

# Your Exam Content Outline

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

## Vermont Producer's Examination for Property and Casualty Insurance Series 14-31

**150 questions – 2.5-hour time limit**

All citations are Vermont Insurance Statutes Title 8, unless otherwise noted. When preceded by "Reg" refer to Vermont Department Regulations, when preceded by "Bul" refer to Vermont Department Bulletins.

### 1.0 Insurance Regulation 10%

#### 1.1 Licensing

- Process (4800; 4813f)
- Types of licensees (4791)
  - Resident (4800(3)(A))
  - Nonresident (4800(3)(B); 4813h)
  - Temporary (4800(3)(D)(ii); 4813k)
- Maintenance and duration
  - Renewal and expiration (4798)
  - Address change (4800(3)(F))
  - Assumed business name (4813j)
  - Reporting of actions (4813o)
  - Continuing education requirements (4800a; Reg 2000-2 Sec 4)
- Disciplinary actions
  - Denial of license (4800(3)(E))
  - Cease and desist order (3661)
  - Suspension, revocation or nonrenewal (4804; 4806)
  - Penalties (3661(a)(2); 4804(d))

#### 1.2 State regulation

- Commissioner's general duties and powers (4726; 4804)
- Company regulation
  - Certificate of authority (3368)
  - Unfair claim settlement practices (4724(9); Reg 79-2 Sec 1-7)
  - Policy forms (3541)
  - Examination of records (3565)
  - Producer appointment (4798(c); 4813l)
  - Termination of appointment (4798(d); 4813m)
- Producer regulation
  - Acting without a license (4793; 4813c)
  - Shared commissions (4796)
  - Trust accounts — anti-commingling (Reg 95-1; 4724(12))
  - Controlled business (4795)

- Duties (4813c)
- Unfair trade practices (4724)
- Misrepresentation (4724(1, 11, 13))
- False advertising (4724(2))
- Defamation (4724(3))
- Boycott, coercion and intimidation (4724(4))
- False financial statements and entries (4724(5))
- Illegal inducement (4724(6))
- Unfair discrimination (4724(7))
- Rebating (4724(8))
- Failure to maintain complaint record (4724(10))
- Failure to act as fiduciary (4724(12); Reg 95-1)
- Unsuitability (4724(16))
- Nondisclosure of fees or charges (4724(14))
- Consumer privacy regulation (IH-2001-01)

#### 1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033, 1034)

### 2.0 General Insurance 9%

#### 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
  - Risk retention groups
- 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
- Authority and powers of producers
  - Express
  - Implied
  - Apparent

### **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
- 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** **10%**

### **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 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
  - Valued policy

### **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
  - Aggregate — general versus products — completed operations
  - Split
  - Combined single
- Restoration/nonreduction of limits
- Coinsurance
- Vacancy or unoccupancy
- Named insured provisions
  - 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 bailee

### **3.4 Vermont laws, regulations and required provisions**

Vermont Property and Casualty Insurance Guaranty Association (3611–3626)  
Renewal notice (3882; 4715)  
Cancellation and nonrenewal (3879–3881; 3883; 4711–4714)  
Consent to rate (4688(f); Reg 85-1 Sec 1–9)  
Loss payment (3868; Reg 79-2 Sec 6, 8)  
Discrimination (3861)  
Coinsurance (3961–3968)  
Pollution coverage (Bul 111)  
Required provisions (4203)  
Federal Terrorism Insurance Program (Bul 142, 150; 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 — Vermont (DP 01 44)  
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 ('00) Policy 17%**

#### **5.1 Coverage forms**

HO-2 through HO-6

#### **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**

Special provisions — Vermont (HO 01 44)

Limited fungi, wet or dry rot, or bacteria coverage — Vermont (HO 04 02)  
Permitted incidental occupancies (HO 04 42)  
Earthquake (HO 04 54)  
Scheduled personal property (HO 04 61)  
Personal property replacement cost (HO 04 90)  
Home day care — Vermont (HO 23 45)  
Business pursuits (HO 24 71)  
Watercraft (HO 24 75)  
Personal injury (HO 24 82)

### **6.0 Auto Insurance 21%**

#### **6.1 Laws**

Vermont Motor Vehicle Financial Responsibility and Insurance Laws (Title 23 Sec 800–943)  
Required limits of liability (Title 23 Sec 801)  
Required proof of insurance (Bul 77)  
Vermont Automobile Insurance Plan (4241–4246)  
Eligibility  
Liability limitations  
Physical damage coverage limitations  
Uninsured/underinsured motorist (Title 23 Sec 941)  
Definitions  
Required limits of liability  
Bodily injury  
Property damage  
Cancellation/nonrenewal  
Grounds (4223)  
Notice (4224–4226)  
Notice of eligibility in assigned risk plan (4227)  
Binders (Title 23 Sec 942)  
Surcharges (4671–4675)

#### **6.2 Personal ('05) auto policy**

Definitions  
Liability coverage  
Bodily injury and property damage  
Supplementary payments  
Exclusions  
Medical payments  
Uninsured motorist/underinsured motorist coverage  
Coverage for damage to your auto  
Collision  
Other than collision  
Deductibles  
Transportation expense  
Exclusions  
Duties after an accident or loss  
General provisions  
Selected endorsements  
Amendment of policy provisions — Vermont (PP 01 72)  
Towing and labor costs (PP 03 03)  
Extended non-owned coverage (PP 03 06)  
Miscellaneous type vehicle (PP 03 23)  
Joint ownership coverage — Vermont (PP 03 80)

### 6.3 Commercial auto ('06)

- Commercial auto coverage forms
  - Business auto
  - Garage
  - Business auto physical damage
  - Truckers
  - Motor carrier
- Coverage form sections
  - Covered autos
  - Liability coverage
  - Garagekeepers coverage
  - Trailer interchange coverage
  - Physical damage coverage
  - Exclusions
  - Conditions
  - Definitions
- Selected endorsements
  - Lessor — additional insured and loss payee (CA 20 01)
  - Mobile equipment (CA 20 15)
  - Auto medical payments coverage (CA 99 03)
  - Drive other car coverage (CA 99 10)
  - Individual named insured (CA 99 17)
- Commercial carrier regulations
  - The Motor Carrier Act of 1980
  - Endorsement for motor carrier policies of insurance for public liability (MCS-90)

### 7.0 Commercial Package Policy (CPP) 8%

#### 7.1 Components of a commercial policy

- Common policy declarations
- Common policy conditions
- Interline endorsements
- One or more coverage parts

#### 7.2 Commercial general liability ('07)

- Commercial general liability coverage forms
  - Bodily injury and property damage liability
  - Personal and advertising injury liability
  - Medical payments
  - Supplementary payments
  - Who is an insured
  - Limits of liability
  - Conditions
  - Definitions
  - Exclusions
- Premises and operations
- Products and completed operations
- Insured contract

#### 7.3 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 forms

- 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)

#### 7.4 Commercial crime ('06)

- General definitions
  - Burglary
  - Theft
  - Robbery
- Crime coverage forms
  - Commercial crime coverage forms (discovery/loss sustained)
  - Government crime coverage forms (discovery/loss sustained)
- Coverages
  - Employee theft
  - Forgery or alteration
  - Inside the premises — theft of money and securities
  - Inside the premises — robbery or safe burglary of other property
  - Outside premises
  - Computer fraud
  - Funds transfer fraud
  - Money orders and counterfeit money
- Other crime coverage
  - Extortion — commercial entities

#### 7.5 Commercial inland marine

- Commercial inland marine conditions form
- Inland marine coverage forms
  - Accounts receivable
  - Bailee's customers
  - 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

#### 7.6 Equipment breakdown ('08)

- Equipment breakdown protection coverage form (EB 00 20)
- Selected endorsement
  - Actual cash value (EB 99 59)

#### 7.7 Farm coverage

- Farm property coverage forms ('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
- Farm liability coverage form ('06)
- Coverage H — Bodily injury and property damage liability
- Coverage I — Personal advertising injury liability
- Coverage J — Medical payments
- Mobile agricultural machinery and equipment coverage form
- Livestock coverage form
- Definitions
- Cause of loss (basic, broad and special)
- Conditions
- Exclusions
- Limits
- Additional coverages

## **8.0 Businessowners ('06) Policy 6%**

### **8.1 Characteristics and purpose**

### **8.2 Businessowners Section I — Property**

- Coverage
- Exclusions
- Limits
- Deductibles
- Loss conditions
- General conditions
- Optional coverages
- Definitions

### **8.3 Businessowners Section II — Liability**

- Coverages
- Exclusions
- Who is an insured
- Limits of insurance
- General conditions
- Definitions

### **8.4 Businessowners Section III — Common Policy Conditions**

### **8.5 Selected endorsements**

- Protective safeguards (BP 04 30)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)

## **9.0 Workers Compensation Insurance 7%**

### **9.1 Workers compensation laws**

- Type of law
  - Compulsory versus elective
- Vermont Workers' Compensation Law (Title 21 Sec 601–711)
  - Exclusive remedy (Title 21 Sec 622)
  - Employment covered (required, voluntary) (Title 21 Sec 616, 706)
  - Covered injuries (Title 21 Sec 618–620, 649)
  - Occupational disease (Title 21 Sec 601(7, 23))

- Benefits provided (Title 21 Sec 632–635, 640–648)

- Federal workers compensation laws
  - Federal Employer Liability Act (FELA) (45 USC 51–60)

- U.S. Longshore & Harbor Workers' Compensation Act (33 USC 904)
- The Jones Act (46 USC 688)

### **9.2 Workers compensation and employers liability insurance policy**

- General section

- Part One — Workers compensation insurance

- Part Two — Employers liability insurance

- Part Three — Other states insurance

- Part Four — Your duties if injury occurs

- Part Five — Premium

- Part Six — Conditions

- Voluntary compensation endorsement

### **9.3 Premium computation**

- Job classification — payroll and rates

- Experience modification factor

- Premium discounts

### **9.4 Other sources of coverages**

- Vermont workers' compensation administration fund (Title 21 Sec 711)

- Self-insured employers and employer groups (Title 21 Sec 687, 687a)

## **10.0 Other Coverages and Options 7%**

### **10.1 Umbrella/excess liability policies**

- Personal (DL 98 01)

- Commercial (CU 00 01)

### **10.2 Specialty liability insurance**

- Professional liability

- Errors and omissions

- Directors and officers liability

- Fiduciary liability

- Liquor liability

- Employment practices liability

### **10.3 Surplus lines**

- Definitions and markets

- Licensing requirements

### **10.4 Surety bonds**

- Principal, obligee, surety

- Contract bonds

- License and permit bonds

- Judicial bonds

### **10.5 Ocean marine insurance**

- Hull insurance

- Cargo insurance

- Freight insurance

- Protection and indemnity

### **10.6 National Flood Insurance Program**

- "Write your own" versus government

- Eligibility

- Coverage

- Limits

- Deductibles