

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.

Series 10-46 South Dakota Producer's Exam for Property and Casualty Insurance

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 7%

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 8%

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 18%

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
- Policy limits
- Limits of liability
 - Per occurrence (accident)
 - Per person
 - Aggregate — general versus products — completed operations
 - 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; 58-20-14; 58-33-61)
- Binders (58-11-29-31)

Suit against insurer (58-23-1; RL 15-2-13(1))
Federal Terrorism Insurance Program
(15 USC 6701; Public Law 109-144, 110-160)

4.0 Dwelling ('02) Policy 5%

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 12%

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 10%

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)

6.3 Commercial auto ('06)

Commercial auto coverage forms
Business auto
Garage
Business auto physical damage
Truckers
Motor carrier
Coverage form sections
Covered autos
Liability coverage
Garagekeepers coverage
Physical damage coverage

- Exclusions
- Conditions
- Definitions
- Selected endorsements
 - Lessor — additional insured and loss payee (CA 20 01)
 - Mobile equipment (CA 20 15)
 - Auto medical payments coverage (CA 99 03)
 - Drive other car coverage (CA 99 10)
 - Individual named insured (CA 99 17)
- Commercial carrier regulations
 - The Motor Carrier Act of 1980
 - Endorsement for motor carrier policies of insurance for public liability (MCS-90)

- Spoilage (CP 04 40)
- Peak season limit of insurance (CP 12 30)
- Value reporting form (CP 13 10)

7.4 Commercial crime ('06)

- General definitions
 - Burglary
 - Theft
 - Robbery
- Crime coverage forms
 - Commercial crime coverage forms (discovery/loss sustained)
 - Government crime coverage forms (discovery/loss sustained)
- Coverages
 - Employee theft
 - Forgery or alteration
 - Inside the premises — theft of money and securities
 - Inside the premises — robbery or safe burglary of other property
 - Outside the premises
 - Computer fraud
 - Funds transfer fraud
 - Money orders and counterfeit money
 - Other crime coverage
 - Extortion — commercial entities (CR 04 03)

7.5 Commercial inland marine

- Nationwide marine definition
- Commercial inland marine conditions form
- Inland marine coverage forms
 - Accounts receivable
 - Bailee's customers
 - Commercial articles
 - Contractors equipment floater
 - Electronic data processing
 - Equipment dealers
 - Installation floater
 - Jewelers block
 - Signs
 - Valuable papers and records
- Transportation coverages
 - Common carrier cargo liability
 - Motor truck cargo forms
 - Transit coverage forms

7.6 Equipment breakdown ('07)

- Equipment breakdown protection coverage form (EB 00 20)
- Selected endorsements
 - Actual cash value (EB 99 59)

7.7 Farm coverage

- Farm property coverage forms ('03)
 - Coverage A — Dwellings
 - Coverage B — Other private structures
 - Coverage C — Household personal property
 - Coverage D — Loss of use
 - Coverage E — Scheduled farm personal property
 - Coverage F — Unscheduled farm personal property

7.0 Commercial Package Policy (CPP) 15%

7.1 Components of a commercial policy

- Common policy declarations
- Common policy conditions
- Interline endorsements
- One or more coverage parts

7.2 Commercial general liability ('07)

- Commercial general liability coverage forms
 - Bodily injury and property damage liability
 - Personal and advertising injury liability
 - Medical payments
 - Exclusions
 - Supplementary payments
 - Who is an insured
 - Limits of insurance
 - Conditions
 - Definitions
- Occurrence versus claims-made
- Claims-made features
 - Trigger
 - Retroactive date
 - Extended reporting periods — basic versus supplemental
 - Claim information
- Premises and operations
- Products and completed operations
- Insured contract

7.3 Commercial property ('07)

- Commercial property conditions form
- Coverage forms
 - Building and personal property
 - Condominium association
 - Condominium commercial unit-owners
 - Builders risk
 - Business income
 - Legal liability
 - Extra expense
- Causes of loss forms
 - Basic
 - Broad
 - Special
 - Earthquake
- Selected endorsements
 - Ordinance or law (CP 04 05)

- Coverage G — Other farm structures
- Farm liability coverage forms ('06)
 - Coverage H — Bodily injury and property damage liability
 - Coverage I — Personal advertising injury liability
 - Coverage J — Medical payments
- Livestock coverage form
- Mobile agricultural machinery and equipment coverage form
- Definitions
- Causes of loss (basic, broad and special)
- Conditions
- Exclusions
- Limits
- Additional coverages

8.0 Businessowners ('06) Policy 13%

8.1 Characteristics and purpose

8.2 Businessowners Section I – Property

- Coverage
- Exclusions
- Limits of insurance
- Deductibles
- Loss conditions
- General conditions
- Optional coverages
- Definitions

8.3 Businessowners Section II – Liability

- Coverages
- Exclusions
- Who is an insured
- Limits of insurance
- General conditions
- Definitions

8.4 Businessowners Section III – Common Policy Conditions

8.5 Selected endorsements

- Hired auto and non-owned auto liability (BP 04 04)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)
- South Dakota protective safeguards (BP 04 79)

9.0 Workers Compensation Insurance 5%

9.1 Workers compensation laws

- Types of laws
 - Monopolistic versus competitive
 - Compulsory versus elective
- South Dakota Workers' Compensation Law
 - Exclusive remedy (RL 62-3-2, 62-8-6)
 - Employment covered (required, voluntary) (RL 62-1-2, 3, 7; RL 62-3-15, 16, 17)
 - Covered injuries (RL 62-1-1(7); RL 62-4-37)
 - Occupational disease (RL 62-8-1, 4)
 - Benefits provided (RL 62-4-1-3, 3.1, 5, 5.1, 6, 8-22)
- Federal workers' compensation laws

- Federal Employer Liability Act (FELA) (45 USC 51-60)
- U.S. Longshore and Harbor Workers' Compensation Act (33 USC 901-950)
- The Jones Act (46 USC 688)

9.2 Workers compensation and employers liability insurance policy

- General section
- Part One — Workers compensation insurance
- Part Two — Employers liability insurance
- Part Three — Other states insurance
- Part Four — Your duties if injury occurs
- Part Five — Premium
- Part Six — Conditions
- Voluntary compensation endorsement

9.3 Premium computation

- Job classification — payroll and rates
- Experience modification factor
- Premium discounts

9.4 Other sources of coverages

- Assigned risk plan (58-20-15)
- Self-insured employers and employer groups (RL 62-5-5)

10.0 Other Coverages and Options 7%

10.1 Umbrella/excess liability policies

- Personal (DL 98 01)
- Commercial (CU 00 01)

10.2 Specialty liability insurance

- Errors and omissions
- Professional liability
- Directors and officers liability
- Fiduciary liability
- Liquor liability
- Employment practices liability

10.3 Surplus lines

- Definitions and markets
- Licensing requirements
- Premium tax obligations (58-32-44, 50)

10.4 Surety bonds

- Principal, obligee, surety
- Contract bonds
- License and permit bonds
- Judicial bonds

10.5 National Flood Insurance Program

- "Write your own" versus government
- Eligibility
- Coverage
- Limits
- Deductibles

10.6 Other policies

- Boatowners
- Aircraft hull
- Aircraft liability

10.7 Residual markets

- FAIR plans
- Joint reinsurance plan