

# 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 Casualty Insurance Series 16-05

**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 Casualty Insurance Basics 18%

### 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/strict liability
- Vicarious liability

### 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
- Named insured provisions
  - Duties after loss
  - Assignment
- Insurer provisions
  - Liberalization
  - Subrogation
  - Duty to defend

### 3.4 Pennsylvania laws, regulations and required provisions

- Pennsylvania Property and Casualty Insurance Guaranty Association (40 P.S. §§ 991.1801–.1820)
- Cancellation and nonrenewal
  - Private residential (40 P.S. § 1171.5(a)(9); 31 Pa. Code Ch. 59)
  - Commercial (40 P.S. §§ 3401–3407; 31 Pa. Code Ch. 113.81–.88)
- 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 Homeowners ('01 PA Version) Policy — Section II 13%

### 4.1 Coverage forms

- HO-2 through HO-6
- HO-8

## 4.2 Definitions

### 4.3 Section II — Liability coverages

Coverage E — Personal liability

Coverage F — Medical payments to others

Additional coverages

### 4.4 Exclusions

### 4.5 Conditions

### 4.6 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)

Home day care (HO 04 97)

Business pursuits (HO 24 71)

Watercraft (HO 24 75)

Personal injury (HO 24 82)

## 5.0 Auto Insurance 23%

### 5.1 Laws

Pennsylvania Motor Vehicle Financial Responsibility

Law (75 Pa. C.S. 1701-1799)

Required limits of liability

(75 Pa. C.S. 1702, 1705, 1711)

Pennsylvania Automobile Insurance Plan

(75 Pa. C.S. 1741-1744)

First-party benefits (75 Pa. C.S. 1711-1725)

Uninsured/underinsured motorist (40 P.S. § 2000;

75 Pa. C.S. 1731, 1733-1734, 1736, 1738)

Definitions

Bodily injury

Stacked and non-stacked

UM/UIM rejection

Required limits

Cancellation/nonrenewal (31 Pa. Code Ch. 61)

Grounds (40 P.S. §§ 991.2001-.2004)

Notice (40 P.S. § 991.2006)

Notice of eligibility in assigned risk plan

(40 P.S. § 991.2006)

Tort option selections (75 Pa. C.S. 1705)

Notice of rental car coverage (75 Pa. C.S. 1725)

### 5.2 Personal ('05) auto policy

Definitions

Liability coverage

Bodily injury and property damage

Supplementary payments

Exclusions

Medical payments coverage

Uninsured motorist coverage

Coverage for damage to your auto

Collision

Other than collision

Deductibles

Transportation expenses

Exclusions

Duties after an accident or loss

General provisions

Selected endorsements

Amendment of policy provisions —

Pennsylvania (PP 01 51)

Towing and labor costs (PP 03 03)

Extended non-owned coverage for named

individual (PP 03 06)

Miscellaneous type vehicle (PP 03 23)

Joint ownership coverage (PP 03 34)

### 5.3 Commercial auto ('10)

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)

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)

## 6.0 Commercial Package Policy (CPP) 8%

### 6.1 Components of a commercial policy

Common policy declarations

Common policy conditions

Interline endorsements

One or more coverage parts

### 6.2 Commercial general liability ('07)

Commercial general liability coverage forms

Bodily injury and property damage liability

Personal and advertising injury liability

Medical payments

Exclusions

Supplementary payments

Who is an insured

Limits of insurance

Conditions

Definitions

Occurrence versus claims-made

Claims-made features

Trigger

Retroactive date

Extended reporting periods—basic versus

supplemental

Claim information

Premises and operations

Products and completed operations  
Insured contract

### **6.3 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 the premises  
Computer fraud  
Funds transfer fraud  
Money orders and counterfeit money

Other crime coverages

Lessees of safe deposit boxes (CR 04 09)  
Securities deposited with others (CR 04 10)  
Guests' property (CR 04 11)  
Safe depository (CR 04 12)

### **6.4 Farm coverage**

Farm liability coverage form ('06)

Coverage H — Bodily injury and property damage liability  
Coverage I — Personal and advertising injury liability  
Coverage J — Medical payments

Exclusions

Additional coverages

Limits of insurance

Conditions

Definitions

## **7.0 Businessowners ('10) Policy — Liability 8%**

### **7.1 Characteristics and purpose**

### **7.2 Businessowners Section II — Liability**

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

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

### **7.4 Selected endorsements**

Hired and non-owned auto liability (BP 04 04)

## **8.0 Workers Compensation Insurance 6%**

### **8.1 Workers compensation laws**

Types of laws

Monopolistic versus competitive  
Compulsory versus elective

Pennsylvania Workers Compensation Act (Title 77)

Exclusive remedy (77 P.S. §§ 72, 481)  
Employment covered (required, elective)  
(77 P.S. §§ 1, 21–22, 461–463, 676)  
Covered injuries (77 P.S. §§ 41, 411, 411.2, 431, 602, 631)  
Occupational disease (77 P.S. §§ 27.1, 413)  
Benefits provided (77 P.S. §§ 511, 511.2, 512–514, 516, 531, 541–542, 561–562, 582, 717.1)

Subsequent injury fund (77 P.S. § 517)

Federal workers compensation laws

Federal Employers Liability Act (FELA)  
(45 USC 51– 60)

U.S. Longshore and Harbor Workers  
Compensation Act (33 USC 904)

The Jones Act (46 USC 688)

### **8.2 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

Selected endorsement

Voluntary compensation

### **8.3 Premium computation**

Job classification — payroll and rates

Experience modification factor

Premium discounts

### **8.4 Other sources of coverage**

Self-insured employers and employer groups  
(77 P.S. § 501)

State Workers Insurance Fund

(77 P.S. §§ 2603–2604, 2616)

## **9.0 Other Coverages and Options 3%**

### **9.1 Umbrella/excess liability policies**

Personal (DL 98 01)

Commercial (CU 00 01)

### **9.2 Specialty liability insurance**

Professional liability

Errors and omissions

Directors and officers liability

Fiduciary liability

Liquor liability

Employment practices liability

### **9.3 Surplus lines**

Definitions and markets

Licensing requirements

**9.4 Surety bonds**

Principal, obligee and surety  
Contract bonds  
License and permit bonds  
Judicial bonds

**9.5 Aviation insurance**

Aircraft liability

**9.6 Ocean marine insurance**

Protection and indemnity

**9.7 Other policies**

Boatowners

**9.8 Alternative funding mechanisms**

Risk retention groups  
(40 P.S. §§ 991.1501-.1506)  
Risk purchasing groups  
(40 P.S. §§ 991.1508-.1512)