

# Your Exam Content Outline

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

## Arizona Examination for Property and Casualty Insurance Producer Series 13-34

150 questions – 2.5-hour time limit

### 1.0 Insurance Regulation 6%

#### 1.1 Licensing

- License application requirements (20-285)
- Licensing time frames (Rule R20-6-708)
- Types of licensees
  - Producers (20-281(5), 286)
  - Nonresidents (20-281(11))
  - Adjusters (20-321)
  - Managing general agents (MGAs) (20-311, 311.01)
  - Business entities (20-281(1), 285(D, E), 290(B))
  - Surplus lines brokers (20-407, 411)
  - Temporary (20-294)
  - Vending machines (20-293)
- Fingerprinting requirements (20-142(E), 285(F), 286(C), 289(D))
- Assumed business name (20-297)
- Maintenance and duration
  - Expiration, surrender and renewal (20-289)
  - Inactive license status during military service (20-289.01)
  - Change of address (20-286(C))
  - Report of actions (20-301)
  - Continuing education (20-300(B), 2902, 2903)
- Disciplinary actions
  - Denial, suspension, revocation or refusal to renew (20-295, 296)
  - Cease and desist order (20-292)
  - Civil penalties (20-295(F, G))

#### 1.2 State regulation

- Acts constituting insurance transaction (20-106)
  - Negotiate (20-281(10))
  - Sell (20-281(14))
  - Solicit (20-281(15))
- Director's general duties and powers (20-142, 156–157)
- Company regulation
  - Solvency (20-169; Rule R20-6-308)
  - Unfair claims settlement practices (20-461; Rule R20-6-801)
  - Claims payment (20-462)

- Examination of insurer's records (20-156–157; Rule R20-6-1702)
  - Payment of commissions (20-298)
  - Producer regulation
    - Sharing commissions (20-298)
    - Place of business and records (20-290)
  - Unfair practices and frauds
    - Misrepresentation (20-443, 443.01, 447; Rule R20-6-801(D))
    - False or deceptive advertising (20-444)
    - Defamation of insurer (20-445)
    - Boycott, coercion or intimidation (20-446)
    - False financial statements (20-447)
    - Unfair discrimination (20-448)
    - Gender discrimination (Rule R20-6-207)
    - Rebating (20-449–451)
    - Prohibited inducements (20-452)
  - Insurance information and privacy protection (20-2101–2122)
  - Insurance fraud (20-463, 466–466.04)
- #### 1.3 Federal regulation
- Fair Credit Reporting Act (15 USC 1681–1681d)
  - Fraud and false statements including 1033 waiver (18 USC 1033, 1034)
  - Telemarketing Sales Rule (16 CFR 310; 15 USC 6101–6108; A.R.S. 44-1282)
  - CAN-SPAM Act of 2003 (15 USC 7701; 18 USC 1037)

### 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

- Captive insurance companies
- Stock companies
- Mutual companies
- Fraternal benefit societies
- Reciprocal
- Risk retention groups
- Lloyd's associations

- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- 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
  - 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 15%

### 3.1 Principles and concepts

- Insurable interest (20-1105)
- Underwriting
  - Function
  - Loss ratio
- Rates
  - Types
  - Loss costs
  - Components
- Hazards
  - Physical
  - Moral
  - Morale
- Negligence
  - Elements of a negligent act
- Damages

- Compensatory — special versus general
- Punitive

- 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
  - Market value
  - Agreed value
  - Stated amount

### 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
  - Aggregate — general versus products — completed operations
  - Split
  - Combined single
- Policy 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 Required provisions

Arizona Property and Casualty Insurance Guaranty Fund (20-662)  
Cancellation and nonrenewal  
Personal (20-1651–1656)  
Commercial (20-1671–1679)  
Binders (20-1120)  
Federal Terrorism Insurance Program  
(15 USC 6701; Public Law 109–144, 110–160)

## 4.0 Dwelling ('02) Policy 9%

### 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 — Arizona (DP 01 02)  
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 15%

### 5.1 Coverage forms

HO-2 through HO-6  
HO-8

### 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 — Arizona (HO 01 02)  
Limited fungi, wet or dry rot, or bacteria coverage  
(HO 04 26, HO 04 27)  
Permitted incidental occupancies (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 13%

### 6.1 Laws

Arizona Motor Vehicle Financial Responsibility Law  
(RL Title 28, Chapter 9)  
Required limits of liability (20-266, RL 28-4009)  
Required proof of insurance (RL 28-4133)  
Arizona Automobile Insurance Plan (RL 28-4008)  
Premium payments and administrative fees  
(20-267)  
Uninsured/underinsured motorist (20-259.01)  
Definitions  
Bodily injury  
UM/UIM rejection  
Required limits  
Personal auto cancellation/nonrenewal  
Grounds (20-1631)  
Notice (20-1632)  
Grace period (20-1632.01)  
Notice of eligibility in assigned risk plan  
(20-1632)  
Subrogated claim (20-268)

### 6.2 Personal ('05) auto policy

Definitions  
Liability coverage  
Bodily injury and property damage  
Supplementary payments  
Exclusions  
Medical payments coverage  
Uninsured motorist 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 — Arizona  
(PP 01 67)  
Towing and labor costs (PP 03 03)  
Extended non-owned coverage — vehicles  
furnished or available for regular use  
(PP 03 06)  
Limited Mexico coverage (PP 03 21)  
Joint ownership coverage (PP 03 34)  
Uninsured motorists coverage — Arizona  
(PP 04 77)  
Underinsured motorists coverage — Arizona  
(PP 04 89)  
Miscellaneous type vehicle — Arizona  
(PP 13 69, PP 13 70, PP 13 71, PP 13 72)

### 6.3 Commercial auto ('06)

- Commercial auto coverage forms
  - Business auto
  - Garage
  - Business auto physical damage
  - Truckers
  - Motor carrier
- Coverage form sections
  - Covered autos
  - Liability coverage
  - Garagekeepers coverage
  - Trailer interchange coverage
  - Physical damage coverage
  - Exclusions
  - Conditions
  - Definitions
- Selected endorsements
  - Lessor — additional insured and loss payee (CA 20 01)
  - Mobile equipment (CA 20 15)
  - Auto medical payments coverage (CA 99 03)
  - Drive other car coverage (CA 99 10)
  - Individual named insured (CA 99 17)

## 7.0 Commercial Package Policy (CPP) 17%

### 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
- Insured contract

### 7.3 Commercial property ('02)

- 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 (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 coverage
  - Extortion — commercial entities (CR 04 03)

### 7.5 Commercial inland marine

- Nationwide marine definition (Rule R20-6-602)
- 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
  - Motor truck cargo forms
  - Transit coverage forms

### 7.6 Equipment breakdown ('07)

- 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
- Livestock coverage form
- Cause of loss (basic, broad and special)
- Exclusions
- Additional coverages
- Limits of insurance
- Conditions
- Definitions

## **8.0 Businessowners ('06) Policy 6%**

### **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 Businessowners 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**

- Arizona changes (BP 01 38)
- 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 5%**

### **9.1 Workers compensation laws**

- Types of laws
  - Monopolistic versus competitive
  - Compulsory versus elective
- Arizona Workers Compensation Law
  - Exclusive remedy (RL 23-1022)

- Employment covered (required, voluntary, elective) (RL 23-901(6), 902)
- Covered injuries (RL 23-901(13), 901.04)
- Occupational disease (RL 23-901.01)
- Benefits provided (RL 23-1021, 1044(A,B), 1045(A,B,C), 1046, 1062)
- Subsequent injury fund (RL 23-1065)
- 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
- Voluntary compensation endorsement

### **9.3 Premium computation**

- Job classification — payroll and rates
- Experience modification factor
- Premium discounts

### **9.4 Other sources of coverage**

- Assigned risk plan (RL 23-1091)
- Arizona workers compensation fund (RL 23-981)
- Self-insured employers and employer groups (RR R20-5-201–208)

## **10.0 Other Coverages and Options 8%**

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

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

### **10.2 Specialty liability insurance**

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

### **10.3 Surplus lines**

- 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

### **10.6 National Flood Insurance Program**

- "Write your own" versus government
- Eligibility

Coverage  
Limits  
Deductibles

**10.7 Other policies**

Boatowners  
Difference in conditions