

# Insurance Exam Content Outline

The following outline describes the content of one of the Michigan insurance examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weight assigned to each section of the examination. For example, 10 percent means that 6 questions will be drawn from the section on a 60-question exam, 10 will be drawn on a 100-question exam and 15 will be drawn on a 150-question exam.

## Michigan Public Adjuster

### Series 16-70

100 questions – Two-hour time limit

#### 1.0 Insurance Regulation 20% (20 items)

##### 1.1 Licensing requirements

Qualifications (500.1222, .1224)  
Fees (500.1226)

##### 1.2 Maintenance and duration

Renewal (500.1206)  
Contract requirements (500.1226, .1228)  
Change of address (500.1206(5), .1238)  
Continuation (24.291; 500.1206, .134, .1153)

##### 1.3 Disciplinary actions

Cease and desist order (500.251, .1244, .2038)  
Suspension and revocation (500.1209, .1239, .1242)  
Penalties and fines (500.1242, .1244, .2038, .2040, .2064, .2069)

##### 1.4 Claim settlement laws and regulations (500.2026)

Unfair claims settlement practices (500.2006, .2026)  
Prohibited practices (500.1227)

##### 1.5 Unfair insurance trade practices (500.1239, .1244, .2003, .2006–.2010, .2012–.2014, .2017, .2026, .2029)

Misrepresentation (500.2005, .2005a, .2055, .2057, .2064, .2218)  
False information and advertising (500.2001, .2002, .2005, .2005a, .2007, .2055, .2057)  
Defamation (500.2007, .2009; 600.2911; 750.389)  
Unfair discrimination (500.2019, .2020, .2027, .2082)  
Insurance fraud regulation (500.2088, .4501, .4503, .4507, .4509, .4511, .8197; 752.1003, .1005)

##### 1.6 Federal regulation

Fraud and false statements (18 USC 1033, 1034)

#### 2.0 Insurance Basics 22% (22 items)

##### 2.1 Contracts

Elements of a legal contract  
Offer and acceptance  
Consideration

Competent parties  
Legal purpose  
Legal interpretations affecting contracts  
Ambiguities in a contract of adhesion  
Reasonable expectations  
Indemnity  
Utmost good faith  
Representations/misrepresentations  
Warranties  
Concealment  
Fraud

##### 2.2 Insurance principles and concepts

Insurable interest  
Hazards  
Physical  
Moral  
Morale  
Causes of loss (perils)  
Named perils versus special (open) perils  
Direct loss  
Consequential or indirect loss  
Blanket versus specific insurance  
Basic types of construction  
Loss valuation  
Actual cash value  
Replacement cost  
Functional replacement cost  
Market value / repair cost  
Agreed value  
Stated amount

##### 2.3 Policy structure

Declarations  
Definitions  
Insuring agreement or clause  
Additional/supplementary coverage  
Conditions  
Exclusions  
Endorsements

##### 2.4 Common policy provisions

Insureds — named, first named, additional  
Policy period  
Policy territory  
Cancellation and nonrenewal  
Deductibles  
Other insurance  
Nonconcurrency  
Primary and excess  
Pro rata

- Policy limits
- Restoration/nonreduction of limits
- Coinsurance
- Vacancy or unoccupancy
- Assignment
- Liberalization
- Third-party provisions
  - Standard mortgage clause
  - Loss payable clause
  - No benefit to the bailee

## **2.5 Michigan laws, regulations and required provisions**

- Michigan Property and Casualty Guaranty Association (500.7901-.7949)
- Mandatory fire policy provisions (500.2833)
- Cancellation and nonrenewal
  - Private residential (500.2833)
  - Commercial (500.2833)
  - Basic property insurance (500.2901)
- Binders (500.2250)
- Federal Terrorism Insurance Program (15 U.S.C. 6701; Public Law 107-297, 109-144, 110-160)
- Termination of authority to represent insurer (500.1209)

## **3.0 Adjusting Losses 25% (25 items)**

### **3.1 Role of the adjuster**

- Duties and responsibilities
- Staff and independent adjuster versus public adjuster
- Relationship to the legal profession

### **3.2 Property losses**

- Duties of insured after a loss
  - Notice to insurer
  - Minimizing the loss
  - Proof of loss
  - Special requirements
  - Production of books and records
  - Abandonment
- Determining value and loss
  - Burden of proof of value and loss
  - Estimates
  - Depreciation
  - Salvage
- Claim settlement options
- Payment and discharge

### **3.3 Coverage problems**

- Waiver and estoppel
- Dealing with coverage disputes
  - Reservation of rights letter
  - Nonwaiver agreement
  - Declaratory judgment action

### **3.4 Claims adjustment procedures**

- Settlement procedures
  - Advance payments
  - Draft authority
  - Execution of releases
- Subrogation procedures

- Alternative dispute resolution
  - Appraisal
  - Arbitration
  - Competitive estimates
  - Mediation
  - Negotiation

## **4.0 Dwelling ('02) Policy 4% (4 items)**

### **4.1 Characteristics and purpose**

### **4.2 Coverage forms — Perils insured against**

- Basic
- Broad
- Special

### **4.3 Property coverages**

- Coverage A — Dwelling
- Coverage B — Other structures
- Coverage C — Personal property
- Coverage D — Fair rental value
- Coverage E — Additional living expense
- Other coverages

### **4.4 General exclusions**

### **4.5 Conditions**

### **4.6 Selected endorsements**

- Special provisions — Michigan (DP 01 21)
- Automatic increase in insurance (DP 04 11)
- Broad theft coverage (DP 04 72)
- Dwelling under construction (DP 11 43)

### **4.7 Personal liability supplement**

## **5.0 Homeowners ('00) Policy — Section I 6% (6 items)**

### **5.1 Coverage forms**

- HO-2 through HO-6

### **5.2 Definitions**

### **5.3 Section I — Property coverages**

- Coverage A — Dwelling
- Coverage B — Other structures
- Coverage C — Personal property
- Coverage D — Loss of use
- Additional coverages

### **5.4 Perils insured against**

### **5.5 Exclusions**

### **5.6 Conditions**

### **5.7 Selected endorsements**

- Special provisions — Michigan (HO 01 21)
- Limited fungi, wet or dry rot, or bacteria coverage (HO 04 26, HO 04 27)
- Scheduled personal property (HO 04 61)
- Personal property replacement cost (HO 04 90)
- Home day care (HO 04 97)

## **6.0 Commercial Package Policy (CPP) 9% (9 items)**

### **6.1 Components of a commercial policy**

- Common policy declarations
- Common policy conditions
- Interline endorsements
- One or more coverage parts

## 6.2 Commercial property ('07)

- Commercial property conditions form
- Coverage forms
  - Building and personal property
  - Condominium association
  - Condominium commercial unit-owners
  - Builders risk
  - Business income
  - Legal liability
  - Extra expense
- Causes of loss forms
  - Basic
  - Broad
  - Special
- Selected endorsements
  - Ordinance or law (CP 04 05)
  - Spoilage (CP 04 40)
  - Peak season limit of insurance (CP 12 30)
  - Value reporting form (CP 13 10)

## 6.3 Commercial inland marine

- Nationwide marine definition
- Commercial inland marine conditions form
- Inland marine coverage forms
  - Accounts receivable
  - Bailee's customer
  - Commercial articles
  - Contractors equipment floater
  - Electronic data processing
  - Equipment dealers
  - Installation floater
  - Jewelers block
  - Signs
  - Valuable papers and records
- Transportation coverages
  - Common carrier cargo liability
  - Motor truck cargo forms
  - Transit coverage forms

## 6.4 Farm coverage

- Farm property coverage form ('03)
  - Coverage A — Dwellings
  - Coverage B — Other private structures
  - Coverage C — Household personal property
  - Coverage D — Loss of use
  - Coverage E — Scheduled farm personal property
  - Coverage F — Unscheduled farm personal property
  - Coverage G — Other farm structures
- Definitions
- Causes of loss (basic, broad and special)
- Conditions
- Exclusions
- Limits
- Additional coverages

## 7.0 Businessowners ('06) Policy — Property 8% (8 items)

### 7.1 Characteristics and purpose

### 7.2 Businessowners Section I — Property

- Coverage
- Exclusions
- Limits of insurance
- Deductibles
- Loss conditions
- General conditions
- Optional coverages
- Definitions

### 7.3 Businessowners Section III — Common Policy Conditions

### 7.4 Selected endorsements

- Protective safeguards (BP 04 30)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)

## 8.0 Other Coverages and Options 6% (6 items)

### 8.1 National Flood Insurance Program

- "Write your own" versus government
- Eligibility
- Coverage
- Limits
- Deductibles

### 8.2 Ocean marine insurance

- Major coverages
  - Cargo insurance
  - Freight insurance
- Implied warranties
- Perils
- General and particular average

### 8.3 Other policies

- Boatowners