

# 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 Producer's Examination for Property Insurance Series 16-53

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 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; 176A:6; 176H:6; 176J:3; 176M:4; Reg 211 CMR 55.05)

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 10%

#### 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 Insurance Basics 20%

### 3.1 Principles and concepts

- Insurable interest
- Underwriting
  - Function
  - Expense ratio, combined ratio
  - 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
  - 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
- Policy limits
- Restoration/nonreduction of limits
- Coinsurance
- Vacancy or unoccupancy
- Named insured provisions
  - Duties after loss
  - 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 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)
- Appraisal (175:99)

Terrorism Risk Insurance Act of 2002 and Extensions (15 USC 6701; Public Law 109–144, 110–160; HR 2761)

#### **4.0 Dwelling ('02) Policy 4%**

##### **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 — Section I 17%**

##### **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 — 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)

#### **6.0 Auto Insurance 13%**

##### **6.1 Massachusetts auto insurance policy (2008 edition)**

Definitions  
Coverage for damage to your auto  
Collision  
Limited collision

Comprehensive  
Deductibles  
Substitute transportation  
Towing and labor

General provisions

Duties after an accident or loss

Selected endorsements

Massachusetts mandatory endorsement (M-0099-S)

Mobile home (MPY-0002-S)

Waiver of deductible (MPY-0016-S)

##### **6.2 Commercial auto**

Commercial auto coverage forms

Business auto ('06)

Garage ('06)

Truckers ('06)

Coverage form sections

Covered autos

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)

#### **7.0 Commercial Package Policy (CPP) 10%**

##### **7.1 Components of a commercial policy**

Common policy declarations

Common policy conditions

Interline endorsements

One or more coverage parts

##### **7.2 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 limit of insurance (CP 12 30)

Value reporting form (CP 13 10)

##### **7.3 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

#### **7.4 Equipment breakdown ('07)**

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

#### **7.5 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 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 — Property 11%**

#### **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 III — Common Policy Conditions**

#### **8.4 Selected endorsements**

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

### **9.0 Other Coverages and Options 5%**

#### **9.1 Aviation insurance**

- Aircraft hull

#### **9.2 Ocean marine insurance**

- Major coverages
  - Hull insurance
  - Cargo insurance
  - Freight insurance

#### **9.3 National Flood Insurance Program**

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

#### **9.4 Other policies**

- Boatowners
- Difference in conditions

#### **9.5 Residual markets**

- Joint underwriting and reinsurers association (FAIR) plan (175C:4)