

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))

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

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 (2113, 2114)
 - Fire (38.2-2105)
- Optional Coverages 38.2-2120, 2124
 - Ordinance or law
 - Water sewer backup

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

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 — 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
- 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

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))

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 10 15)
 - 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)

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 Boatowners 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