

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 and Casualty Counselor

Series 16-76

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 17% (26 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% (9 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 12% (18 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
 - Aggregate — general versus products — completed operations
 - Split
 - Combined single
- Property limits
- Restoration/nonreduction of limits
- Coinurance
- 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 3% (4 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 3% (5 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 11% (17 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)

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
Physical damage coverage
Exclusions
Conditions
Definitions
Selected endorsements
Deductible liability (CA 03 01)
Lessor — additional insured and loss payee
(CA 20 01)
Mobile equipment (CA 20 15)
Michigan personal injury protection (CA 22 20)
Michigan property protection coverage
(CA 22 24)
Broad form products (CA 25 01)
False pretense coverage (CA 25 03)
Drive other car coverage (CA 99 10)

Hired autos specified as covered autos you own
(CA 99 16)
Individual named insured (CA 99 17)
Employees as insureds (CA 99 33)
Pollution liability — broadened coverage
(CA 99 48, CA 99 55)
Commercial carrier regulations
The Motor Carrier Act of 1980
Endorsement of motor carrier policies of
insurance for public liability (MCS-90)

7.0 Commercial Package Policy (CPP) 15% (22 items)

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
Owners and contractors protective liability
coverage form (CG 00 09)
Pollution liability
Pollution liability coverage extension
(CG 04 22)

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

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

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 agriculture machinery and equipment coverage form

Livestock coverage form

Definitions

Causes of loss (basic, broad and special)

Conditions

Exclusions

Limits

Additional coverages

8.0 Businessowners ('06) Policy 6% (9 items)

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

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% (22 items)

9.1 Workers compensation laws

Types of laws

Monopolistic versus competitive

Compulsory versus elective

Michigan Worker's Disability Compensation Act (Ch. 418)

Exclusive remedy (418.131)
Employer covered (required) (418.115)
Covered injuries (418.301)
Occupational disease (418.401, .405, .411, .415, .425, .431, .435, .441)
Benefits provided (418.301, .315, .321, .345, .351)
Second injury fund (418.521)
Federal workers compensation laws
Federal Employer 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 endorsements
Voluntary compensation
Foreign coverage endorsement

9.3 Premium computation

Job classification — payroll and rates
Experience modification factor
Premium discounts
Participating (dividend) plans
Retrospective rating

9.4 Other sources of coverages

Self-insured employers and employer groups (408.43-.43m; 418.611)

10.0 Other Coverages and Options 12% (18 items)

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

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
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
Coverage
Limits
Deductibles

10.8 Other policies

Boatowners
Difference in conditions

10.9 Residual markets

Joint underwriting or joint reinsurance pool (500.2464, .2658)

10.10 Alternative funding mechanisms

Self-insured
Pooling
Risk retention groups (500.1801)
Captives