

# 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 Adviser's Examination for Property and Casualty Insurance Series 16-57

**150 questions – 2.5-hour time limit**

### 1.0 Insurance Regulation 7%

#### 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; 176H:6)
  - 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 6%

#### 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 10%

### 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
  - Contribution by equal shares
- Policy limits
- Limits of liability
  - Per occurrence (accident)
  - Per person
  - Aggregate — general versus products — completed operations
  - 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 3%**

### **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 7%**

### **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 39, HO 05 38, HO 05 37)
- 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 9%**

### **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)

### 6.3 Commercial auto

- Commercial auto coverage forms
  - Business auto ('06)
  - Garage ('06)
  - Truckers ('06)
- Coverage form sections
  - Covered autos
  - Liability coverage
  - Garagekeepers coverage
  - Trailer interchange coverage
  - Physical damage coverage
  - Exclusions
  - Conditions
  - Definitions
- Selected endorsements
  - Individual named insured (CA 99 17)
  - Mobile equipment (MM 20 11)
  - Lessor — additional insured and loss payee — Massachusetts (MM 20 26)
  - Drive other car coverage (MM 99 22)
- Commercial carrier regulation
  - The Motor Carrier Act of 1980
  - Endorsement for motor carrier policies of insurance for public liability (MCS-90)

### 7.0 Commercial Package Policy (CPP) 20%

#### 7.1 Components of a commercial policy

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

#### 7.2 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
- Owners and contractors protective liability coverage form
- Pollution liability
  - Pollution liability coverage form
  - Pollution liability limited coverage form
  - Pollution liability coverage extension endorsement
- Selected endorsements
  - Limited fungi or bacteria coverage (CG 24 25)

### 7.3 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)

### 7.4 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
  - Kidnap/ransom and extortion (CR 00 40)
  - 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)

### 7.5 Commercial inland marine

- Nationwide marine definition (Reg 211 CMR 10.00)
- 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

### 7.6 Equipment breakdown ('08)

- Equipment breakdown protection coverage form (EB 00 20)
- Selected endorsement
  - Actual cash value (EB 99 59)

### 7.7 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
- Farm liability coverage form ('06)
  - Coverage H — Bodily injury and property damage liability
  - Coverage I — Personal and advertising injury liability
  - Coverage J — Medical payments
- Mobile agricultural machinery and equipment coverage form
- Livestock coverage form
- Definitions
- Cause of loss (basic, broad and special)

- Conditions
- Exclusions
- Limits
- Additional coverages

## 8.0 Businessowners ('06) Policy 9%

### 8.1 Characteristics and purpose

### 8.2 Businessowners Section I — Property

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

### 8.3 Business Section II — Liability

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

### 8.4 Businessowners Section III — Common Policy Conditions

### 8.5 Selected endorsements

- Hired auto and non-owned auto liability (BP 04 04)
- Protective safeguards (BP 04 30)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)

## 9.0 Workers Compensation Insurance 15%

### 9.1 Workers compensation laws

- Types of laws
  - Monopolistic versus competitive
  - Compulsory versus elective
- Massachusetts Workers Compensation Act (RL Title XXI Ch 152)
  - Exclusive remedy (RL Title XXI 152:24, 26, 71)
  - Employment covered (required, voluntary) (RL Title XXI 152:1, 25A)
  - Covered injuries (RL Title XXI 152:1, 29)
  - Occupational disease (RL Title XXI 152:1(7A))
  - Benefits provided (RL Title XXI 152:27, 28-30, 30G-30I, 31-34, 34A, 34B, 35, 35A-E, 36)
  - Subsequent injury fund (RL Title XXI 152:37)
  - Large deductible programs (211 CMR 115.01-.06; 152:25A)
  - Subrogation (152:15)
- Federal workers compensation laws
  - Federal Employers Liability Act (FELA) (45 USC 51-60)
  - U.S. Longshore and Harbor Workers' Compensation Act (33 USC 904)
  - The Jones Act (46 USC 688)

## **9.2 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

## **9.3 Premium computation**

- Job classification — payroll and rates
- Experience modification factor
- Premium discounts
- Participation (dividend) plans
- Retrospective rating
- Massachusetts Department of Industrial Accidents

## **9.4 Other sources of coverage**

- Assigned risk plan (RL Title XXI 152:65A–D, G–M, O)
- Self-insured employers and employer groups (RL Title XXI 152:25A–U)
- Massachusetts Workers' Compensation Trust Fund (RL Title XXI 152:65)
- Differences in premium computation (RL Title XXI 152:53A(5))

## **10.0 Other Coverages and Options 14%**

### **10.1 Umbrella/excess liability policies**

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

### **10.2 Specialty liability insurance**

- Errors and omissions
- Professional liability
- Directors and officers liability
- Fiduciary liability
- Liquor liability
- Employment practices liability
- Employee benefits liability

### **10.3 Surplus lines (175:168)**

- Definitions and markets
- Licensing requirements

### **10.4 Surety bonds**

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

### **10.5 Aviation insurance**

- Aircraft hull
- Aircraft liability
- Airport liability
- Hangarkeepers legal liability

### **10.6 Ocean marine insurance**

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

### **10.7 National Flood Insurance Program**

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

### **10.8 Other policies**

- Boatowners
- Difference in conditions

### **10.9 Residual markets**

- Joint underwriting and reinsurers association (FAIR) plan (175C:4)
- Joint Underwriting Association — Liquor Liability (175:112A–B)

### **10.10 Alternative funding mechanisms**

- Self-insured
- Pooling
- Risk retention groups
- Captives