

INSURANCE EXAMINATION CHANGES EFFECTIVE JANUARY 2012

On January 3, 2012, PSI Services LLC (PSI) began administering licensing examinations for the Insurance lines of authority for the State of Michigan. An explanation of the method used to establish the cut score (score required to pass an exam) is provided below.

To briefly compare the previous exams to the current exams it is important to note that no changes have been made to the content (topics) being tested at this time. The previous exams were created individually for each test-taker (via computerized matrix) and the current exams are fixed-form exams. Fixed-form means that there are different versions of each exam, but the essential items on each exam do not change for every candidate. It is our intent to utilize the exams in this format for our initial launch. During 2012 PSI will be conducting a job analysis of the industry in Michigan, and test development will continue throughout the year. It is possible that in 2013 examination content may change based upon the data collected through the job analysis.

At the end of 2011, PSI met with regulatory and industry Subject Matter Experts (SMEs) that volunteered to review the banks of items (test questions) for use on our new Michigan exams. The cut score for each examination has been established on a criterion-referenced basis. This means that minimal entry-level competence on these exams is based upon a candidate knowing the material necessary for the first day on the job. The cut score distinguishes between two types of candidates – those who are competent to perform the duties in a safe effective manner and to be licensed, and those who lack sufficient knowledge, skills or abilities to be licensed. It is not related to a cut score in any other state; nor is it dependent upon the level of difficulty of each item on the test.

A minimally competent entry-level individual is one who has just enough knowledge and skill to perform the job and should pose no harm to the public. SMEs were asked to review each item and to estimate the proportion of minimally competent licensees who would answer the item correctly. These estimates were accumulated statistically to form an estimate of the level at which the cut score should be set. Each and every item appearing on our exams was reviewed, approved and rated by the Michigan SMEs.

The following table shows the number of items on each test, the current cut score, and the previous cut score. The previous cut score was more dependent upon calibrating the difficulty of each item into the difficulty of the exam, rather than concentrating on the knowledge necessary for the minimally competent entry-level individual. The current cut score is based upon the judgments of the experts, incorporating their knowledge and understanding of the industry along with the knowledge needed by a newly licensed individual.

Examination Title	Test Length	Current Cut Score	Previous Cut Score
Accident and Health Producer	100	72%	70%
Life Producer	100	74%	70%
Life Counselor	100	82%	70%
Life and Health Producer	150	73%	70%
Property and Casualty Producer/Solicitor	150	73%	70%
Personal Lines Producer	100	72%	70%
Limited Lines Property and Casualty Producer	50	72%	70%
Credit Insurance Producer	60	72%	70%
Independent Adjuster without Workers' Compensation Authority	100	68%	70%
Independent Adjuster with Workers' Compensation Authority	100	68%	70%
Public Adjuster	100	69%	70%
Property and Casualty Counselor	150	79%	70%
Property Producer/Solicitor	100	74%	70%
Casualty Producer/Solicitor	100	73%	70%
Surplus Lines Producer	60	75%	70%
Title Insurance Producer	60	73%	70%
Variable Annuities Producer	60	77%	70%
Life and Variable Annuities Producer	130	73%	70%

If there are any questions regarding this information, you may contact Paige Colley of the Office of Financial and Insurance Regulation at colleyp@michigan.gov, or by phone 877.999.6442.