

**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 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)

## **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 Workers compensation laws**

Types of laws

Compulsory versus elective

Virginia Workers Compensation Act

Exclusive remedy (RL 65.2-307)

Employment covered (required, voluntary, elective) (RL 65.2-101, 300)

Covered injuries (RL 65.2-101, 305, 306)

Occupational disease (RL 65.2-400–407)

Benefits provided (RL 65.2-500–503, 512, 515–517, 603)



Second injury fund (RL 65.2-506, 1100–1106)  
Federal workers compensation laws  
U.S. Longshore and Harbor Workers Compensation Act (33 USC 904)

**9.2 Workers compensation and employers liability insurance policy**

General section  
Part One — Workers compensation insurance  
Part Two — Employers liability insurance  
Part Three — Other states insurance  
Part Four — Your duties if injury occurs  
Part Five — Premium  
Part Six — Conditions  
Voluntary compensation endorsement

**9.3 Premium computation**

Job classification — payroll and rates  
Experience modification factor  
Premium discounts  
Schedule rating plan  
Deductible programs (RL 65.2-813.1)  
Drug-free workplace credit (RL 65.2-813.2)

**9.4 Other sources of coverage**

Virginia Workers Compensation Plan (RL 65.2-820)

**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)