

# 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 and Casualty Insurance Series 16-06

150 questions – 2.5-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 7%

#### 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 and Casualty Insurance Basics 20%

### 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
- 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
  - Contribution by equal shares
- Limits of liability
  - Per occurrence (accident)
  - Per person
  - Aggregate — general versus products — completed operations
  - Split
  - Combined single
- 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
  - Duty to defend
- 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 4%

#### 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 13%

#### 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 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 — 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)  
Business pursuits (HO 24 71)  
Watercraft (HO 24 75)  
Personal injury (HO 24 82)

### 6.0 Auto Insurance 19%

#### 6.1 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)

#### 6.2 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)

### **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)
  - 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) 7%**

### **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
  - 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

### **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
  - 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 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)

### **7.5 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

#### 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 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
- Farm liability coverage form ('06)
  - Coverage H — Bodily injury and property damage liability
  - Coverage I — Personal and advertising injury liability
  - Coverage J — Medical payments
- 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

### 8.0 Businessowners ('06) Policy 12%

#### 8.1 Characteristics and purpose

#### 8.2 Businessowners Section I — Property

- Coverage
- Exclusions
- Limits of insurance
- 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

- Hired and non-owned auto liability (BP 04 04)
- Protective safeguards (BP 04 30)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)

### 9.0 Workers Compensation Insurance 3%

#### 9.1 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)

#### 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
- Selected endorsement
  - Voluntary compensation

#### 9.3 Premium computation

- Job classification — payroll and rates
- Experience modification factor
- Premium discounts

#### 9.4 Other sources of coverage

- Self-insured employers and employer groups (77 P.S. § 501)
- State Workers Insurance Fund (77 P.S. §§ 2603–2604, 2616)

### 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 and surety
- Contract bonds
- License and permit bonds
- Judicial bonds

**10.5 Aviation insurance**

- Aircraft hull
- Aircraft liability

**10.6 Ocean marine insurance**

- Major coverages
  - Hull insurance
  - Cargo insurance
  - Freight insurance
- Protection and indemnity

**10.7 National Flood Insurance Program**

- "Write your own" versus government
- Eligibility
- Coverages
- Limits
- Deductibles

**10.8 Other policies**

- Boatowners
- Difference in conditions

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

**10.10 Alternative funding mechanisms**

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

**10.11 Mine Subsidence Insurance**

**10.12 Federal Crop Insurance (RMA)**