

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 Surplus Lines

Series 16-74

60 questions – One-hour time limit

1.0 Insurance Regulation 25% (15 items)

1.1 Licensing regulation for surplus lines

- Purpose (500.1902, .1903a)
- Definitions (500.1903)
- Who may be licensed (500.1905(1,2))
 - Individuals
 - Corporations and partnerships
- Current licensing requirements (500.1905(3,4,5))
- Change of address (500.1206a(3))
- Disciplinary actions (500.1239, .1244, .1952)
 - Grounds
 - Penalties
- Renewals (500.1204, .1206(2,3), .1905(3)(c))
- Authority of license (500.1905)

1.2 State Regulation

- Prohibited acts (500.1207, .2003, .2059, .2062)
- Unfair insurance trade practices
 - 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)
- Commissions and fees (500.1915, .1916)
- Producer disclosure (500.1922)
- Michigan Property and Casualty Guaranty Association (500.7901–.7949)

2.0 General Insurance 5% (3 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
 - Reciprocal
 - 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 Surplus Lines Markets and Practices (500.1901-.1955) 70% (42 items)

3.1 United States nonadmitted market

- Foreign nonadmitted market

3.2 Alien insurers

- London market
 - Lloyd's of London
 - Other London companies
- Other alien markets
- United States trust funds

3.3 Alternative markets (Chapter 18)

- Risk retention groups
- Purchasing groups
- Independently procured insurance

3.4 Eligible surplus lines insurers (500.1920, .1950)

- Requirements
- List of eligible surplus lines insurers
- Withdrawal of eligibility
- Service of process

3.5 Surplus lines coverages (500.1910)

- Characteristics and uses
- Types of coverages available

3.6 Requirements for placement of surplus lines insurance (500.1910, .1911)

- Diligent search
 - Declarations
 - Exempt risks
- Notice to insured
 - Unlicensed insurer
- Evidence of insurance (500.1912)

3.7 Authority of surplus lines licensee

- Binding

3.8 Records of licensee (500.1906)

- Content of records
- Maintenance (500.1913)
- Reporting (500.1905)

3.9 Surplus lines tax (500.1905, .1951)

- Amount
- Collection
- Remittance
- Tax report