

<b>South Carolina Life, Accident and Health Insurance Producer Series 19-03 150 questions - 165 minute time limit</b>
<b>1.0 Insurance Regulation 15%</b>
1.1 Licensing
Process (38-43-100)
Types of licensees
Producer (38-43-10, 30)
Nonresident (38-43-70)
Broker (38-45-10, 38-45-20)
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); 69-33 sect. (3)(c)
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)
Misappropriation of funds (38-43-130, 240, 420)
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)
Free insurance (38-57-170)
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
Fraud and false statements (18 USC 1033, 1034)
<b>2.0 General Insurance 5%</b>
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
Alien Captive companies (Title 38, Ch 90-10)
Private versus government 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
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
<b>3.0 Life Insurance Basics 9%</b>
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 (38-63-40, 38-65-90)
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
Deferred Compensation
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 (38-57)
Life and Accident and Health Insurance Guaranty Association (38-29-130)
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/HIV Consent
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))
<b>4.0 Life Insurance Policies 6%</b>
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
Variable life
Variable Universal life
4.4 Specialized policies
Joint life (first-to-die)
Survivorship life (second-to-die)
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)
<b>5.0 Life Insurance Policy Provisions, Options and Riders 11%</b>
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 period certain
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
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
5.10 Riders affecting the death benefit amount
Accidental death
Guaranteed insurability
Cost of living
5.11 Standard Life Insurance Provisions
Ownership
Assignment
<b>6.0 Annuities 5%</b>
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
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
<b>7.0 Federal Tax Considerations for Life Insurance and Annuities 3%</b>
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 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
7.3 Taxation of individual retirement plans (IRAs)
Traditional IRAs
Contributions and distributions
Roth IRAs
Contributions and distributions
7.4 Section 1035 exchanges
<b>8.0 Health Insurance Basics 8%</b>
8.1 Definitions of perils
Accidental injury
Sickness
8.2 Principal types of losses and benefits
Loss of income from disability
Medical expense
Dental expense
Long-term care expense
8.3 Classes of health insurance policies
Individual versus group
Private versus government
Limited versus comprehensive
8.4 Limited policies
Limited benefits
Required notice to insured
Types of limited policies
Accident-only including South Carolina minimum standards
Hospital indemnity (income)
Blanket insurance (teams, passengers, other)
Prescription drugs
Vision care
Specified disease
8.5 Common exclusions from coverage
8.6 Producer responsibilities in individual health insurance
Marketing requirements
Advertising (Reg 69-17)
Life and Accident and Health Insurance Guaranty Association (38-29-30)
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
8.7 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
Classification of risks
Preferred
Standard
Substandard
8.8 Considerations in replacing health insurance
Pre-existing conditions

Benefits, limitations and exclusions
Underwriting requirements
Producer liability for errors and omissions
<b>9.0 Individual Health and Disability Insurance Policy General 5%</b>
<b>9.1 Required provisions (38-71-340 (8)); 38-59-20; 38-59-230</b>
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)
<b>9.2 Optional provisions (38-71-370)</b>
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)
<b>9.3 Other general provisions</b>
Right to examine (free look) (38-71-150, 38-72-60(F)(1))
Insuring clause
Consideration clause
Renewability clause
Noncancelable
Guaranteed renewable
Conditionally renewable
Renewable at option of insurer
Nonrenewable (cancelable, term)
<b>10.0 Disability Income and Related Insurance 6%</b>
<b>10.1 Qualifying for disability benefits</b>
Inability to perform duties
Own occupation
Any occupation
Pure loss of income (income replacement contracts)
Presumptive disability
Requirement to be under physician care
<b>10.2 Individual disability income insurance</b>
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) (Guaranteed insurability rider)
Relation of earnings to insurance (38-71-370(6))

<b>Other cash benefits</b>
Accidental death and dismemberment
Rehabilitation benefit
Medical reimbursement benefit (nondisabling injury)
Refund provisions
Return of premium
Cash surrender value
Exclusions
<b>10.3 Unique aspects of individual disability underwriting</b>
Occupational considerations
Benefit limits
Policy issuance alternatives
<b>10.4 Group disability income insurance</b>
Group versus individual plans
Short-term disability (STD)
Long-term disability (LTD)
<b>10.5 Business disability insurance</b>
Disability buy-sell policy
Key Employee disability
Business Overhead expense
<b>10.6 Social Security disability</b>
Qualification for disability benefits
Definition of disability
Waiting period
Disability income benefits
<b>11.0 Medical Plans 6%</b>
<b>11.1 Medical plan concepts</b>
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
<b>11.2 Types of plans</b>
Major medical insurance
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
<b>11.3 Cost containment in health care delivery</b>
Cost-saving services
Preventive care
Hospital outpatient benefits
Alternatives to hospital services
Utilization review
Prospective review
Concurrent review
Pre-certification review
<b>11.4 South Carolina eligibility requirements and offers (individual</b>

and/or group)
Dependent child age limit (38-71-1330(5))
Child enrollment; non-custodial parents (38-71-250)
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)
11.5 HIPAA (Health Insurance Portability and Accountability Act) requirements (38-71-840)
Eligibility
Guaranteed issue
Pre-existing conditions (38-71-850, 69-34-E(6))
Creditable coverage (38-71-850)
Renewability (38-71-675, 870)
11.6 Federal Patient Protection and Affordable Care Act (PACA)
Preexisting conditions
Grandfather vs. Non-Grandfather Plans
Annual and lifetime dollar limits
Preventive care
Age limit of dependent children
<b>12.0 Group Health Insurance 8%</b>
12.1 Characteristics of group insurance
Group contract
Certificate of coverage
Experience rating versus community rating
12.2 Types of eligible groups
Employment-related groups
Individual employer groups
Associations (alumni, professional, other)
Customer groups (depositors, creditor-debtor, other)
12.3 Marketing considerations
Advertising
Regulatory jurisdiction/place of delivery
12.4 Employer group health insurance
Insurer underwriting criteria
Characteristics of group
Plan design factors
Persistency factors
Administrative capability
Eligibility for coverage (38-71-850)
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
South Carolina continuation and conversion rules (38-71-770)
12.5 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
12.6 Health savings accounts (HSAs)
12.7 Health Reimburse Arrangements (HRAs)
<b>13.0 Dental Insurance 2%</b>

13.1 Types of dental treatment
Diagnostic and preventive
Restorative
Oral surgery
Endodontics
Periodontics
Prosthodontics
Orthodontics
13.2 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
13.3 Employer group dental expense
Integrated deductibles versus stand-alone plans
Minimizing adverse selection
<b>14.0 Insurance for Senior Citizens and Special Needs Individuals 8%</b>
14.1 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
14.2 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)

14.3 Other options for individuals with Medicare
Employer group health plans
Disabled employees
Employees with kidney failure
Individuals age 65 or older
Medicaid
Eligibility
Benefits
14.4 Long-term care (LTC) insurance (Reg 69-44)
Eligibility for benefits
Levels of care
Skilled care
Intermediate care
Custodial care
Home health care (69-44-12)
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 6(B))
Underwriting considerations
South Carolina regulations and required provisions
Renewability (Reg 69-44 Sec 6)
Outline of coverage (Reg 69-44 Sec 9)
Required disclosure provisions (Reg 69-44 Sec 8)/Free look period (38-72-60(F)(1))
Replacement (Reg 69-44 Sec 5)
Inflation protection (Reg 69-44 Sec 13(A))
14.5 South Carolina Health Insurance Pool (38-74-10-90)
Eligibility (38-74-30)
Coverages and limits
Exclusions
15.0 Federal Tax Considerations for Health Insurance 3%
15.1 Personally-owned health insurance
Disability income insurance
Medical expense insurance
Long-term care insurance
15.2 Employer group health insurance
Medical, disability and dental expense
Long-term care insurance
Accidental death and dismemberment
15.4 Business disability insurance
Key person disability income
Buy-sell policy
15.5 Health savings accounts (HSAs)

*South Carolina Code of Laws, Title 38 - Insurance, 2012, South Carolina Legislature, <http://www.scstatehouse.gov>*

*South Carolina Code of Regulations, Chapter 69 - Department of Insurance, 2012, South Carolina Legislature, <http://www.scstatehouse.gov/codereqs/statmast.php>*

*All About HSAs, U.S. Treasury Department, <https://www.treasury.gov/resource-center/faqs/Taxes/Pages/default.aspx>*

*Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), U.S. Social Security Administration, [www.ssa.gov/OP\\_Home/comp2/F099-272.html](http://www.ssa.gov/OP_Home/comp2/F099-272.html)*

*Dictionary of Insurance Terms, Harvey W. Rubin, 2008, 5<sup>th</sup> Edition, Barron's Educational Series, Inc., (800) 645-3476, [www.barronseduc.com](http://www.barronseduc.com), ISBN 0-7641-3884-7*

*Introduction to Risk Management and Insurance, Mark S. Dorfman, 2008, 9<sup>th</sup> Edition, Prentice-Hall, <https://www.amazon.com/Introduction-Risk-Management-Insurance-9th/dp/0132242273>*

*Life and Health Insurance Licensing Basics, James J. Smith, Bromley Smith Publishers, (732) 449-9288, [www.bromleysmithpublishers.com](http://www.bromleysmithpublishers.com)*

*Life & Health Pathfinder, William H. Cummings, J. Mack Spears, Pathfinder Publishers, (800) 592-4242, [www.pathfinderedu.com](http://www.pathfinderedu.com)*

*Life Insurance Handbook, Louis S. Shuntich, 2003, Marketplace Books, [www.marketplacebooks.com](http://www.marketplacebooks.com)*

*15 USC 1681- The Fair Credit Reporting Act, Federal Trade Commission, <http://www.ftc.gov/os/statutes/031224fcra.pdf>*

*18 USC Chapter 47, Sections 1033 and 1034, U.S. Code, <https://www.law.cornell.edu/uscode/text/18/part-I/chapter-47>*

## REFERENCE LIST

The following list of reference materials were used to verify the accuracy of the test items for the examinations. They are listed for the purpose of test validation and do NOT constitute an endorsement or recommendation by PSI or the South Carolina Department of Insurance. Other publications are also available to study for the examinations.

This examination is CLOSED BOOK. The following reference material **is not** allowed in the examination center:

*Life and Health Insurance License Exam Manual, 2010, 2<sup>nd</sup> Edition, Kaplan Financial Education, (800) 824-8742, [www.kfeducation.com](http://www.kfeducation.com)*

