

# 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 14-66

### Texas Examination for All Lines Adjuster

150 questions – 2.5-hour time limit

#### 1.0 Insurance Regulation 6%

##### 1.1 Licensing requirements (Ins. 4101.051; TAC 19.602)

Process (Ins. 4101.052, .054, .057; TAC 19.601)  
Qualifications (Ins. 4101.053)  
Catastrophe or emergency adjusters  
(Ins. 4101.101)

##### 1.2 Maintenance and duration

Place of business (Ins. 4101.151)  
Renewal (Ins. 4101.057, .061)

##### 1.3 Disciplinary actions

Suspension, revocation, or refusal to renew  
(Ins. 4101.201)  
Penalties (Ins. 4101.203)

##### 1.4 Continuing education (Ins. 4101.059; TAC 19.1001–19.1021)

##### 1.5 Claim settlement laws and regulations

Unfair Claim Settlement Practices Act and Rules  
(Ins. 542.001–.014; TAC 21.201–.205)  
Deceptive Trade Practices Act (Busi. 17.50)  
Prompt payment of claims (Ins. 542.051–.061)  
Notice of settlement of casualty claims (Ins.  
542.151–.154)

##### 1.6 Federal regulation

Fraud and false statements (18 USC 1033(e))

#### 2.0 Contracts 6%

##### 2.1 Elements of a legal contract

Offer and acceptance  
Consideration  
Competent parties  
Legal purpose

##### 2.2 Distinct characteristics of an insurance contract

Aleatory contract  
Personal contract  
Unilateral contract  
Conditional contract

##### 2.3 Legal interpretations affecting contracts

Reasonable expectations  
Indemnity  
Utmost good faith

Representations/misrepresentations  
Warranties  
Concealment  
Fraud  
Waiver and estoppel

#### 3.0 Insurance Basics 6%

##### 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 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
- Vacancy or unoccupancy
- Assignment
- Insurer provisions
  - Liberalization
  - 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)
- Action to recover deductible (Ins. 542.204)
- Concealment, misrepresentation or fraud (Ins. 701.001, .052)

## 4.0 Adjusting Losses 12%

### 4.1 Role of the adjuster

- Duties and responsibilities
  - Good faith
  - Immediate contact rule
- Staff and independent 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) 5%

### 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 11%

### 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) 16%

### 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 and purpose

### 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 10%

### 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

## 12.0 Surety Bonds and Fidelity Coverages 2%

### 12.1 Nature of surety bonds

Surety bonds versus insurance  
Parties of a surety bond  
Principal  
Obligee  
Surety

### 12.2 Types of surety bonds

Contract bonds  
Bid  
Performance  
Maintenance  
Miscellaneous contract  
Small Business Administration (SBA) Surety Bond Guarantee Program  
Purpose of license and permit bonds  
Types of guarantees  
Compliance  
Good faith  
Credit  
Financial  
Indemnity  
Purposes  
Regulatory  
Public safety  
Public protection  
Tax bonds  
Public official bond  
Statutory common law or voluntary  
Individual

- Name schedule
- Position schedule
- Judicial bonds
  - Attachment
  - Garnishment
  - Replevin
  - Counter-replevin
  - Stay of execution
  - Release attachment
  - Bail
  - Appeal
  - Cost
  - Injunction
  - Dissolve injunction
  - Discharge mechanic's lien

- Fiduciary bonds
  - Probate
  - Equity
  - Federal bankruptcy court

- Federal bonds
  - Bureau of Alcohol, Tobacco and Firearms
  - Customs
  - Immigrant
- Miscellaneous surety bonds
  - Indemnity
  - Financial guarantee
  - Lost instrument
  - Reclamation
  - Self-insurance workers compensation

### 12.3 Nature of fidelity bonds

- Insuring agreement
- Bond period
- Discovery period
- Limit of liability
  - Aggregate
  - Single loss
- Termination of coverage

### 12.4 Employee dishonesty coverage

- Individual bonds
- Blanket
- Scheduled
  - Named employee
  - Specified position
- Pension plan, ERISA compliance

### 12.5 Financial institution bonds

- Form 14 Securities dealers
- Form 15 Finance companies
- Form 23 Credit unions
- Form 24 Banks and thrifts
- Form 25 Insurance companies
  - A — Fidelity
  - B — On premises
  - C — In transit
  - D — Forgery or alteration
  - E — Securities (forgery)

- Coverage riders
  - Automated teller machine (ATM)
  - Computer systems

- Extortion coverage
- Fraudulent real property mortgages
- Insurers of registered checks or personal money orders
- Pension plans, ERISA compliance
- Servicing contractors
- Trading loss
- Voice initiated electronic funds transfer (VIT)

## 13.0 Hull Coverage and Cargo Coverage 3%

### 13.1 American Institute Hull Clauses (AIHC)

- Assured
- Loss payee
- Vessel
- Duration of risk
- Agreed value
- Amount insured hereunder
- Deductible (or deductible average clause)
- Premium, returns of premium and nonpayment of premium
- Adventure
- Causes of loss
  - Perils
    - Additional perils (Inchmaree)
    - Deliberate damage (pollution)
- Claims (general provisions)
- General average and salvage
- Total loss
- Sue and labor
- Collision liability
  - Sistership clause
  - Cross liability
- Limitations of liability
- Pilotage and towage
- Change of ownership
- Additional insurances
- War, strikes and related exclusions

### 13.2 Other hull coverage

- Taylor hull form
- Coastwise and inland hull clause (CIHC)
- Increased value and excess liability (IVEL) clauses

### 13.3 Methods of packing cargo

- Bulk commodities
- Break-bulk cargo
- Containerization

### 13.4 Types of cargo losses

- Total loss
  - Actual total loss
  - Constructive total loss
- Partial loss
  - Particular average
  - General average
- Sue and labor expenses
- Salvage charges and awards

### 13.5 Open cargo policy

- Designed for frequent shipper
- No standardized form

Cargo clauses of American Institute of Marine Underwriters

Provisions

Parties covered  
Property or liabilities covered  
Time and location of coverage  
Causes of loss  
Amounts recoverable  
Miscellaneous provisions

Principal average clauses

Free of Particular Average American Conditions (FPAAC)  
Free of Particular Average English Conditions (FPAEC)  
With average if amounting to 3%  
Average irrespective of percentage  
"All-risks" conditions

**14.0 Protection and Indemnity Insurance 3%**

**14.1 Insuring agreements**

Indemnity principle  
Liability of vessel owner  
Common covered losses  
Loss of life, injury and illness  
Repatriation expenses  
Collision liabilities not covered under hull collision liability  
Damage to other vessels caused by other than collision  
Damage to docks, buoys and other structures  
Wreck removal  
Fines and penalties  
Mutiny or misconduct  
Quarantine expenses  
Putting-in expenses  
Expenses of investigation and defense

**14.2 Exclusions**

Damage to hull and machinery  
Cancellation or breach of charters or contracts  
Detention of vessel  
Any loss covered under hull policy  
Commercial towing of other vessels  
Workers compensation  
War and strikes perils

**14.3 Conditions regarding claims**

Prompt notice of loss  
Time limits  
Assured's failure to settle claims  
Assured's duty to cooperate

**14.4 Other provisions**

Assignment  
Subrogation  
Other insurance  
Limitation of liability  
Lay-up returns  
Limit of amount insured  
Cancellation  
Omnibus clause

**15.0 Aviation Insurance 2%**

**15.1 Hull insurance**

**15.2 Liability insurance**

Bodily injury excluding passengers  
Passenger bodily injury  
Property damage  
Medical payments

**15.3 Admitted liability or voluntary settlement coverage**

**15.4 Airport liability**

**15.5 Warranties in aviation insurance**

**15.6 Hangarkeepers legal liability**

**16.0 Other Coverages and Options 3%**

**16.1 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

**16.2 Other policies**

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

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

Definitions and markets  
Requirements for surplus lines license

**16.4 Residual markets**

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