

# 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 Property and Casualty Insurance Series 18-31

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

### 1.0 Insurance Regulation 3% (5 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) (59A-11-24)

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, 19)

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 7% (11 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
- Risk retention groups

- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating service)
- Marketing (distribution) systems

### 2.3 Insurance Producers and general rules of agency

- Insurer as principal
- Insurance Producer/insurer relationship
- Authority and powers of Insurance 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 13% (19 Items)

### 3.1 Principles and concepts

Insurable interest

Underwriting

Function

Loss ratio

Rates

Types

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
  - 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
  - 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
- 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 5% (7 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 17% (26 Items)**

#### **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 — New Mexico (HO 01 30)  
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 17% (26 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 ('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 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)

### **6.3 Commercial auto ('10)**

Commercial auto coverage forms  
Business auto  
Business auto physical damage  
Garage

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)  
Auto medical payments coverage (CA 99 03)  
Drive other car coverage (CA 99 10)  
Individual named insured (CA 99 17)

## **7.0 Commercial Package Policy (CPP) 16% (24 Items)**

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

Common policy declarations  
Common policy conditions  
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

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  
Guests' property

### 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 coverages ('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 coverages ('06)

Coverage H — Bodily injury and property damage liability  
Coverage I — Personal and advertising injury liability  
Coverage J — Medical payments

#### Livestock coverage form

Mobile agricultural machinery and equipment coverage form

#### Causes of loss (basic, broad and special)

#### Exclusions

#### Additional coverages

#### Limits of insurance

#### Conditions

#### Definitions

## 8.0 Businessowners Policy 9% (13 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)

### **9.0 Workers Compensation Insurance 6% (9 Items)**

#### **9.1 Workers compensation laws**

Types of laws  
    Monopolistic versus competitive  
    Compulsory versus elective  
New Mexico Workers Compensation Act  
    Exclusive remedy (RL 52-1-6)  
    Covered injuries (RL 52-1-11, 12, 19, 28)  
    Occupational disease (RL 52-3-33)  
    Benefits provided (RL 52-1-20, 25, 25.1, 26, 26.1, 40-44, 46, 49)  
Federal workers compensation laws  
    Federal Employers Liability Act (FELA) (45 USC 51-60)  
    US 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  
Voluntary compensation endorsement

#### **9.3 Premium computation**

Job classification – payroll and rates  
Experience modification factor

Premium discounts

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

Assigned risk pool law (59A-33-1-15)  
Self-insured employers and employer groups (RL 52-1-4(A); 52-5-4.1; 52-6-1-25)

### **10.0 Other Coverages and Options 7% (10 Items)**

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

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

#### **10.2 Specialty liability insurance**

Professional liability  
Errors and omissions  
Director 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 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

#### **10.6 Other policies**

Boatowners  
Difference in conditions

#### **10.7 FAIR plan act** (59A-29-1-7, 9; Reg 13.13.3.1-.11)