

# 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 Independent Adjuster with Worker's Compensation Authority

### Series 16-72

**100 questions – Two-hour time limit**

#### 1.0 Insurance Regulation 20% (20 items)

##### 1.1 Licensing requirements

Qualifications (500.1222, .1224)  
Process (500.1201, .1201a, .1204, .1206, .1206b)  
Licensing exemptions (500.1202, .1203)

##### 1.2 Maintenance and duration

Continuation (24.291, 500.134)  
Change of address (500.1206(5), .1238)  
Records (500.1228)  
Duty to notify of changes (500.1206(5), .1238)

##### 1.3 Disciplinary actions

Cease and desist order (500.251, .1244, .2038)  
Suspension or revocation (500.1209, .1239, .1242)  
Penalties and fines (500.1242, .1244, .2038, .2040, .2064, .2069)

##### 1.4 Claim settlement laws and regulations

Unfair claims settlement practices (500.2006, .2026)  
Prohibited practices (500.1227)

##### 1.5 Unfair insurance trade practices (500.1239, .1244, .2003, .2006–.2014, .2016–.2018, .2026, .2029)

Misrepresentation (500.2005, .2005a, .2055, .2057, .2064, .2218)  
False information and advertising (500.2001, .2002, .2005, .2005a, .2007, .2055, .2057)  
False financial statements (500.2014, .2018, .2055, .2062, .2666)  
Defamation (500.2007, .2009; 600.2911; 750.389)  
Boycott, coercion and intimidation (500.1242, .2012)  
Unfair discrimination (500.2019, .2020, .2027, .2082)  
Insurance fraud regulation (500.2088, .4501, .4503, .4507, .4509, .4511, .8197; 752.1003, .1005)

##### 1.6 Federal regulation

Fraud and false statements (18 USC 1033, 1034)

#### 2.0 Insurance Basics 11% (11 items)

##### 2.1 Contract basics

Elements of a legal contract  
Offer and acceptance  
Consideration  
Competent parties  
Legal purpose  
Legal interpretations affecting contracts  
Ambiguities in a contract of adhesion  
Reasonable expectations  
Indemnity  
Utmost good faith  
Representations/misrepresentations  
Warranties  
Concealment  
Fraud  
Waiver and estoppel

##### 2.2 Insurance principles and concepts

Insurable interest  
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

##### 2.3 Policy structure

Declarations

- Definitions
- Insuring agreement or clause
- Additional/supplementary coverage
- Conditions
- Exclusions
- Endorsements

## **2.4 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
- Restoration/nonreduction of limits
- Coinsurance
- Vacancy or unoccupancy
- Assignment
- Insurer provisions
  - Liberalization
  - Duty to defend
- Third-party provisions
  - Standard mortgage clause
  - Loss payable clause
  - No benefit to the bailee

## **2.5 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)
- Termination of authority to represent insurer (500.1209)

## **3.0 Adjusting Losses 15% (15 items)**

### **3.1 Role of the adjuster**

- Duties and responsibilities
- Staff and independent adjuster versus public adjuster
- Relationship to the legal profession

### **3.2 Claim reporting**

- Claim investigation
- Claim file documentation of events
- Types of reports
  - Initial or first field
  - Interim or status

Full formal

### **3.3 Property losses**

- Duties of insured after a loss
  - Notice to insurer
  - Minimizing the loss
  - Proof of loss
  - Special requirements
  - Production of books and records
  - Abandonment
- Determining value and loss
  - Burden of proof of value and loss
  - Estimates
  - Depreciation
  - Salvage
- Claim settlement options
- Payment and discharge

### **3.4 Liability losses**

- Investigation procedures
  - Verify coverage
  - Determine liability
- Gathering evidence
  - Physical evidence
  - Witness statements
- Determining value of intangible damages

### **3.5 Coverage problems**

- Dealing with coverage disputes
  - Reservation of rights letter
  - Nonwaiver agreement
  - Declaratory judgment action

### **3.6 Claims adjustment procedures**

- Settlement procedures
  - Advance payments
  - Draft authority
  - Execution of releases
- Subrogation procedures
- Alternative dispute resolution
  - Appraisal
  - Arbitration
  - Competitive estimates
  - Mediation
  - Negotiation

## **4.0 Dwelling ('02) Policy 3% (3 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% (3 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 10% (10 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
  - 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

- 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)
- Drive other car coverage (CA 99 10)
- Individual named insured (CA 99 17)

## **7.0 Commercial Package Policy (CPP) 3% (3 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

### **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 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 3% (3 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 30% (30 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 endorsement
  - Voluntary compensation

### **9.3 Premium computation**

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

### **9.4 Other sources of coverages**

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

## **10.0 Other Coverages and Options 2% (2 items)**

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

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

### **10.2 Ocean marine insurance**

- Major coverages
  - Cargo insurance
  - Freight insurance
  - Protection and indemnity