

# 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 Property Producer/Solicitor

### Series 16-67

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 Property Insurance Basics 27% (27 items)

### 3.1 Principles and concepts

- Insurable interest
- Underwriting
  - Function
  - Loss ratio
- Rates
  - Types
  - Loss costs
  - Components
- Hazards
  - Physical
  - Moral
  - Morale
- 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
- 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
- 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)
- 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 9% (9 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 14% (14 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 Perils insured against**

### **5.5 Exclusions**

### **5.6 Conditions**

### **5.7 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)

## **6.0 Commercial Package Policy (CPP) 10% (10 items)**

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

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

### **6.2 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)

### **6.3 Commercial inland marine**

- Nationwide marine definition
- 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

#### **6.4 Equipment breakdown ('08)**

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

#### **6.5 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  
Mobile agriculture machinery and equipment  
coverage form  
Livestock coverage form  
Definitions  
Causes of loss (basic, broad and special)  
Conditions  
Exclusions  
Limits  
Additional coverages

### **7.0 Businessowners ('06) Policy 8% (8 items)**

#### **7.1 Characteristics and purpose**

#### **7.2 Businessowners Section I — Property**

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

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

#### **7.4 Selected endorsements**

Protective safeguards (BP 04 30)  
Utility services — direct damage (BP 04 56)  
Utility services — time element (BP 04 57)

### **8.0 Other Coverages and Options 1% (1 item)**

#### **8.1 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

#### **8.2 Other policies**

Boatowners

#### **8.3 Residual markets**

Joint underwriting or joint reinsurance pool  
(500.2658)