# Addendum: for use with Connecticut Property and Casualty online ExamFX course and study guide version 24495en, and Personal Lines course and study guide version 21604en per exam content outline updates effective 5/30/2019.

***Please note that Connecticut is changing testing providers. Effective 9/1/2021, 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/ct/insurance.](http://www.pearsonvue.com/ct/insurance)

*Note that the exam format is changing, as well. The new exam will consist of 2 parts: General Knowledge and State Law. However, you will receive one overall score. The new exam breakdowns are as follows:*

**Connecticut Property and Casualty Insurance Examination**
**145 Total Questions (130 scored, 15 pretest)**
**Time Limit: 2.5 hours; Passing Score: 70%**

| Chapter | Percentage of Exam |
|---|---|
| **GENERAL KNOWLEDGE:** | |
| Insurance Terms and Related Concepts | 22% |
| Policy Provisions and Contract Law | 17% |
| Types of Property Policies | 19% |
| Types of Casualty Policies, Bonds, and Related Terms | 19% |
| **STATE LAW:** | |
| State Statutes, Rules, and Regulations Common to All Lines | 14% |
| State Statutes, Rules, and Regulations Pertinent to Property and Casualty Insurance | 9% |

**Connecticut Personal Lines Insurance Examination**
**115 Total Questions (105 scored, 10 pretest)**
**Time Limit: 2 hours; Passing Score: 70%**

| Chapter | Percentage of Exam |
|---|---|
| **GENERAL KNOWLEDGE:** | |
| Insurance Terms and Related Concepts | 27% |
| Policy Provisions and Contract Law | 23% |
| Types of Property Policies | 10% |
| Types of Casualty Policies | 12% |
| **STATE LAW:** | |
| State Statutes, Rules, and Regulations Common to All Lines | 17% |
| State Statutes, Rules, and Regulations Pertinent to Property and Casualty Insurance | 11% |

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

# PROPERTY & CASUALTY AND PERSONAL LINES

## Insurance Regulation

### Broker

A **broker** is an insurance producer that is not appointed by an insurance company and is deemed to be representing the client in matters of insurance.

### Transacting Insurance

Transacting insurance is the process of conducting insurance business. An insurance transaction includes the following:

- Solicitation of applications for insurance;
- Collecting premiums, fees, and assessments for insurance contracts;
- Issuing and delivering insurance policies; and
- Directly and indirectly acting as an insurance agent.

### Filing and Approval of Policy Forms

The written policy forms, including endorsements, that are to be used by an insurance company must be filed and approved by the Insurance Department prior to their use in the state. The filing may be done on paper or in electronic form, but must be in a format prescribed by the Department.

Within **15 calendar days** after receiving the policy form, the Commissioner will deem the filing complete or deficient for review and will issue written notice of the decision to the insurer.

After a form is accepted for review, the Department of Insurance will approve or disapprove the form within **30 calendar days**. If the Department determines that additional information from the insurer is necessary, they will make a request to the insurer. The insurer, then, has 30 days to provide the requested information. If the insurer fails to comply with the request within the allotted time, the applicant will be deemed to have voluntarily withdrawn its filing, and the Insurance Department will close its file without further action.

### Disclosure

In most cases, if an insurance producer receives compensation directly from a customer at the initial placement, that compensation cannot be accepted unless the producer has **disclosed** to the customer the amount of compensation the producer will receive. If the amount of compensation is not known at the time of disclosure, the producer must explain the method for calculation such compensation and provide a reasonable estimate.

## Brokered Transactions Guarantee Fund

The Insurance Department must establish and maintain a **Brokered Transactions Guaranty Fund.** Any resident aggrieved by a business action of a licensed surplus lines broker or an unlicensed person acting as a producer who embezzled money or property, or illegally obtained money or property by reason of fraud, misrepresentation or deceit, may recover, with the Department's approval, compensation in an amount not exceeding a total of $10,000. This excludes failure in the performance of contractual obligations due to the impairment of an insurer.

## Unfair and Prohibited Practices

### Illegal Inducement

It is unlawful to pay, offer or accept any of the following as an **inducement** to buy insurance:

- Any special favor or advantage in dividends or benefits;
- Any stocks, bonds, securities, or accrued dividends or profits; or
- Anything of value not specified in the insurance contract.

## Premium Financing

Occasionally, a situation arises where an insured needs to break annual premiums into affordable monthly installments and the insurer doesn't offer an acceptable installment plan. The insured may use the services of a "premium finance company."

No person may engage in the business of financing insurance premiums, secured by any insurance premium finance agreement, in this state without having first obtained from the Commissioner a license to act as an insurance premium finance company. Any person who violates this rule, upon conviction, will be found guilty of a class A misdemeanor.

Applicants for insurance premium finance company licenses must comply with the following regulations:

- If the Commissioner finds that an applicant is unqualified, he or she will grant a hearing within 30 days of the receipt of the application.
- Every licensee must keep records of all premium financing transactions for at least 3 years.

The Commissioner may revoke or suspend any related license in the following circumstances:

- The license was obtained by fraud;
- There were misrepresentations in the application;
- The licensee was found untrustworthy or incompetent; or
- The company is caught rebating part of their service charge.

In these instances, the Commissioner may also impose a fine of up to $5,000.

Typically, a premium finance company is not a bank or credit union. The company is set up specifically to finance insurance premiums. The Connecticut Insurance Department has some specific rules that apply to this transaction and the businesses that offer the service:

- The premium finance company must be licensed. The license fee is $50 and must be renewed every year by June 30.
- The insured must agree to the transaction and sign a premium finance contract separate from the insurance applications. The law contains specific requirements that must be included in the contract.
- The premium finance company may charge a fee of $10 for the contract plus interest on the balance at no greater than 15%. The premium finance company may charge a late fee not to exceed 5% of the balance after the insured is late for at least 5 days.
- If the insured is late with the premium payment, the premium finance company may request that the policy be terminated and the return premium sent to them. The premium finance company must notify the insured and give 10 days' notice.
- After the 10-day period, the premium finance company may notify the insurer to cancel and the insurer must comply with all legal requirements regarding cancellation of an insurance policy.
- An insurer may not cancel a policy that is paid up for the insured's failure to pay money due to a premium finance company on any other policy or policy term.

## General Insurance

### B. Insurers

### Reciprocal Exchanges

A **reciprocal** is insurance resulting from an interchange of reciprocal agreements of indemnity among persons known as subscribers, collectively known as a Reciprocal Insurance Company or Exchange. The company is put into effect and administered through an attorney-in-fact common to all persons. Subscribers agree to become liable for their share of losses and expenses incurred among all subscribers, and they authorize the attorney-in-fact to manage and operate the exchange.

## Property and Casualty Insurance Basics

### Accident vs. Occurrent

An **accident** is a sudden, unplanned and unexpected event, not under the control of the insured, resulting in injury or damage that is neither expected nor intended.

An **occurrence** is a broader definition of loss than *accident* because it includes those losses caused by continuous or repeated exposure to conditions resulting in injury to persons or damage to property that is neither intended nor expected.

## Insurance to Value

The **insurance to value** provision, usually found in homeowners policies, provides a replacement cost settlement to the policyholder who carries adequate insurance, which means that the property is insured to the exact dollar amount or percentage of value. If the amount of insurance is less than the value assumed in the premium rate calculation, the insured would still be indemnified at least to the amount of the actual cash value of the loss.

## 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.

## Certificate of Insurance

A **certificate of insurance** is written evidence showing that an insurance policy has been issued. The certificate indicates both the amounts and types of insurance provided, but does not obligate the insurer to the person to whom the certificate was issued.

## Policy Application

The **application** is a printed form that includes questions about a prospective insured and the desired insurance coverage and limits. It provides the underwriter with information for accepting or rejecting the prospective insured and rating the desired policy. Some policies make the application part of the policy. Misrepresentations in the application can void the policy.

## 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.

## Proof of Loss

**Proof of loss** is a sworn statement that must usually be furnished by the insured to an insurer before any loss under a policy can be paid. This form is typically used in the settlement of first-party losses, and includes the date and description of the occurrence and the amount of indemnity claimed.

The initial claim report to the insurer may be oral or in writing but the proof of loss must be in writing. The proof of loss is required near the end of the claim process.

### 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.

## Homeowners Policies

### Mobilehome Endorsement and Mobile Homeowners Policy

The **mobilehome endorsement** alters the homeowners policy to cover a mobilehome and other structures on land owned or leased by the resident of the mobilehome. The limit of liability for Coverage B (other structures) is changed to $2,000 or 10% of the Coverage A limit, whichever is greater. This does not reduce the Coverage A limit.

The additional coverage of property removed is changed to add up to $500 for reasonable expenses incurred in the removal and return of the mobilehome when it is necessary to avoid damage or endangered by a peril insured against. The additional coverage of ordinance or law is removed.

To be eligible, the mobile home must be designed for year-round living and must meet certain size requirements.

The coverage structure of the **Mobile Homeowners Policy** follows the structure of the Homeowners policy:

- Coverage A — States the limit of liability for damage to the mobile home;
- Coverage B — Other covered structures;
- Coverage C — Personal property of the insured*

- Coverage D — Loss of use coverage;
- Coverage E — Personal Liability;
- Coverage F — Medical Payments to Others.

* *Note:* Unlike the HO forms, the Mobile Homeowners Policy provides 40% of Coverage A. Items included in the unit (at the time of sale) are classified as Coverage A property.

The mobile homeowners policy changes the language for the **Additional Coverage Property Removed**. The policy will pay up to $500 if the insured moves the mobile home to a safer area to protect it from loss by a covered peril. If the insured wishes to move the mobile home in a situation in which it is not threatened by an insured peril, they must contact the insurer and obtain, for additional premium, a **Transportation/Permission to Move Endorsement**. This endorsement adds the perils of collision, upset, and stranding and sinking to the perils insured against in the policy. Coverage under this endorsement applies for a period of 30 days anywhere in continental United States or Canada. The mobile homeowners policy endorsement deletes the additional coverage for Ordinance or Law.

## 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.

## Auto Insurance

### Rental Reimbursement Expense

The **Rental Reimbursement** endorsement is only available if the policy includes Other Than Collision coverage. This endorsement will reimburse the insured for rental charges incurred because the covered auto is out of use due to a covered loss.

### Individual Insured and Drive Other Car (DOC)

Individual Named Insured and Drive Other Car (DOC) insurance broadens the definition of covered auto to include nonowned vehicles the insured person operates. The Individual Named Insured endorsement extends both liability and physical damage insurance on a nonowned vehicle driven by the insured. This endorsement also protects the insured when driving a different vehicle not listed on a personal or commercial auto policy.

Drive Other Car insurance is used frequently in commercial auto policies. Since personal auto insurance provides coverage for individuals, a commercial auto insurance policy protects the vehicle listed on a commercial policy. DOC coverage applies when a person has a company car but does not have a personal auto and therefore does not have a personal auto policy. The DOC endorsement is added to the commercial auto policy to give protection when the named individual or family member is driving the company supplied vehicle. If a person chooses to rent, lease or borrow vehicles, coverage may be obtained through DOC insurance.

This coverage may also be referred to as *nonowned vehicle coverage*.

## PROPERTY AND CASUALTY ONLY

## Commercial Package Policy (CPP)

### C. Commercial Inland Marine

### Personal Articles Floaters

Personal floaters refers to an inland marine policy designed to cover movable personal property, wherever it may be located. Personal floaters may be written on an all-risk, open-peril or named-peril form.

The **Personal Property floater** provides coverage to personal property on an all-risk basis anywhere in the world, as long as the property is not specifically excluded by the policy. Property is usually written on an *unscheduled* basis. Certain categories of property are subject to special limits.

The **Personal Articles floater** is used to insure certain types of personal property on a *scheduled* basis. The types of property that may be covered are usually pre-printed on the form including jewelry, furs, cameras, musical instruments, or fine arts. Other types of property may also be added to the coverage form.

The **Personal Effects floater** is used to insure personal effects carried or worn by travelers anywhere in the world, but not while the property is at home. Coverage is usually limited to $100 for jewelry, watches and furs, and there is no coverage for vehicles, bicycles, currency or travel tickets.

## Workers Compensation Insurance

### 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.

### Connecticut Workers Compensation Law

### Burial Expenses

In the event of death of the covered worker, $4,000 will be paid to the surviving dependent for funeral expenses.

### Claims Procedures

It is the obligation of employees to report injuries to their employer immediately. This report may be accomplished by some other person in the event the employee cannot because of the injury. Failure to comply with this requirement could result in the employee seeing a reduction in any award of compensation granted by the employer.

It is the obligation of the employer to notify the insurer of the claim using an Employer's First Report of Accident form.

Any employee that sustains injury in the course of employment must immediately report this injury to the employer. If the injury is not reported immediately, the Commissioner may reduce the compensation awarded.

No proceeding for compensation will be maintained unless a written notice of the claim for compensation is given within **1 year** from the date of the accident – or within **3 years** from the first manifestation of a symptom of an occupational disease. Both of these situations are contingent upon a death, occurring within **2 years** of the accident or symptom.

When an employer contests its liability to pay compensation, notice should be filed with the Commissioner within **28 days** of the notice of claim.

Failure to provide a notice of claim will not hinder the proceedings. If there has been a request for a hearing – within a 1-year period from the date of the first accident or within a 3-year period from the first manifestation of a symptom – the claim is still viable.

## Other Coverages and Options

### 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:

1. **Website publishing liability** — provides coverage against Internet-related publishing perils, including libel, and copyright, trademark, or service mark infringement;
2. **Network security liability** — protects the policyowner against claims for failing to maintain the security of a computer system;
3. **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;
4. **Cyber extortion** — covers expenses, including ransom payments, incurred from extortion threats; and
5. **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.

### Fidelity Bonds

**Fidelity bonds** are used to guarantee honesty and trust as opposed to surety bonds that guarantee performance.

In almost any type business there is some risk of loss resulting from dishonesty (infidelity) of employees. Fidelity bonds may be used to cover these types of losses. A typical fidelity bond covers losses caused by theft, embezzlement, forgery, misappropriation, or any other dishonest or fraudulent act.

 

Every fidelity bond is written with a stated limit called a limit of liability. The coverage applies to acts committed during the bond period. Normally fidelity bonds are written with no expiration dates and stay in force until cancelled. Most also have a discovery period in which losses are covered if discovered within a time period after the bond has terminated or coverage for a dishonest employee has terminated. Typically, the discovery period is 1 year (2 years for blanket position).

Fidelity bonds are "one bite" bonds. As soon as an employer becomes aware of an employee's dishonesty which could lead or has led to a claim, coverage for that employee terminates immediately. The act could have occurred before the current bond period or even with a different employer. This prevents second chances for anyone who has committed the kind of act covered by the bond.

Employee fidelity bonds may be written as any of the following:

- **Individual** — covers **1 employee** named on the bond;
- **Name schedule** — covers several employees **named** on the bond for varying amounts;
- **Position schedule** — covers anyone occupying a scheduled **position**, listed by job title rather than name;
- **Commercial Blanket** — covers all employees and limits of liability on a **per loss** basis no matter how many employees may have been involved; or
- **Blanket position** — covers all employees and the limit of liability on a **per employee** basis no matter how many employees may have been involved.