

# Your Exam Content Outline

The following outline describes the content of one of the New Mexico insurance examinations. The outlines are the basis of the examinations. The examination will contain questions on the subjects contained in the outline. The percentages indicate the relative weights assigned to each part 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.

## New Mexico Examination for Personal Lines Insurance Series 18-38

**150 questions – 2.5-hour time limit**  
**Effective April 29, 2022**

### 1.0 Insurance Regulation 20% (30 Items)

#### 1.1 Licensing

Process (59A-11-2, 3, 59A-12-12; Reg 13.4.2.8, .9)

Types of licensees (Reg 13.4.2.7, .11)

Insurance Producers (59A-12-2)

Brokers (59A-12-3)

Consultants (59A-11A-1-8)

Nonresident (59A-12-25)

Temporary (59A-11-4; 59A-12-19; Reg 13.4.2.12)

Maintenance and duration

Expiration and renewal (59A-11-10, 11; Reg 13.4.2.17, .18)

Address change (59A-12-17) (59A-11-24)

Continuing education (59A-12-26; Reg 13.4.7.9, .12)

Disciplinary actions

Suspension, revocation, or refusal to renew (59A-11-8, 10, 14-16, 18)

Cease and desist orders (59A-16-27)

Penalties and fines (59A-1-18, 59A-11-17, 21)

#### 1.2 State regulation

Superintendent's general duties and powers (59A-2-8-10)

Company regulation

Certificate of authority (59A-5-10)

Unfair claim settlement practices (59A-16-20)

Complaint record (59A-16-22)

Appointment of Insurance Producer (59A-11-12; Reg 13.4.2.17)

Termination of Insurance Producer appointment (59A-11-13; Reg 13.4.2.29)

Insurance Producer regulation

Shared commissions (59A-12-24)

Fiduciary duties (59A-12-22)

Prohibited premiums or charges (59A-16-24)

Unfair trade practices

Misrepresentation (59A-16-4, 23)

False advertising (59A-16-4, 5)

Twisting (59A-16-6)

Defamation (59A-16-10)

Unfair discrimination (59A-16-12, 13, 17(D))

Rebating (59A-16-16-18)

Boycott, coercion, or intimidation (59A-16-19)

Examination of books and records (59A-4-3, 4)

Insurance Fraud Act (59A-16C-1-16)

Consumer information privacy (59A-2-9.3; Reg 13.1.3.1-.28)

#### 1.3 Federal regulation

Fair Credit Reporting Act (15 USC 1681-1681d)

Fraud and false statements (18 USC 1033, 1034)

### 2.0 General Insurance 10% (15 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

Reinsurance

## 2.2 Insurers

### Types of insurers

Stock companies

Mutual companies

Fraternal benefit societies

Lloyd's associations

Risk retention 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

## 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 23% (35 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
  - 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
- Limits of liability
  - Per occurrence (accident)

- Per person
- Split
- Combined single
- 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

### 3.4 New Mexico laws, regulations and required provisions

- New Mexico Property and Casualty Insurance Guaranty Fund (59A-43-1-18)
- Cancellation and nonrenewal (59A-18-29; Reg 13.8.4.8, .9)
- Binders (59A-18-22)
- Arbitration (RL 44-7A-7)
- Loss payment (59A-16-21)
- Federal Terrorism Insurance Program (15 USC 6701; Public Law 107-297, 109-144, 110-160)

## 4.0 Dwelling Policy 6% (9 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 — New Mexico (DP 01 30)  
Automatic increase in insurance (DP 04 11)  
Dwelling under construction (DP 11 43)

#### **4.7 Personal liability supplement**

### **5.0 Homeowners Policy 16% (24 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 — New Mexico (HO 01 30)  
Limited fungi, wet or dry rot, or bacteria coverage (HO 04 26, HO 04 27, HO 04 28)  
Permitted incidental occupancies (HO 04 42)  
Earthquake (HO 04 54)  
Scheduled personal property (HO 04 61, HO 04 62)  
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 22% (33 Items)**

#### **6.1 Laws**

New Mexico Mandatory Financial Responsibility Act and required limits of liability (RL 66-5-201-239)  
New Mexico Motor Vehicle Assigned Risks Law (59A-32-1-13)  
Uninsured/underinsured motorist (RL 66-5-301; Reg 13.12.3.1-.17)  
Definitions  
Bodily injury  
Property damage  
Stacked and non-stacked  
UM/UIM rejection  
Required limits  
Cancellation/nonrenewal (59A-17-7.1; 59A-18-29; Reg 13.8.4.8, .9)  
Grounds  
Notice  
Aftermarket crash parts (RR 12.2.6.12)

#### **6.2 Personal 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 expenses  
Exclusions  
Duties after an accident or loss  
General provisions  
Selected endorsements  
Towing and labor costs (PP 03 03)

Limited Mexico coverage (PP 03 21)

Joint ownership coverage (PP 03 34)

## **7.0 Other Coverages and Options 3% (4 Items)**

### **7.1 Personal umbrella policy**

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

"Write your own" versus government

Eligibility

Coverage

Limits

Deductibles

### **7.3 Other policies**

Boatowners