

# 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 Accident and Health or Sickness Insurance Series 10-42

**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 Health Insurance Basics 12%**

### **3.1 Definitions of perils**

Accidental injury

Sickness

### **3.2 Principal types of losses and benefits**

Loss of income from disability

Medical expense

Dental expense

Long-term care expense

### **3.3 Classes of health insurance policies**

Individual versus group

Private versus government

Limited versus comprehensive

### **3.4 Limited policies**

Limited perils and amounts

Required notice to insured

Types of limited policies

Accident-only

Specified (dread) disease

Hospital indemnity (income)

Credit disability

Blanket insurance (teams, passengers, other)

Prescription drugs

Vision care

### **3.5 Common exclusions from coverage**

### **3.6 Producer responsibilities in individual health insurance**

Marketing requirements (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)

Sales presentations

Guaranty association disclaimer (58-29C-62)

Field underwriting

Nature and purpose

Disclosure of information about individuals

Application procedures

Requirements at delivery of policy (including receipt requirement) (58-17-11.1)

Common situations for errors/omissions

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

Underwriting criteria

Sources of underwriting information

Application

Producer report

Attending physician statement

Investigative consumer (inspection)

Medical Information Bureau (MIB)

Medical examinations and lab tests (including

HIV consent) (Bul 87-1)

Unfair discrimination (58-33-13)

Classification of risks

Preferred

Standard

Substandard

Declined

### **3.8 Considerations in replacing health insurance**

Pre-existing conditions

Benefits, limitations and exclusions

Underwriting requirements

Producer liability for errors and omissions

## **4.0 Individual Health Insurance Policy General Provisions 12%**

### **4.1 Uniform required provisions**

Inconsistent provisions (58-17-13)

Entire contract; changes (58-17-14)

Time limit on certain defenses (58-17-15)

Incontestability (58-17-16)

Grace period (58-17-17)

Renewal (58-17-18)

Reinstatement (58-17-19)

Claim procedures (58-17-21-27)

Physical examinations and autopsy (58-17-28)

Legal actions (58-17-29)

Change of beneficiary (58-17-30)

### **4.2 Uniform optional provisions**

Change of occupation (58-17-32)

Misstatement of age (58-17-33)

Unpaid premiums (58-17-37)

Conformity with state statutes (58-17-38)

Illegal occupation (58-17-39)

#### **4.3 Other general provisions**

Right to examine (free look) (58-17-11)

Insuring clause

Consideration clause (58-17-4)

Renewability clause

Noncancelable

Guaranteed renewable

Conditionally renewable (58-17-82)

Renewable at option of insurer (58-17-9)

Nonrenewable (cancelable, term)

### **5.0 Disability Income and Related Insurance 7%**

#### **5.1 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

#### **5.2 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 (58-17-34-36)

Other cash benefits

Accidental death and dismemberment

Rehabilitation benefit

Medical reimbursement benefit (nondisabling injury)

Refund provisions

Return of premium

Cash surrender value

Exclusions

#### **5.3 Unique aspects of individual disability underwriting**

Occupational considerations

Benefit limits

Policy issuance alternatives

#### **5.4 Group disability income insurance**

Group versus individual plans

Short-term disability (STD)

Long-term disability (LTD)

#### **5.5 Business disability insurance**

Key person disability income

Disability buy-sell policy

#### **5.6 Social Security disability**

Qualification for disability benefits

Definition of disability

Waiting period

Disability income benefits

#### **5.7 Workers compensation**

Eligibility

Benefits

### **6.0 Medical Plans 13%**

#### **6.1 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

#### **6.2 Types of providers and 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 versus referral (specialty) physician

Emergency care

Hospital services

Other basic services

Preferred provider organizations (PPOs)

General characteristics

Open panel or closed panel

Types of parties to the provider contract

Point-of-service (POS) plans

Nature and purpose

Non-network provider access (open-ended HMO)

PCP referral (gatekeeper PPO)

Indemnity plan features

#### **6.3 Cost containment in health care delivery**

Cost-saving services

Preventive care

Hospital outpatient benefits

Alternatives to hospital services

Utilization management

Prospective review

Concurrent review

#### **6.4 South Dakota requirements (individual and group)**

Eligibility requirements

Family coverage (58-17-2)

Physically handicapped or mentally retarded coverage (58-17-30.1)

Newborn child coverage (58-17-30.2–30.4)  
Risk pool for eligible individuals (58-17-68, 70, 85, 113–142)

Benefit offers

Alcoholism treatment coverage and benefit limitations (58-17-30.5–30.7)

Coordination of benefits provision

## **6.5 HIPAA (Health Insurance Portability and Accountability Act) requirements**

Eligibility

Guaranteed issue

Pre-existing conditions

Creditable coverage

Renewability

## **6.6 PPACA (Patient Protection and Affordable Care Act)**

Eligibility

Guaranteed Issue

Pre-existing conditions

Appeal rights

Dependent continuation

Lifetime and annual limits

Emergency care

Preventive benefits

## **7.0 Group Health Insurance 13%**

### **7.1 Characteristics of group insurance**

Group contract

Certificate of coverage

Experience rating versus community rating

### **7.2 Types of eligible groups**

Employment-related groups

Individual employer groups

Multiple-Employer Trusts (METs) or Welfare Arrangements (MEWAs)

Associations (alumni, professional, other)

Customer groups (depositors, creditor-debtor, other)

Risk pool eligibility (58-17-115–143; Reg Ch. 20:06:48:01–21)

### **7.3 Marketing considerations**

Advertising

Regulatory jurisdiction/place of delivery

### **7.4 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

Change of insurance companies or loss of coverage

Events that terminate coverage

Extension of benefits

Continuation of coverage under COBRA and South Dakota specific rules (58-18-7, 7.5; HB 1318)

Conversion on divorce (58-17-2.2)

## **7.5 Small employer medical plans**

Definition of small employer (58-18B-1(11))

Benefit plans offered (58-18B-20)

Availability of coverage (58-18B-23, 37)

Prohibited activities (58-18B-38, 44)

## **7.6 PPACA (Patient Protection and Affordable Care Act) requirements**

## **8.0 Dental Insurance 3%**

### **8.1 Types of dental treatment**

Diagnostic and preventive

Restorative

Oral surgery

Endodontics

Periodontics

Prosthodontics

Orthodontics

### **8.2 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

### **8.3 Employer group dental expense**

Integrated deductibles versus stand-alone plans

Minimizing adverse selection

## **9.0 Insurance for Senior Citizens and Special Needs Individuals 17%**

### **9.1 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

### **9.2 Medicare supplements**

Purpose

Open enrollment

Standardized Medicare supplement plans

Core benefits

- Additional benefits
- South Dakota regulations and required provisions
  - Delivery of buyer's guide (Reg 20:06:13:28)
  - Delivery of outline of coverage (Reg 20:06:13:37)
  - Replacement requirements (58-17A-14; Reg 20:06:13:32-33)
    - Notice of replacement (Reg 20:06:13:35)
    - Refund (Reg 20:06:13:45)
    - Pre-existing conditions (58-17A-3, 3.1)
  - Overinsurance prohibited (Reg 20:06:13:43)
  - Determination of suitability (Reg 20:06:13:43.02)
  - Misrepresentation — unfair or deceptive trade practices (Reg 20:06:13:43.01)
    - Failure to provide forms (Reg 20:06:13:44)
  - Marketing practices prohibited (Reg 20:06:13:58)
  - Right to examine (free look) (Reg 20:06:13:31.03)
  - Group plans
    - Duplication of coverage prohibited (Reg 20:06:13:53)
    - Cancellation or nonrenewal (Reg 20:06:13:60)
  - Medicare SELECT (Reg 20:06:13:63-76)

**9.3 Other options for individuals with Medicare**

- Employer group health plans
  - Disabled employees
  - Employees with kidney failure
  - Individuals age 65 and older
- Medicaid
  - Eligibility
  - Benefits

**9.4 Long-term care (LTC) insurance**

- Eligibility for benefits
- Levels of care
  - Home health care
  - Adult day care
  - Respite care
  - Assisted living facilities
- Benefit periods
- LTC partnerships (28-6-37, 38; Reg 20:06:21:76-81)
- Benefit amounts
- Optional benefits
  - Guarantee of insurability
  - Return of premium

- Qualified LTC plans
- Exclusions (Reg 20:06:21:04)
- Underwriting considerations
- South Dakota regulations and required provisions
  - Advertising (58-17B-12)
  - Standards for marketing (Reg 20:06:21:31-33)
  - Outline of coverage (58-17B-10)
  - Right to return (free look) (58-17B-9)
  - Cost-of-living adjustments (58-17B-13; Reg 20:06:21:06)
  - Pre-existing conditions (58-17B-6)
  - Activities of daily living (ADLs) (Reg 20:06:21:01(1))
  - Appropriateness of recommended purchase or replacement (Reg 20:06:21:53)
  - Shoppers guide (Reg 20:06:21:54)
  - Suitability (Reg 20:06:21:53.01-.05)
  - Rate stabilization (Reg 20:06:21:06.01)

**10.0 Federal Tax Considerations for Health Insurance 2%**

**10.1 Personally-owned health insurance**

- Disability income insurance
- Medical expense insurance
- Long-term care insurance

**10.2 Employer group health insurance**

- Disability income (STD, LTD)
- Medical and dental expense
- Long-term care insurance
- Accidental death and dismemberment

**10.3 Medical expense coverage for sole proprietors and partners**