

# 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, 113O)
- 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 04 26, HO 04 27, HO 04 28)
- 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)
- Safe driver insurance plan (175:113B, 113P)
- 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