

YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

If you do not receive all four pages of this outline, please contact Thomson Prometric.

The following outline describes the content of one of the Arizona 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.

Arizona Examination for Property Insurance Producer

Series 13-42

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)

Nonresident producers (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)

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 requirements
(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)

Unfair sex discrimination (Rule R20-6-209)

Rebating (20-449–451)

Prohibited inducements (20-452)

Insurance information and privacy protection
(20-2101–2122)

Insurance fraud regulation (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 (SB 877; 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
- Reciprocals
- 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 Insurance Basics 20%

3.1 Principles and concepts

Insurable interest (20-1105)

Underwriting

Function

Loss ratio

Rates

Types

Loss costs

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

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

Assignment

Abandonment

- Insurer provisions
 - Liberalization
 - Subrogation
 - Salvage
 - Claim settlement options
- Third-party provisions
 - Standard mortgage clause
 - Loss payable clause
 - No benefit to the bailee

- 3.4 Arizona laws, regulations and required provisions**
 - Arizona Property and Casualty Insurance Guaranty Fund (20-662)
 - Cancellation and nonrenewal
 - Personal (20-1651-1656)
 - Commercial (20-1671-1679)
 - Binders (20-1120)
 - Terrorism Risk Insurance Act of 2002 and Extension Act of 2005 (15 USC 6701; S467)

4.0 Dwelling ('02) Policy 14%

- 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 18%

- 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 — 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)

6.0 Commercial Package Policy (CPP) 16%

6.1 Components of a commercial policy

- Common policy declarations
- Common policy conditions
- Interline endorsements
- One or more coverage parts

6.2 Commercial property ('02)

- 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 (CP 12 30)
 - Value reporting form (CP 13 10)

6.3 Commercial inland marine

- Nationwide marine definition (Rule R20-6-602)
- 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
 - Motor truck cargo forms
 - Transit coverage forms

6.4 Boiler and machinery ('01)

Equipment breakdown protection coverage form
(BM 00 20)

Selected endorsements

Business income — Report of values

(BM 15 31)

Actual cash value (BM 99 59)

6.5 Farm coverage ('03)

Farm property coverage form

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

Definitions

Cause of loss (basic, broad and special)

Conditions

Exclusions

Limits

Additional coverages

7.0 Businessowners ('06) Policy — Property 6%

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

Arizona changes (BP 01 38)

Protective safeguards (BP 04 30)

Utility services — direct damage (BP 04 56)

Utility services — time element (BP 04 57)

8.0 Other Coverages and Options 6%

8.1 Aviation insurance

Aircraft hull

8.2 National Flood Insurance Program

"Write your own" versus government

Eligibility

Coverage

Limits

Deductibles

8.3 Other policies

Boatowners

Difference in conditions