
Addendum: for use with Michigan Property & Casualty and Personal Lines online ExamFX courses and study guides version 22490en/22491en (P&C), and 24013en (PL) per exam content outline updates effective 05/1/2020.

Please note that the passing scores for Property and Casualty Producer and Personal Lines Producer exams have changed. In addition, Dwelling Policy is now a stand-alone chapter in Property and Property and Casualty courses.

New exam breakdowns are as follows:

**Michigan Property Producer Examination
100 Questions; 120 Minutes
Passing Score: 75%**

Chapter	Percent of Exam
General Insurance	15%
Property Insurance Basics	25%
Dwelling Policy	8%
Homeowners Policy	13%
Commercial Package Policy (CPP)	14%
Businessowners Policy	10%
Other Coverages and Options	5%
Insurance Regulation	10%

**Michigan Casualty Producer Examination
100 Questions; 120 Minutes
Passing Score: 74%**

Chapter	Percent of Exam
General Insurance	15%
Casualty Insurance Basics	22%
Homeowners Policy	6%
Auto Insurance	15%
Commercial Package Policy (CPP)	12%
Businessowners Policy	5%
Workers Compensation	7%
Other Coverages and Options	8%
Insurance Regulation	10%

Michigan Property and Casualty Producer Examination
150 Questions; 150 Minutes
Passing Score: 74%

Chapter	Percent of Exam
General Insurance	10.5%
Property and Casualty Insurance Basics	20%
Dwelling Policy	2.5%
Homeowners Policy	15%
Auto Insurance	15%
Commercial Package Policy (CPP)	12%
Businessowners Policy	6%
Workers Compensation	5%
Other Coverages and Options	4%
Insurance Regulation	10%

Michigan Personal Lines Insurance
100 Questions
Time Limit: 2 hours
Passing Score: 75%

Chapter	Percent of Exam
General Insurance	15%
Property and Casualty Insurance Basics	25%
Dwelling Policy	5%
Homeowners Policy	20%
Auto Insurance	20%
Other Coverages and Options	5%
Insurance Regulation	10%

*The following are **content additions** to supplement your existing text unless otherwise indicated:*

PROPERTY & CASUALTY

Property and Casualty Insurance Basics

Role of Application and Binders in Insurance Transactions

The **application** is a printed form that includes questions about a prospective insured and the desired insurance coverage and limits. It provides the underwriter with information for accepting or rejecting the prospective insured and rating the desired policy. Some policies make the application part of the policy. Misrepresentations in the application can void the policy.

A **binder** is a temporary agreement issued by an agent or insurer providing temporary coverage until a policy can be issued. A binder is usually in writing, but may be oral. **Binders expire when the policy is issued.** However, the policy effective date would be the same as the date when the binder was issued. If the insurer declines to issue the policy, the binder expires on the date after receipt of the notice of cancellation.

Other Coverages and Options

Alternative Funding Mechanisms

Self-insuring is when a person or entity develops a formal program identifying, evaluating and funding its losses as an alternative to the purchase of insurance from an insurance company. It is frequently used for workers compensation where losses are fairly predictable and states have established regulations for self-insurance.

Self-insurers frequently structure their programs to only retain losses up to a certain specified limit and purchase insurance to cover loss above that level. (This is called stop-loss coverage.)

A **risk retention group (RRG)** is a liability insurance company owned by its members. The members are exposed to similar liability risks by virtue of being in the same business or industry. The purpose of a risk retention group is to assume and spread all or part of the liability of its group members. A risk retention group may reinsure another risk retention group's liability as long as the members of the second group are engaged in the same or similar business or industry.

PROPERTY

Commercial Package Policy (CPP)

Commercial Crime

In 2000, ISO released a new commercial crime program that altered how the crime program works. The new coverage forms included insuring agreements corresponding to the most common coverage forms of the previous program. This meant all the common crime coverages were available in a single form. ISO also released new monoline crime policies that include everything in the crime coverage forms and also include the common policy provisions applicable to crime.

Coverage is provided for each **insuring agreement** if a limit of insurance is shown for that coverage in the declarations.

General Definitions

Burglary is the crime of forced entry into or out of the premises of another by a person or persons with felonious intent. Insurance policies covering the peril of burglary require that, following a loss, there are visible signs of forced entry or exit from the premises.

Theft is any act of stealing and encompasses both burglary and robbery.

Robbery is the taking of property from the care and custody of a person by one who has caused or threatened to cause that person bodily harm, or committed an obviously unlawful act witnessed by that person.

Crime Coverage Forms

Discovery — A covered occurrence taking place at any time and discovered during the policy period or extended reporting period. The extended reporting period to discover a loss in the discovery form is as follows:

- Loss must be reported within 60 days of policy cancellation;
- Loss must be reported within 1 year of policy cancellation with regard to any employee benefit plan; and
- The extended reporting period terminates upon replacement of coverage.

Loss Sustained — The policy will pay for a loss that was discovered during the policy period and an extended reporting period. Coverage will also apply if the loss occurred under a prior policy, in whole or in part, based on what insurer provided coverage and what coverage and limits were selected.

However, for a loss to be paid from a prior policy period, the insurance policy in place at the time of the loss must be effective when the current policy canceled (no lapse in coverage) and the type of loss must be insured in both policies. The most the insurer will pay is the *lesser* of the limit of insurance in the prior policy or the limit available on this policy as of its effective date.

The extended reporting period to discover a loss in a loss sustained coverage form has the following features:

- Loss must be reported within 1 year of cancellation; and
- The extended reporting period terminates upon replacement of coverage in whole or in part.

Coverages

Employee Theft

Employee theft covers losses resulting from the theft of money, securities and other property by employees. This is the only insuring agreement that negates the exclusion for employees, managers, trustees and directors.

The policy contains a **coverage extension** that applies to employees temporarily outside the coverage territory for up to 90 days. One additional condition states that coverage is automatically cancelled on any employee when the insured discovers the employee has been involved in a dishonest act (whether or not the act occurred before employment).

The following **exclusions** apply in addition to the exclusions in the general provisions:

- Losses that can be proven only through an inventory shortage or an accounting of profit and loss;
- Losses resulting from trading; and
- Losses resulting from the fraudulent signing, issuing, cancelling, or failing to cancel a warehouse receipt.

Forgery or Alteration

Forgery or alteration provides worldwide coverage for loss of money resulting from forgery and alteration of outgoing checks, drafts, or promissory notes. Defense coverage is also provided for the insured should the insured be sued in an action arising from failure to honor a financial instrument suspect of forgery.

This insuring agreement also has some of its own conditions such as:

- **Proof of loss** — insured must provide to the insurer the altered or forged check;
- **Territory** — anywhere in the world; and
- **Electronic signatures** — treated as handwritten.

Inside – Robbery of Safe Burglary of Other Property

Inside the premises – robbery or safe burglary of other property provides coverage for loss or damage to other property inside the premises resulting from an actual or attempted robbery of a custodian, or from a safe or vault inside the premise.

This insuring agreement includes the same exclusions in the inside theft of money and securities, as well as the general crime exclusions.

In addition, certain property is specifically defined as not covered, including motor vehicles, trailers, and equipment and accessories. A special limit of \$5,000 per occurrence applies to loss or damage to precious metals, precious and semiprecious stones, pearls, furs, manuscripts, drawings or records.

Outside Premises

Outside the premises provides coverage for the loss resulting directly from theft, disappearance, or destruction of money, securities, and other property outside the premises in the care and custody of a messenger or an armored motor vehicle company. Exclusions are similar to the inside premise insuring agreements. The special limitation of \$5,000 per occurrence to the same types of property applies.

Computer Fraud

Computer and funds transfer fraud form provides worldwide coverage for loss or damage to money, securities, and other property resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside those premises. Coverage would NOT be provided if a loss resulted from a fraudulent entry or change by a person or organization with authorized access to that computer system.

Money Orders and Counterfeit Paper Currency

Money orders and counterfeit paper currency provides coverage for loss resulting directly from the insured having accepted, in good faith, money orders issued by any post office, express company, or bank that are not paid upon presentation or counterfeit paper currency that is acquired during the regular course of business in exchange for merchandise, money or services.

CASUALTY

Auto Insurance

C. Laws

3. No-Fault Coverage – *additions to the existing text*

Persons entitled to personal protection insurance benefits include:

- The insured named on the policy;
- An insured's spouse; and
- Any relatives domiciled in the same household.

Coverage may be applicable to both personal vehicles and vehicles owned or registered to an insured's employer.

Passengers or operators of a vehicle used in the business of transporting passengers may also receive benefits entitled by the insurer of the vehicle. This excludes passengers of:

- A school bus;
- A bus operated by a common carrier;
- A bus operated under a government sponsored transportation program;
- A bus providing service to a nonprofit organization;
- A bus operated by a canoe, watercraft, bicycle, or horse livery;
- A taxicab;
- A transportation network company vehicle; or
- A motor vehicle of an insured who has elected not to maintain personal protection insurance benefits.

Workers Compensation Insurance

Other Sources of Coverage

The **Michigan Workers Compensation Placement Facility (MWCPF)** is a nonprofit association which provides workers compensation insurance to businesses unable to obtain coverage through private insurers. Each insurer issuing workers compensation coverage in Michigan must participate in the MWCPF. The Commissioner is responsible for reviewing the MWCPF's plan of operation and performance standards on a regular basis.

Coverage rates under the MWCPF are broken into 3 categories:

- **Plan A** — Coverage for businesses with a higher accident frequency, have an adverse loss ratio, or have displayed noncompliance with safety regulations;
- **Plan B** — Coverage for self-insured employers or members of a self-insurance group; and
- **Plan C** — Coverage to all other insureds of the facility.

The Commissioner may approve rates under Plan C that are based on the lesser of the following:

- 20% of the loss experience of insurers under the plan and 80% of the loss experience of all insurers writing workers compensation coverage in Michigan; or
- Rates adequate to cover losses, which are not excessive or unfairly discriminatory.

Other Coverages and Options

D. Other Policies

Cyber Issues

The ISO has recently introduced a new line of insurance that covers cyber risks, called the Internet Liability and Network Protection Policy. The policy includes 5 separate agreements listed below:

- **Website publishing liability** — provides coverage against Internet-related publishing perils, including libel, and copyright, trademark, or service mark infringement;
- **Network security liability** — protects the policyowner against claims for failing to maintain the security of a computer system;
- **Replacement or restoration of electronic data** — covers the cost of replacing or restoring data lost due to a virus, malicious instruction, or denial-of-service attack;
- **Cyber extortion** — covers expenses, including ransom payments, incurred from extortion threats; and
- **Business income and extra expense** — provides coverage for expenses incurred as a result of an extortion threat or e-commerce incident.

Each agreement offers its own aggregate limit of coverage, subject to an overall policy limit. Defense expenses are included within the policy limits. All coverage is written on a claims-made basis, and allows the additional of endorsements for worldwide protection.

Personal Liability Supplement

Unlike the homeowners policy, the dwelling policy does not include any coverage for **personal liability**. The personal liability supplement can be added to the dwelling policy or written as a separate policy. Endorsements can be added for comprehensive personal liability (on- or off-premises liability), or premises-only liability if the dwelling is rented to others. The coverage form includes 3 coverages: personal liability (Coverage L), medical payments to others (Coverage M), and additional coverages.

The additional coverages include

- Claims expenses;
- First aid to others; and
- Damage to property of others.

Liability insurance does not include a list of perils for Coverage L or Coverage M. Instead, coverage is subject to the definitions, exclusions and conditions present in the policy.

A basic limit of \$100,000 per occurrence is applicable to the personal liability coverage, and \$1,000 per person limit for medical payments to others. These limits may be increased for an additional premium.

Personal liability provides coverage for bodily injury or property damage to third parties that is caused by the insured's negligence or a condition of the insured's premises. Medical payments coverage pays for necessary medical expenses incurred by persons other than an insured, who are injured on the insured's premise or due to an insured's activities off premise.