

# YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

*If you do not receive all four pages of this outline, please contact Thomson Prometric.*

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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 Personal Lines Examination**

### **Series 16-16**

### **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 11%**

##### **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

Reciprocal

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 17%

### 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

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)
  - 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)

#### **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 22%**

##### **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 25%**

##### **6.1 Laws**

- Pennsylvania Motor Vehicle Financial Responsibility Law (75 Pa. C.S. 1701–99)
  - 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)

## **7.0 Other Coverages and Options 7%**

**7.1 Personal umbrella policies (DL 98 01)**

**7.2 National Flood Insurance Program**

"Write your own" versus government

Eligibility

Coverages

Limits

Deductibles

**7.3 Other policies**

Boatowners

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

**7.5 Federal Crop Insurance (RMA)**