

YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

If you do not receive all four pages of this outline, please contact Thomson Prometric.

The following outline describes the content of one of the Pennsylvania 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.

Pennsylvania Producer's Examination for Property Insurance

Series 16-04

100 questions – Two-hour time limit

1.0 Insurance Regulation 8%

1.1 Licenses

- Process (40 P.S. §§ 310.3–310.14)
- Types of licensees (40 P.S. § 310.1)
 - Producer (40 P.S. §§ 310.3–310.5)
 - Nonresident (40 P.S. § 310.10)
 - Temporary (40 P.S. § 310.9)
 - Managers and exclusive general agents (40 P.S. § 310.31)
- Maintenance and duration
 - Renewal (40 P.S. § 310.8)
 - Reporting of actions (40 P.S. § 310.78)
 - Assumed names (40 P.S. § 310.7)
 - Address change (40 P.S. § 310.11(19))
 - Continuing education (40 P.S. § 310.8(b))
- Disciplinary actions
 - Cease and desist order (40 P.S. §§ 310.91, 1171.9)
 - Revocation, suspension, nonrenewal or denial of license (40 P.S. § 310.91)
 - Fines (40 P.S. §§ 310.12, 310.91, 1171.11)

1.2 State regulation

- Commissioner's general duties and powers (40 P.S. §§ 310.2, 1171.7)
- Company regulation
 - Solvency (40 P.S. §§ 72, 112)
 - Rates (40 P.S. §§ 1181–1199, 1221–1238)
 - Policy forms (40 P.S. §§ 477b, 510, 776.1–776.7)
 - Unfair claims settlement practices (40 P.S. § 1171.5(a)(10); 31 Pa. Code Ch. 146)

Producer regulation

- Fiduciary responsibility (40 P.S. § 310.96)
- Examination of books and records (40 P.S. § 323.3)
- Commissions and fees (40 P.S. §§ 310.72–310.74)
- Prohibited acts (40 P.S. § 310.11)
- Appointment of producers (40 P.S. § 310.71)
 - Producer as representative of insurer
 - Producer as representative of consumer — disclosure requirements
- Unfair insurance practices (40 P.S. §§ 1171.4–1171.5)
 - Rebating (40 P.S. §§ 310.45, 1171.5(a)(8))
 - Misrepresentation (40 P.S. §§ 310.47–48, 1171.5(a)(1),(2))
 - Twisting (40 P.S. §§ 310.47, 473)
 - False advertising (40 P.S. § 1171.5; 31 Pa. Code Ch. 51)
 - Defamation (40 P.S. § 1171.5(a)(3); 31 Pa. Code Ch. 51)
 - Boycott, coercion or intimidation (40 P.S. § 1171.5(a)(4))
 - Misappropriation of funds (40 P.S. §§ 310.11(4), 310.42)
 - Unfair discrimination (40 P.S. § 1171.5; 31 Pa. Code § 145.4)
 - Illegal inducement (40 P.S. §§ 310.46, 1171.5(a)(8))
 - Privacy of consumer financial information (40 P.S. § 310.77(a); 31 Pa. Code §§ 146a.1–44)
 - Insurance fraud regulation (40 P.S. §§ 325.1–325.62; 18 Pa. C.S. § 4117)

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

Reciprocals

Lloyd's associations

Private versus government insurers

Admitted versus nonadmitted 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

Powers and authority 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 Insurance Basics 25%

3.1 Principles and concepts

Insurable interest

Underwriting

Function

Loss ratio

Rates

Types

Loss costs

Components

Hazards

Physical

Moral

Morale

Causes of loss (perils)

Named perils versus special (open) perils

Direct loss

Consequential or indirect loss

Blanket versus specific insurance

Basic types of construction

Loss valuation

Actual cash value

Replacement cost

Functional 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

Policy limits

Restoration/nonreduction of limits

Coinsurance

Vacancy or unoccupancy

Named insured provisions

Duties after loss

Assignment

Abandonment

Insurer provisions

Liberalization

Subrogation

Salvage

Claim settlement options

Third-party provisions

Standard mortgage clause

Loss payable clause

No benefit to the bailee

- 3.4 Pennsylvania laws, regulations and required provisions**
 - Pennsylvania Property and Casualty Insurance Guaranty Association (40 P.S. §§ 991.1801–1820)
 - Standard fire policy (40 P.S. § 636)
 - Cancellation and nonrenewal
 - Private residential (40 P.S. § 1171.5(a)(9); 31 Pa. Code Ch. 59.6)
 - Commercial (40 P.S. §§ 3401–3407; 31 Pa. Code Ch. 113.81–88)
 - Basic property insurance — death of named insured (40 P.S. § 636.1(a))
 - Binders (40 P.S. § 636)
 - Insurance consultation services exemption (40 P.S. §§ 1841–1844)
 - Terrorism Risk Insurance Act (TRIA) of 2002 and Extension Act of 2005 (15 USC 6701; S467)
- 4.0 Dwelling ('02) Policy 8%**
 - 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**
 - Special provisions — Pennsylvania (DP 01 37)
 - Automatic increase in insurance (DP 04 11)
 - Broad theft coverage (DP 04 72)
 - Dwelling under construction (DP 11 43)
 - 4.7 Personal liability supplement**
- 5.0 Homeowners ('01 PA Version) Policy — Section I 21%**
 - 5.1 Coverage forms**
 - HO-2 through 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 Perils insured against**
 - 5.5 Exclusions**
 - 5.6 Conditions**

- 5.7 Selected endorsements**
 - Special provisions — Pennsylvania (HO 01 37)
 - Limited fungi, wet or dry rot, or bacteria (HO 04 26, HO 04 27)
 - Permitted incidental occupancies (HO 04 42)
 - Scheduled personal property (HO 04 61)
 - Home day care (HO 04 97)
 - Personal property replacement cost — Pennsylvania (HO 23 63)
- 6.0 Commercial Package Policy (CPP) 10%**
 - 6.1 Components of a commercial policy**
 - Common policy declarations
 - Common policy conditions
 - Interline endorsements
 - One or more coverage parts
 - 6.2 Commercial property ('02)**
 - Commercial property conditions form
 - Coverage forms
 - Building and personal property
 - Condominium association
 - Condominium commercial unit-owners
 - Builders risk
 - Business income
 - Legal liability
 - Extra expense
 - Causes of loss
 - Basic
 - Broad
 - Special
 - Selected endorsements
 - Ordinance or law (CP 04 05)
 - Spoilage (CP 04 40)
 - Peak season limit of insurance (CP 12 30)
 - Value reporting form (CP 13 10)
 - 6.3 Commercial inland marine**
 - Nationwide marine definition
 - Commercial inland marine conditions form
 - Inland marine coverage forms
 - Accounts receivable
 - Bailee's customer
 - Commercial articles
 - Contractors equipment floater
 - Electronic data processing
 - Equipment dealers
 - Installation floater
 - Jewelers block
 - Signs
 - Valuable papers and records
 - Transportation coverages
 - Common carrier cargo liability
 - Motor truck cargo forms
 - Transit coverage forms

6.4 Boiler and machinery ('01)

Equipment breakdown protection coverage form
(BM 00 20)

Selected endorsements

Business income — Report of values

(BM 15 31)

Actual cash value (BM 99 59)

6.5 Farm coverage ('03)

Farm property coverage forms

Coverage A — Dwellings

Coverage B — Other private structures

Coverage C — Household personal property

Coverage D — Loss of use

Coverage E — Scheduled farm personal
property

Coverage F — Unscheduled farm personal
property

Coverage G — Other farm structures

Livestock coverage form

Mobile agricultural machinery and equipment
coverage form

Definitions

Causes of loss (basic, broad and special)

Conditions

Exclusions

Limits

Additional coverages

7.0 Businessowners ('06) Policy — Property 13%

7.1 Characteristics and purpose

7.2 Businessowners Section I — Property

Coverage

Exclusions

Limits of insurance

Deductibles

Loss conditions

General conditions

Optional coverages

Definitions

7.3 Businessowners Section III — Common Policy Conditions

7.4 Selected endorsements

Protective safeguards (BP 04 30)

Utility services — direct damage (BP 04 56)

Utility services — time element (BP 04 57)

8.0 Other Coverages and Options 5%

8.1 Aviation insurance

Aircraft hull

8.2 Ocean marine insurance

Major coverages

Hull insurance

Cargo insurance

Freight insurance

8.3 National Flood Insurance Program

"Write your own" versus government

Eligibility

Coverages

Limits

Deductibles

8.4 Other policies

Boatowners

Difference in conditions

8.5 Residual markets including FAIR Plans (40 P.S. §§ 1600.101–.103)

8.6 Mine Subsidence Insurance

8.7 Federal Crop Insurance (RMA)