

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)
- 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)
- 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
- Declined

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

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)

Profit-sharing and 401(k) plans

SIMPLE plans

Defined benefit pension plans

Section 457 deferred compensation

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

Declined

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)

- LTC, Medicare and Medicaid compared
- 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)