

# Your Exam Content Outline

The following outline describes the content of one of the South Carolina 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.

## South Carolina Producer's Examination for Property Insurance Series 19-05

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 1.1 Licensing

- Process (38-43-100)
- Types of licensees
  - Producer (38-43-10, 30)
  - Nonresident (38-43-70)
  - Temporary (38-43-102)
  - Broker (38-45-10)
- Maintenance and duration (38-43-110)
  - Reinstatement (38-43-110(B))
  - Reporting of actions (38-43-247)
  - Change of address (38-43-107)
  - Assumed names (38-43-10(C))
  - Continuing education (38-43-106)
- Disciplinary actions
  - Cease and desist order (38-57-200, 230)
  - Hearings (38-3-170; 38-57-200)
  - Penalties (38-2-10–30, 38-43-130)

#### 1.2 State regulation

- Director's general duties and powers (38-3-60, 110)
- Company regulation
  - Certificate of authority (38-5-80)
  - Solvency (38-5-120)
  - Rates (38-3-110)
  - Policy forms (38-61-20)
  - Unfair claims settlement practices (38-59-20)
  - Examination of books and records (38-13-10–30)
  - Appointment (38-43-40, 50)
  - Termination of appointment (38-43-55)
- Producer regulation
  - Records maintenance (38-43-250)
  - Failure to act as fiduciary (38-43-240)
  - Blank forms (38-43-260)
  - Sharing commissions (38-43-200)
  - Representing an unauthorized insurer (38-43-160–180)
- Unfair and prohibited practices
  - Misrepresentation (38-57-40)
  - False advertising (38-57-50)
  - Defamation (38-57-90)

- Boycott, coercion and intimidation (38-57-100)
- False financial statements (38-57-80)
- Unfair discrimination (38-55-50)
- Rebating (38-57-130)
- Twisting (38-57-60)
- Free insurance (38-57-170)
- Prohibited inducements (38-57-130, 150)
- Insurance fraud act (38-55-510–590)
- Consumer information privacy regulation (Reg 69-58 Sec 1–16)

#### 1.3 Federal regulation

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

### 2.0 General Insurance 5%

#### 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
  - Captive companies (Title 38, Ch 90)
- Private versus government insurers
- Authorized versus unauthorized 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
- 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 18%

### 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 South Carolina laws, regulations and required provisions

- South Carolina Valued Policy Law (38-75-20, 30)
- South Carolina Property and Casualty Insurance Guaranty Association (38-31-10–170)
- Cancellation, nonrenewal and renewal (38-75-710–790)
- Federal Terrorism Insurance Program (15 USC 6701; Public Law 107–297, 109–144, 110–160)

## 4.0 Dwelling ('02) Policy 10%

### 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 — South Carolina (DP 01 39)

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 12%**

#### **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 — South Carolina (HO 01 39)  
Limited fungi, wet or dry rot, or bacteria coverage  
(HO 04 26, HO 04 27)  
Permitted incidental occupancies (HO 04 42)  
Earthquake (HO 04 54)  
Scheduled personal property (HO 04 61)  
Personal property replacement cost (HO 04 90)

### **6.0 Auto Insurance 15%**

#### **6.1 Laws**

Cancellation/nonrenewal (38-77-120–124, 390;  
RL 56-10-280)  
Reasons  
Notice  
Constructive total loss  
Arbitration

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

Definitions  
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 — South  
Carolina (PP 01 78)  
Towing and labor costs (PP 03 03)  
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  
Physical damage coverage  
Exclusions  
Conditions  
Definitions  
Selected endorsements  
Lessor — additional insured and loss payee  
(CA 20 01)  
Mobile equipment (CA 20 15)  
Hired autos specified as covered autos you own  
(CA 99 16)  
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) 11%**

#### **7.1 Components of a commercial policy**

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

#### **7.2 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 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)

#### **7.3 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

#### **7.4 Equipment breakdown ('08)**

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

#### **7.5 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
  - Cause of loss (basic, broad and special)
  - Exclusions
  - Additional coverages
  - Limits of insurance
  - Conditions
  - Definitions

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

#### **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 III — Common Policy Conditions**

#### **8.4 Selected endorsements**

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

### **9.0 Marine Insurance 3%**

#### **9.1 Hull coverage**

- Characteristics and purpose
  - Assured
  - Agreed value
  - Deductible (or deductible average clause)
  - Premium, return of premium and nonpayment of premium
  - Adventure
  - Causes of loss
  - Claims (general provisions)

- General average and salvage
- Sue and labor
- Collision liability
- Limitations of liability
- Pilotage and towage
- Change of ownership
- Additional insurances
- War, strikes, and related exclusions

#### **9.2 Cargo coverage**

- Characteristics and purpose
- Types of cargo losses
  - Total loss — actual total loss versus constructive total loss
  - Partial loss — particular average versus general average
- Sue and labor expenses
- Salvage charges and awards

#### **9.3 Protection and indemnity insurance**

- Insuring agreements
- Indemnity principle
- Liability of vessel owner
- Common covered losses
- Exclusions
- Conditions regarding claims
- Other provisions

### **10.0 Other Coverages and Options 10%**

#### **10.1 Aviation insurance**

- Aircraft hull

#### **10.2 National Flood Insurance Program**

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

#### **10.3 South Carolina Wind and Hail Underwriting Association (SCWHUA) (38-75-310-460)**

- Eligibility
- Coverage
- Limits
- Deductibles

#### **10.4 Other policies**

- Boatowners
- Difference in conditions