

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 Managing General Agent Series 14-68

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)
- 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 (Art. 5.20; 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 (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 (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 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
 - 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

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-.004, .051-.055, .101-.113; TAC 5.7001)
- Binders (Ins. 549.055)
- Liquidated demand (Ins. 862.053)
- Residential community property (Art. 5.35-1)
- 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 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 (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. 601.001-.401; TAC 5.204)

Required limits of liability (Trans. 601.072(a))

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 (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 ('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)

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 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 904)
 - Outer Continental Shelf Lands Act (43 USC 1333)
 - 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; TAC 7.22)
- FAIR Plan (Ins. 2211.001-.252)
- Joint underwriting associations (Ins. 2202.001-.207)