

# Test Alert!

Delaware

Property and Casualty Insurance

License Exam Manual

11/01/07

# P&C

The information included in this release, in addition to your other Kaplan Financial 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.

Be sure to visit Kaplan Financial's Website at [www.kaplanfinancial.com](http://www.kaplanfinancial.com) for the latest updates to this *Test Alert!*

**KAPLAN** FINANCIAL

# Part I

## Changes Since the Previous Edition

### A. NATIONAL FLOOD INSURANCE (PAGE 56)

#### 1. Policy forms

There are three policy forms:

- The Dwelling Form
- The General Property Form
- The Residential Condominium Building Association Policy

#### 2. Flood maps and zone determinations

- a. Flood insurance rate maps (FIRMs) show differing areas of flood risk, ranging from low-risk to higher-risk areas called special flood hazard areas (SFHAs). FEMA defines an SFHA as “an area of land that would be inundated by a flood having a 1% chance of occurring in any given year” (also known as the base flood or 100-year flood).
- b. The purpose of a FIRM is to:
  - provide easy-to-access and accurate data to property owners making siting decisions;
  - alert property owners of the need for flood insurance where risks exist; and
  - improve storm water management, transportation, and spill response.
- c. Flood hazard designations

Standard SFHAs	
Zone A	Lowest floor elevation required; no base flood elevations (BFEs) are provided.
Zone AE*	Lowest floor elevation required; BFEs are provided.
Zone AH	Flood depths of 1 to 3 feet (usually areas of ponding); BFEs are provided.
Zone AO	Flood depths of 1 to 3 feet (usually sheet flow on sloping terrain); average depths are provided. No BFEs are provided. For areas of alluvial fan flooding, velocities also are provided.
Zone A99	Protected from 100-year flood by federal flood protection system (dike, dam, or levee); no BFEs are provided.
Zone AR	SFHA in which there has been decertification of a previously accredited flood protection system that is being restored to provide base flood protection.
Zones AR/AE, AR/AH, AR/AO	Dual-zone SFHAs in which, because of flood risk from AR/A1-A30 and AR/A water sources that the flood protection system does not contain, there will continue to be hazard of flooding after the flood protection system is adequately restored.

Coastal SFHAs	
Zone V	Coastal flood with velocity hazard (wave action); no BFEs are provided.
Zone VE**	Coastal flood with velocity hazard (wave action); BFEs are provided.
Zone VO	Shallow water depths and/or unpredictable flow paths between 1 and 3 feet deep with velocity occur.
Zone X***	Non-SFHA areas of 500-year flood; areas of 100-year flood with average depths less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood.
Zone D	Areas in which flood hazards are undetermined.

\*Sometimes called Zones A1-A30

\*\*Sometimes called Zones V1-V30

\*\*\*Sometimes called Zones B and C

### 3. Community Rating System (CRS)

- a. The NFIP's Community Rating System is a voluntary incentive program that provides discounted rates for responsible community floodplain management.
- b. CRS rates are discounted in increments of 5%. Community classes are based on 18 creditable activities organized under four categories:
  - Public information
  - Mapping and regulations
  - Flood damage reduction
  - Flood preparedness

### 4. Claims handling

- a. Proof of loss forms must be fully completed, signed, and delivered to the insurer within 60 days after the loss occurs. In severe floods, FEMA may authorize proof of loss extensions for everyone in the affected area.
- b. When additional damage is discovered after the 60-day limit has passed, a supplemental claim may be filed within 60 days after the loss. Claims filed after 60 days are decided on a case-by-case basis.

## B. COMMERCIAL PROPERTY (PAGE 77)

The three coverages in the Building and Personal Property Coverage Form are building coverage, business personal property coverage, and personal property of others coverage. The insured selects one or more of these coverages; coverage is provided only if a limit of insurance for that coverage is listed in the Declarations.

## C. BUSINESS INCOME POLICIES (PAGE 79)

1. Consequential losses are indirect losses that occur as the result of a direct loss. For example, loss of a factory resulting from fire is a direct loss. Loss of income is the indirect loss that occurs as a consequence of the direct loss.

2. The time during which the insured must suspend operations is known as the **period of restoration**. Once a building is repaired, rebuilt, or replaced, the period of restoration ends and business income coverage terminates.

#### **D. COMMERCIAL GENERAL LIABILITY (CGL) POLICIES (PAGE 146)**

Fire legal liability is known on newer CGL policies as Damage to Premises Rented to You.

#### **E. UMBRELLA POLICIES (PAGE 154)**

Examples of Coverage

1. 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 are exhausted. For a \$600,000 loss, the homeowners policy would pay \$100,000 and the umbrella policy would pay \$500,000.
2. 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, 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.

#### **F. BUSINESSOWNERS POLICIES (PAGE 166)**

The money and securities optional coverage also applies while the money and securities are at the insured's place of business.

#### **G. DELAWARE LAW (PAGE 183)**

##### **1. Insurance Commissioner election and term [301]**

The Insurance Commissioner is elected to a term of four years.

##### **2. DAIP garage coverage**

Effective September 1, 2007, auto service operations such as repair shops, service stations, storage garages, public parking places, and tow truck operators are no longer eligible for garage coverage through the Delaware Plan. Auto exposures will continue to be eligible under a Commercial Auto Policy issued by DAIP. Nonauto exposures of service operations will need to be written through a CGL and will not be available through the DAIP.

### **3. Workers' compensation coverage of corporate officers [Sec. 2308]**

In addition to the eight officers who are stockholders of a corporation, up to four members of a limited liability company may be exempted coverage if the limited liability company and the exempted members agree in writing to such an exemption.

Part II  
New Sample Questions

---

There are no new sample questions at this time.

## Part III

### Answers and Rationales

---

There are no new answers and rationales 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. **Question #4**

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

4. **Unit 6, page 135**

Individual named insured endorsement should read “CA 99 17.”

5. **Unit 8 Quiz**

**Question #9**

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

6. **Unit 10 Quiz**

**Question #1**

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

7. **Sample Exam**

**Question #9, page 111**

This question has more than one right answer. It will be rewritten in the next edition. Aircraft hull coverage can be written for a variety of circumstances, depending on what is listed in the declarations.

8. **Question #68, page 206**

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](mailto:errata@kaplan.com).

**KAPLAN** FINANCIAL

[www.kaplanfinancial.com](http://www.kaplanfinancial.com)  
30 S. Wacker Drive, Ste. 2500, Chicago, IL 60606  
800-824-8742