

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))

Insurance information and privacy protection (38.2-604, 613.2)

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

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

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 — Additional Living Expense and Fair Rental Value

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
- Credit card, fund transfer card, forgery and counterfeit money
- 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

5.9 Other policies

- Mobile
- Homes

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))

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 12 20)
 - Medical expense and income loss benefits coverage — Virginia (PP 05 96 01 16)
 - Transportation expenses coverage — Virginia (PP 13 52 01 04)
 - Joint ownership coverage — Virginia (PP 13 53 06 15)
 - Towing and labor costs — Virginia (PP 13 55 06 00)
 - Extended non-owned coverage for named individual — Virginia (PP 13 56 01 05)
 - Miscellaneous type vehicle — Virginia (PP 13 63 01 05)
 - Uninsured motorists coverage — Virginia (PP 14 03 01 05)
 - Loss Payable Clause (PP 03 05 08 86)

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)
 - 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 fraud

Funds transfer fraud

- 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

- Equipment breakdown protection coverage form
- Selected endorsements

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

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

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

Boatowners 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)