

# YOUR EXAM CONTENT OUTLINE

for examinations on or after January 1, 2005.

*If you do not receive all seven pages of this outline, please contact Exporior.*

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The following outline describes the content of your South Dakota insurance exam. This outline is the basis of your exam. The exam will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the exam. For example, 10 percent means that 5 questions will be drawn from the section on a 50-question exam, 10 will be drawn on a 100-question exam, and 15 will be drawn on a 150-question exam.

## Series 10-45:

### South Dakota Producer's Examination for Life, Accident and Health or Sickness Insurance

#### 150 questions—2.5-hour time limit

#### **1.0 Insurance Regulation 6%**

##### **1.1 Licensing**

- Process (58-30-145, 148)
- Types of licensees
  - Producers (58-30-142, 175)
  - 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, 09–13, 18)
- Disciplinary actions
  - Cease and desist order (58-33-39–46)
  - Suspension, revocation and refusal to issue or  
renew (58-30-108, 110, 167)
  - Right to hearing (158-30-168)
  - Penalties and fines (58-30-133)

##### **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)
  - 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)
- Unfair trade practices
  - Rebating (58-33-14, 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 6%**

##### **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 10%

### 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, NASD 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)  
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

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  
Declined

## 4.0 Life Insurance Policies 12%

### 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  
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 8%

### 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 6%

### 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 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 4%

### 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 3%**
- 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)
- 9.0 Health Insurance Basics 7%**
- 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 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
- 9.5 Common exclusions from coverage**
- 9.6 Producer responsibilities in individual health insurance**
  - Marketing requirements (Reg Ch. 20:06:14)
    - Advertising (Reg Ch. 20:06:10)
    - 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
- 9.7 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
- 9.8 Considerations in replacing health insurance**
  - Pre-existing conditions
  - Benefits, limitations and exclusions
  - Underwriting requirements
  - Producer liability for errors and omissions
- 10.0 Individual Health Insurance Policy General Provisions 7%**
- 10.1 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)
- 10.2 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)
- 10.3 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)
- 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 (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

## **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**

- Key person disability income
- 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 7%**

### **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 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

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

- Cost-saving services
  - Preventive care
  - Hospital outpatient benefits
  - Alternatives to hospital services
- Utilization management
  - Prospective review
  - Concurrent review

## **12.4 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, 86, 113-142)
- Benefit offers
  - Alcoholism treatment coverage and benefit limitations (58-17-30.5-30.7)

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

- Eligibility
- Guaranteed issue
- Pre-existing conditions
- Creditable coverage
- Renewability

## **13.0 Group Health Insurance 7%**

### **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
  - Multiple-Employer Trusts (METs) or Welfare Arrangements (MEWAs)
- 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
- 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)
  - Conversion on divorce (58-17-2.2)

### 13.5 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)

## 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+Choice

### 15.2 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)

### 15.3 Other options for individuals with Medicare

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

### 15.4 Long-term care (LTC) insurance

- LTC, Medicare and Medicaid compared
- Eligibility for benefits
- Levels of care
  - Skilled care
  - Intermediate care
  - Custodial care
  - Home health care
  - Adult day care
  - Respite care
  - Assisted living facilities
- Benefit periods
- 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--.04)  
Rate stabilization (Reg 20:06:21:06.1)

## **16.0 Federal Tax Considerations for Health**

### **Insurance 1%**

#### **16.1 Personally-owned health insurance**

Disability income insurance  
Medical expense insurance  
Long-term care insurance

#### **16.2 Employer group health insurance**

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

#### **16.3 Medical expense coverage for sole proprietors and partners**