

Your Exam Content Outline

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

Texas Examination for Personal Lines Property and Casualty Agent Series 14-77

100 questions – Two-hour time limit

1.0 Insurance Regulation 10%

1.1 Licensing requirements

General provisions

Who are agents (Ins. 4001.003(1), .051)

Process (Ins. 4001.006, .102, .103, .105;
Ins. 4002.001)

Types of licensees (Ins. 4001.003)

Individuals (Ins. 4001.105)

Partnerships (Ins. 4001.106)

Corporations (Ins. 4001.106)

Banks (Ins. 4001.107)

Nonresident agents (Ins. 4056.001-.004)

Types of licenses

Property and casualty agent (Ins. 4051.051;
TAC 19.1501-.1503)

Insurance service representative
(Ins. 4051.151)

Managing general agent (Ins. 4053.051;
TAC 19.1201-.1206)

Surplus lines agent (Ins. 981.202)

Risk manager (Ins. 4153.051;
TAC 19.1301-.1320)

Personal lines agent (Ins. 4051.401)

Maintenance and duration

Expiration and renewal (Ins. 4003.001, .004,
.006, .007)

Temporary license (Ins. 4001.151-.156)

Emergency license without examination
(Ins. 4051.054)

Continuing education requirements (Ins.
4004.051-.054; TAC 19.1001-19.1027)

Disciplinary actions

Denial of license (Ins. 4005.101, .102)

Cease and desist order (Ins. 83.001-.004,
.051-.055, .101-.105, .151-.153;
Ins. 541.108; TAC 1.901-.911)

Surrender of license (Ins. 4005.107;
TAC 19.2)

Suspension, revocation or refusal to renew
(Ins. 4001.254; Ins. 4005.101, .102, .105)

Penalties (Ins. 82.001-.003, .051-.056;
Ins. 84.001-.003, .021-.022, .041-.051;
Ins. 4005.102)

1.2 State regulation

Commissioner general duties and powers

(Ins. 31.001, .002, .021; Ins. 201.004; Ins.
404.051-.053; Ins. 481.001-.009; Ins. 491.051-
.052; Ins. 521.003-.004; Ins. 4001.005)

Company regulation

Certificate of authority (Ins. 801.051-.053)

Financial requirements (Ins. 401.001, .004,
.009, .010, .013)

Examination of records (Ins. 38.001;
Ins. 401.051-.054)

Unfair claims settlement practices

(Ins. 542.001-.014; TAC 21.201-.205)

Agent regulation

One agent, one license (TAC 19.902)

Acting without a license (Ins. 4001.101)

Unfair trade practices (TAC 21.3)

Misrepresentations (Ins. 541.051, .061;
TAC 21.4)

False advertising (Ins. 541.052;
TAC 21.115)

Defamation of insurer (Ins. 541.053)

Boycott, coercion and intimidation
(Ins. 541.054)

False financial statements (Ins. 541.055)

Rebates (Ins. 4005.053, .101(b)(9))

Testimonials (TAC 21.107)

False use of statistics (TAC 21.108)

Unlawful inducement (TAC 21.109)

Disparagements (TAC 21.110)

Unfair comparisons (TAC 21.111)

Commissions and fees (Ins. 4001.157;
Ins. 4005.053, .054)

Controlled business (Ins. 4001.104)

Concurrent MGA license and other licenses
(TAC 19.903)

Joint advertising by similarly licensed agents
(TAC 19.904)

Referral business and insurance company
appointments (Ins. 4001.051(d), 4005.053;
TAC 19.905)

Reporting change of address (Ins. 4001.252,
4003.009; TAC 19.906)

Reporting of actions (Ins. 4001.252)

Records maintenance (Ins. 4001.255)

- Illegal conversion of funds (Ins. 4005.101)
- Probation due to disability (Ins. 4006.001-.002, .051-.056; TAC 1.1501-.1506)
- Agent appointment (Ins. 4001.201)
- Termination of appointment (Ins. 4001.206)
- Insurance guaranty funds
 - Texas Certified Self-Insurer Guaranty Association (Lab. 407.001, .121; TAC 181.1)
 - Texas Property and Casualty Insurance Guaranty Association (Ins. 462.001-.351; TAC 29.1)
- Insurance fraud regulation (Ins. 701.001-.003, .051-.052, .101-.109, .151-.154)
- Consumer privacy regulation (TAC 22.1-.26)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681-1681d)
- Fraud and false statements (18 USC 1033(e))

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
 - Stock companies
 - Mutual companies
 - County mutuals
 - Risk retention groups
 - Self-insurers
 - Lloyd's Plan
- Purchasing groups
- Private versus government insurers
- Authorized versus unauthorized insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating services)
- Marketing (distribution) systems

2.3 Agents and general rules of agency

- Insurer as principal
- Agent/insurer relationship
- Authority and powers of agents
 - 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
 - Aleatory contract
 - Personal contract
 - Unilateral contract
 - Conditional contract
- Legal interpretations affecting contracts
 - Reasonable expectations
 - Indemnity
 - Utmost good faith
 - Representations/misrepresentations
 - Warranties
 - Concealment
 - Fraud
 - Waiver and estoppel

3.0 Property and Casualty Insurance Basics 16%

3.1 Principles and concepts

- Insurable interest
- Underwriting
 - Function
 - Loss ratio
- Rates
 - Types
 - Loss costs
 - 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
 - Functional replacement cost
 - Market value
 - Agreed value
 - Stated amount
 - Valued policy

3.2 Policy structure

- Declarations
- Definitions
- Insuring agreement or clause
- Additional/supplementary coverages
- 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
 - No benefit to the bailee

3.4 Texas laws, regulations and required provisions

- Cancellation and nonrenewal (Ins. 551.001-.005, .101-.113; TAC 5.7001)
- Binders (Ins. 549.055)
- Liquidated demand (Ins. 862.053)
- Residential community property (Ins. 2002.003)
- Arbitration (Civ. 171.001)
- Concealment, misrepresentation or fraud (Ins. 701.001, .052)

4.0 Dwelling ('02) Policy (ISO Forms) 10%

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 — Texas (DP 01 42)
- 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 (ISO Forms) 21%

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 — Texas (HO 01 42)
- Permitted incidental occupancies — residence premises (HO 4 42)
- Earthquake (HO 04 54)
- Home day care (HO 04 97)
- Scheduled personal property — Texas (HO 23 03)
- Personal property replacement cost loss settlement — Texas (HO 23 04)
- Personal injury — Texas (HO 24 50)
- Business pursuits (HO 24 71)
- Watercraft (HO 24 75)

6.0 Auto Insurance 22%

6.1 Laws

- Texas Motor Vehicle Safety Responsibility Act (Trans. Ch. 601; TAC 5.204)
- Required limits of liability (Trans. 601.072)
- Personal injury protection (Ins. 1952.151-.161)
 - Medical
 - Loss of income
 - Funeral
 - Rehabilitation

- Essential services
- Repair of motor vehicles (Ins. 1952.301-.307;
TAC 5.501)
- Uninsured/underinsured motorist
(Ins. 1952.101-.110)
 - Definitions
 - Bodily injury
 - Property damage
 - UM/UIM rejection
 - Required limits
- Cancellation and nonrenewal (Ins. 551.101-.113)
 - Personal (TAC 5.7002)
 - Elected officials (Ins. 551.151, .152)
- Texas Automobile Insurance Plan Association
(TAIPA) (Ins. 151.051-.154)

6.2 Personal ('05) auto policy (ISO Forms)

- Definitions
- Liability coverage
 - Bodily injury and property damage
 - Supplementary payments
 - Exclusions
- Duties after an accident or loss
- General provisions
- Selected endorsements
 - Amendment of policy provisions — Texas
(PP 01 50)
 - Towing and labor costs (PP 03 03)
 - Extended non-owned coverage — vehicles
furnished or available for regular use
(PP 03 06)
 - Miscellaneous type vehicle (PP 03 23)
 - Joint ownership coverage (PP 03 34)

7.0 Other Coverages and Options 11%

7.1 Umbrella/excess liability policies

- Personal (DL 98 01)

7.2 National Flood Insurance Program

- "Write your own" versus government
- Eligibility
- Coverage
- Limits
- Deductibles

7.3 Other policies

- Boatowners

7.4 Residual markets

- Texas Windstorm Insurance Association
(TAC 5.4001, 7.22)
- FAIR Plan (Ins. 2211.001-.252)
- Joint underwriting associations
(Ins. 2202.001-.207)