

# Your Exam Content Outline

The following outline describes the content of one of the Massachusetts 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.

## Massachusetts Producer's Examination for Personal Lines Insurance Series 16-61

**100 questions – Two-hour time limit**

### 1.0 Insurance Regulation 13%

#### 1.1 Licensing

- Process (175:162G–X)
- Types of licensees
  - Producers (175:162H, L, M)
  - Business entity producers (175:162L)
  - Nonresident producers (175:162N, U)
  - Temporary (175:162Q)
  - Special brokers (175:168)
  - Advisers (175:177A, B)
  - Public insurance adjusters (175:172)
  - Reinsurance intermediaries (175:177M–W)
  - Viatical settlement brokers (175:212–223)
- Maintenance and duration
  - Reinstatement and renewal (175:162M(b–d), 177B, 177O)
  - Address change (175:162M(f))
  - Reporting of actions (175:162V)
  - Assumed names (175:162P)
  - Continuing education requirements, exemptions and penalties (175:177E; Reg 211 CMR 50.00)
- Disciplinary actions
  - Cease and desist order (176D:7)
  - Hearings (175:162R; 176D:6)
  - Probation, suspension, revocation, refusal to issue or renew (175:162R, 177B; 176D:7, 10; 30A:13)
  - Penalties and fines (175:162R(b–e), 170, 174, 175, 176, 177, 194; 176D:7, 10)

#### 1.2 State regulation

- Commissioner's general duties and powers (175:3A; 176D:5)
- Company regulation
  - Certificate of authority (175:4, 32, 151)
  - Solvency (175:6, 180A–L; 175J)
  - Rates (175:113B; 175A; 175E; 176A:6; 176H:6; 176J:3; 176M:4; Reg 211 CMR 55.05)
  - Policy forms (175:2B, 192)
  - Examination of books and records (175:4)
  - Producer appointments (175:162S)

- Termination of producer appointment (175:162T)
- Producer regulation
  - Impersonation (175:175)
  - Larceny (175:176)
  - Unlicensed persons compensation (175:177)
- Unfair or deceptive insurance practices
  - Misrepresentation (175:181, 186; 176D:3(1), (11))
  - False advertising (175:181; 176D:3(1),(2))
  - Defamation of insurer (176D:3(3))
  - Boycott, coercion and intimidation (176D:3(4), 3A)
  - False financial statements (176D:3(5))
  - Failure to maintain complaint record (176D:3(10))
  - Unfair discrimination (176D:3(7))
  - Unfair claims settlement practices (176D:3(9))
  - Rebating (175:182–184; 176D:3(8))
- Insurance fraud regulation (175:170, 181; 176D:3)
- Insurance Information and Privacy Protection (175I)

#### 1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements including 1033 waiver (18 USC 1033, 1034)

### 2.0 General Insurance 11%

#### 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
  - Risk retention and risk purchasing groups
  - Self-insurance groups
- Private versus government insurers
- Admitted versus nonadmitted 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
  - 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 Property and Casualty Insurance Basics 17%

### 3.1 Principles and concepts

- Insurable interest
- Underwriting
  - Function
  - Expense ratio, combined ratio
  - 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
- Attractive nuisance
- 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
  - Agreed value
  - Stated amount
  - Valued policy

### 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 share
- Limits of liability
  - Per occurrence (accident)
  - Per person
  - Split
    - Combined single
- Restoration/nonreduction of limits
- Coinsurance
- Vacancy or unoccupancy
- Named insured provisions
  - Duties after loss
  - Assignment
  - Abandonment
- Insurer provisions
  - Liberalization
  - Subrogation
  - Salvage
  - Claim settlement options
  - Duty to defend

- Third-party provisions
  - Standard mortgage clause
  - Loss payable clause
  - No benefit to the bailee

**3.4 Massachusetts laws, regulations and required provisions**

- Massachusetts Insurers Insolvency Fund (175D:1-17)
- Massachusetts standard fire policy (175:99)
- Cancellation and nonrenewal (175:99, 187C, 187D, 193P)
- Concealment, misrepresentation or fraud (175:99, 170, 186; RL Title I 266:27A)
- Appraisal (175:99, 1130)
- Federal Terrorism Insurance Program (15 USC 6701; Public Law 107-297, 109-144, 110-160)

**4.0 Dwelling ('02) Policy 7%**

**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 — Massachusetts (DP 01 20)
- 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 22%**

**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 Section II — Liability coverages**

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

**5.5 Perils insured against**

**5.6 Exclusions**

**5.7 Conditions**

**5.8 Selected endorsements**

- Special provisions — Massachusetts (HO 01 20)
- Limited fungi, wet or dry rot, or bacteria coverage (HO 05 37, HO 05 38, HO 05 39)
- Permitted incidental occupancies — residence premises (HO 04 42)
- Earthquake (HO 04 54)
- Identity fraud expense (HO 04 55)
- Scheduled personal property (HO 04 61)
- Personal property replacement cost (HO 04 90)
- Home day care (HO 04 97)
- Tenants relocation expense — Massachusetts (HO 23 71)
- Lead poisoning exclusion — Massachusetts (HO 24 41; Reg 211 CMR 131.00)
- Coverage for lead poisoning — Massachusetts (HO 24 42)
- Business pursuits (HO 24 71)
- Watercraft (HO 24 75)
- Personal injury (HO 24 82)

**6.0 Auto Insurance 25%**

**6.1 Laws**

- Massachusetts Compulsory Motor Vehicle Liability Insurance (175:113A-L, N-V; RL Title XIV 90:34A-K, M-R)
    - Required limits of liability (RL Title XIV 90:34A, 34O)
    - Required proof of insurance (RL Title XIV 90:34A, 34B)
  - Massachusetts Assigned Risk Plan (175:113H)
  - Personal injury protection (RL Title XIV 90:34A, M)
    - Medical
    - Loss of income/Lost wages
    - Death
    - Funeral
    - Replacement services
  - Uninsured motorist (175:111D, 113L)
    - Definitions
    - Bodily injury
    - Required limits
  - Cancellation/nonrenewal (90:34K; 175:22C, 113A)
    - Grounds (175:22C, 112)
    - Notice (175:22C, 113F; RL Title XIV 90:34K)
    - Notice of eligibility in assigned risk plan (175:113F)
  - Aftermarket parts regulation (Reg 211 CMR 133.04; RL Title XIV 90:34R)
  - Regulation of rates for motor vehicle insurance (Ch. 175A, E)
  - Private passenger motor vehicle insurance rates (Reg 211 CMR 79.00)
- 6.2 Massachusetts auto insurance policy (2008 edition)**
- Definitions
  - Compulsory coverage
    - Bodily injury to others

- Personal injury protection
- Damage to someone else's property
- Uninsured motorist
- Coverage for damage to your auto
  - Medical payments
  - Collision
  - Limited collision
  - Comprehensive
  - Deductibles
  - Substitute transportation
  - Towing and labor
- General provisions
- Duties after an accident or loss
- Selected endorsements
  - Use of other autos — vehicles furnished or available for regular use (M-0051-S)
  - Coverage for anyone renting an auto to you additional insured — lessor (M-0070-S)
  - Massachusetts mandatory endorsement (M-0099-S)
  - Mobile home (MPY-0002-S)
  - Waiver of deductible (MPY-0016-S)

**7.0 Other Coverages and Options 5%**

**7.1 Personal umbrella policies (DL 98 01)**

**7.2 National Flood Insurance Program**

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

**7.3 Other policies**

- Boatowners

**7.4 Residual markets**

- Joint underwriting and reinsurers association (FAIR) plan (175C:4)