

# 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 10-43 South Dakota Producer's Exam for Property Insurance

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 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 15%

#### 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 Insurance Basics 20%**

### **3.1 Principles and concepts**

Insurable interest

Underwriting

Function

Loss ratio

Rates

Types

Loss costs

Components

Hazards

Physical

Moral

Morale

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

Policy limits

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

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 (RL 15-2-13(1))

Federal Terrorism Insurance Program

(15 USC 6701; Public Law 109–144, 110–160)

## **4.0 Dwelling ('02) Policy 7%**

### **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 — Section I 15%

#### 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 Perils insured against

#### 5.5 Exclusions

#### 5.6 Conditions

#### 5.7 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)

### 6.0 Commercial Package Policy (CPP) 15%

#### 6.1 Components of a commercial policy

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

#### 6.2 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)  
Spoilage (CP 04 40)  
Peak season limit of insurance (CP 12 30)  
Value reporting form (CP 13 10)

#### 6.3 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

#### 6.4 Equipment breakdown ('07)

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

#### 6.5 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  
Coverage G — Other farm structures  
Livestock coverage form  
Mobile agricultural machinery and equipment  
coverage form  
Definitions  
Causes of loss (basic, broad and special)  
Conditions  
Exclusions  
Limits  
Additional coverages

### 7.0 Businessowners ('06) Policy — Property 15%

#### 7.1 Characteristics and purpose

#### 7.2 Businessowners Section I — Property

Coverage  
Exclusions  
Limits of insurance  
Deductibles  
Loss conditions

General conditions  
Optional coverages  
Definitions

**7.3 Businessowners Section III — Common Policy Conditions**

**7.4 Selected endorsements**

Utility services — direct damage (BP 04 56)  
Utility services — time element (BP 04 57)  
South Dakota protective safeguards (BP 04 79)

**8.0 Other Coverages and Options 3%**

**8.1 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

**8.2 Other policies**

Boatowners  
Aircraft hull