

**Addendum: for use with Indiana Property and Casualty online ExamFX courses and study guide version 22000en, and Personal Lines course and study guide version 21453en per exam content outline updates effective 5/30/2019.**

*Please note that Indiana is changing testing providers. Effective 5/30/2019, state insurance exams will be administered by Pearson Vue. For additional information about exam requirements and complete exam content outlines, please review the Insurance Licensing Candidate Handbook at [www.pearsonvue.com/in/insurance](http://www.pearsonvue.com/in/insurance).*

*Please note the new exam format will be different. You will be taking a 2-part exam: General Knowledge and State Law. However, you will receive one overall score. New exam breakdowns are as follows:*

**Indiana Property and Casualty Insurance Examination**  
**150 Total Questions (135 scored, 15 pretest)**  
**Time Limit: 3 hours**  
**Passing Score: 70%**

Chapter	Percentage of Exam
<b>GENERAL KNOWLEDGE:</b>	
Insurance Terms and Related Concepts	20%
Policy Provisions and Contract Law	16%
Types of Property Policies	19%
Types of Casualty Policies	19%
<b>STATE LAW:</b>	
Indiana Laws and Departmental Rules Common to All Lines	17%
Personal Lines Regulations	4%
Commercial Lines Regulations	5%

**Indiana Personal Lines Insurance Examination**  
**115 Total Questions (100 scored, 15 pretest)**  
**Time Limit: 2 hours**  
**Passing Score: 70%**

Chapter	Percentage of Exam
<b>GENERAL KNOWLEDGE:</b>	
Insurance Terms and Related Concepts	28%
Policy Provisions and Contract Law	24%
Types of Property Policies	10%
Types of Casualty Policies	13%
<b>STATE LAW:</b>	
Indiana Laws and Departmental Rules Common to All Lines	18%
Personal Lines Regulations	7%

*The following are **content additions** to supplement your existing text unless otherwise indicated:*

## **PROPERTY & CASUALTY AND PERSONAL LINES**

### **Key Terms and Concepts**

#### **A. Definitions and Key Concepts**

##### **Deposit Premium and Audit**

**Deposit premium** is an estimated premium paid in advance at the time the policy is issued that may be adjusted based on actual exposures. The actual premium can be determined by the **audit** of the insured's records at the end of the insuring period. If the audit determines that the initial premium collected was too low, additional premium will be assessed, and vice versa, if the audit shows that the initial premium to the insured was too high (the exposures were over-estimated), the insured will receive a return premium. Typically, audit premium is used with liability and workers compensation insurance.

**Deposit Premium Audit** is a condition that allows the insurer to audit the insured's books or records at the end of the policy term to make sure adequate premium has been collected for the exposure. Usually, the insurer has up to 3 years from the expiration of the policy to perform the audit.

## Contract Law and Underwriting

### Privacy Protection (Gramm Leach Bliley)

The Gramm-Leach-Bliley Act stipulates that in general, an insurance company may not disclose nonpublic personal information to a nonaffiliated third party except for the following reasons:

- The insurance company clearly and conspicuously discloses to the consumer in writing that information may be disclosed to a third party.
- The consumer is given the opportunity, before the time that information is initially disclosed, to direct that information not be disclosed to the third party.
- The consumer is given an explanation of how the consumer can exercise a nondisclosure option.

The Gramm-Leach-Bliley Act requires **2 disclosures** to a customer (a consumer who has an ongoing financial relationship with a financial institution):

- When the customer relationship is established (i.e. a policy is purchased); and
- Before disclosing protected information.

The customer must also receive an annual privacy disclosure, and have the right to opt out, or choose not to have their private information shared with other parties.

### Terrorism Risk Insurance Act (TRIA)

The purpose of the **Terrorism Risk Insurance Act (TRIA)** was to create a temporary federal program that would share the risk of loss from future terrorist attacks with the insurance industry. The act requires that all commercial insurers offer insurance coverage for acts of terrorism. The federal government will then reimburse the insurers for a portion of paid losses for terrorism.

TRIA defines an **act of terrorism** as an act certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States with the following characteristics:

- The act must be violent or dangerous to human life, property, or infrastructure;
- The act must have resulted in damage within the United States, to an air carrier as defined in the US Code, to a US flag vessel or other vessel based principally in the US and insured under US regulation, or on the premises of any US mission;
- The act must have been committed by someone as part of an effort to coerce the US civilian population, to influence US policy, or to affect the conduct of the US government by coercion; or
- The act must produce property and casualty insurance losses in excess of a specified amount.

## Terrorism Risk Insurance Program Reauthorization Act of 2015

The TRIA of 2002 has been amended several times, and the final amendment is the Terrorism Risk Insurance Program Reauthorization Act of 2015, which has further amended and extended the Terrorism Insurance Program through Dec. 31, 2020, and revised several provisions as follows:

- The insurer deductible was set at 20% of an insurer's direct earned premium of the preceding calendar year and the federal share of compensation was set at 85% of insured losses that exceed insurer deductibles until Jan. 1, 2016. **After that, the federal share will be decreased by 1 percentage point per calendar year until it reaches 80%;**
- The certification process was changed to requiring the Secretary of the Treasury to certify acts of terrorism in **consultation with the Secretary of Homeland Security instead of the Secretary of State;**
- The aggregate industry insured losses resulting from certified acts of terror which will trigger the federal share of compensation under the Program are now specified as follows:
  - \$100 million for 2015;
  - \$120 million for 2016;
  - \$140 million for 2017;
  - \$160 million for 2018;
  - \$180 million for 2019; and
  - \$200 million for 2020 and thereafter;
- The mandatory recoupment of the federal share through policyholder surcharges increased to 140% (from 133%);
- Revised requirements for mandatory repayment from insurers of federal financial assistance provided in connection with all acts of terrorism.

**National Association of Registered Agents and Brokers (NARAB) Reform** — this title of the Program amends the Gramm-Leach-Bliley Act to repeal the contingent conditions under which the NARAB may not be established. NARAB is also prohibited from merging with or into any other private or public entity.

In addition, without affecting state regulatory authority, the NARAB is required to provide a mechanism for the adoption and multi-state application of requirements and conditions pertaining to

- Licensing, continuing education, and other qualifications of non-NARAB insurance producers;
- Resident or nonresident insurance producer appointments;
- Supervision and disciplining of such producers; and
- Setting of licensing fees for insurance producers.

In addition to that, the NAIC Property and Casualty Insurance Committee and its Terrorism Insurance Implementation Working Group (TIIWG) recently adopted a **Model Bulletin**, including an expedited filing form intended to help state insurance regulators advise insurers about regulatory requirements related to providing terrorism insurance under the revised program.

## Basics of Two-Party Coverage

### C. Claim Settlement - Basis for Valuation

#### Salvage Value

Most policies contain a right of salvage condition that allows the insurance company to take possession of the property after payment of a loss. By selling salvaged goods, the insurance company can reduce the cost of the claim.

**Salvage value** is the estimated value an asset will realize upon its sale at the end of its useful life. The property may be sold as a whole or in part. For instance, a car may be beyond repair as a complete automobile but some parts may be salvageable and sold.

### E. Common Property Provisions

#### Notice of Claim

**Notice of claim** is a form or statement from an insured to an insurer, informing the insurer that events leading to a possible claim have occurred. The notice will include information as to how, when, and where the loss took place.

#### Arbitration

**Arbitration** is a method of casualty claim settlement used when the insured and insurer cannot agree on how to settle a claim. The settlement is submitted to an arbitrator, or multiple arbitrators, whose decision may or may not be binding on both parties dependent on state law.

## Dwelling and Homeowners Policies

### B. Homeowners

#### 8. Selected Endorsements

##### Windstorm

Most standard homeowner policies will cover wind damage from minor natural events. This does not usually apply, however, to areas that are considered high risk, such as coastal regions, which are susceptible to hurricanes, and inland areas that are at risk from tornadoes. In these high-risk areas, certain windstorm coverage is removed from the homeowner policy and homeowners are either required or encouraged to purchase a separate windstorm policy.

The terms *wind* and *windstorm* have specific definitions that will make it easier to understand the coverages provided by homeowner and windstorm policies. **Wind** is defined as a natural and perceptible movement of air parallel to or along the ground. A **windstorm** is defined as a storm with high winds or violent gusts but with little or no rain. Wind and windstorm may be different causes of loss, so even though a homeowner policy covers wind damage, it may not cover damage from a windstorm.

Private insurance companies sell specialty coverage such as "wind and hail" or "windstorm" policies, but in states where there are no offerings from private insurers, state-sponsored

insurance pools provide windstorm insurance for these areas. Windstorm policies are written with different classifications that are tied to "trigger" events. Examples of these trigger events include

- A hurricane or tornado watch issued by the National Hurricane Center or National Weather Service;
- Sustained winds of 74 or more miles per hour; and
- A specific, declared geographic location.

## **Insurance Regulation**

### **C. Producer and Company Compliance**

#### **1. Unfair Competition Law**

##### **False Advertising**

**Advertising** covers a wide scope of communication, from publishing an ad in a newspaper or magazine, to broadcasting a commercial on television or the Internet. Advertisements cannot include any untrue, deceptive, or misleading statements that apply to the business of insurance or anyone who conducts it. The violation of this rule is called false advertising.

It is prohibited to advertise or circulate any materials that are untrue, deceptive, or misleading. **False or deceptive advertising** specifically includes misrepresenting any of the following:

- Terms, benefits, conditions, or advantages of any insurance policy;
- Any dividends to be received from the policy, or previously paid out;
- Financial condition of any person or the insurance company; or
- The true purpose of an assignment or loan against a policy.

Representing an insurance policy as a share of stock, or using names or titles that may misrepresent the true nature of a policy also will be considered false advertising. In addition, a person or an entity cannot use a name that deceptively suggests it is an insurer.

## **Personal Lines Regulations**

### **A. Automobile Insurance**

#### **Transportation Network Companies**

With the upward trend in ride-sharing services, such as Uber and Lyft, most states have passed legislation requiring insurance protection for transportation network company drivers. A transportation network company (TNC) is any company that uses a digital network to connect riders to drivers for the purpose of providing transportation.

The National Association of Insurance Commissioners divides TNC services into three exposure periods:

- Waiting for a match (or pre-match);
- Match accepted (driver is on the way to pick up the passenger); and
- Passenger in the vehicle and until the passenger exits the vehicle.

Because drivers who contract with TNCs are using their personal vehicles, many of them do not have a livery driver's license, nor are their vehicles registered or insured as commercial vehicles. This is opposed to limousine or taxi drivers who drive commercial vehicles and have commercial insurance coverage. Personal auto policies do not generally provide coverage for ride sharing.

As of June 2017, 48 states and the District of Columbia have enacted legislation addressing insurance.

## **PROPERTY & CASUALTY ONLY**

### **Specialty Policies**

#### **D. Workers Compensation**

##### **Work-Related vs. Non-Work-Related**

Bodily injury and occupational disease that arise out of or during employment are covered under Workers Compensation insurance. Occupational disease must be caused or aggravated by a condition of the employment. In other words, there must be a direct relationship between the job and the disease. Ordinary diseases suffered by the general public are not covered. The following types of injuries are generally excluded from coverage:

- Injuries that occur traveling to and from work;
- Injuries that result from intoxication of the employee;
- Injuries willfully caused by the employee;
- Injuries that result from a willful failure to follow safety precautions;
- Injuries that occur from activities not a part of the job.

Penalties and/or increased benefits may be required for certain types of injuries, such as the employer's willful failure to provide required safety equipment, or to minors injured while illegally employed. These penalties must be paid by the employer, as they are excluded under Workers Compensation insurance.

#### **C. Special Liability Insurance**

##### **Medical Malpractice**

**Medical malpractice** coverage is written for doctors, hospitals and other medical practitioners to indemnify the insured for injuries to third parties because of any legal liability for bodily injury or death. There are several different types of medical malpractice coverage on the market today.

In the field of insurance, "professional liability" has replaced the use of the terms "malpractice insurance" and "errors and omission insurance" to describe the coverage of specialists in the various professional fields. There are professional liability policies with coverage tailored to cover the exposures of most every professional. The policies that protect those professionals in the medical field respond to actions resulting from injurious acts resulting from claims that the insured was derelict in a professional duty or the failure

of a professional skill or learning, misconduct, negligence, or incompetence in the performance of a professional act.

(Nearly all of the policies written provide coverage on a "claims-made" basis.)

One of the major differences in the coverage of a professional liability coverage compared to personal and general liability coverage is personal and general liability policies cover losses caused by the negligence of an insured but excludes coverage for acts intentionally committed by an insured.

Professional liability policies will also cover some intentional acts. (Recently we have heard of doctors amputating the wrong leg, or performing the wrong surgery.) The doctor intended to amputate that leg, but because of a misdiagnosis, or it caused damage. In the dental field, there have been some instances where the wrong tooth was extracted. These are the kinds of intentional acts that are covered; however, criminal acts are usually specifically excluded from coverage.

Another difference is when a claim is made under a personal or general liability policy. The insurer will decide whether to defend the claim or just to pay the loss. They will usually decide on the option that is the least expensive.

In professional liability coverage, an insurer cannot settle a claim without the consent of the insured. If the insured has not given up this right (for a reduction of premium), the insured can require the insurer to defend the claim and prove in court that they are not liable. (They may want to protect their reputation as a professional in the field.)

## **Employment Practice Liability (EPLI)**

**Employment practices liability** refers to exposures employers face in their capacity as an employer. These types of claims are not covered by commercial general liability or the employer's liability portion of workers compensation. This coverage provides protection for liability arising from the following:

- Refusal to employ, termination of the person's employment, demotion or failure to promote, negative evaluation, reassignment, discipline, defamation or humiliation of the person based on discrimination;
- Work-related sexual harassment; or
- Other work-related verbal, physical, mental, or emotional abuse directed at the person relating to race, color, national origin, gender, marital status, age, sexual orientation, physical or mental condition, or any other protected class or characteristic established by any federal, state, or local law.



## Cyber Liability and Data Breach

The ISO has recently introduced a new line of insurance that covers cyber risks, called the Internet Liability and Network Protection Policy. The policy includes 5 separate agreements listed below:

- **Website publishing liability** — provides coverage against Internet-related publishing perils, including libel, and copyright, trademark, or service mark infringement;
- **Network security liability** — protects the policyowner against claims for failing to maintain the security of a computer system;
- **Replacement or restoration of electronic data** — covers the cost of replacing or restoring data lost due to a virus, malicious instruction, or denial-of-service attack;
- **Cyber extortion** — covers expenses, including ransom payments, incurred from extortion threats; and
- **Business income and extra expense** — provides coverage for expenses incurred as a result of an extortion threat or e-commerce incident.

Each agreement offers its own aggregate limit of coverage, subject to an overall policy limit. Defense expenses are included within the policy limits. All coverage is written on a claims-made basis, and allows the additional of endorsements for worldwide protection.