

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 Personal Lines

Series 16-69

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 7% (7 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 Property and 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

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

- 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

- Contribution by equal shares
- Limits of liability
 - Per occurrence (accident)
 - Per person
 - Split
 - Combined single
- Property limits
- 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 Michigan laws, regulations and required provisions

- Michigan Property and Casualty Guaranty Association (500.7901-.7949)
- Mandatory fire policy provisions (500.2833)
- Cancellation and nonrenewal (500.2833, .3020)
- Appraisal (500.2833)
- 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 Dwelling ('02) Policy 6% (6 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 17% (17 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 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 – 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)
- Earthquake (HO 04 54)
- Scheduled personal property (HO 04 61)
- Personal property replacement cost (HO 04 90)
- Home day care (HO 04 97)
- Business pursuits (HO 24 71)
- Watercraft (HO 24 75)
- Personal injury (HO 24 82)

6.0 Auto Insurance 22% (22 items)

6.1 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)

6.2 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)

Property protection coverage — Michigan
(PP 05 91)

7.0 Other Coverages and Options 3% (3 items)

7.1 Umbrella/excess liability policies

Personal (DL 98 01)

7.2 National Flood Insurance Program

"Write your own" versus government

Eligibility

Coverage

Limits

Deductibles

7.3 Other policies

Boatowners