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Insurance Law

Property & Casualty



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Kentucky State Law – Property & Casualty

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Section I – Structure of the Insurance Industry

1. Department of Insurance
 - a. _____ regulated agency
 - b. Part of the _____ branch of government
 - i. Responsible for the regulation, organization, supervision, examination, rehabilitation, liquidation and/or conservation of all insurance companies, agencies or agents
 - ii. Purposed to protect the public
 - c. Executive branch enforces law, legislative branch creates law
2. Insurance Commissioner/Director
 - a. Chief executive officer of the Department of Insurance
 - b. State Government Position:
 - i. Appointed by the _____
 - ii. Term of ____ years
 - iii. Takes an oath of office
 - iv. _____ bond required
 - c. Must be a member of the _____ (NAIC)
 - i. An association consisting of all insurance commissioners throughout the nation
 - ii. Helps bring uniformity and standardization across the states
 - d. Powers of the Department include:
 - i. Fine
 - ii. Probation
 - iii. Restitution
 - iv. Revocation
 - v. Suspension
 - vi. Cease and desist
 - e. Powers do not include:
 - i. _____ sentences
 - ii. But, they can recommend your case to the state _____ and they can impose a jail sentence
3. Complaints
 - a. Recorded/maintained by DOI for ____ years
 - b. Entity/individual responds in ____ calendar days
 - c. Director may subpoena for a hearing
 - i. ____ days to appeal/request a hearing
4. Admission of insurance companies
 - a. _____ insurer – located and organized in Kentucky
 - b. _____ – located and organized in another state or U.S. territory
 - c. _____ – located and organized in another country
 - d. Authorized/Admitted – approved to do business within the state
 - e. Unauthorized/Nonadmitted – not approved
 - f. _____ – proof of admittance

5. Examination of admitted companies
 - a. May be examined as often as necessary
 - b. Must be examined every ____ years
 - c. May accept examination from state of _____
 - i. **Other state commissioners examine their own domestic companies**
 - ii. **Passes the information to the Indiana commissioner**
 - iii. **Speeds up the examination process**
6. Guarantee Association (KIGA)
 - a. Protects the _____ from the insurers inability to meet their contractual obligations due to financial impairment
 - b. Supervised by the _____
 - c. Funded through assessments of no more than ____% from each company
 - d. \$100,000 cash value
 - e. \$300,000 for all benefits
 - f. All companies admitted to do business in Indiana is a part of the association
 - g. Insurers, agencies, and agents may _____use the association as a sales tool

Section II – Licensing Regulations

7. Licensing
 - a. A person may not _____, _____or _____ insurance unless first properly licensed
 - b. Business entities must also be licensed to conduct business with the public. Each licensed entity must assign a licensed agent as its' _____ officer
8. Resident producers
 - a. **Must be at least ____ years of age**
 - b. **Must be a _____ of Kentucky**
 - c. **Past _____**
 - d. **Prelicensing**
 - e. **Pass written _____**
 - f. **Pay license _____**
 - g. **Establish _____of financial responsibility**
9. Address changes must be made within ____ days, this includes:
 - a. **Physical address**
 - i. **Residential for the agent**
 - ii. **Business for the agency**
 - b. **Email address**
 - c. **Legal name change**
 - d. **Criminal record**
10. Continuing education
 - a. ____ hours every ____ years
 - b. ____ of the 24 must be in the field of ethics
 - c. ____ in the area licensed
 - d. Licenses renew on your birth month based upon your birth year
 - e. ____ hours may be carried over

11. Nonresident producer
 - a. Resident license must be in good standing
 - b. Fees and application must be submitted
 - c. States must be _____
 - d. Reciprocal states accept each others pre-licensing and continuing education procedures
12. Temporary producer
 - a. Allows an individual to _____ but _____ existing business
 - b. Good for ____ days
 - c. Issued for any _____
 - i. Military service
 - ii. Death
 - iii. Disability
13. Controlled business
 - a. Business written on
 - i. _____
 - ii. Immediate _____
 - iii. _____/_____
 - b. _____ does not constitute controlled business. Anyone can be a “friend”
 - c. Too much controlled business is a violation of insurance law
 - i. No more than ____% of _____ in a ____ month period
14. Consultant (Licensed vs Acting)
 - a. Gives _____ for a ____
 - b. Licensed
 - i. An _____ practitioner who gives advice for a fee
 - ii. Must have at least ____ years experience in the industry
 - iii. Must _____ the producer license (works for the client not the company)
 - c. Consultant licenses are not required for:
 - i. Attorneys
 - ii. CPA's
 - iii. _____ or _____
 - d. _____ like a consultant requires:
 - i. Full _____ of all fees and commissions
 - ii. Advance _____ and agreement
15. Limited Lines License
 - a. Allows the selling of _____ lines products
 - b. Most do not require a _____ to obtain
 - i. Title
 - ii. Baggage
 - iii. Rental
 - iv. Travel
 - v. Prearranged _____ insurance
16. Insurance Adjuster
 - a. Adjuster Requirements:
 - i. At least ____ years of age
 - ii. Primary state of business must be home state
 - iii. Must be trustworthy, reliable, and of good reputation
 - iv. Not bad past reputation
 - v. Completed a 40 hour pre-licensing education program

- vi. Pass examination
- vii. Turn in application
- viii. Pay fees
- b. Independent/Staff Adjusters work for the _____
- c. Public Adjusters work for the insured

Section III – Regulations and Violations

17. Producer Licensing Law and Violations

- a. The producer is responsible to the public to act in a professional manner
- b. Failure to act professionally may result in penalties:
 - i. Suspension up to _____ or revocation of license
 - ii. Financial penalties
 - 1. Comes after a hearing with the commissioner
 - 2. Civil, not criminal penalties
 - iii. Monetary restitution
- c. If it sounds wrong or unethical, it probably is a violation of the law
- d. General violations:
 - i. Misleading
 - ii. Violating law
 - iii. Misrepresentation
 - iv. Fraud
 - v. Misappropriation
 - vi. Felony
 - vii. Unfair practices
 - viii. Incompetence
 - ix. Forging
- e. A few specific violations:
 - i. Delinquency on child support
 - 1. _____ past due
 - 2. _____ behind
 - 3. Whichever comes first
 - ii. Failure to pay state income tax
 - iii. Failure to satisfy Continuing Education requirements
 - iv. Failure to inform the commissioner of legal name/address change

18. Unfair Trade Practices and Unfair Competition

- a. Department of Insurance will regulate the trade practices in the business of insurance
- b. Provides definitions and determines what acts are considered unfair or deceptive
- c. Such acts and practices are prohibited under this chapter of the law
- d. The following are prohibited practices:
 - i. Illustrations may not mislead the client or misrepresent information
 - ii. False Advertising/False financial statements
 - iii. Defamation
 - iv. Unfair discrimination
 - v. Monopolies
 - vi. _____ – offering something of value as an inducement to buy

- vii. Insurance as inducement – cannot use insurance as an inducement to the purchase of any property or service
 - viii. _____ – the borrower has the right to choose where any required insurance is purchased from
 - ix. Coercion
 - x. Sharing of commissions with an unlicensed person
 - 1. Must be _____ to split commissions
 - 2. Renewals may be paid if licensed at the time of the sale
 - xi. _____ – replacement transaction done through misrepresentations
 - e. Unfair Claims Settlement Practices:
 - i. Claims owed, must be paid:
 - ii. Accurately and fully
 - iii. Timely
 - iv. In good faith
 - f. If it sounds unreasonable or unethical, it is probably illegal
19. Fraud
- a. Fraud is always illegal and defined as:
 - i. An intentional act
 - ii. Involving some form of misrepresentation
 - iii. Done for financial gain
 - b. If fraud involves less than \$500, the penalty is no more than:
 - i. 1 year in prison and/or
 - ii. \$1,000 per individual or \$5,000 per corporation
 - c. If fraud is greater than \$500, the penalty is as follows:
 - i. No less than 1 year and no more than 5 years in prison and/or
 - ii. No more than \$10,000 per individual or \$100,000 per corporation
20. Advertisements in General
- a. Policy terms must be complete and cannot mislead the public
 - b. Titles cannot misrepresent the true nature of the product or representative
 - c. In other words, they must be:
 - i. _____
 - ii. _____
 - iii. _____
21. Insurance Contracts
- a. Premium Late Charge Authorized
 - i. Late charge may not exceed ____% in addition to the ordinary premium charges
 - ii. Accounts must have been unpaid for 30 days before issuing a late charge
 - b. Power to Contract
 - c. An individual cannot buy insurance before the age of _____
 - d. File and Approve
 - i. A “file and approve” state requires policies to be sent to the Department of Insurance before being sold to the public
 - e. Binders/Binding Receipt
 - i. May last no longer than ____ days
 - ii. Issuance date of the policy
 - iii. Whichever is shorter

Section IV – Property and Casualty Regulations

22. Surplus Lines

- a. The selling of a _____ insurance company
- b. Unique, hard to find insurance (similar to a Lloyds, but insurance)
- c. Agent responsibility
 - i. Must be surplus lines _____
 - ii. Must make diligent effort
 - iii. Must _____ lack of guarantee
 - iv. Pay tax on premiums quarterly
 - 1. ____% normally
 - 2. ____% if multistate risk

23. Automobile Policy

- d. Basic Reparations
 - i. _____ tort liability limit
 - ii. Paid without regard to fault
 - iii. May be _____ in _____
- e. Financial Security
 - i. _____
 - ii. _____
- f. Agent will notify Dep't of Vehicle Regulation within 5 business days is coverage ended
- g. _____ must be provided on request
- h. Auto Glass Repair
- i. Kentucky Auto Insurance Plan (KAIP)
 - i. _____
 - ii. _____ companies must be members
 - iii. Agents may submit _____
- j. Cancellation, Nonrenewal or Termination of Auto
 - i. Allowable reasons for cancellation
 - 1. Driver's License/registration suspended or revoked
 - 2. Fraud/Misrepresentation
 - 3. Increased risk due to willful acts of the insured
 - 4. Determination by the Commissioner
 - ii. Cancellation not allowed
 - 1. Poor credit/lack of credit
 - 2. Losses sustained from natural cause, unpreventable
 - 3. Race, religion, age, gender, etc.
 - 4. Previously declined by another insurer
 - iii. Notification of cancelation/nonrenewal
 - 1. ____ days notice if canceled later than 60 days of the effective date
 - 2. ____ days notice for nonpayment
 - 3. ____ days notice for nonrenewal
 - 4. ____ notification
 - 5. May within ____ days appeal to Director
 - 6. _____ must be included

24. Property Insurance

- k. Cancellation, Nonrenewal or Termination of Auto
 - i. Allowable reasons for cancellation
 - 1. Non-payment of premium
 - 2. Fraud/misrepresentation
 - 3. Substantial increase in risk
 - 4. Violation of local fire, health, etc. regulation
 - 5. Unable to reinsure the risk
 - 6. Determination by the commissioner
 - ii. Cancellation not allowed
 - 1. Age/location of property
 - 2. Losses from unpreventable natural causes
 - 3. Race, religion, age, gender, etc.
 - 4. Previously declined by another insurer
 - iii. Notification of cancellation/nonrenewal
 - 1. ____ days notice if cancelled within the first 60 days
 - 2. ____ days notice for nonpayment
 - 3. ____ days notice for nonrenewal/cancellation
 - 4. _____ must be included

25. Worker's Compensation

- l. No Fault Benefit
 - i. Pays regardless of fault
 - ii. Covers employee if injury results while " _____ " and " _____ " employment
- m. Exclusive Remedy
 - i. Only means of compensation for a work-related injury
 - ii. Cannot sue for further damage, no pain and suffering
- n. Compulsory Laws
 - i. Mandatory to provide Worker's Compensation if you have ____ or more employee
- o. Minors must be covered
 - i. If not properly covered, minors will receive _____ compensation
 - ii. The employer will be responsible for half
- p. Part time/Seasonal Employees must be _____
- q. Employee Relationships not covered:
 - i. _____ workers
 - ii. Real estate professionals
 - iii. Independent contractors
 - iv. Volunteers for no pay
 - v. Inmates in the penal institutions
 - vi. Athletes on scholarships
 - vii. Federal employees
- r. Employee Relationships that may _____:
 - i. Self-employed, sole proprietors and partners
 - ii. Farm and agricultural employees
 - iii. Casual workers and household employees

- s. Allowable Employer Defenses
 - i. Injury caused by employee _____
 - ii. Knowingly self-inflicted injury
 - iii. Knowingly failing to use required safety appliances
 - iv. Ignoring _____ safety rules
 - v. Commission of an offense, or failure to preform a statutory duty
- t. Part I: Benefits
 - i. _____
 - 1. Covers occupational _____ and injury
 - 2. No intentional acts, failure to follow safety rules, drugs, or alcohol
 - ii. _____
 - 1. Pays 66 2/3% the average weekly wage
 - 2. Income tax free
 - 3. Must wait 7 days before payment, reimburses first 7 days after _____ days of disability
 - iii. _____
 - iv. _____
- u. Part II: Employers' Liability
- v. Part III: Other States
- w. Part IV: Duties After a Loss
- x. Part V: Premium
 - i. _____
 - ii. _____
 - iii. _____
- y. Second Injury Fund
 - i. Discourages _____ in hiring
 - ii. Allows second injury with a new employer to pay like the first
 - iii. Remainder to be paid by the _____
- z. Assigned Risk Plans (KEMI)
 - i. Kentucky Employers' Mutual Insurance
 - ii. High risk worker's compensation provided by the state