

# Your Exam Content Outline

For examinations on and after January 1, 2008

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 Property and Casualty Risk Manager Series 14-70

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 (Art. 21.28-C; 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, 1034)

### 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
  - Contract of adhesion
  - Aleatory contract

- Personal contract
- Unilateral contract
- Conditional contract
- Legal interpretations affecting contracts
- Ambiguities in a contract of adhesion
- Reasonable expectations
- Indemnity
- Utmost good faith
- Representations/misrepresentations
- Warranties
- Concealment
- Fraud
- Waiver and estoppel

- 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

### **3.0 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

#### **3.3 Texas laws, regulations and required provisions**

- Cancellation and nonrenewal (Ins. 551.001-.004, .051-.055, .101-.113; TAC 5.7001)
- Binders (Ins. 549.055)
- Liquidated demand (Ins. 862.053)
- Arbitration (Civ. Sec. 171.001)
- Concealment, misrepresentation or fraud (Ins. 701.001, .052)
- Terrorism Risk Insurance Act of 2002 and Extension Act of 2005 (15 USC 6701; Public Law 109-144; 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 (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

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

### **7.1 Characteristics and purpose**

### **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)

- 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 ('01) (ISO Forms)**

- Equipment breakdown protection coverage form (BM 00 20)
- Selected endorsements
  - Business income – report of values (BM 15 31)
  - Actual cash value (BM 99 59)

- 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 904)
  - Outer Continental Shelf Lands Act (43 USC 1333)
  - 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