

# 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 10-41

### South Dakota Producer's Exam for Life Insurance

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)