

Test Alert!

Connecticut Property and Casualty Insurance

License Exam Manual, 3rd edition

6/1/08

P&C

The information included in this release, in addition to your other Kaplan Financial Education materials, is designed to assist you in preparing for concepts that your exam may include. We urge you to read it carefully and take time to review the sample questions and rationale.

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A. GENERAL CONTENT

1. **Legal Liability** The Building and Personal Property coverage form covers damage to property of others in the insured's care, custody or control, regardless of whether the insured is legally liable for that loss. The Legal Liability coverage form also covers damage to property of others while in the insured's control, but only if the insured is legally liable for the damage. An insured may choose this form to obtain a lower rate because it covers fewer types of losses. Payment is made on behalf of the insured. Coverage may apply to exposures arising from the insured's occupancy of another's building or from having custody of the property of others, such as customers' goods.
2. **Umbrella policies** Examples of coverage
 - a. If an insured has a homeowners policy with liability coverage of \$100,000 and a personal umbrella policy with coverage of \$1 million, the umbrella policy would pay for a covered loss after the limits of the homeowners policy were exhausted. For a \$600,000 loss, the homeowners policy would pay \$100,000 and the umbrella policy would pay \$500,000.
 - b. For losses that are excluded by the underlying policy, the umbrella policy would cover the loss, minus the amount of the retention limit (which acts like a deductible and must be paid for out of pocket). If an insured has a homeowners policy with liability coverage of \$100,000, a personal umbrella policy with coverage of \$1 million, and a retention limit of \$5,000, then a \$600,000 loss excluded by the underlying policy would be paid by the umbrella policy in the amount of \$595,000. The first \$5,000 of the loss would be paid by the insured.
3. **Businessowners policies**

The money and securities optional coverage also applies while the money and securities are at the insured's place of business.
4. **Insurance premium finance company regulation [38a-361-370]**

A premium finance company, which must be licensed by the state, enters into a finance agreement with an insured to pay policy premiums to an insurance company.

 - a. A premium finance company license expires annually on June 30; there is a \$50 fee for the initial license and for each renewal.
 - b. Records of premium financing transactions must be maintained for at least three years following the final entry and be made available for examination.
 - c. The premium finance company service charge is computed on the balance of the premium due at a maximum annual rate of 15% plus an additional charge of \$10 for each premium finance agreement.

- d.** A late payment (delinquency) charge of not more than 5% of any installment due may be levied after the payment is delinquent by five days or more.
- e.** A premium finance agreement contains a power of attorney enabling the finance company to cancel a policy with an insurer, following 10 days written notice, if the insured's account is in default.

Part II
New Sample Questions

No new sample questions at this time.

Part III

Answers and Rationales

No new answers at this time.

Part IV

Errata

1. Unit 2 Quiz, Question #7

The answer is listed as A. The correct answer is B.

2. Unit 4 Quiz, Question #1

Question should read “which of the following statements concerning the Commercial Package Policy are NOT CORRECT?”

3. Unit 4 Quiz, Question #4

This question applies to the businessowners policy and should appear in Unit 8.

4. Unit 8 Quiz, Question #9

The correct answer is B. The rationale is incorrect. Employee vandalism, weather conditions, and negligent work are excluded on the BOP.

5. Unit 10 Quiz, Question #1

The answer is listed as C. The correct answer is B.

6. Unit 11 Sample Examination, Question #68

This question has more than one right answer. The listed answer, A, is incorrect. Business income is an available coverage, as is extra expense. There is no coverage specifically for “consequential damage” (which is just another name for a direct loss, generally), or “business interruption,” (which is a type of business income coverage itemized in the commercial property coverage part.)

To submit comments or suggestions, please send an email to errata@kaplan.com.