

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 30, 2019

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)