

# 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 Insurance Producer Series 18-28

**100 questions – Two-hour time limit**  
**Effective April 30, 2019**

### 1.0 Insurance Regulation 6% (6 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)
  - 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 13% (13 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 Insurance Basics 18% (18 Items)

### 3.1 Principles and concepts

Insurable interest

Underwriting

Function

Loss ratio

Rates

Types

Components

Hazards

Physical

Moral

Morale

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  
Policy limits  
Restoration/nonreduction of limits  
Coinsurance  
Vacancy or unoccupancy  
Named insured provisions  
    Duties after loss  
    Abandonment  
Insurer provisions  
    Liberalization  
    Subrogation  
    Salvage  
    Claim settlement options  
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 7% (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 22% (22 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 Perils insured against**

#### **5.5 Exclusions**

#### **5.6 Conditions**

#### **5.7 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)

### **6.0 Commercial Package Policy (CPP) 18% (18 Items)**

#### **6.1 Components of a commercial policy**

Common policy declarations  
Common policy conditions  
One or more coverage parts

#### **6.2 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)

#### **6.3 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

#### **6.4 Equipment breakdown ('08)**

Equipment breakdown protection coverage form (EB 00 20)  
Selected endorsement  
    Actual cash value (EB 99 59)

#### **6.5 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  
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

## **7.0 Businessowners Policy – Property 10% (10 Items)**

### **7.1 Characteristics and purpose**

### **7.2 Businessowners Section I – Property**

Coverage

Exclusions

Limits of insurance

Deductibles

Loss conditions

General conditions

Optional coverages

Definitions

### **7.3 Businessowners Section III – Common Policy Conditions**

### **7.4 Selected endorsements**

Protective safeguards (BP 04 30)

## **8.0 Other Coverages and Options 6% (6 Items)**

### **8.1 National Flood Insurance Program**

"Write your own" versus government

Eligibility

Coverage

Limits

Deductibles

### **8.2 Other policies**

Boatowners

Difference in conditions

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