

# 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 Life Insurance Series 10-41

**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 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
  - 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 Life Insurance Basics 17%**

### **3.1 Insurable interest (58-10-3-6)**

### **3.2 Personal uses of life insurance**

Survivor protection

Estate conservation

Viatical settlements

### **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 Classes of life insurance policies**

Group versus individual

Ordinary versus industrial (home service)

Permanent versus term

Participating versus nonparticipating

Fixed versus variable life insurance and annuities

Regulation of variable products (SEC, FINRA and South Dakota) (Reg 20:06:07:03, 08)

### **3.5 Premiums**

Factors in premium determination

Mortality

Interest

Expense

Premium concepts

Net single premium

Gross annual premium

Premium payment mode

### **3.6 Producer responsibilities**

Solicitation and sales presentations

(Reg Ch. 20:06:14)

Advertising (Reg Ch. 20:06:10:02-20)

Prohibited advertising of Life and Health

Insurance Guaranty Association

(58-29C-62)

Illustrations (Reg 20:06:38:01-23)

Policy summary (Reg 20:06:14:04, 09, 10)

Buyer's guide (Reg 20:06:14:04, 13)

Guaranty association disclaimer (58-29C-62)

Life insurance policy cost comparison methods

Replacement (Reg 20:06:08:39, 41)

Use and disclosure of insurance information

Military sales (SB 202)

Field underwriting

Notice of information practices

Application procedures including backdating of policies (58-15-44)

Delivery

Policy review

Effective date of coverage

Premium collection

Statement of good health

Delivery receipt requirement (58-15-8.2)

### **3.7 Individual underwriting by the insurer**

Information sources and regulation

Application

Producer report

Attending physician statement

Investigative consumer (inspection)

Medical Information Bureau (MIB)

Medical examinations and lab tests including

HIV (Bul 87-1)

Selection criteria and unfair discrimination

(58-33-12, 12.1, 13.1)

Classification of risks

Preferred

Standard

Substandard

## **4.0 Life Insurance Policies 15%**

### **4.1 Term life insurance**

Level term

Annual renewable term

Level premium term

Indeterminate 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)

Juvenile life

#### **4.5 Group life insurance**

Characteristics of group plans

Types of plan sponsors

Group underwriting requirements (HB 1194)

Conversion to individual policy (58-16-39-41)

#### **4.6 Credit life insurance (individual versus group)**

### **5.0 Life Insurance Policy Provisions, Options and Riders 12%**

#### **5.1 Common provisions**

Ownership

Assignment (58-10-6.1; 58-11-36)

Entire contract (58-15-8)

Modifications

Right to examine (free look) (58-15-8.1)

Payment of premiums (58-15-12)

Grace period (58-15-13)

Reinstatement (58-15-22)

Incontestability (58-15-10)

Misstatement of age (58-15-9)

Exclusions (58-15-45)

#### **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

Joint and survivor

#### **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

Paid-up insurance

#### **5.7 Disability riders**

Waiver of premium

Waiver of cost of insurance

Payor benefit life/disability (juvenile insurance)

#### **5.8 Accelerated (living) benefit provision/rider**

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 20%**

#### **6.1 Annuity principles and concepts**

Accumulation period versus annuity period

Owner, annuitant and beneficiary

Insurance aspects of annuities

Suitability (SB 37)

#### **6.2 Immediate versus deferred annuities**

Single premium immediate annuities (SPIAs)

Deferred annuities

Premium payment options

Nonforfeiture

Surrender 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 annuities (IRAs)

Tax-deferred growth

Retirement income

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

### **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

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

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

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

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

### **7.4 Taxation of individual retirement annuities (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
- Roth IRAs
  - Contributions and limits
  - Distributions

### **7.5 Rollovers and transfers (IRAs and qualified plans)**

### **7.6 Section 1035 exchanges**

## **8.0 Qualified Plans 5%**

### **8.1 General requirements**

### **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)
- 401(k) plans
- SIMPLE plans
- 403(b) tax-sheltered annuities (TSAs)