

# 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 14-68 Texas Exam for Managing General Agent

150 questions – 2.5-hour time limit

### 1.0 Insurance Regulation 17%

#### 1.1 Licensing (Ins. 4053.051)

- Definitions (Ins. 4053.001; TAC 19.1202)
- Process
- Qualifications
  - Individual
  - Partnership
  - Corporation
- Appointment (Ins. 4053.054)
  - Guidelines for contracts (Ins. 4053.102; TAC 19.1204)
  - Authority (Ins. 4053.054)
- Security requirements
- Requirements for MGA
  - General
  - Escrow accounts (Ins. 4053.105; TAC 19.1205)
  - Errors and omissions policies (TAC 19.1206)
- 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)
  - Emergency license (Ins. 4053.052)
- Continuing education requirements (Ins. 4004.051–.054; TAC 19.1001–19.1021)
- Disciplinary actions (Ins. 4053.151)
  - 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)
- 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, 4053.005)
- Company regulation
  - Certificate of authority (Ins. 801.051–.053)
  - Examination of records (Ins. 38.001; Ins. 401.051–.054)
  - Unfair claims settlement practices (Ins. 542.001–.014; TAC 21.201–.205)
- Agent regulation
  - 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)
  - 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)
  - 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 8%

### 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 Adjusting Losses 13%

### 4.1 Role of the adjuster

- Duties and responsibilities
  - Good faith
  - Immediate contact rule
- Staff and independent adjuster versus public adjuster

- Relationship to legal profession

### 4.2 Claim reporting

- Claims investigation
- Claim file documentation of events
- Types of reports
  - Initial or first field
  - Interim or status
  - Full formal

### 4.3 Property losses

- Duties of insured after a loss
- Notice to insurer
- Minimizing the loss
- Proof of loss
- Special requirements
- Production of books and records
- Abandonment
- Determining value and loss
  - Burden of proof of value and loss
  - Estimates
  - Depreciation
  - Salvage
- Claim settlement options
- Payment and discharge

### 4.4 Liability losses

- Investigation procedures
  - Verify coverage
  - Determine liability
- Gathering evidence
  - Physical evidence
  - Witness statements
- Determining the value of intangible damages

### 4.5 Coverage problems

- Dealing with coverage disputes
- Reservation of rights letter
- Nonwaiver agreement
- Declaratory judgment action

### 4.6 Claims adjustment procedures

- Settlement procedures
  - Advance payments
  - Draft authority
  - Execution of releases
- Subrogation procedures
- Alternative dispute resolution
  - Appraisal
  - Arbitration
  - Competitive estimates
  - Mediation
  - Negotiation

## 5.0 Dwelling ('02) Policy (ISO Forms) 4%

### 5.1 Characteristics and purpose

### 5.2 Coverage forms — Perils insured against

- Basic
- Broad
- Special

### 5.3 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

#### **5.4 General exclusions**

#### **5.5 Conditions**

#### **5.6 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)

#### **5.7 Personal liability supplement**

### **6.0 Homeowners ('00) Policy (ISO Forms) 7%**

#### **6.1 Coverage forms**

HO-2 through HO-6  
HO-8

#### **6.2 Definitions**

#### **6.3 Section I — Property coverages**

Coverage A — Dwelling  
Coverage B — Other structures  
Coverage C — Personal property  
Coverage D — Loss of use  
Additional coverages

#### **6.4 Section II — Liability coverages**

Coverage E — Personal liability  
Coverage F — Medical payments to others  
Additional coverages

#### **6.5 Perils insured against**

#### **6.6 Exclusions**

#### **6.7 Conditions**

#### **6.8 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)

### **7.0 Farm Property and Liability Coverage ('98) (ISO Forms) 2%**

#### **7.1 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

#### **7.2 Definitions**

#### **7.3 Causes of loss (basic, broad, and special)**

#### **7.4 Conditions**

#### **7.5 Exclusions**

#### **7.6 Limits**

#### **7.7 Additional coverages**

#### **7.8 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)

### **8.0 Auto Insurance 12%**

#### **8.1 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)

#### **8.2 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)

### **8.3 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)

## **9.0 Commercial Package Policy (CPP) (ISO Forms) 10%**

### **9.1 Components of a commercial policy**

Common policy declarations

Common policy conditions

Interline endorsements

One or more coverage parts

### **9.2 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

### **9.3 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)

### **9.4 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

### **9.5 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

#### **9.6 Equipment breakdown ('08) (ISO Forms)**

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

### **10.0 Businessowners ('06) Policy (ISO Forms) 4%**

#### **10.1 Characteristics, purpose and eligibility**

#### **10.2 Businessowners Section I — Property**

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

#### **10.3 Businessowners Section II — Liability**

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

#### **10.4 Businessowners Section III — Common Policy Conditions**

#### **10.5 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)

### **11.0 Workers Compensation Insurance 7%**

#### **11.1 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)
  - Compensable injuries (Lab. 401.011(10), (26))
  - 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)
- Bars to recovery (Lab. 406.032)
- 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)

#### **11.2 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

#### **11.3 Premium computation**

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

#### **11.4 Other sources of coverage**

- Texas Mutual Insurance Company (Ins. 2054.001-.553)

Self-insured employers and employer groups  
(Lab. 407.061–.065)

## **12.0 Other Coverages and Options 7%**

### **12.1 Umbrella/excess liability policies**

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

### **12.2 Specialty liability insurance**

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

### **12.3 Surplus lines (Ins. 981.001–.004, .057; TAC 15.2–.6)**

Definitions and markets  
Requirements for surplus lines license

### **12.4 Surety bonds**

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

### **12.5 Aviation insurance**

Aircraft hull  
Aircraft liability

### **12.6 Ocean marine insurance**

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

### **12.7 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

### **12.8 Other policies**

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

### **12.9 Residual markets**

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