

The Virginia Bureau of Insurance announces that new insurance licensing exams will go live on March 20, 2025. Most of the exams have transitioned to Linear-on-the-fly Testing (“LOFT”). This will enhance the security and efficiency of Virginia exams by the generation of unique and equivalent exam forms for each candidate. For more information on LOFT review the LOFT overview brochure that is attached.

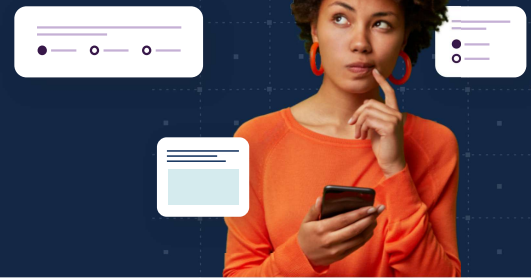
CE Providers are asked to review the updated exam content outlines and make necessary changes to their pre-licensing education materials to ensure candidates are ready to take Virginias insurance licensing exams. We have attached the Content Outlines that were updated which include what has changed.

Thank you,

Virginia Bureau of Insurance

Agent Licensing Section

# Linear-On-The-Fly Testing (LOFT)



Linear-on-the-Fly Testing (LOFT) is an automated exam assembly and delivery model that is an efficient approach to constructing secure examinations for programs with a large volume of test takers. LOFT constructs exams by selecting calibrated items from the item bank at the point of delivery, resulting in the creation of unique fixed-length exams for each test taker, each time they are administered the exam.

To ensure that all test takers are held to the same ability standard, even though each individual is administered a unique exam form, LOFT assembles equivalent exam forms according to specific content and psychometric constraints and strictly controlled item use rates, to ensure that all resulting exams meet blueprint specifications. The number of possible unique LOFT forms is limited only by the size of the item bank and the requirements imposed on the construction process, such as item difficulty, number of content domains and subdomains, or enemy item relationships.

## Why LOFT?

Prometric has delivered nearly 2 million exams via LOFT since 2008. Diverse clients in the financial services, insurance licensing, and healthcare sectors have chosen to deliver their exams using LOFT.

Prometric has been a strong proponent of LOFT for exam programs that meet the minimum requirements for test taker volumes and the item bank itself (including content representativeness, psychometric quality, and size) due to its many benefits. LOFT includes the following benefits:

- **Improved exam security and decreased opportunities for cheating during testing.**

The probability that LOFT will construct identical exams for two or more test takers is 1 in 12 trillion, making the ability to share exam information between test takers is significantly reduced enemy items from appearing on the same exam form.

- **Low form-to-form overlap rates.**

Because of the parameters that LOFT applies when creating exam forms, the number of common items between two forms of an exam is low, making it challenging for teams of proxy test takers to harvest exam questions from a given exam administration, or for test takers to anticipate questions they will be asked.

- **Broader usage of all exam items in the bank.**

Since more items from the item bank are assigned to different exam forms during a given administration, LOFT item banks contain items with lower under-exposure rates, optimizing an organization's return on investment for the resources committed for item development.

- **A fairer exam for honest test takers.**

Because an item's exposure is controlled and minimized, LOFT limits the probability that fixed sets of items may become known in the community of test takers, thereby allaying concerns over the validity of exam scores.

- **Automated exam assembly process.**

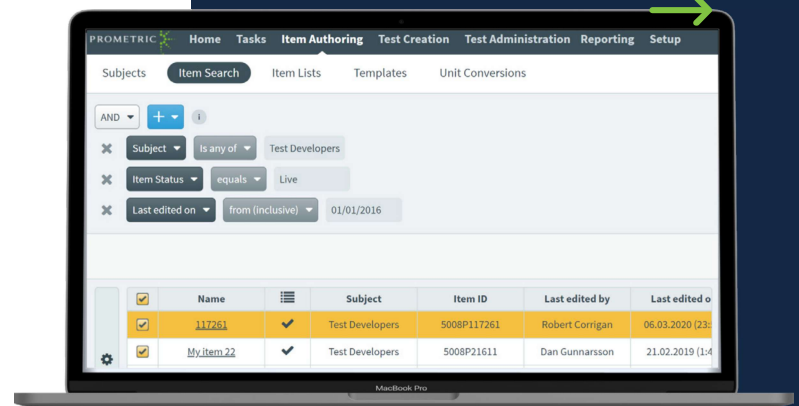
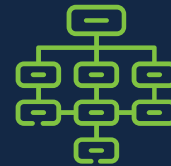
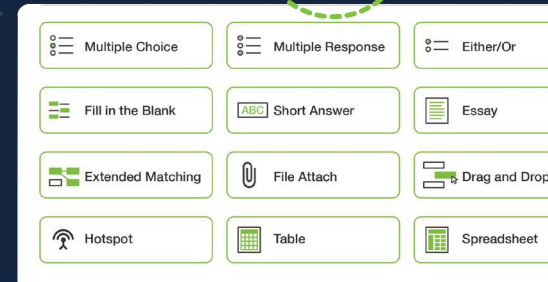
LOFT autogenerates exam forms according to a predetermined set of criteria, which significantly lowers the risk of introducing human error during exam assembly.

- **Money and time savings.**

Because LOFT automatically assembles forms immediately prior to exam administration, resources spent on manually assembling forms (which includes form review by subject matter experts) is largely eliminated.

- **Flexibility in exam scheduling.**

Exam items are able to remain in the field longer due to the controls that are established to reduce item overexposure risk. This allows exam sponsors to adopt a continuous or longer testing window without compromising item security. Opting for longer testing windows provides test takers with greater choice and flexibility in scheduling dates, times, and seats for their exams.



## Important Considerations for LOFT

There are several operational considerations to acknowledge when transitioning exams to and maintaining a LOFT program.



### Identifying “enemy item” relationships in the bank.

Transitioning an exam program from fixed-form testing to LOFT requires identifying all enemy item relationships in the bank. Because a unique exam is assembled for each test taker immediately prior to delivery, subject matter experts do not review each form prior to administration. Therefore, enemy relationships contained within the bank of items must be identified prior to delivering the exam forms via LOFT. Completing this critical step prevents enemy items from appearing on the same exam form.



### Anchor Calibrating all items in the bank.

Another opportunity when converting to LOFT is Anchor Calibrating all items using Item Response Theory (IRT) so that all items may be placed on the same ability scale. Reliable item statistics are best produced through IRT using large test taker volumes, so exam programs with smaller test taker volumes are not ideal candidates for LOFT.



### Organizing the LOFT item bank.

Item bank managers must organize the bank to correspond with the exam assembly specifications when transitioning to LOFT. For example, if an exam is built to three dimensions (e.g., content, psychometric, and cognitive-level criteria), then each item must be catalogued accordingly so the LOFT engine can build to these specifications.



### Growing the bank to support optimal item exposure rates.

For item banks determined to be too small to support LOFT, operational or budgetary resources may need to be dedicated to increase the number of operational items in the bank, which can prove challenging.



### Maintaining an extensive item bank.

LOFT item banks are significantly larger than item banks supporting fixedform testing, potentially containing thousands of items. It can be challenging to maintain the item bank to ensure that all items remain current, enemy relationships are identified, and all items are appropriately associated with their corresponding content, psychometric, or other tags. This challenge is mitigated with our ProDriver system, in which items can be tagged with a variety of metadata (including enemy relationships) which enables efficient review.

## Learn More

Learn more about our Test Development and Delivery Solutions by visiting [www.prometric.com](http://www.prometric.com) or by calling toll-free 1-877-725-3708.

**Virginia Life, Annuities, and Health Insurance Examination  
Series 11-01**

**140 scored (10 pretest) questions – 2.5-hour time limit**

**1.0 Insurance Regulation**

**10% (14 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, 1817–1818, 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))

Viatical Settlements (38.2-1865.1; 6000; 14VAC5-71-20)

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, 1823)

**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)

Record retention (38.2-1809(B))

Activities of unlicensed individuals (38.2-1821.1(B), 1822(G); AL 2002-9)

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)

Unfair trade practices

Misrepresentation (38.2-502, 512)

False advertising (38.2-503)

Defamation (38.2-504)

Boycott, coercion, and intimidation (38.2-505)

Notice of Adverse Underwriting Decisions (38.2-610)

False statements and entries (38.2-506)

Unfair discrimination (38.2-508, 38.2-508.1, 38.2-508.2)

Rebating (38.2-509)

- Twisting (38.2-1831(5))
- Referrals (38.2-1821.1 (B) 8)
- Insurance information and privacy protection (38.2-604, 613)
- Notice of information practices (38.2-604, 613, 608, 609, 38.2-604.1)
- Long-term Care Rate Increases, Notice Requirements (38.2-5206.1)

**1.3 Federal regulation**

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033, 1034)
- ACA-Related Federal Market Reforms (Article 6, 38.2-3438 through 3454.1)
  - Definitions (38.2-3438)
    - Individual health insurance coverage
    - Dependent coverage (38.2-3439)
    - Lifetime and annual limits (38.2-3440)
    - Restrictions relating to premium rates (38.2-3447)
    - Essential health benefits (38.2- 3451)
    - Waiting periods (38.2-3452)
    - Excepted benefits (45 CFR § 148.220), (38.2-3431)

**1.4 Industry regulation**

- National Association of Insurance Commissioners (NAIC)

**2.0 General Insurance**

**6% (8 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 assessment insurers
  - Fraternal benefit societies
  - Self insurers
- 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

Distinct characteristics of an insurance contract

- Contract of adhesion
- Aleatory contract
- Personal contract
- Unilateral contract
- Conditional contract

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 Life Insurance Basics**

**6% (8 items)**

### **3.1 Insurable interest (38.2-301, 302, 3105)**

### **3.2 Personal uses of life insurance**

- Survivor protection
- Estate creation
- Cash accumulation
- Liquidity
- Estate conservation

### **3.3 Determining amount of personal life insurance**

- Human life value approach
- Needs approach
  - Types of information gathered
  - Determining lump-sum needs
  - Planning for income needs

### **3.4 Business uses of life insurance**

- Buy-sell funding
- Key person
- Executive bonuses

### **3.5 Classes of life insurance policies**

- Group versus individual
- Permanent versus term
- Participating versus nonparticipating
- Fixed versus variable life insurance and annuities
  - Regulation of variable products ( FINRA and Virginia) (38.2-3113; 14 VAC 5-20-30, 80)
  - Types of variable products

### **3.6 Premiums**

- Factors in premium determination
  - Mortality
  - Interest

- Expense
- Premium concepts
  - Net single premium
  - Gross annual premium
- Premium payment mode

**3.7 Agent responsibilities**

- Rules Governing Advertisement of Life Insurance and Annuities (14VAC 5-41)
- Solicitation and sales presentations (14 VAC 5-41)
  - Life, Accident and Sickness Insurance Guaranty Association (38.2-1700, 1715)
  - Policy summary
  - Buyer's guide
- Replacement (14 VAC 5-30-40)
- Use and disclosure of insurance information (38.2-613)
- Field underwriting
  - Notice of information practices (38.2-604)
  - Adverse underwriting decisions (38.2-610 – 612)
  - Application procedures
    - Required signatures
    - Changes in the application
    - Consequences of incomplete applications
    - Warranties and representations
    - Collecting the initial premium and issuing the receipt
    - Disclosures at point of sale (e.g., HIPAA, HIV consent)
    - USA PATRIOT Act/anti-money laundering

Delivery

- Policy review
- Effective date of coverage
- Premium collection
- Statement of good health

**3.8 Individual underwriting by the insurer**

- Information sources and regulation
  - Application
  - Agent report
  - Attending physician statement
  - Investigative consumer (inspection) report
  - Medical Information Bureau (MIB)
  - Medical examinations and lab tests including HIV (38.2-613.01; 14 VAC 5-180-50)
- Unfair discrimination (38.2-508; 38.2-508.1; 38.2-508.2)

Classification of risks

- Preferred
- Standard
- Substandard
- Declined

**4.0 Life Insurance Policies**

**10% (14 items)**

**4.1 Term life insurance**

- Level term
  - Annual renewable term
  - Level premium term
- Decreasing term
- Increasing term
- Return of premium

**4.2 Whole life insurance**

- Ordinary whole life
- Continuous premium (straight life)

- Limited payment
- Interest sensitive/current assumption
- Indexed life
- Equity indexed life
- Single premium
- Variable whole life
- Variable universal life

#### **4.3 Flexible premium policies**

- Adjustable life
- Universal life

#### **4.4 Specialized policies**

- Joint life (first-to-die)
- Survivorship life (second-to-die)
- Juvenile/student life

#### **4.5 Group life insurance**

- Characteristics of group plans
- Types of eligible groups (38.2-3318.1)
  - Employer/employee
  - Debtor groups
  - Labor union groups
  - Trust
  - Associations
- Group underwriting requirements
- Benefit payments (38.2-3330)
- Covered dependents (38.2-3323)
- Lives covered (38.2-3322.2)
- Conversion to individual policy (38.2-3332–3334)
- Contributory vs. noncontributory

#### **4.6 Credit life insurance (individual versus group)**

### **5.0 Life Insurance Policy Provisions, Options and Riders**

**11% (16 items)**

#### **5.1 Standard provisions**

- Ownership
- Assignment (38.2-3111)
- Entire contract (38.2-3304)
- Right to examine (free look) (38.2-3301)
- Payment of premiums (38.2-3302)
- Grace period (38.2-3303)
- Reinstatement (38.2-3311)
- Incontestability (38.2-3107, 3305)
- Misstatement of age and misstatement of gender (38.2-3108, 3306)
- Exclusions
- Suicide (38.2-3106)
- War clause
- Interest on proceeds (38.2-3115)
- Prohibited provisions including backdating (38.2-3104, 3316)

#### **5.2 Beneficiaries**

- Designation options
  - Individuals
  - Classes
  - Estates
  - Minors
  - Trusts
- Succession
- Revocable versus irrevocable
- Annulment or divorce (38.2-305(C))

Common disaster clause  
Spendthrift clause

**5.3 Settlement options**

Cash payment  
Interest only  
Fixed-period installments  
Fixed-amount installments  
Life income  
    Single life  
    Joint and survivor

**5.4 Nonforfeiture options**

Cash surrender value  
Extended term  
Reduced paid-up insurance

**5.5 Policy loans (38.2-3308)**

Cash loans  
Automatic premium loans  
Withdrawals or partial surrenders  
Educational loans (38.2-3113.3)

**5.6 Dividend options (38.2-3307)**

Cash payment  
Reduction of premium payments  
Accumulation at interest  
One-year term option  
Paid-up additions  
Paid-up insurance

**5.7 Disability riders**

Waiver of premium  
Waiver of cost of insurance  
Disability income benefit  
Payor benefit life/disability (juvenile insurance)

**5.8 Accelerated benefit provision/rider**

Conditions for payment (38.2-3115.1; 14 VAC 5-70-40)  
    Diagnosis of terminal illness  
    Diagnosis of catastrophic illness  
    Permanent confinement  
    Inability to perform ADLs  
Disclosure (14 VAC 5-70-80)  
    Written disclosure required  
    Effect on death benefit  
    Cash value  
    Loans and loan interest  
    Tax consequences  
    Premium

**5.9 Riders covering additional insureds**

Spouse/other-insured term rider  
Children's term rider  
Family term rider

**5.10 Riders affecting the death benefit amount**

Accidental death  
Guaranteed insurability  
Cost of living  
Return of premium

**6.0 Annuities**

**6% (8 items)**

**6.1 Annuity principles and concepts**

Accumulation period versus annuity period  
Owner, annuitant and beneficiary  
Insurance aspects of annuities

**6.2 Immediate versus deferred annuities**

Single premium immediate annuities (SPIAs)  
Deferred annuities

Premium payment options  
Nonforfeiture  
Surrender charges  
Bail-out provisions  
Death benefits

**6.3 Annuity (benefit) payment options**

Life contingency options  
Pure life versus life with guaranteed minimum  
Single life versus multiple life  
Annuities certain (types)

**6.4 Annuity products**

Fixed annuities  
General account assets  
Interest rate guarantees (minimum versus current)  
Level benefit payment amount  
Variable Annuities  
Equity indexed annuities  
Market value adjusted annuities (modified guaranteed annuities) (38.2-107.1, 3113.1)

**6.5 Uses of annuities**

Lump-sum settlements  
Qualified retirement plans including group versus individual  
Personal uses  
Tax-deferred growth  
Retirement income  
Education funds  
Charitable gift annuity (38.2-106.1, 3113.2)  
Suitability in Annuity Transactions (14VAC5-45)

**7.0 Federal Tax Considerations for Life Insurance and Annuities**

**2% (3 items)**

**7.1 Taxation of personal life insurance**

Amounts available to policyowner  
Cash value increases  
Dividends  
Policy loans  
Surrenders  
Amounts received by beneficiary  
General rule and exceptions  
Settlement options  
Values included in insured's estate  
Cost Recovery Rule

**7.2 Modified endowment contracts (MECs)**

Modified endowment versus life insurance  
Seven-pay test  
Distributions

**7.3 Taxation of non-qualified annuities**

Individually-owned  
Accumulation phase (tax issues related to withdrawals)  
Annuity phase and the exclusion ratio  
Distributions at death  
Corporate-owned

#### **7.4 Taxation of individual retirement accounts (IRAs)**

##### Traditional IRAs

- Contributions and deductible amounts
- Premature distributions (including taxation issues)
- Annuity phase benefit payments
- Values included in the annuitant's estate
- Amounts received by beneficiary

##### Roth IRAs

- Contributions and limits
- Distributions

#### **7.5 Rollovers and transfers (IRAs and qualified plans)**

#### **7.6 Section 1035 exchanges**

### **8.0 Qualified Plans**

**2% (3 items)**

#### **8.1 General requirements**

#### **8.2 Federal tax considerations**

- Tax advantages for employers and employees
- Taxation of distributions (age-related)

#### **8.3 Plan types, characteristics and purchasers**

- Simplified employee pensions (SEPs)
- Self-employed plans (HR 10 or Keogh plans)
- Profit-sharing and 401(k) plans
- SIMPLE plans
- 403(b) tax-sheltered annuities (TSAs)

### **9.0 Health Insurance Basics**

**6% (8 items)**

#### **9.1 Definitions of perils**

- Accidental injury
- Sickness

#### **9.2 Principal types of losses and benefits**

- Loss of income from disability
- Medical expense
- Dental expense
- Long-term care expense

#### **9.3 Classes of health insurance policies**

- Individual versus group
- Private versus government
- Limited versus comprehensive

#### **9.4 Limited policies**

- Limited perils and amounts
- Required notice to insured
- Types of limited policies
  - Accident-only
  - Specified (dread) disease
  - Hospital indemnity (income)
  - Credit disability
  - Blanket insurance (teams, passengers, other)
  - Prescription drugs
  - Vision care
  - Critical illness (specified conditions)
  - Short-term medical

#### **9.5 Common exclusions from coverage**

- Pre-existing conditions
- Intentionally self-inflicted injuries
- War or act of war
- Elective cosmetic surgery

Conditions covered by workers compensation  
Government plans  
Participation in a felony or illegal occupation

**9.6 Agent responsibilities in individual health insurance**

Marketing requirements  
    Advertising (14 VAC 5-90)  
    Life, Accident and Sickness Insurance Guaranty Association (38.2-1715)  
    Sales presentations  
Field underwriting  
    Nature and purpose  
    Application procedures  
    Requirements at delivery of policy  
Common situations for errors/omissions  
Notification of Medicare eligibility

**9.7 Individual underwriting by the insurer**

Sources of underwriting information  
    Application  
    Agent report  
    Attending physician statement  
    Investigative consumer (inspection) report  
    Medical Information Bureau (MIB)  
    Medical examinations and lab tests (including HIV consent) (38.2-613.01; 14 VAC 5-180-50)  
Unfair discrimination ( 38.2-508; 38.2-508.1; 38.2-508.2)

Genetic information privacy (38.2-508.4, 38.2-613 D)  
Classification of risks  
    Preferred  
    Standard  
    Substandard  
    Declined

**9.8 Considerations in replacing health insurance**

Pre-existing conditions (38.2-3514)  
Pre-existing condition exclusion (38.2-3514.1)  
Benefits, limitations and exclusions  
Underwriting requirements  
Virginia replacement requirements (14 VAC 5-141-150)

**10.0 Individual Health Insurance Policy General Provisions**

**11% (16 items)**

**10.1 Uniform required provisions (38.2-3503 A)**

Entire contract; changes  
Time limit on certain defenses  
Grace period  
Reinstatement  
Notice of claim  
Claim forms  
Proofs of loss  
Time of payment of claims  
Payment of claims  
Physical examinations and autopsy  
Legal actions  
Change of beneficiary  
Cancellation by insured

**10.2 Uniform optional provisions (38.2-3504)**

Change of occupation  
Misstatement of age  
Other insurance in this company

- Insurance with other companies
  - Expense-incurred basis
  - Other than expense-incurred benefits
- Unpaid premium
- Cancellation by company
- Conformity with state statutes
- Illegal occupation
- Intoxicants and narcotics

**10.3 Other general provisions**

- Right to examine (free look) (38.2-3502)
- Insuring clause
- Consideration clause
- Renewability clause (38.2-3514.2; 14 VAC 5-141-30 C, 14 VAC 5-141-140 A and C)
  - Noncancelable
  - Guaranteed renewable
  - Conditionally renewable
  - Renewable at option of insurer
  - Nonrenewable (cancelable, term)
- Interest on claim proceeds (38.2-3407.1)
- Military suspension provision (14 VAC 5-141-30 I)

**11.0 Disability Income and Related Insurance**

**5% (7 items)**

**11.1 Qualifying for disability benefits**

- Inability to perform duties
  - Own occupation
  - Any occupation
- Pure loss of income (income replacement contracts)
- Presumptive disability
- Requirement to be under physician care

**11.2 Individual disability income insurance (14 VAC 5-141-60)**

- Basic total disability plan
  - Income benefits (monthly indemnity)
  - Elimination and benefit periods
  - Waiver of premium benefit
- Coordination with social insurance and workers compensation benefits
  - Additional monthly benefit (AMB)
  - Social insurance supplement (SIS)
  - Occupational versus nonoccupational coverage
- At-work benefits
  - Partial disability benefit
  - Residual disability benefit
- Other provisions affecting income benefits
  - Cost of living adjustment (COLA) rider
  - Future increase option (FIO) rider
  - Annual renewable term rider
  - Relation of earnings to insurance (38.2-3504 (6))
  - Change of occupation
- Other cash benefits
  - Accidental death and dismemberment
  - Rehabilitation benefit
  - Medical reimbursement benefit (nondisabling injury)
- Refund provisions
  - Return of premium
  - Cash value benefit
- Exclusions

**11.3 Unique aspects of individual disability underwriting**

- Occupational considerations
- Benefit limits
- Policy issuance alternatives

**11.4 Group disability income insurance**

- Group versus individual plans
- Short-term disability (STD)
- Long-term disability (LTD)

**11.5 Business disability insurance**

- Key employee (partner) disability income
- Business overhead expense policy
- Business Disability buyout policy

**11.6 Social Security disability**

- Qualification for disability benefits
- Definition of disability
- Waiting period
- Disability income benefits

**11.7 Workers compensation**

- Eligibility
- Benefits

**12.0 Medical Plans**

**6% (8 items)**

**12.1 Medical plan concepts**

- Fee-for-service basis versus prepaid basis
- Specified coverages versus comprehensive care
- Benefit schedule versus usual/reasonable/customary charges
- Any provider versus limited choice of providers
- Insureds versus subscribers/participants

**12.2 Types of providers and plans**

- Major medical insurance (insurers)

- Characteristics
- Common limitations
- Common exclusions from coverage
- Deductibles
- Coinsurance feature
- Stop-loss feature
- Maximum benefits

- Health services plans

- Definitions (38.2-4201)
- Plans offered (38.2-4202-4204, 4209)
- Other services (38.2-4205)
- Qualified providers (38.2-4221)
- Choice of provider or pharmacy (38.2-4209.1, 4218)
- Provider panels (38.2-3407.10)
- Disclosure of benefits (38.2-4219)
- Subscribers

- Health maintenance organizations (HMOs) (38.2-4300-4323; 14 VAC 5-211-10-280)

- Combined health care delivery and financing
- Limited service area/out of area benefits
- Limited choice of providers
- Gatekeeper concept
- Copayments
- Prepaid basis
- Preventive care services
- Primary care physician versus referral (specialty) physician
- Emergency care
- Hospital services

- Other basic services
- Subscribers
- Preferred provider organizations (PPOs)
  - General characteristics
  - Open panel or closed panel
- Point-of-service (POS) plans
  - Nature and purpose
  - Out-of-network provider access (open-ended HMO)
  - PCP referral
  - Indemnity plan features
- TRI-CARE
- Virginia Family Access to Medical Insurance Security Plan (FAMIS) (RL 32.1-351)

**12.3 Cost containment in health care delivery**

- Cost-saving services
  - Preventive care
  - Outpatient ambulatory services
  - Alternatives to hospital services
- Utilization management
  - Prospective review
  - Concurrent review

**12.4 Virginia eligibility requirements**

- Dependent child age limit (38.2-3500(C), 3525)
- Coverage for adopted children (38.2-3411.2)
- Newborn child coverage (38.2-3411)
- Medical child support coverage (38.2-3407.2)
- Intellectual or physical disability dependent adult coverage (38.2-3409)

**12.5 HIPAA (Health Insurance Portability and Accountability Act) requirements (38.2-3430.1–.9; 3432.1–.3)**

- Eligibility
- Guaranteed issue
- Pre-existing conditions
- Creditable coverage
- Renewability

**12.6 Health Savings Accounts (HSAs) and Health Reimbursement Accounts (HRAs)**

- Definition
- Eligibility
- Contribution limits

**13.0 Group Health Insurance**

**5% (7 items)**

**13.1 Characteristics of group insurance**

- Group contract
- Certificate of coverage (38.2-3533)
- Experience rating versus community rating

**13.2 Defined groups (38.2-3521.1)**

- Employer
- Creditor
- Labor union
- Association
- Credit union

**13.3 Marketing considerations**

- Advertising
- Regulatory jurisdiction/place of delivery

**13.4 Employer group health insurance**

- Insurer underwriting criteria
  - Characteristics of the group
  - Plan design factors
  - Persistency factors

- Administrative capability
- Eligibility for insurance
  - Annual open enrollment
  - Employee eligibility
  - Dependent eligibility
- Coordination of benefits provision
- Change of insurance companies or loss of coverage
  - Coinsurance and deductible carryover
  - No-loss no-gain
  - Events that terminate coverage
  - Reinstatement of coverage for military personnel (38.2-508.1(B))
  - Notification of Medicare eligibility
  - Extension of benefits
  - Continuation of coverage under COBRA and Virginia specific rules (38.2-3541)

**13.5 Small employer medical plans (38.2-3431–3437)**

- Definition of small employer (38.2-3431)
- Availability of coverage (38.2-3431(C), 3432.2)
- Disclosure of coverage provisions (38.2-3434)
- Enrollment eligibility (38.2-3436)
- Renewability (38.2-3432.1)

**14.0 Dental Insurance**

**1% (2 items)**

**14.1 Types of dental treatment**

- Diagnostic and preventive
- Restorative
- Oral surgery
- Endodontics
- Periodontics
- Prosthodontics
- Orthodontics

**14.2 Indemnity plans**

- Choice of providers
- Scheduled versus nonscheduled plans
- Benefit categories
  - Diagnostic/preventive services
  - Basic services
  - Major services
- Deductibles and coinsurance
- Combination plans
- Exclusions
- Limitations
- Predetermination of benefits

**14.3 Employer group dental expense**

- Integrated deductibles versus stand-alone plans
- Minimizing adverse selection

**15.0 Insurance for Senior Citizens and Special Needs Individuals**

**11% (15 items)**

**15.1 Medicare**

- Nature, financing and administration
- Part A — Hospital Insurance
  - Individual eligibility requirements
  - Enrollment
  - Coverages and cost-sharing amounts
- Part B — Medical Insurance
  - Individual eligibility requirements
  - Enrollment

- Coverages and cost-sharing amounts
- Exclusions
- Claims terminology and other key terms

- Part C — Medicare Advantage

- Part D — Prescription Drug Insurance

## **15.2 Medicare supplement insurance (14 VAC 5-170-10–220)**

- Purpose (14 VAC 5-170-10)

- Open enrollment (14 VAC 5-170-100)

- Rating of Medicare supplement plans (14 VAC 5-170-30)

  - Attained age

  - Issue age

  - Community rated

- Standardized Medicare supplement plans (14 VAC 5-170-75, 85, 87)

  - Core benefits

  - Additional benefits

  - High deductible plans

- Virginia regulations and required provisions

  - Standards for marketing (14 VAC 5-170-180)

  - Advertising (38.2-3609; 14 VAC 5-170-170)

  - Appropriateness of recommended purchase and excessive insurance (14 VAC 5-170-190)

  - Buyer's guide (14 VAC 5-170-150(A)(6))

  - Outline of coverage (38.2-3606; 14 VAC 5-170-150(D))

  - Right to return (free look) (38.2-3604; 14 VAC 5-170-150(A)(5))

  - Replacement (14 VAC 5-170-160, 210)

  - Prohibited policy provisions (14 VAC 5-170-210)

  - Minimum benefit standards (14 VAC 5-170-75)

  - Required disclosure provisions (14 VAC 5-170-150)

  - Pre-existing conditions (38.2-3605)

  - Permitted compensation (14 VAC 5-170-140)

  - Guaranteed issue for eligible persons (14 VAC 5-170-105)

  - Continuation and conversion requirements (14 VAC 5-170; 14 VAC 5-170-75 7 (a)(b)(c)(d))

  - Medicare SELECT (14 VAC 5-170-90)

  - Medicare supplement policies for person eligible by reason of disability (38.2-3610) (14 VAC 5-170-87 (A) (2))

## **15.3 Other options for individuals with Medicare**

- Employer group health plans

  - Disabled employees

  - Employees with kidney failure

  - Individuals age 65 and older

- Medicaid

  - Eligibility

  - Benefits

## **15.4 Long-term care (LTC) policies (38.2-5200–5210; 14 VAC 5-200-10–210; )**

- LTC, Medicare and Medicaid compared

- Eligibility for benefits (14 VAC 5-200-187)

- Levels of care

  - Skilled care

  - Intermediate care

  - Custodial care

  - Home health care (14 VAC 5-200-50, 90)

  - Adult day care (14 VAC 5-200-50)

  - Respite care

- Benefit periods

- Benefit amounts

- Optional benefits

  - Guarantee of insurability

  - Return of premium

- Qualified LTC plans (14 VAC 5-200-40)
- Deductibility of premiums for LTC insurance for state income tax purposes
- Exclusions (14 VAC 5-200-60(B))
- Underwriting considerations
- Virginia regulations and required provisions
  - Standards for marketing (14 VAC 5-200-170)
  - Advertising (14 VAC 5-200-160)
  - Consumer guide (38.2-5207(3))
  - Outline of coverage (38.2-5207, 5207.1; 14 VAC 5-200-200)
  - Suitability including personal worksheet (14 VAC 5-200-175)
  - Right to return (free look) (38.2-5208)
  - Replacement (14 VAC 5-200-110, 190)
  - Renewal considerations (14 VAC 5-200-60(A))
  - Continuation of benefits (14 VAC 5-200-60(D))
  - Required disclosure provisions (14 VAC 5-200-70)
  - Incontestability (38.2-5209)
  - Inflation protection (14 VAC 5-200-100)
  - Unintentional lapse (14 VAC 5-200-65)
  - Pre-existing conditions (38.2-5204; 14 VAC 5-200-190)
  - Nonforfeiture benefit (38.2-5210; 14 VAC 5-200-185)
  - Benefit triggers (14 VAC 5-200-70(G), 187)

**16.0 Federal Tax Considerations for Health Insurance**

**2% (3 items)**

**16.1 Personally-owned health insurance**

- Disability income insurance
- Medical expense insurance
- Long-term care insurance

**16.2 Employer group health insurance**

- Disability income (STD, LTD)
- Medical and dental expense
- Long-term care insurance
- Accidental death and dismemberment

**16.3 Medical expense coverage for sole proprietors and partners**

**16.4 Business disability insurance**

- Key person disability income
- Business overhead expense
- Buy-sell policy

**16.5 Health Savings Accounts (HSAs), Health Reimbursement Accounts (HRAs), and Flexible Spending Accounts (FSAs)**

**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, 604.1-613.2)

### 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 ([38.2-1600-1632](#)~~38.2-1600~~)

- 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 ~~2315~~)**

**4.8 Selected Endorsements**

- Automatic Increase in Insurance Endorsement/Inflation Guard (DP 04 11)
- Broad Theft Coverage Endorsement (DP ~~05 7204 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~~ ~~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

- 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 25-12-20~~)  
    Medical expense and income loss benefits coverage — Virginia (PP 05 96 ~~01 2001-16~~)  
    Transportation expenses coverage — Virginia (PP 13 52 10 20)  
    Joint ownership coverage — Virginia (PP 13 53 ~~01 2006-15~~)  
    Towing and labor costs — Virginia (PP 13 55 ~~01 2006-00~~)  
    Extended non-owned coverage for named individual — Virginia (PP 13 56 ~~01 2001-05~~)  
    Miscellaneous type vehicle — Virginia (PP 13 63 ~~01 2001-05~~)  
    Uninsured Motorist Coverage (Alternative Coverage) — Virginia (PP 14 34 07 23)  
    ~~Uninsured motorists coverage — Virginia (PP 14 03 01 05)~~  
    Loss Payable Clause (PP 03 05 ~~09 1808-86~~)

### 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)
  - 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~~Computer fraud~~
- Fraudulent Impersonation~~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 (§ 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)

**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, 604.1-613.2)

**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 (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~~~~10 15~~)

#### 4.8 Selected Endorsements

Automatic Increase in Insurance Endorsement/Inflation Guard (DP 04 11)

Broad Theft Coverage Endorsement (DP ~~05 72~~~~04 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~~~~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

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 ~~2522~~)
  - 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)
  - ~~Uninsured motorists coverage — Virginia (PP 14 03 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