

**Virginia Personal Lines Insurance Examination**  
**Series 11-07**  
**100 scored (5 pre-test) questions – Two-hour time limit**

**1.0 Insurance Regulation**

**18% (18 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), 1318 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**

**12% (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**

**20% (20 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

#### **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
- Limits of liability
  - Per occurrence (accident)
  - Per person
  - 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)
- Notices
  - Flood exclusion (38.2-2125)
  - Earthquake Exclusion (38.2-2129)
- Cancellation and nonrenewal (38.2, 2105, 2113, 2114)
  - Owner occupied dwelling (38.2-2113, 2114)
  - Fire (38.2-2105)
- Optional Coverages
  - Ordinance or law (38.2-2124)
  - Water sewer backup (38.2-2120)
- Binders (VA 38.2-2112)

**4.0 Dwelling Policy**

**8% (8 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 (DP 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**

**17% (17 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

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)

**6.0 Auto Insurance**

**20% (20 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 increased limits 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)

## **7.0 Other Coverages and Options**

**5% (5 items)**

### **7.1 Personal umbrella**

### **7.2 National Flood Insurance Program**

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

### **7.3 Watercraft including uninsured private pleasure watercraft coverage (38.2-2232)**

### **7.4 Basic Property Residual Market**

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

### **7.5 Inland marine**

- Personal Articles floaters