

YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

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

Pennsylvania Producer's Examination for Property and Casualty Insurance

Series 16-06

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 5%

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)
- Terrorism Risk Insurance Act (TRIA) of 2002 and Extension Act of 2005 (15 USC 6701; S467)

4.0 Dwelling ('02) Policy 7%

- 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 16%

- 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)
 - 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 13%

- 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) 10%

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 ('04)

- 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 ('02)

- 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 Boiler and machinery ('01)

Equipment breakdown protection coverage form (BM 00 20)

Selected endorsements

- Business income — Report of values (BM 15 31)
- Actual cash value (BM 99 59)

7.7 Farm coverage ('03)

Farm property coverage forms

- 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

- 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

Definitions

Causes of loss (basic, broad and special)

Conditions

Exclusions

Limits

Additional coverages

8.0 Businessowners ('06) Policy 9%

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 6%

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 endorsements
 - 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)