

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 14-70 Texas Exam for Property and Casualty Risk Manager

100 questions – Two-hour time limit

1.0 Insurance Regulation 7%

1.1 Licensing requirements (Ins. 4153.051–.060)

General provisions

Persons to be licensed (Ins. 4153.001, .051)

Process (Ins. 4153.052, .054; TAC 19.1305)

Qualifications (Ins. 4153.053; TAC 19.1306)

Renewal (Ins. 4153.059–.060)

Place of business (Ins. 4153.101–.102)

Disciplinary actions (Ins. 4153.151)

Denial of license

Suspension, revocation or refusal to renew
(Ins. 4153.152, .153)

Penalties

1.2 State regulation

Commissioner general duties and powers
(Art. 1.10; Ins. 4001.005)

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)

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 7%

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 9%

3.1 Principles and concepts

- Insurable interest
- 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 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
- Coinurance
- 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

3.3 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)
- 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 Risk Management 20%

4.1 Determine objectives of risk management program

- Pre-loss objectives
- Post-loss objectives
- Risk management policy

4.2 Identify and analyze loss exposures

- Types of loss exposures
 - Property
 - Net income
 - Liability
 - Personnel
- Methods of identifying loss exposures
- Loss frequency
- Loss severity

4.3 Evaluate alternative techniques

- Risk control
 - Exposure avoidance
 - Loss prevention
 - Segregation
 - Separation
 - Duplication
 - Contractual transfer
- Risk financing
 - Retention
 - Transfer

4.4 Select best technique(s)

- Forecasts
- Selection criteria

4.5 Implement chosen techniques

- Technical decisions
- Managerial decisions

4.6 Evaluate and monitor

- Standards of acceptable performance
- Comparison of actual results with standards
- Modifications needed

5.0 Auto Insurance 11%

5.1 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)

5.2 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)

5.3 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)

6.0 Commercial Package Policy (CPP) (ISO Forms) 15%

6.1 Components of a commercial policy

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

6.2 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

6.3 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)

6.4 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

6.5 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

6.6 Equipment breakdown ('08) (ISO Forms)

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

7.0 Businessowners ('06) Policy (ISO Forms) 5%

7.1 Characteristics, purpose and eligibility

7.2 Businessowners Section I — Property

- Coverage
- Exclusions
- Limits of insurance
- Deductibles

- Loss conditions
- General conditions
- Optional coverages
- Definitions

7.3 Businessowners Section II — Liability

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

7.4 Businessowners Section III — Common Policy Conditions

7.5 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)

8.0 Workers Compensation Insurance 12%

8.1 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)

8.2 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

8.3 Premium computation

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

8.4 Other sources of coverage

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

9.0 Other Coverages and Options 14%

9.1 Commercial umbrella/excess liability policies (CU 00 01)

9.2 Specialty liability insurance

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

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

- Definitions and markets
- Requirements for surplus lines license
- Requirements for placement of surplus lines insurance
- Diligent effort

9.4 Surety bonds

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

9.5 Aviation insurance

- Aircraft hull
- Aircraft liability
- Airport liability
- Hangarkeepers legal liability

9.6 Ocean marine insurance

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

9.7 National Flood Insurance Program

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

9.8 Other policies

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

9.9 Residual markets

- Texas Windstorm Insurance Association (TAC 5.4001, 7.22)
- Texas Nonprofit Organization Liability Insurance Underwriting Association (Art. 21.49-3c)
- Joint underwriting associations (Ins. 2202.001–.207)
- Self-Insured Trusts (Ins. 2212.001–.101)

9.10 Alternative funding mechanisms

- Self-insured
- Pooling (Ins. 2207.001–.258)
- Risk retention groups and purchasing groups (Ins. 2201.001–.259)
- Captives