

# 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 Adjuster's Examination for Commercial Lines Insurance Series 19-24

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 1.1 Director's general duties and powers (38-3-60, 110)

#### 1.2 Licensing requirements

Qualifications (38-47-10)

Nonresident (38-47-20)

Emergency adjuster permit (Reg 69-1)

#### 1.3 Maintenance and duration (38-47-40)

Change of address (38-47-15)

#### 1.4 Disciplinary actions

Cease and desist order (38-57-200, 230)

Hearings (38-3-170; 38-57-200)

Penalties (38-2-10-30; 38-47-70)

#### 1.5 Claim settlement laws and regulations (38-59-20)

#### 1.6 Federal regulation

Fraud and false statements (18 USC 1033, 1034)

### 2.0 Insurance Basics 14%

#### 2.1 Contract basics

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

#### 2.2 Insurance principles and concepts

Insurable interest

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

#### 2.3 Policy structure

Declarations

Definitions

Insuring agreement or clause

Additional/supplementary coverage

Conditions

Exclusions

Endorsements

#### 2.4 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 the bailee

## 2.5 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)
- Insurance fraud act (38-55-510–590)
- Arbitration of property damage liability claims (38-77-710–770)
- Terrorism Risk Insurance Act of 2002 and Extensions (15 USC 6701; Public Law 109–144, 110–160; HR 2761)

## 3.0 Adjusting Losses 20%

### 3.1 Role of the adjuster

- Duties and responsibilities
- Staff and independent adjuster versus public adjuster
- Relationship to the legal profession

### 3.2 Claim reporting

- Claim investigation
- Claim file documentation of events
- Types of reports
  - Initial or first field
  - Interim or status
  - Full formal

### 3.3 Property losses

- Duties of insured after a loss
  - Notice to insurer
  - Minimizing the loss
  - Proof of loss
  - Special requirements
  - Production of books and records
  - Abandonment
- Determining value and loss
  - Burden of proof of value and loss

- Estimates
- Depreciation
- Salvage
- Claim settlement options
- Payment and discharge

### 3.4 Liability losses

- Investigation procedures
  - Verify coverage
  - Determine liability
- Gathering evidence
  - Physical evidence
  - Witness statements
- Determining value of intangible damages

### 3.5 Coverage problems

- Dealing with coverage disputes
  - Reservation of rights letter
  - Nonwaiver agreement
  - Declaratory judgment action

### 3.6 Claims adjustment procedures

- Settlement procedures
  - Advance payments
  - Draft authority
  - Execution of releases
- Subrogation procedures
- Alternative dispute resolution
  - Appraisal
  - Arbitration
  - Competitive estimates
  - Mediation
  - Negotiation

## 4.0 Auto Insurance 14%

### 4.1 Laws

- South Carolina Motor Vehicle Financial Responsibility Act (RL Title 56, Chapter 9)
  - Required limits of liability (38-77-140)
- Uninsured/underinsured motorist (38-77-150–170, 180–230, 260)
  - Definitions
  - Bodily injury
  - Property damage
  - Required limits
- Cancellation/nonrenewal (38-77-120–124, 390)
  - Reasons
  - Notice
- Constructive total loss
- Arbitration

### 4.2 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

- 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)
  - 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)

- 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)

#### **5.4 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 coverage
    - Extortion — commercial entities (CR 04 03)

#### **5.5 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

#### **5.6 Equipment breakdown ('07)**

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

#### **5.7 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

### **5.0 Commercial Package Policy (CPP) 17%**

#### **5.1 Components of a commercial policy**

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

#### **5.2 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

#### **5.3 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 forms
  - Basic
  - Broad
  - Special

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

- Covered injuries (RL 42-1-160; RL 42-9-60; RL 42-15-20, 40)
- Occupational disease (RL 42-11-10)
- Benefits provided (RL 42-9-10–30, 200, 260, 290; RL 42-13-90; RL 42-15-10, 60–70)
- Second injury fund (RL 42-7-310; RL 42-9-400)

## **7.2 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

## **7.3 Sources of coverage**

- South Carolina Workers' Compensation Uninsured Employers' Fund (RL 42-7-200)
- Self-insured employers (RL 42-5-20, 50)
- South Carolina residual workers compensation
- Voluntary market

## **6.0 Businessowners ('06) Policy 10%**

### **6.1 Characteristics and purpose**

### **6.2 Businessowners Section I — Property**

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

### **6.3 Businessowners Section II — Liability**

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

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

### **6.5 Selected endorsements**

- Hired auto 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)

## **7.0 Workers Compensation Insurance 4%**

### **7.1 Workers compensation laws**

- Types of laws
  - Monopolistic versus competitive
  - Compulsory versus elective
- South Carolina Workers Compensation Law (RL Title 42)
  - Exclusive remedy (RL 42-1-540)
  - Employment covered (required, voluntary) (RL 42-1-130–150, 310, 360)

## **8.0 Marine Insurance 3%**

### **8.1 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

### **8.2 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

### **8.3 Protection and indemnity insurance**

- Insuring agreements
- Indemnity principle
- Liability of vessel owner
- Common covered losses

Exclusions  
Conditions regarding claims  
Other provisions

## **9.0 Surety and Fidelity 3%**

### **9.1 Surety bonds**

Nature of surety bonds  
Surety bonds versus insurance  
Parties of a surety bond — Principal, obligee, surety  
Contract bonds  
Purpose of license and permit bonds  
Public official bond  
Judicial bonds  
Fiduciary bonds

### **9.2 Fidelity coverages**

Nature of fidelity bonds  
Employee theft coverage  
Financial institution bonds  
Public employee bonds

## **10.0 Other Coverages and Options 5%**

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

Commercial (CU 00 01)

### **10.2 Specialty liability insurance**

Errors and omissions  
Professional liability  
Directors and officers liability  
Fiduciary liability  
Liquor liability  
Employment practices liability

### **10.3 Surplus lines**

Definitions and markets  
Licensing requirements

### **10.4 Aviation insurance**

Aircraft hull  
Aircraft liability

### **10.5 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

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

Eligibility  
Coverage  
Limits  
Deductible

### **10.7 Other policies**

Difference in conditions