

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.

Texas Examination for Property and Casualty Adjuster Series 14-74

150 questions – 2.5-hour time limit

1.0 Insurance Regulation 8%

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 19.1001–19.1027)

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 13%

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) 5%

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) 9%

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 ('03) and Liability Coverage ('06) (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 14%

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. 151.051-.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) 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 ('07) (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 ('10) 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 Surety Bonds and Fidelity Coverages 4%

11.1 Nature of surety bonds

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

11.2 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

11.3 Nature of fidelity bonds

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

11.4 Employee dishonesty coverage

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

11.5 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)

12.0 Hull Coverage and Cargo Coverage 4%

12.1 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

12.2 Other hull coverage

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

12.3 Methods of packing cargo

- Bulk commodities
- Break-bulk cargo
- Containerization

12.4 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

12.5 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

13.0 Protection and Indemnity Insurance 4%

13.1 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

13.2 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

13.3 Conditions regarding claims

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

13.4 Other provisions

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

Cancellation
Omnibus clause

14.0 Aviation Insurance 3%

14.1 Hull insurance

14.2 Liability insurance

Bodily injury excluding passengers
Passenger bodily injury
Property damage
Medical payments

14.3 Admitted liability or voluntary settlement coverage

14.4 Airport liability

14.5 Warranties in aviation insurance

14.6 Hangarkeepers legal liability

15.0 Other Coverages and Options 5%

15.1 National Flood Insurance Program

"Write your own" versus government
Eligibility
Coverage
Limits
Deductibles

15.2 Other policies

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

15.3 Surplus lines insurance

(Ins. 981.001-.004, .057; TAC 15.2-.6)

Definitions and markets
Requirements for surplus lines license

15.4 Residual markets

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