

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.

Series 14-56 Texas Exam for General Lines Property and Casualty Agent

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 9%

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 19.1001–19.1021)

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

(Art. 1.10; 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)

1.3 Federal regulation

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

2.0 General Insurance 9%

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
 - Reciprocal exchanges
 - 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 10%

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, .051–.055, .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)
- Federal Terrorism Insurance Program (15 USC 6701; Public Law 109–144, 110–160; TDI Bulletin B–0074–02)

4.0 Dwelling ('02) Policy (ISO Forms) 6%

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) 13%

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 04 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 Farm Property and Liability Coverage ('98) (ISO Forms) 6%

6.1 Farm 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
- Coverage H — Bodily injury and property damage liability
- Coverage I — Personal and advertising injury liability
- Coverage J — Medical payments

6.2 Definitions

6.3 Causes of loss (basic, broad, and special)

6.4 Conditions

6.5 Exclusions

6.6 Limits

6.7 Additional coverages

6.8 Selected forms and endorsements

- Texas changes (FL 01 05)
- Texas changes — personal liability (FL 04 19)
- Farm employers liability and farm employees medical payments insurance (FL 04 65)
- Custom farming liability coverage (FL 04 69)
- Mobile agricultural machinery and equipment coverage form (FP 00 30)
- Livestock coverage form (FP 00 40)
- Texas changes (FP 01 42)
- Scheduled glass (FP 04 67)
- Texas changes — scheduled personal property (FP 05 10)

7.0 Auto Insurance 15%

7.1 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
- Uninsured/underinsured motorist (Ins. 1952.101–.110)
 - Definitions
 - Bodily injury
 - Property damage
 - UM/UIM rejection
 - Required limits
- Cancellation and nonrenewal
 - Commercial
 - Personal (TAC 5.7002)
- Texas Automobile Insurance Plan Association (TAIPA) (Ins. 2151.051–.154)

7.2 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)

7.3 Commercial auto ('06) (ISO Forms)

Commercial auto coverage forms

- Business auto
- Garage
- Business auto physical damage
- Truckers
- Motor carrier

Coverage form sections

- Covered autos
- Liability coverage
- Garagekeepers coverage
- Trailer interchange coverage
- Physical damage coverage
- Exclusions
- Conditions
- Definitions

Selected endorsements

- Texas changes (CA 01 96)
- Lessor — additional insured and loss payee (CA 20 01)
- Mobile equipment (CA 20 15)
- Texas uninsured/underinsured motorists coverage (CA 21 09)
- Texas personal injury protection (CA 22 64)
- Auto medical payments coverage (CA 99 03)
- Drive other car coverage (CA 99 10)
- Employees as insureds (CA 99 33)
- Texas individual named insured (CA 99 88)

Commercial carrier regulations

- The Motor Carrier Act of 1980
- Endorsement for motor carrier policies of insurance for public liability (MCS-90)

8.0 Commercial Package Policy (CPP) (ISO Forms) 14%

8.1 Components of a commercial policy

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

8.2 Commercial general liability ('07) (ISO Forms)

- 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
- Premises and operations
- Products and completed operations
- Selected endorsements
 - Texas changes (CG 01 03)
 - Deductible liability insurance (CG 03 00)
 - Texas changes — employment-related practices exclusion (CG 26 39)
 - Texas changes — conditions requiring notice (CG 31 07)
- Claims-made policy forms versus occurrence forms

8.3 Commercial property ('02) (ISO Forms)

- 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 coverage (CP 04 05)
 - Spoilage (CP 04 40)
 - Peak season limit of insurance (CP 12 30)
 - Value reporting form (CP 13 10)

8.4 Commercial crime ('06) (ISO Forms)

- General definitions
 - Burglary
 - Theft
 - Robbery
 - Coverage trigger – discovery and loss sustained
- Crime coverage forms
 - Commercial crime coverage forms
 - Government crime coverage forms
- 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

8.5 Commercial inland marine

- Commercial inland marine conditions form
- Commercial inland marine coverage forms
 - Accounts receivable
 - Commercial articles

- Contractors equipment floater
- Equipment dealers
- Installation floater
- Jewelers block
- Signs
- Valuable papers and records
- Transportation coverages
 - Common carrier cargo liability
 - Motor truck cargo
 - Transit coverage

8.6 Equipment breakdown ('08) (ISO Forms)

- Equipment breakdown protection coverage form (EB 00 20)
- Selected endorsement
 - Actual cash value (EB 99 59)

9.0 Businessowners ('06) Policy (ISO Forms) 6%

9.1 Characteristics, purpose and eligibility

9.2 Businessowners Section I — Property

- Coverage
- Exclusions
- Limits of insurance
- Deductibles
- Loss conditions
- General conditions
- Optional coverages
- Definitions

9.3 Businessowners Section II — Liability

- Coverages
- Exclusions
- Who is an insured
- Limits of insurance
- General conditions
- Definitions

9.4 Businessowners Section III — Common Policy Conditions

9.5 Selected endorsements

- Texas changes (BP 01 18)
- Texas changes — amendment of cancellation provisions or coverage change (BP 02 04)
- Hired auto and non-owned auto liability (BP 04 04)
- Protective safeguards (BP 04 30)
- Utility services — direct damage (BP 04 56)
- Utility services — time element (BP 04 57)

10.0 Workers Compensation Insurance 8%

10.1 Workers compensation laws

- Type of law
 - Monopolistic versus competitive
 - Compulsory versus elective
- Texas workers' compensation law (Labor Code Title 5)
 - Definitions (Lab. 401.011–.013)
 - Occupational disease (Lab. 401.011(34))
 - Subsequent injury fund (Lab. 403.006–.007)
 - Employment covered (Lab. 401.012)

- Employer election (Lab. 406.002)
- Employee election (Lab. 406.034)
- Exclusive remedy (Lab. 408.001)
- Waiting period (Lab. 408.082)
- Statute of limitations (Lab. 409.001–.004)
- Subrogation (Lab. 417.002)
- Benefits (Lab. Ch. 408)
 - General provisions (Lab. 408.001–.008)
 - Medical benefits (Lab. 408.021–.030)
 - Average weekly wage (Lab. 408.041–.047)
 - Computation of benefits (Lab. 408.061–.064)
 - Income benefits (Lab. 408.081–.086)
 - Temporary income benefits (Lab. 408.101–.105)
 - Impairment income benefits (Lab. 408.121–.129)
 - Supplemental income benefits (Lab. 408.141–.151)
 - Vocational rehabilitation (Lab. 408.150)
 - Lifetime income benefits (Lab. 408.161–.162)
 - Death and burial benefits (Lab. 408.181–.187)
- Compensation procedures (Lab. Ch. 409)
 - Injury reports, claims and records (Lab. 409.001–.013)
 - Payment of benefits (Lab. 409.021–.024)
- Prohibited acts (Lab. 415.001–.010)
- Federal workers' compensation laws
 - U.S. Longshore and Harbor Workers' Compensation Act (33 USC 901–950)
 - Outer Continental Shelf Lands Act (43 USC 1331–1356a)
 - Federal Employers Liability Act (FELA) (45 USC 51–60)
 - The Jones Act (46 USC 688)

10.2 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
- Part Seven — Our duty to you for claim notification
- Selected endorsements
 - Voluntary compensation
 - Waiver of subrogation

10.3 Premium computation

- Job classification — payroll and rates
- Experience modification factor
- Premium discounts
- Participating (dividend) plans
- Retrospective rating

10.4 Other sources of coverage

- Texas Mutual Insurance Company (Ins. 2054.001–.553)
- Self-insured employers and employer groups (Lab. 407.061–.065)

11.0 Other Coverages and Options 4%

11.1 Umbrella/excess liability policies

- Personal (DL 98 01)
- Commercial (CU 00 01)

11.2 Specialty liability insurance

- Errors and omissions
- Professional liability
- Directors and officers liability
- Fiduciary liability
- Liquor liability
- Employment practices liability

11.3 Surplus lines (Ins. 981.001–.004, .057; TAC 15.2–.6)

- Definitions and markets
- Requirements for surplus lines license

11.4 Surety bonds

- Principal, obligee, surety
- Contract bonds
- License and permit bonds
- Judicial bonds

11.5 Aviation insurance

- Aircraft hull
- Aircraft liability

11.6 Ocean marine insurance

- Major coverages
 - Hull insurance
 - Cargo insurance
 - Freight insurance
 - Protection and indemnity
- Implied warranties
- Perils
- General and particular average

11.7 National Flood Insurance Program

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

11.8 Other policies

- Electronic data processing (EDP)
- Boatowners
- Difference in conditions (DIC)

11.9 Residual markets

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