

# Your Exam Content Outline

The following outline describes the content of one of the Pennsylvania insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section 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 11%

#### 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)  
Federal Terrorism Insurance Program (15 USC  
6701; Public Law 107–297, 109–144, 110–160)

#### **4.0 Dwelling ('02) Policy 5%**

##### **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)  
Identity fraud expense (HO 04 55)  
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 ('07)**

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 Equipment breakdown ('08)**

Equipment breakdown protection coverage form  
(EB 00 20)

Selected endorsement

Actual cash value (EB 99 59)

##### **6.5 Farm coverage**

Farm property coverage form ('03)

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

Causes of loss (basic, broad and special)

Exclusions  
Additional coverages  
Limits of insurance  
Conditions  
Definitions

## **7.0 Businessowners ('06) Policy — Property 10%**

### **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 8%**

### **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)**