

**Virginia Property and Casualty Insurance Examination
Series 11-03
135 scored (10 pre-test) questions – 2.5-hour time limit**

1.0 Insurance Regulation

15% (20 items)

1.1 Licensing

General Provisions and Definitions 38.2-1800

Process (38.2-1819)

Types of licensees

Agents (38.2-1800.1(A), 1801, 1814–1815.1, 1817–1820, 1822(A), (B), 1824)

Consultants (38.2-1837–1840)

Nonresidents (38.2-1836, 1845)

Business entities (38.2-1800.1(B), 1820, 1822(C), (D))

Exceptions (38.2-1821.1, 1822(G))

Maintenance

Duration and termination (38.2-1825, 1826)

Address and/or name changes (38.2-1826(A))

Assumed names (38.2-1822(E), (F))

Requirement to report felony convictions (38.2-1826(B))

Requirement to report other states actions (38.2-1826(C))

Continuing education (38.2-1866, 1868.1–1871)

Appointment procedures (38.2-1825, 1833–1834.1)

Agent's contract with insurer versus agent's appointment with insurer

Agent's appointment versus agency's appointment

Solicitation prior to appointment

Appointment requirement after becoming licensed

Acknowledgment of appointment/notice to agent

Requirement to cease solicitation

Termination of appointment/notice to agent

Termination of license without active appointment

Disciplinary actions

Probation, suspension, revocation or refusal to issue or renew (38.2-1821, 1831, 1832)

Cease and desist order (38.2-219)

Penalties (38.2-218, 219, 1823, 1831)

1.2 State regulation

State Corporation Commission's general duties and powers (38.2-200)

Agent regulation

Acting for an unlicensed insurer (38.2-1802; 1822)

Record retention (38.2-1809(B))

Payment and sharing of commissions (38.2-1812)

Charging of fees (38.2-310)

Illegal compensation; exceptions (38.2-1812.2)

Fiduciary capacity (38.2-1813)

Responsibility of trust accounts (38.2-1813)

Referrals (38.2-1821.1 (B) 8)

Unfair trade practices

Misrepresentation (38.2-502, 512)

False advertising (38.2-503)

Defamation (38.2-504)

Boycott, coercion and intimidation (38.2-505)

Unfair discrimination (38.2-508)

Rebating (38.2-509)

Examination of books and records (38.2-515, 1317, 1809(A), 318 C)

Insurance information and privacy protection (38.2-604, 604.1)

1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681–1681d)

Fraud and false statements (18 USC 1033, 1034)

1.4 Industry regulation

National Association of Insurance Commissioners (NAIC)

2.0 General Insurance

9% (12 items)

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

Reciprocals

Risk retention groups

Surplus lines carriers

Purchasing groups

Private versus government insurers

Admitted versus nonadmitted insurers

Domestic, foreign and alien insurers

Financial status (independent rating services) and operating results

Marketing (distribution) systems

2.3 Agents and general rules of agency

Types

Captive

Independent

Insurer as principal

- Agent of insurer
- Authority and powers of agents
 - Express
 - Implied
 - Apparent
- Responsibilities to the applicant/insured

2.4 Contracts

- Elements of a legal contract
 - Offer and acceptance
 - Consideration
 - Competent parties
 - Legal purpose
- 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

13% (18 items)

3.1 Principles and concepts

- Insurable interest
- Underwriting
 - Function
- Rates
 - Loss costs
- Hazards
 - Physical
 - Moral
 - Morale
- Negligence
 - Elements of a negligent act
 - Defenses against negligence
 - Proximate Cause
- 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

Guaranteed replacement cost

Market value

Agreed value

Stated amount

Valued policy

Salvage value

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 and additional

Policy period

Policy territory

Cancellation and nonrenewal

Deductibles

Other insurance

Nonconcurrent

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
- Lien holder provisions
 - Standard mortgage clause
 - Loss payable clause
 - No benefit to the bailee

3.4 Virginia laws, regulations and required provisions

Virginia Property and Casualty Insurance Guaranty Association (38.2-1600-1632)

- Notices
 - Flood exclusion (38.2-2125)
 - Earthquake Exclusion (38.2-2129)
- Cancellation and nonrenewal
 - Owner occupied dwelling (38.2-2113, 2114)
 - Fire (38.2-2105)
 - Commercial liability (38.2-231)
- Optional Coverages
 - Ordinance or law (38.2-2124)
 - Water sewer backup (38.2-2120)
- Binders (VA 38.2-2112)

4.0 Dwelling Policy

5% (7 items)

4.1 Characteristics and purpose

4.2 Coverage forms — Perils insured against

- DP-1 Basic
- DP-2 Broad
- DP-3 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 Personal liability supplement

4.7 VA Special Provisions (01 45 10 23)

4.8 Selected Endorsements

- Automatic Increase in Insurance Endorsement/Inflation Guard (DP 04 11)
- Broad Theft Coverage Endorsement (DP 05 72)
- Dwelling Under Construction Endorsement (DP 11 43)

5.0 Homeowners Policy

13% (18 items)

5.1 Coverage forms

- HO-3 Special
- HO-4 Tenants
- HO-5 Comprehensive
- HO-6 Condominium Unit-Owners

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

5.4 Section II — Liability coverages

- Coverage E — Personal liability
- Coverage F — Medical payments to others

5.5 Perils insured against

5.6 Additional coverages

- Debris removal
- Reasonable repairs
- Trees, shrubs and other plants
- Fire department service charge
 - Contractual
 - Volunteer
- Property removed

- Loss assessment
- Glass or safety glazing material
- Landlord's furnishings
- Claim expenses
- First aid expenses
- Damage to property of others

5.7 Exclusions

5.8 Conditions

- Provisions for Certain Risks (VA 38.2-2119(B))

5.9 Other policies

- Mobile homes

5.10 Selected Endorsements

- Personal Property Replacement Cost Loss Settlement (HO 04 90)
- Scheduled Personal Property Endorsement (HO 04 61)
- Earthquake Endorsement (HO 04 54)
- Permitted Incidental Occupancies Endorsement (HO 04 42)
- Home Daycare Endorsement (HO 04 97)

Personal Injury Endorsement (HO 24 82)
Watercraft Liability Endorsement (HO 24 75)
Business Pursuits Endorsement (HO 24 82)

6.0 Auto Insurance

16% (21 items)

6.1 Laws

Virginia Motor Vehicle Financial Responsibility Law and required limits of liability (38.2-2206; RL 46.2-372, 472)
Virginia Automobile Insurance Plan (RL 46.2-464–471)
Uninsured/underinsured motorist (38.2-2202, 2206)
 Definitions
 Bodily injury
 Property damage
 UM/UIM rejection
 Required limits
Cancellation/nonrenewal (38.2-231, 2208, 2212)
 Specific reasons
 Notice
 Notice of eligibility in assigned risk plan
Rental reimbursement coverage (38.2-2230)
After market parts (38.2-510(C))
Driver exclusions (38.2-2204)

6.2 Personal auto policy

Definitions
Liability coverage
 Bodily injury and property damage
 Supplementary payments
 Exclusions
Coverage for damage to your auto
 Collision
 Other than collision
 Deductibles
 Exclusions
Duties after an accident or loss
General provisions
Selected endorsements
 Amendment of policy provisions — Virginia (PP 01 99 01 25)
 Medical expense and income loss benefits coverage — Virginia (PP 05 96 01 20)
 Transportation expenses coverage — Virginia (PP 13 52 10 20)
 Joint ownership coverage — Virginia (PP 13 53 01 20)
 Towing and labor costs — Virginia (PP 13 55 01 20)
 Extended non-owned coverage for named individual — Virginia (PP 13 56 01 20)
 Miscellaneous type vehicle — Virginia (PP 13 63 01 20)
 Uninsured Motorist Coverage (Alternative Coverage) – Virginia (PP 14 34 07 23)
 Loss Payable Clause (PP 03 05 09 18)

6.3 Commercial auto

Commercial auto coverage forms
 Business auto
 Auto dealers coverage form
 Motor carrier

- Coverage form sections
 - Covered autos
 - Liability coverage
 - Garagekeepers coverage
 - Trailer interchange coverage
 - Physical damage coverage
 - Conditions
 - Definitions
- Selected endorsements
 - Uninsured motorist — Virginia (CA 21 21)
 - Uninsured motorists endorsement - Alternative Coverage (Virginia) — (CA 31 44 07 23)
 - Virginia Split Uninsured Motorist (CA 31 27)
 - Virginia medical expense and income loss benefits (CA 22 46)

7.0 Commercial Package Policy (CPP)

12% (16 items)

7.1 Components of a commercial package policy

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

7.2 Commercial general liability

- Commercial general liability coverage forms
 - Bodily injury and property damage liability
 - Personal and advertising injury liability
 - Medical payments
 - Supplementary payments
 - Who is an insured
 - Limits of liability
 - Conditions
 - Definitions
 - Exclusions
- Occurrence versus claims-made
- Premises and operations
- Products and completed operations
- Insured contract

7.3 Commercial property

- Commercial property conditions form
- Coverage forms
 - Building and personal property
 - Condominium association
 - Condominium commercial unit-owners
 - Builders risk
 - Business income
 - Extra expense
- Causes of loss forms

- Basic
- Broad
- Special

7.4 Commercial crime

- 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 — theft of money and securities
 - Inside — robbery or safe burglary of other property
 - Outside premises
 - Computer and Funds Transfer Fraud
 - Fraudulent Impersonation
 - Money orders and counterfeit money

- Other crime coverages

- Extortion — commercial entities
 - Guests' property

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
 - Signs
 - Valuable papers and records

- Transportation coverages

- Common carrier cargo liability
 - Motor truck cargo forms
 - Transit coverage forms

7.6 Boiler and machinery (§ 38.2-115)

- Equipment breakdown protection coverage form

- Selected endorsements

- Actual Cash Value (EB 99 59)

- Business Income - Report of Values

7.7 Farm coverage

- Farm property coverage form

- 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
 - Coverage I — Personal and advertising injury
 - Coverage J — Medical payments
- Mobile agricultural machinery and equipment coverage form
- Livestock coverage form
- Definitions
 - Causes of loss (basic, broad and special)
 - Conditions
 - Exclusions
 - Additional coverages

7.8 Selected Endorsements

- Ordinance or Law Coverage (CP 04 05)
- Peak Season Limit of Insurance (CP 12 30)
- Value Reporting Form (Full Value Form) (CP 13 10)
- Spoilage (CP 04 40)
- Vacancy Permit (CP 04 50)

8.0 Businessowners Policy

5% (7 items)

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

- Business liability
- Medical expenses
- Exclusions
- Who is an insured
- Limits of insurance
- General conditions
- Definitions

8.4 Businessowners Section III — Common Policy Conditions

8.5 Selected Endorsements

Earthquake Endorsement (BP 10 03)
Protective Safeguards Endorsement (BP 04 30)
Named Perils Endorsement (BP 10 09)
Hired Auto and Non-Owned Auto Liability Endorsement (BP 04 04)
The Utility Services - Direct Damage Endorsement (BP 04 56)
The Utility Services - Time Element Endorsement (BP 04 57)

9.0 Workers Compensation Insurance

7% (9 items)

9.1 Employment covered

Ref: 65.2-101, 65.2-300

9.2 Virginia Workers' Compensation Insurance Plan

(assigned risk) Ref: 65.2-820; 38.2-2000.1

10.0 Other Coverages and Options

5% (7 items)

10.1 Umbrella/excess liability policies

Personal
Commercial

10.2 Specialty liability insurance

Professional liability
Errors and omissions
Fiduciary liability
Liquor liability

10.3 Surplus lines

Definitions and markets
Licensing requirements (38.2-1857.1–1857.9)

10.4 Surety bonds

Principal, obligee, surety
Contract bonds
License and permit bonds
Judicial bonds

10.5 Business management liability

Directors and officers liability (D&O)
Employment practices liability (EPL)

10.6 National Flood Insurance Program

"Write your own" versus government
Eligibility
Coverage
Limits
Deductibles

10.7 Other policies

Watercraft including uninsured private pleasure watercraft coverage (38.2-2232)
Difference in conditions

10.8 Basic Property Residual Market

Virginia Property Insurance Association (FAIR plan) (38.2-2700–2707)