 - Policy summary (Reg 69-30(D),(E))
 - Buyer's guide (Reg 69-30(D),(E), Appendix)
 - Life insurance policy cost comparison methods
 - Replacement (38-63-220(b); Reg 69-12.1)
 - Use and disclosure of insurance information
- Field underwriting
 - Notice of information practices
 - Application procedures and timing of initial premium collection
 - Premium collection
- Delivery
 - Policy review
 - Effective date of coverage

3.8 Individual underwriting by the insurer

- Information sources and regulation
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
- Selection criteria and unfair discrimination (38-57-120(1))
- Classification of risks
 - Preferred
 - Standard
 - Substandard

4.0 Life Insurance Policies 6%

4.1 Term life insurance

- Level term
 - Annual renewable term
 - Level premium term
- Decreasing term

4.2 Whole life insurance

- Continuous premium (straight life)
- Limited payment
- Single premium

4.3 Flexible premium policies

- Adjustable life
- Universal life

4.4 Specialized policies

- Joint life (first-to-die)
- Survivorship life (second-to-die)

Final expense/pre-need

4.5 Group life insurance

Characteristics of group plans

Types of plan sponsors

Group underwriting requirements

Conversion to individual policy (38-65-210(8-10))

4.6 Credit life insurance (individual versus group)

5.0 Life Insurance Policy Provisions, Options and Riders 11%

5.1 Required provisions (38-63-220)

Modifications (c)

Right to examine (free look) (b)

Payment of premiums (h)

Grace period (i)

Reinstatement (j)

Incontestability (d)

Misstatement of age or gender (e)

Interest on insurance proceeds (f)

Entire contract (38-63-210)

Exclusions (38-63-225)

5.2 Beneficiaries

Designation options

Individuals

Classes

Estates

Minors

Trusts

Succession

Revocable versus irrevocable

Common disaster clause

Spendthrift clause

5.3 Settlement options

Cash payment

Interest only

Fixed-period installments

Fixed-amount installments

Life income

Single life

Life with term certain

Joint and survivor

Joint life with term certain

5.4 Nonforfeiture options

Cash surrender value

Extended term

Reduced paid-up insurance

5.5 Policy loan and withdrawal options

Cash loans

Automatic premium loans

Withdrawals or partial surrenders

5.6 Dividend options

Cash payment

Reduction of premium payments

Accumulation at interest

One-year term option

Paid-up additions

5.7 Disability riders

Waiver of premium

Waiver of cost of insurance

Disability income benefit

Payor benefit life/disability (juvenile insurance)

5.8 Accelerated (living) benefit provisions/riders

Conditions for payment

Effect on death benefit

5.9 Riders covering additional insureds

Spouse/other-insured term rider

Children's term rider

Family term rider

5.10 Riders affecting the death benefit amount

Accidental death

Guaranteed insurability

Cost of living

Return of premium

6.0 Annuities 4%

6.1 Annuity principles and concepts

Accumulation period versus annuity period

Owner, annuitant and beneficiary

Insurance aspects of annuities

6.2 Immediate versus deferred annuities

Single premium immediate annuities (SPIAs)

Deferred annuities

Premium payment options

Nonforfeiture

Surrender and withdrawal charges

Death benefits

6.3 Annuity (benefit) payment options

Life contingency options

Pure life versus life with guaranteed minimum

Single life versus multiple life

Annuities certain (types)

6.4 Annuity products

Fixed annuities

General account assets

Interest rate guarantees (minimum versus current)

Level benefit payment amount

Equity indexed annuities

Market value adjusted annuities

6.5 Uses of annuities

Lump-sum settlements

Qualified retirement plans

Group versus individual annuities

Personal uses

Individual retirement plans (IRAs)

Tax-deferred growth

Retirement income

Education funds

7.0 Federal Tax Considerations for Life Insurance and Annuities 3%

7.1 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

7.2 Modified endowment contracts (MECs)

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

7.3 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

7.4 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

7.5 Rollovers and transfers (IRAs and qualified plans)

7.6 Section 1035 exchanges

8.0 Qualified Plans 1%

8.1 General requirements

- ERISA 408(b)(2) disclosure rules

8.2 Federal tax considerations

- Tax advantages for employers and employees
- Taxation of distributions (age-related)

8.3 Plan types, characteristics and purchasers

- Simplified employee pensions (SEPs)
- Self-employed plans (HR 10 or Keogh plans)
- Deferred compensation qualified plan, Roth options
- Profit-sharing and 401(k) plans
- SIMPLE plans
- Defined benefit pension plans
- Section 457 deferred compensation (nonqualified)
- 403(b) tax-sheltered annuities (TSAs)

9.0 Health Insurance Basics 8%

9.1 Definitions of perils

- Accidental injury
- Sickness

9.2 Principal types of losses and benefits

- Loss of income from disability
- Medical expense
- Dental expense
- Long-term care expense

9.3 Classes of health insurance policies

- Individual versus group
- Private versus government
- Limited versus comprehensive

9.4 Limited policies

- Limited benefits
- Required notice to insured
- Types of limited policies
 - Accident-only including South Carolina minimum standards
 - Hospital indemnity (income)
 - Credit disability
 - Blanket insurance (teams, passengers, other)
 - Prescription drugs
 - Vision care

9.5 Common exclusions from coverage

9.6 Producer responsibilities in individual health insurance

- Marketing requirements
 - Advertising (Reg 69-17)
 - Life and Accident and Health Insurance Guaranty Association (38-29-130(5))
 - Sales presentations (Reg 69-34.1)
 - Outline of coverage (38-71-550)
- Field underwriting
 - Nature and purpose
 - Disclosure of information about individuals
 - Application procedures
 - Requirements at delivery of policy
 - Common situations for errors/omissions

9.7 Individual underwriting by the insurer

- Underwriting criteria
- Sources of underwriting information
 - Application
 - Producer report
 - Attending physician statement
 - Investigative consumer (inspection) report
 - Medical Information Bureau (MIB)
 - Medical examinations and lab tests
- Unfair discrimination (38-57-120(2))
- Genetic testing (38-93-20)
- Classification of risks
 - Preferred
 - Standard
 - Substandard

9.8 Considerations in replacing health insurance

- Pre-existing conditions (38-71-730(4), 850; Reg 69-34 Sec E(6))
- Benefits, limitations and exclusions

Underwriting requirements
Producer liability for errors and omissions

10.0 Individual Health Insurance Policy General Provisions 5%

10.1 Required provisions (38-71-340)

Entire contract; changes (1)
Time limit on certain defenses (2)
Grace period (3)
Reinstatement (4)
Claim procedures (5-9)
Physical examinations and autopsy (10)
Legal actions (11)
Change of beneficiary (12)
Conformity with state statutes (13)

10.2 Optional provisions (38-71-370)

Change of occupation (1)
Misstatement of age (2)
Other insurance in this insurer (3)
Insurance with other insurers
Expense-incurred benefits (4)
Other benefits (5)
Unpaid premium (7)
Illegal occupation (8)
Intoxicants and narcotics (9)

10.3 Other general provisions

Right to examine (free look) (38-71-150)
Insuring clause
Consideration clause
Renewability clause
Noncancelable
Guaranteed renewable
Conditionally renewable
Renewable at option of insurer
Nonrenewable (cancelable, term)
Subrogation

11.0 Disability Income and Related Insurance 6%

11.1 Qualifying for disability benefits

Inability to perform duties
Own occupation
Any occupation
Pure loss of income (income replacement contracts)
Presumptive disability
Requirement to be under physician care

11.2 Individual disability income insurance

Basic total disability plan
Income benefits (monthly indemnity)
Elimination and benefit periods
Waiver of premium feature
Coordination with social insurance and workers compensation benefits
Additional monthly benefit (AMB)
Social insurance supplement (SIS)
Occupational versus nonoccupational coverage
At-work benefits
Partial disability benefit

Residual disability benefit
Other provisions affecting income benefits
Cost of living adjustment (COLA) rider
Future increase option (FIO) rider
Relation of earnings to insurance (38-71-370(6))

Other cash benefits
Accidental death and dismemberment
Rehabilitation benefit
Medical reimbursement benefit (nondisabling injury)

Refund provisions
Return of premium
Cash surrender value

Exclusions

11.3 Unique aspects of individual disability underwriting

Occupational considerations
Benefit limits
Policy issuance alternatives

11.4 Group disability income insurance

Group versus individual plans
Short-term disability (STD)
Long-term disability (LTD)

11.5 Business disability insurance

Disability buy-sell policy

11.6 Social Security disability

Qualification for disability benefits
Definition of disability
Waiting period
Disability income benefits

11.7 Workers compensation

Eligibility
Benefits

12.0 Medical Plans 6%

12.1 Medical plan concepts

Fee-for-service basis versus prepaid basis
Specified coverages versus comprehensive care
Benefit schedule versus usual/reasonable/customary charges
Any provider versus limited choice of providers
Insureds versus subscribers/participants

12.2 Types of plans

Major medical insurance (indemnity plans)
Characteristics
Common limitations
Exclusions from coverage
Provisions affecting cost to insured
Health Maintenance Organizations (HMOs)
General characteristics
Preventive care services
Primary care physician (PCP) versus referral (specialty) physician
Emergency care
Hospital services
Preferred provider organizations (PPOs) and point-of-service (POS) plans

- General characteristics
- In-network and out-of-network provider access
- PCP referral

12.3 Cost containment in health care delivery

- Cost-saving services
 - Preventive care
 - Hospital outpatient benefits
 - Alternatives to hospital services
- Utilization review
 - Prospective review
 - Concurrent review

12.4 South Carolina eligibility requirements and offers (individual and/or group)

- Dependent child age limit (38-71-1330(5))
- Child enrollment; non-custodial parents (38-71-250)
- Full-time students (38-71-1330(5))
- Physically or mentally handicapped dependents (38-71-350, 780)
- Newborn child coverage (38-71-135, 140)
- Adopted and prospective adopted children (38-71-140(D), 143)

12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements (38-71-840)

- Eligibility
- Guaranteed issue
- Pre-existing conditions (38-71-850)
- Creditable coverage (38-71-850)
- Renewability (38-71-675, 870)

12.6 Health savings accounts (HSAs)

- Definition
- Eligibility
- Contribution limits

13.0 Group Health Insurance 8%

13.1 Characteristics of group insurance

- Group contract
- Certificate of coverage
- Experience rating versus community rating

13.2 Types of eligible groups

- Employment-related groups
 - Individual employer groups
- Associations (alumni, professional, other)
- Customer groups (depositors, creditor-debtor, other)

13.3 Marketing considerations

- Advertising
- Regulatory jurisdiction/place of delivery

13.4 Employer group health insurance

- Insurer underwriting criteria
 - Characteristics of group
 - Plan design factors
 - Persistency factors
 - Administrative capability
- Eligibility for coverage
 - Annual open enrollment
 - Employee eligibility

- Dependent eligibility
- Coordination of benefits provision (Reg 69-43)
- Change of insurance companies or loss of coverage
 - Coinsurance and deductible carryover
 - No-loss no-gain
 - Events that terminate coverage
 - Extension of benefits
 - Continuation of coverage under COBRA and South Carolina continuation rules (38-71-770)

13.5 Small employer medical plans

- Definition of small employer (38-71-920, 1340)
- Benefit plans offered
 - Health care center (HMO) plans
 - Small employer carrier plans
- Eligibility of employees
- Renewability

14.0 Dental Insurance 2%

14.1 Types of dental treatment

- Diagnostic and preventive
- Restorative
- Oral surgery
- Endodontics
- Periodontics
- Prosthodontics
- Orthodontics

14.2 Indemnity plans

- Choice of providers
- Scheduled versus nonscheduled plans
- Benefit categories
 - Diagnostic/preventive services
 - Basic services
 - Major services
- Deductibles and coinsurance
- Combination plans
- Exclusions
- Limitations
- Predetermination of benefits

14.3 Employer group dental expense

- Integrated deductibles versus stand-alone plans
- Minimizing adverse selection

15.0 Insurance for Senior Citizens and Special Needs Individuals 8%

15.1 Medicare

- Nature, financing and administration
- Part A — Hospital Insurance
 - Individual eligibility requirements
 - Enrollment
 - Coverages and cost-sharing amounts
- Part B — Medical Insurance
 - Individual eligibility requirements
 - Enrollment
 - Coverages and cost-sharing amounts
 - Exclusions
 - Claims terminology and other key terms
- Part C — Medicare Advantage
- Part D — Prescription Drug Insurance

15.2 Medicare supplements (Reg 69-46)

- Purpose (Sec 1)
- Open enrollment (Sec 11)
- Standardized Medicare supplement plans (Sec 8)
 - Core benefits (B)
 - Additional benefits (C)
- South Carolina regulations and required provisions
 - Advertising (Sec 19)
 - Standards for marketing (Sec 20)
 - Permitted compensation arrangements (Sec 16)
 - Appropriateness of recommended purchase and excessive insurance (Sec 21)
 - Required disclosure provisions (Sec 17)
 - Guaranteed issue for eligible persons (Sec 12)
 - Reporting of multiple policies (Sec 22)
 - Buyer's guide (Sec 17(A)(6))
 - Right to return (Sec 17(A)(5))
 - Replacement (Sec 18, 23)
 - Benefit standards (Sec 8(A))
 - Pre-existing conditions (Sec 8(A)(1))
 - Outline of coverage (Sec 17(D))
 - Prohibited practices (Sec 20(B))
 - Medicare select (Sec 10)

15.3 Other options for individuals with Medicare

- Employer group health plans
 - Disabled employees
 - Employees with kidney failure
 - Individuals age 65 or older
- Medicaid
 - Eligibility
 - Benefits

15.4 Long-term care (LTC) insurance (Reg 69-44)

- Eligibility for benefits
- Levels of care
 - Skilled care
 - Intermediate care
 - Custodial care
 - Home health care (Reg 69-44 Sec 3(E))
 - Adult day care
 - Respite care
- Benefit periods
- Benefit amounts
- Optional benefits
 - Guarantee of insurability
 - Return of premium
- Qualified LTC plans
- Exclusions (Reg 69-44 Sec 3(B))
- Underwriting considerations
- South Carolina regulations and required provisions
 - Renewability (Reg 69-44 Sec 3(A), 4(A))
 - Outline of coverage (Reg 69-44 Sec 9)
 - Required disclosure provisions (Reg 69-44 Sec 4)
 - Replacement (Reg 69-44 Sec 5)
 - Inflation protection (Reg 69-44 Sec 3(F))

15.5 South Carolina Health Insurance Pool (38-74-10-90)

- Eligibility (38-74-30)
- Coverages and limits
- Exclusions
- Deductibles and coinsurance

16.0 Federal Tax Considerations for Health Insurance 3%

16.1 Personally-owned health insurance

- Disability income insurance
- Medical expense insurance
- Long-term care insurance

16.2 Employer group health insurance

- Medical and dental expense
- Long-term care insurance
- Accidental death and dismemberment

16.3 Medical expense coverage for sole proprietors and partners

16.4 Business disability insurance

- Key person disability income
- Buy-sell policy

16.5 Health savings accounts (HSAs)