

# 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 Casualty Producer/Solicitor

### Series 16-68

100 questions – Two-hour time limit

#### 1.0 Insurance Regulation 25% (25 items)

##### 1.1 Licensing

Process (500.1201, .1201a, .1204, .1205, .1206, .1206b, .1240)

Types of licensees (500.1206)

Producer (500.240, 500.1201, .1201a, .1204, .1205, .1206, .1206b, .1240)

Counselor (500.1232, .1234, .1236)

Managing general agent (500.1401(b), .1405) Limited (R501.157)

Business entity (500.1201, .1205)

Financial institutions (500.1206, .1243)

Resident versus nonresident (500.1201, 500.1201a, 500.1204–.1206b, 500.1240; R500.635)

Temporary (500.1211b)

Maintenance and duration

Continuation (24.291; 500.1206, .134, .1153)

Change of address (500.1206(5), .1238)

Reporting of actions (500.1208b, .1239, .1244, .1246, .1247)

Assumed names (500.1211a)

Continuing education requirements (500.1204, .1204c, .1204d, .1204e, .1204f, .1206)

Bond (500.1153, .1407, .1504)

Disciplinary actions

Cease and desist order (500.1244, .2038)

Suspension, revocation, refusal to issue or renew (500.1200, .1209, .1239, .1379, .2029, .2043)

Penalties and fines (500.1242, .1244, .1379, .2038, .2040, .2064, .2069)

##### 1.2 State regulation

Commissioner's general duties and powers (500.102, .200, .202, .210)

Company regulation

Certificate of authority (500.108, .402)

Solvency (500.408, .410, .436a)

Rates (500.1609, .1615, .1904, .2106, .2403, .2411, .2603)

Forms and exceptions (500.2236)

Unfair claims settlement practices (500.2006, .2026)

Producer appointment (500.1208a, .1208b, .1209, .1411)

Termination of appointment (500.1208b, .1209)

Producer regulation

Acting without a license (500.251, .1201a, .1202, .1203)

Prohibited conduct (500.1207, .1216, .2003, .2059, .2062)

Commissions (500.1240, .2011)

Fiduciary capacity (500.1207)

Types of compensation — disclosures

Unfair insurance trade practices (500.1239, .1244, .2003, .2006–.2014, .2016–.2021, .2026, .2029)

Misrepresentation (500.2005, .2005a, .2055, .2057, .2064, .2218)

False information and advertising (500.2001, .2002, .2005, .2005a, .2007, .2055, .2057, .2064)

Twisting (500.2005(f), .2064(2))

False financial statements (500.1015, .2014, .2018, .2055, .2062, .2474, .2666)

Defamation (500.2007, .2009; 600.2911; 750.389; R500.662, .1377(14))

Boycott, coercion and intimidation (500.1242, .2012)

Unfair discrimination (500.2019, .2020, .2027, .2082)

Rebating (500.1242, .2024, .2069, .2070)

Illegal inducement (500.2005a, .2024, .2069, .2070)

Examination of books and records (500.249, .222)

Insurance fraud regulation (500.2088, .4501, .4503, .4507, .4509, .4511, .8197; 752.1003, .1005)

Consumer privacy regulation (500.501, .505, .507, .515, .535, .2005a, .4501, .4507, .4509)

##### 1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681–1681d)

Fraud and false statements (18 USC 1033, 1034)

Patriot Act

Violent Control Act

## 2.0 General Insurance 6% (6 items)

### 2.1 Concepts

- Risk management key terms
  - Risk
  - Exposure
  - Hazard
  - Peril
  - Loss
- Methods of handling risk
  - Avoidance
  - Retention
  - Sharing
  - Reduction
  - Transfer
- Elements of insurable risks
- Adverse selection
- Law of large numbers
- Reinsurance

### 2.2 Insurers

- Types of insurers
  - Stock companies
  - Mutual companies
  - Fraternal benefit societies
  - Lloyd's associations
  - Risk retention groups
- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating services)
- Marketing (distribution) systems

### 2.3 Producers and general rules of agency

- Insurer as principal
- Producer/insurer relationship
- Authority and powers of producers
  - Express
  - Implied
  - Apparent
- Responsibilities to the applicant/insured

### 2.4 Contracts

- Elements of a legal contract
  - Offer and acceptance
  - Consideration
  - Competent parties
  - Legal purpose
- Distinct characteristics of an insurance contract
  - Contract of adhesion
  - Aleatory contract
  - Personal contract
  - Unilateral contract
  - Conditional contract
- Legal interpretations affecting contracts
  - Ambiguities in a contract of adhesion
  - Reasonable expectations
  - Indemnity
  - Utmost good faith
  - Representations/misrepresentations
  - Warranties
  - Concealment

- Fraud
- Waiver and estoppel

## 3.0 Casualty Insurance Basics 20% (20 items)

### 3.1 Principles and concepts

- Insurable interest
- Underwriting
  - Function
  - Loss ratio
- Rates
  - Types
  - Loss costs
  - Components
- Hazards
  - Physical
  - Moral
  - Morale
- Negligence
  - Elements of a negligent act
  - Defenses against negligence
- Damages
  - Compensatory — special versus general
  - Punitive
- Absolute liability
- Strict liability
- Vicarious liability

### 3.2 Policy structure

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

### 3.3 Common policy provisions

- Insureds — named, first named, additional
- Policy period
- Policy territory
- Cancellation and nonrenewal
- Deductibles
- Other insurance
  - Nonconcurrency
  - Primary and excess
  - Pro rata
    - Contribution by equal shares
- Limits of liability
  - Per occurrence (accident)
  - Per person
    - Aggregate — general versus products — completed operations
  - Split
    - Combined single
- Named insured provisions
  - Duties after loss
  - Assignment
- Insurer provisions
  - Liberalization
  - Subrogation
  - Duty to defend

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

Michigan Property and Casualty Guaranty Association (500.7901-.7949)  
Cancellation and nonrenewal (500.3020)  
Concealment, misrepresentation or fraud (500.2833)  
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)

### **3.5 Essential Insurance Act (500.2101-.2131)**

## **4.0 Homeowners ('00) Policy 10% (10 items)**

### **4.1 Coverage forms**

HO-2 through HO-6

### **4.2 Definitions**

### **4.3 Section II — Liability coverages**

Coverage E — Personal liability  
Coverage F — Medical payments to others  
Additional coverages

### **4.4 Exclusions**

### **4.5 Conditions**

### **4.6 Selected endorsements**

Special provisions — Michigan (HO 01 21)  
Limited fungi, wet or dry rot, or bacteria coverage (HO 04 26, HO 04 27)  
Permitted incidental occupancies — residence premises (HO 04 42)  
Home day care (HO 04 97)  
Business pursuits (HO 24 71)  
Watercraft (HO 24 75)  
Personal injury (HO 24 82)

## **5.0 Auto Insurance 14% (14 items)**

### **5.1 Laws**

Michigan Motor Vehicle Financial Responsibility Law  
Required limits of liability (RL 257.520)  
Required proof of insurance (RL 257.518)  
Michigan Automobile Insurance Placement Facility (500.3301)  
No-fault coverage (500.3101)  
Personal injury protection (500.3107)  
Property protection (500.3121)  
Residual liability (500.3131)  
Uninsured/underinsured motorist (Reg 500.1502)  
Definitions  
Bodily injury  
UM/UIM rejection  
Required limits  
Cancellation/nonrenewal  
Grounds (500.3220)  
Notice (500.3204, .3224)  
Notice of eligibility in Automobile Insurance Placement Facility (500.3301, .3365)

Rental vehicle coverage  
Aftermarket crash parts regulation (RL 257.1361-.1364)

### **5.2 Personal ('05) auto policy**

Definitions  
Liability coverage  
Bodily injury and property damage  
Supplementary payments  
Exclusions  
Medical payments coverage  
Uninsured motorists coverage  
Coverage for damage to your auto  
Collision  
Other than collision  
Deductibles  
Transportation expense  
Exclusions  
Duties after an accident or loss  
General provisions  
Selected endorsements  
Amendment of policy provisions — Michigan (PP 01 80)  
Towing and labor costs (PP 03 03)  
Miscellaneous type vehicle (PP 03 23)  
Extended non-owned coverage — vehicles furnished or available for regular use — Michigan (PP 03 53)  
Personal injury protection coverage — Michigan (PP 05 90)

### **5.3 Commercial auto ('06)**

Commercial auto coverage forms  
Business auto  
Garage  
Business auto physical damage  
Truckers  
Motor carrier  
Coverage form sections  
Covered autos  
Liability coverage  
Garagekeepers coverage  
Physical damage coverage  
Exclusions  
Conditions  
Definitions  
Selected endorsements  
Lessor — additional insured and loss payee (CA 20 01)  
Mobile equipment (CA 20 15)  
Michigan personal injury protection (CA 22 20)  
Drive other car coverage (CA 99 10)  
Individual named insured (CA 99 17)  
Commercial carrier regulations  
The Motor Carrier Act of 1980  
Endorsement of motor carrier policies of insurance for public liability (MCS-90)

## **6.0 Commercial Package Policy (CPP) 5% (5 items)**

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

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

### **6.2 Commercial general liability ('07)**

- Commercial general liability coverage forms
  - Bodily injury and property damage liability
  - Personal and advertising injury liability
  - Medical payments
  - Exclusions
  - Supplementary payments
  - Who is an insured
  - Limits of insurance
  - Conditions
  - Definitions
- Occurrence versus claims-made
- Claims-made features
  - Trigger
  - Retroactive date
  - Extended reporting periods — basic versus supplemental
  - Claim information
- Premises and operations
- Products and completed operations
- Insured contract

### **6.3 Commercial crime ('06)**

- General definitions
  - Burglary
  - Theft
  - Robbery
- Crime coverage forms
  - Commercial crime coverage forms (discovery/loss sustained)
  - Government crime coverage forms (discovery/loss sustained)
- Coverages
  - Employee theft
  - Forgery or alteration
  - Inside the premises — theft of money and securities
  - Inside the premises — robbery or safe burglary of other property
  - Outside the premises
  - Computer fraud
  - Funds transfer fraud
  - Money orders and counterfeit money
- Other crime coverages
  - Extortion — commercial entities (CR 04 03)
  - Lessees of safe deposit boxes (CR 04 09)
  - Securities deposited with others (CR 04 10)
  - Guests' property (CR 04 11)
  - Safe depository (CR 04 12)

### **6.4 Farm Coverage**

- Farm liability coverage form ('06)
  - Coverage H — Bodily injury and property damage liability
  - Coverage I — Personal and advertising injury liability
  - Coverage J — Medical payments
- Definitions
- Conditions
- Exclusions
- Limits
- Additional coverages

## **7.0 Businessowners ('06) Policy 5% (5 items)**

### **7.1 Characteristics and purpose**

### **7.2 Businessowners Section II — Liability**

- Coverages
- Exclusions
- Who is an insured
- Limits of insurance
- General conditions
- Definitions

### **7.3 Businessowners Section III — Common Policy Conditions**

### **7.4 Selected endorsement**

- Hired auto and non-owned auto liability (BP 04 04)

## **8.0 Workers Compensation Insurance 11% (11 items)**

### **8.1 Workers compensation laws**

- Types of laws
  - Monopolistic versus competitive
  - Compulsory versus elective
- Michigan Worker's Disability Compensation Act (Ch. 418)
  - Exclusive remedy (418.131)
  - Employer covered (required) (418.115)
  - Covered injuries (418.301)
  - Occupational disease (418.401, .405, .411, .415, .425, .431, .435, .441)
  - Benefits provided (418.301, .315, .321, .345, .351)
  - Second injury fund (418.521)
- Federal workers compensation laws
  - Federal Employer Liability Act (FELA) (45 USC 51-60)
  - U.S. Longshore and Harbor Workers Compensation Act (33 USC 904)
  - The Jones Act (46 USC 688)

### **8.2 Workers compensation and employers liability insurance policy**

- General section
  - Part One — Workers compensation insurance
  - Part Two — Employers liability insurance
  - Part Three — Other states insurance
  - Part Four — Your duties if injury occurs
  - Part Five — Premium

Part Six — Conditions  
Selected endorsement  
Voluntary compensation

**8.3 Premium computation**

Job classification — payroll and rates  
Experience modification factor  
Premium discounts

**8.4 Other sources of coverages**

Self-insured employers and employer groups  
(408.43-.43m; 418.611)

**9.0 Other Coverages and Options 4% (4 items)**

**9.1 Umbrella/excess liability policies**

Personal (DL 98 01)  
Commercial (CU 00 01)

**9.2 Specialty liability insurance**

Errors and omissions  
Professional liability  
Directors and officers liability  
Fiduciary liability  
Liquor liability  
Employment practices liability

**9.3 Surplus lines**

Definitions and markets  
Licensing requirements

**9.4 Surety bonds**

Principal, obligee, surety  
Contract bonds  
License and permit bonds  
Judicial bonds

**9.5 Other policies**

Boatowners