

# Property and Casualty Insurance

Iowa

Effective January 1, 2015

## State Law Supplement

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# 1

## Cram Sheet

**HOW TO USE:** In your final preparations for your insurance exam use this cram sheet to memorize key days, dates, and dollars. A suggested technique is to cover the left hand column; read the right hand column; then uncover the left hand column to reveal the correct answer.

# IOWA LAWS, RULES, AND REGULATIONS PERTINENT TO ALL LINES

## Disciplinary Actions

10 Days	Days' notice the DOI must give before a disciplinary hearing.
\$1,000 – \$10,000	Penalties for <u>nonwillful</u> violation include fines, suspension/revocation, or both.
\$5,000 – \$50,000	Penalties for <u>willful</u> violation include fines, suspension/revocation, or both.
Up to \$10,000	Penalties for violating a cease and desist order include fines, suspension/revocation, or both.

## Licensing

Age 18	Applicant's minimum age
\$50	Licensing fee
90 Days	Days to pass the licensing examinations within submitting the application
30 Days	The number of days from the agency contract date, or the first insurance application is submitted that an insurer must file a <b>notice of appointment</b> .
30 Days	Producer's time to notify the DOI of <b>name or address change</b>
30 Days	Producer's time to notify the DOI of final <b>administrative action</b> taken against the producer in another jurisdiction or by another Iowa government agency, or any <b>criminal prosecutions</b> from the initial pretrial hearing date.
180 Days	Length of <b>temporary insurance producer license</b> , without requiring an examination if a licensed producer dies, becomes disabled, or enters active service in the US armed forces.
3 Years	<b>Producer's license renewal period:</b> The license may be continually renewed as long as the proper fees are paid and continuing education requirements are met.
60 Days	Producer's time to <b>apply for license renewal</b> prior to the expiration date of the license. Failure to renew a license and pay appropriate fees prior to the expiration date printed on the license will result in expiration of the license.
36 CECs	<b>Continuing Education (CE)</b> requirements for each CE term of three years.
3 CECs in Ethics	Number of required <b>ethics</b> CE credits
12 Months	Period a resident producer may <b>reinstate</b> an expired license

## Unfair and Deceptive Practices

\$5	Dollar value of <b>advertising merchandise</b> with the insurer's name that is not considered rebating.
Class D Felony	Criminal penalty for <b>insurance fraud</b>
60 Days	Days an insurer has to report suspected fraud to the state

## Iowa Life and Health Insurance Guaranty Association

The Association's liability, regardless of the number of policies, is as follows:

<b>\$300,000</b>	Life insurance death benefits
<b>\$100,000</b>	Life insurance cash value
<b>\$350,000</b>	Combined life insurance death benefits and cash value on one life
<b>\$500,000</b>	Basic medical expense coverages, or major medical coverage
<b>\$300,000</b>	Disability benefits
<b>\$300,000</b>	Long-term care insurance
<b>\$250,000</b>	Present value of annuity benefits



# 2

## Class Notes

**HOW TO USE:** The class notes are an excellent place to start when studying the state specific laws and regulations. The class notes are a summary of the key law supplement topics. For some students the class notes may be their primary section to study the law and regulation exam material.

### Company Regulation

- As often as needed, the Division of Insurance (DOI) may examine an authorized insurance carrier's financial condition and compliance with Iowa insurance laws.
- Every domestic insurer must be examined at least once every five years.
- Foreign or alien companies may be examined independently, or with other state insurance departments.

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### Disciplinary Actions: Hearings

- The Division may investigate anyone transacting insurance business in Iowa to see if he is engaged in unfair methods of competition or deceptive acts that are prohibited by the Insurance Code.
- Whenever the Division believes a producer or other person has committed a violation, it will give notice to the person and conduct a hearing. The notice must be served at least 10 days before the hearing.

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- The Division has the power to subpoena witnesses and compel their attendance, and require the production of records, books, papers, correspondence, or other documents that are relevant to the inquiry.

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# 3

## Detailed Text

**HOW TO USE:** All state specific topics in your state's exam content outline law and regulation section are covered in this detailed text. Students are encouraged to read the text for in-depth descriptions of the state's insurance laws and regulations. In addition, some topics are not covered in the Cram Sheets and Class Notes, and are only covered in the Detailed Text.

## I. IOWA LAWS, RULES, AND REGULATIONS COMMON TO ALL LINES

The Iowa Department of Insurance, sometimes referred to as the Division of Insurance (DOI), regulates insurance at the state level.

**A. COMMISSIONER OF INSURANCE [SEC. 505.2]** The Commissioner supervises all insurance business transacted within Iowa, and all transactions for organizing or liquidating domestic insurance companies. The Commissioner is appointed by the Governor to a four-year term.

**1. Powers and duties [505.8; 505.2; 507B.3; 507C]** The Commissioner has the power and duty to:

- control and supervise all insurance business transacted in Iowa;
- enforce the Iowa insurance laws;
- make reasonable rules and regulations to help carry out the provisions of the Iowa insurance laws;
- issue licenses and certificates of authority to transact insurance business in Iowa;
- issue orders and notices regarding insurance matters;
- conduct examinations and investigations of insurance matters;
- supervise all transactions relating to the organization, reorganization, liquidation, and dissolution of domestic insurance corporations;
- supervise the sale in Iowa of all stock and certificates by domestic and foreign insurance companies and organizations proposing to engage in any insurance business;
- maintain all books and records relating to the insurance business in Iowa;
- approve policy and contract forms; and
- collect required fees.

**B. LICENSING [REG. 191-10.1]** The DOI sets the requirements for the qualification, licensing, and appointment of insurance producers.

### 1. License application [522B.3, .4, .5, .8]

- a. To successfully apply to be a resident insurance producer license, a candidate
  - 2.) A business entity license is effective for three years and one month, including the year of application, beginning on the first day of the month of the business entity's formation date and concluding on the last day of the month of the business entity's formation date.

### **C. UNFAIR AND DECEPTIVE PRACTICES**

**1. Unfair claims settlement practices [507B.4]** The following are considered unfair claim settlement practices if they are committed or performed with such frequency as to indicate a general business practice:

- Misrepresenting pertinent facts or policy provisions relating to coverages

### **D. IOWA INSURANCE GUARANTY ASSOCIATION [515B.2, .3, .5, .7 through .11, 18]**

**1.** All insurers must be members of the Iowa Insurance Guaranty Association as a condition of their authority to transact insurance business in this state. The Association performs its functions under an approved plan of operation, and exercises its powers through a board of directors. The board of directors of the Association must consist of at least five but no more than nine persons serving terms as established in the plan of operation. The members will be selected by the member insurers subject to approval by the Commissioner.

## IOWA LAW SUPPLEMENT PRACTICE EXAM

## II. General Insurance

1. All of the following are requirements for receiving a resident agent's license EXCEPT
  - A. posting a \$10,000 bond
  - B. taking and passing a licensing examination
  - C. being of good character
  - D. being at least 18 years of age
2. The Commissioner may place a producer on probation for any of the following EXCEPT
  - A. providing incorrect information on an insurance producer license application
  - B. obtaining an insurance producer license by fraud
  - C. improperly using notes to pass an examination for a producer's license
  - D. responding promptly to DOI inquiries
3. Producers must file written notification of an address change within how many days of the change?
  - A. 10
  - B. 20
  - C. 30
  - D. 45
4. A business entity's license remains in effect for how many years?
  - A. 1
  - B. 2
  - C. 3
  - D. 4
5. How many hours of CE credit must a producer earn each term in Iowa?
  - A. 9
  - B. 15
  - C. 36
  - D. 45
6. The Commissioner must examine the financial condition of domestic insurers at least once every
  - A. year
  - B. 2 years
  - C. 3 years
  - D. 5 years
7. Under the Insurance Fraud Act, an insurer that believes that a fraudulent claim is being made must notify the Fraud Bureau within how many days?
  - A. 20
  - B. 30
  - C. 45
  - D. 60
8. Appointments for insurance producers must be renewed
  - A. every year
  - B. every 2 years
  - C. every 3 years
  - D. every 4 years
9. Continuing education certificates of completion must be retained by an insurance producer for
  - A. 1 year
  - B. 2 years
  - C. 4 years
  - D. 5 years
10. An insurer may take marital status into consideration for the purposes of
  - A. determining dependents eligible for benefits
  - B. setting insurance rates
  - C. allowing or denying coverage
  - D. allowing or excluding certain benefits
11. Agent Miller makes a presentation to a prospective insurance client but provides incorrect information about the policy's exclusions and limitations. Agent Miller is guilty of
  - A. coercion
  - B. misrepresentation
  - C. discrimination
  - D. using false or derogatory information

12. What is the penalty for a violation of the unfair trade practices law if the person knows or should have known he was engaging in an unfair practice?
- A. \$1,000
  - B. \$2,000
  - C. \$5,000
  - D. \$10,000
13. Which of the following would constitute acceptable delivery of a notice of an insurer's privacy policy to a consumer?
- A. Only posting a sign in its office
  - B. Generally publishing advertisements of its privacy policies and practices
  - C. Hand delivery of a printed copy of the notice to the consumer
  - D. Orally explaining the notice, either in person or over the telephone
14. How often must a licensee provide a clear and conspicuous notice to customers that accurately reflects its privacy policies and practices during the continuation of the customer relationship?
- A. At least once in any 6 consecutive months
  - B. At least once in any 12 consecutive months
  - C. At least once in any 18 consecutive months
  - D. At least once in any 24 consecutive months
15. If a person knowingly submits incorrect information on an insurance application with the intent to defraud the insurance company, he has committed a
- A. Class B felony
  - B. Class C felony
  - C. Class D felony
  - D. Class D misdemeanor
16. The liability of the Iowa Insurance Guaranty Association is limited to all of the following EXCEPT
- A. existing covered claims of the insolvent insurer
  - B. claims that arise within 30 days after insolvency
  - C. the refund of unearned premiums
  - D. claims that exceed \$300,000 per accident
17. In Iowa, the Insurance Commissioner is
- A. elected to a 6-year term by popular vote
  - B. elected to a 4-year term by the state legislature
  - C. appointed to a 2-year term by the Governor
  - D. appointed to a 4-year term by the Governor
18. What is the maximum fine the Commissioner may impose for violation of a cease and desist order?
- A. \$10,000
  - B. \$25,000
  - C. \$50,000
  - D. \$100,000
19. A producer may not reinstate an expired license after how many months have passed since the expiration date?
- A. 3
  - B. 6
  - C. 12
  - D. 24
20. A nonresident producer who moves to Iowa from another state or moves to another state from Iowa and wants to retain his license must file a change of address form within how many days of the move?
- A. 15
  - B. 30
  - C. 60
  - D. 90