

# 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 Personal Lines Insurance Producer Series 13-44

100 questions – Two-hour time limit

### 1.0 Insurance Regulation 10%

#### 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 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

- 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 17%

### 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
- 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 (20-1651–1656)  
Binders (20-1120)  
Federal Terrorism Insurance Program (15 USC 6701; Public Law 109–144, 110–160)

## 4.0 Dwelling ('02) Policy 11%

### 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 23%

### 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 23%

### 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)

## **7.0 Other Coverages and Options 6%**

### **7.1 Umbrella/excess liability policies**

Personal (DL 98 01)

### **7.2 National Flood Insurance Program**

"Write your own" versus government

Eligibility

Coverage

Limits

Deductibles

### **7.3 Other policies**

Boatowners