

# YOUR EXAM CONTENT OUTLINE

for examinations on or after January 1, 2005.

*If you do not receive all three pages of this outline, please contact Experior.*

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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 10-53:

### South Dakota Producer's Examination for Personal Lines 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)
  - 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 (58-30-168)
  - 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 11%**

##### **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
  - Reciprocals
  - 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 and Casualty Insurance Basics 17%

### 3.1 Principles and concepts

- Insurable interest
- Underwriting
  - Function
  - Loss ratio
- Rates
  - Types
  - Loss costs
  - Components
- Hazards
  - Physical
  - Moral
  - Morale
- Negligence
  - Elements of a negligent act
  - Defenses against negligence
- Damages
  - Compensatory — special versus general
  - Punitive
- Absolute liability
- Strict liability
- Vicarious liability
- Causes of loss (perils)
- Named perils versus 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
  - Contribution by equal shares
- Limits of liability
  - Per occurrence (accident)
  - Per person
  - Split
  - Combined single
- 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
  - Duty to defend
- 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)
- Countersignatures and fees (58-6-62-67)
- Suit against insurer (58-23-1; RL 15-2-13(1))

## 4.0 Dwelling ('02) Policy 11%

### 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

- Automatic increase in insurance (DP 04 11)
- Broad theft coverage (DP 04 72)
- Dwelling under construction (DP 11 43)
- Special provisions — South Dakota (DP 01 40)

#### 4.7 Personal liability supplement

### 5.0 Homeowners (‘00) Policy 22%

#### 5.1 Coverage forms

- HO-2 through HO-5
- 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 Section II — Liability coverages

- Coverage E — Personal liability
- Coverage F — Medical payments to others
- Additional coverages

#### 5.5 Perils insured against

#### 5.6 Exclusions

#### 5.7 Conditions

#### 5.8 Selected endorsements

- Business pursuits (HO 24 71)
- Earthquake (HO 04 54)
- Home day care (HO 04 97)
- Limited fungi, wet or dry rot, or bacteria coverage (HO 04 26; HO 04 27)
- Permitted incidental occupancies (HO 04 42)
- Personal injury (HO 24 82)
- Personal property replacement cost (HO 04 90)
- Scheduled personal property (HO 04 61)
- Watercraft (HO 24 75)
- Special provisions — South Dakota (HO 01 40)

### 6.0 Auto Insurance 22%

#### 6.1 Laws

- South Dakota Financial Responsibility of Vehicle Owners and Operators Law (RL 32-35)
  - Required limits of liability (RL 32-35-70)
- South Dakota Automobile Insurance Plan (58-11-57)
  - Supplemental coverage (58-23-7, 8)
    - Medical
    - Disability
    - Accidental death
  - Uninsured/underinsured motorist (58-11-9, 9.4)
    - Definitions (58-11-9.1)
    - Bodily injury (58-11-9.5)
    - Stacked and non-stacked (58-11-9.7, 9.8, 9.9)
    - Required limits (58-11-9)
  - Cancellation/nonrenewal
    - Grounds (58-11-46, 47, 50)
    - Notice (58-11-49, 51, 52)
    - Notice of eligibility in assigned risk plan (58-11-53)
  - Aftermarket crash parts (58-33-70, 71)

### 6.2 Personal (‘05) Auto Policy

#### Definitions

#### Liability coverage

- Bodily injury and property damage
- Supplementary payments
- Exclusions

#### Medical payments

#### Uninsured motorist

#### Coverage for damage to your auto

- Collision
- Other than collision
- Deductibles
- Transportation expense
- Exclusions

#### Duties after an accident or loss

#### General provisions

#### Selected endorsements

- Extended non-owned coverage for named individual (PP 03 06)
- Joint ownership coverage (PP 03 34)
- Miscellaneous type vehicle (PP 03 23)
- Towing and labor costs (PP 03 03)
- Amendment of policy provisions — South Dakota (PP 01 65)

### 7.0 Other Coverages and Options 6%

#### 7.1 Personal umbrella liability policy (DL 98 01)

#### 7.2 National Flood Insurance Program

“Write your own” versus government

#### Eligibility

#### Coverage

#### Limits

#### Deductibles

#### 7.3 Other policies

#### Boatowners

#### 7.4 Residual markets

#### FAIR plans

#### Joint reinsurance plan