

# 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 Insurance Service Representative Series 14-59

150 questions – 2.5-hour time limit

### 1.0 Insurance Regulation 9%

#### 1.1 Licensing requirements

- General provisions
  - Who are agents (Ins. 4001.003(1), .051)
  - Process (Ins. 4001.006, .102, .103, .105; Ins. 4002.001)
  - 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)
  - Temporary license (Ins. 4001.151-.156)
  - Emergency license without examination (Ins. 4051.054)
  - Continuing education requirements (Ins. 4004.051-.054; TAC 19.1001-19.1021)
  - Disciplinary actions
    - 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)
    - Surrender of license (Ins. 4005.107; TAC 19.2)
    - 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)
- Company regulation
  - Certificate of authority (Ins. 801.051-.053)
  - Financial requirements (Ins. 401.001, .004, .009, .010, .013)
  - Examination of records (Ins. 38.001; Ins. 401.051-.054)
  - Unfair claims settlement practices (Ins. 542.001-.014; TAC 21.201-.205)
- Agent regulation
  - One agent, one license (TAC 19.902)
  - 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)
  - Joint advertising by similarly licensed agents (TAC 19.904)
  - 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)
- Probation due to disability (Ins. 4006.001-.002, .051-.056; TAC 1.1501-.1506)
- 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 10%

### 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 Dwelling ('02) Policy (ISO Forms) 6%

### 4.1 Characteristics and purpose

### 4.2 Coverage forms — Perils insured against

Basic  
Broad  
Special

### 4.3 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

### 4.4 General exclusions

### 4.5 Conditions

### 4.6 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)

### 4.7 Personal liability supplement

## 5.0 Homeowners ('00) Policy (ISO Forms) 13%

### 5.1 Coverage forms

HO-2 through HO-6  
HO-8

### 5.2 Definitions

### 5.3 Section I — Property coverages

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

### 5.4 Section II — Liability coverages

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

### 5.5 Perils insured against

### 5.6 Exclusions

### 5.7 Conditions

### 5.8 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)

## 6.0 Farm Property and Liability Coverage ('98) (ISO Forms) 6%

### 6.1 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

**6.2 Definitions**

**6.3 Causes of loss (basic, broad, and special)**

**6.4 Conditions**

**6.5 Exclusions**

**6.6 Limits**

**6.7 Additional coverages**

**6.8 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)

**7.0 Auto Insurance 15%**

**7.1 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)

**7.2 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)

**7.3 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)

**8.0 Commercial Package Policy (CPP) (ISO Forms) 14%**

**8.1 Components of a commercial policy**

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

**8.2 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

### **8.3 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)

### **8.4 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

### **8.5 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

### **8.6 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)

## **9.0 Businessowners ('06) Policy (ISO Forms) 6%**

### **9.1 Characteristics and purpose**

### **9.2 Businessowners Section I — Property**

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

### **9.3 Businessowners Section II — Liability**

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

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

### **9.5 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)

## **10.0 Workers Compensation Insurance 8%**

### **10.1 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 904)  
Outer Continental Shelf Lands Act (43 USC  
1333)  
Federal Employers Liability Act (FELA) (45  
USC 51-60)  
The Jones Act (46 USC 688)

## **10.2 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

## **10.3 Premium computation**

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

## **10.4 Other sources of coverage**

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

## **11.0 Other Coverages and Options 4%**

### **11.1 Umbrella/excess liability policies**

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

### **11.2 Specialty liability insurance**

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

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

Definitions and markets  
Requirements for surplus lines license

### **11.4 Surety bonds**

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

### **11.5 Aviation insurance**

Aircraft hull  
Aircraft liability

### **11.6 Ocean marine insurance**

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

### **11.7 National Flood Insurance Program**

"Write your own" versus government  
Eligibility  
Coverage  
Limits  
Deductibles

### **11.8 Other policies**

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

### **11.9 Residual markets**

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