



GET LICENSED IN 2 WEEKS

The Department of Insurance has a roughly one week waiting time to issue your license after you pass your test. Make sure you apply for your license the day of, or the day after you pass your real test.

1. TEST PREP & STUDY MATERIAL

- a. Schedule your class by visiting www.TexasInsuranceTraining.com and click on Schedule at the top, then choose your class from the calendar.
- b. Study the information on the next pages prior to class.
- c. **Do NOT study any extra information prior to class.**
- d. You may learn wrong information, so please only study the information on this pdf prior to class.
- e. **Online Access will be given to you the day of class.**
- f. **Please do not give out your login information to other people, we will cancel your account without a refund.**

IMMEDIATELY FOLLOW THESE STEPS:

2. FINGERPRINTING (MorphoTrust/L1 Enrollment)

- a. Visit <https://uenroll.identogo.com/#/> -- Service Code **11G6QF**
- b. Create an account online and complete scheduling
- c. The cost is roughly **\$40.00**
- d. If you have issues or want to do it over the phone call: **1 (888) 467-2080**
- e. Even if you have completed fingerprinting before, you will have to complete them for the insurance license—Unless already insurance licensed



3. SCHEDULE STATE TEST (Pearson Vue)

- a. Visit www.PearsonVue.com/tx/insurance
- b. Create an Account & Schedule Test:
 - i. **General Lines – Life, Accident and Health Agents (INS-TXLAH05)**
 - ii. **General Lines – Property & Casualty (INS-TXPC06)**
- c. **Cost: \$62.00**
- d. **Your test should be scheduled roughly 2 weeks from today for online study, or 2-4 days after your classroom prep class.**
 - i. If your Classroom Prep Course is on a Friday and Saturday, schedule your state test for somewhere between Monday – Wednesday of the following week.
- e. You may also contact Pearson Vue via phone at: **1 (888) 754-7667**
- f. After you make your appointment, if you would like to reschedule, you must give Pearson Vue 48 hours' notice PRIOR to your test.

4. APPLY FOR LICENSE (SIRCON):

- a. ONLY APPLY FOR YOUR LICENSE AFTER YOU PASS YOUR TEST.
- b. Visit www.Sircon.com/texas and click apply for license (left side)
- c. Complete application online, enter fingerprinting information
- d. **Resident GENERAL LINES Life, Accident, & Health or Property and Casualty Producer/Agent License**
- e. **Cost \$50.00**



STATE TEST INFORMATION:

(General Lines – Do NOT take Life Only or Personal Lines)

You are **GUARANTEED TO SUCCEED ON YOUR FIRST TRY** as long as you follow the program on www.TexasInsuranceTraining.com. That will consist of studying either online or in classroom and scoring an **80%** or higher on the **Practice Tests**. We put Actual State Test questions on our Practice Tests, they are not similar to the state test, they **ARE** the state test. If you score an **80%** or higher and then fail the state exam, we will pay for you to take a new state test. We have not had one person score an **80%** or higher on our Practice Tests and then subsequently fail the state exam. **YOU WILL SUCCEED!**

- ✓ If you follow our program on www.TexasInsuranceTraining.com you will likely score an 85- 90% on the state test.

- ❖ Your state test consists of **150 multiple choice questions**
- ❖ You must score a **70% or higher** to pass
- ❖ The test is timed with a 2 ½ hour limit (most finish in 1 ½ hours)
- ❖ The test is completed on a computer at one of Pearson Vue's locations
- ❖ There will be 0-5 math questions, likely around 1 or 2; Pearson Vue will give you a calculator

The state test is not an easy test, you **MUST** study in order to pass. If you are a quick learner and consider yourself a good test taker, we suggest the online learning program. If you haven't tested in a while, then a classroom course would likely be best suited for you. They are actually fun, you will enjoy it and learn a lot.

If you have any questions, you may contact us at Support@TexasInsuranceTraining.com. E-mail is the best method to contact our support team; if you have an emergency and need immediate attention you may text TSI Training @ **512-529-4241** otherwise E- mail is the best support method, we have staff on-hand to answer questions.



STUDY NOTES BEFORE CLASS

- **Insurer:** An insurance company (Blue Cross Blue Shield, StateFarm, Allstate, Safeco)
- **Insured:** The party who is covered by the policy and has insurance
- **Policyowner:** The party who purchased the policy from an insurer and pays the premiums. Only the policyowner may make changes to a policy
- **Producer:** A person who sells, solicits and markets insurance for an insurer. Also known as an insurance agent, this is most likely you.
- **Underwriter:** An employee of the insurance company who checks applications, issues policies and sets premium prices.

If the Policyowner and Insured are two different people (husband and wife), it is called Third Party Ownership.

LAW OF LARGE NUMBERS

Actuaries must predict future claims in order to set accurate pricing structures; this is not done by magic, but through **statistics** using large data samples of previous losses via the law of large numbers. Women live longer than men and are better drivers. This is known through statistics and previous claims

STOCK – NON-PARTICIPATING

Stock insurers are owned by **stockholders**, and dividends (profit) are paid to **stockholders**.

MUTUAL – PARTICIPATING

Mutual insurers are managed by a board of trustees and are owned by **policyholders**; thus, the insureds DO participate in the profits of the company.

DEPT. OF INSURANCE & COMMISSIONER

Insurance is generally regulated by **each state** through a Department of Insurance, which is headed by one person named the **Commissioner of Insurance**. The Commissioner is appointed by the **Governor** and the Commissioners duties comprise of:

- Advising on **state** insurance laws
- Creating rules & procedures
- Educating the public on insurance matters



ADMITTED (Authorized) VS. NON-ADMITTED (Unauthorized) Insurers

The commissioner of insurance inspects insurance companies and decides whether they can transact insurance within the state:

- **Authorized:** An admitted insurer who has received a Certificate of Authority to transact insurance within the state. These companies are typically safe and the Department of Insurance provides certain protections for consumers insured by them.
- **Unauthorized Nonadmitted (Surplus Lines):** A non-admitted insurer who has NOT received a Certificate of Authority to transact insurance. A **producer** may be held **liable** if they represent a non-admitted insurance company.
- A **Certificate of Authority** is the document the commissioner issues to admitted insurers to **transact insurance** which allows them to collect premiums and issue policies.

WHERE INSURERS ARE INCORPORATED AND CHARTERED

- **Domestic Insurers:** Incorporated within the same state they are headquartered in. **IE:** Incorporated and chartered in Texas and also headquartered within Texas.
- **Foreign Insurers:** Incorporated in **another state or U.S. Subsidiary**. **IE:** Incorporated in Iowa but headquartered in Texas. Guam, Puerto Rico, Wash. D.C. are all foreign to Texas.
- **Alien Insurers:** Incorporated in **another country** entirely. **IE:** France, Mexico, Cuba

E. CONTRACTS

1. ELEMENTS OF LEGAL CONTRACTS

All insurance policies are legally binding contracts; all legal contracts must abide by four principles: **Offer and Acceptance – Consideration -- Competent Parties -- Legal Purpose**

a. OFFER AND ACCEPTANCE

In order to have a legal contract, one party must make an offer and one party must accept the offer. When an applicant fills out an application and submits their initial premium, they are offering themselves to the insurer. The insurer then has the right to accept the offer by issuing the policy. There is no acceptance unless the initial premium is paid. No Negotiation is required for a contract.

b. CONSIDERATION (MONIES EXCHANGED)

Consideration is the monetary values exchanged within insurance. The insureds **premium and premium payment mode** –frequency of payment-- are found in the consideration clause and the insurers **promise to pay** in the event of a claim are also found in the consideration clause.



c. COMPETENT PARTIES

All parties must be of age (18), Sober and Mentally Sane in order to purchase. Most parties are considered automatically competent unless they can prove they were incompetent at the time.

d. LEGAL PURPOSE

The contract must be of legal essence, and obtained legally or there is no contract. Such as there must be an insurable interest in order to purchase, or the contract would not be legal.

2. CHARACTERISTICS OF AN INSURANCE CONTRACT

a. CONTRACT OF ADHESION – NON NEGOTIABLE

The insurer is the party who originally wrote the insurance contract and created the verbiage within the contract. Since there was no negotiation, this contract is known as a “**take it or leave it**” contract. Since the insurer wrote the contract, if the contract is **ambiguous (unclear / vague)** and adversely affects an insured, should the insured sue due to the ambiguity, **the insured would likely win the lawsuit.**

b. ALEATORY CONTRACT – UNEQUAL CONTRACT

Aleatory contracts are **unequal** exchanges of value; usually when the insureds premium is low, but receives high amount of benefits. **IE:** Term life costs \$10/month but pays out \$500,000 in benefits, which is an unequal amount exchanged.

c. PERSONAL CONTRACT

In order to transfer ownership of a policy, the insured must have **written permission** from an insurer. This is due to the personal nature of insurance.

d. UNILATERAL CONTRACT – ONE PARTY OBLIGATED BY LAW

When only one party is bound by law to uphold their part of the contract, this is considered a **one-sided** or unilateral contract. The insurer is regulated by laws to ensure payment of claims; however, a policyowner is not bound by law to make premium payments.

e. CONDITIONAL CONTRACT

Each party must meet certain conditions such as paying premiums in order to keep the contract in force. **IE:** A small employer must remain small to keep insurance; 2-50 employees, otherwise the policy would cancel.

3. LEGAL INTERPRETATIONS AFFECTING CONTRACTS

a. REASONABLE EXPECTATIONS

If an insured could reasonably expect coverage due to insurers marketing practices, then generally the insurer would have to pay the claim, even if the policy specifically excluded that loss. **IE:** Marketing towards Senior Citizens, except excluding everybody over age 50. The insured could have reasonably expected coverage, thus the courts would rule in their favor.



b. INDEMNITY

The insurer is only obligated to reimburse an insured for the **actual** amount of loss to return them to the same financial position prior to loss. There is no profiting from insurance. **IE:** A dent in a car will be fixed rather than purchasing the insured a brand-new vehicle.

c. UTMOST GOOD FAITH

All insurance contracts are written with the assumption that both parties are truthful and must trust each other to be honest. ***All contracts are written in the utmost good faith.***

d. REPRESENTATIONS

Statements made on applications are considered representations; these are presumed to be true to the best of one's knowledge and are treated as true statements even if they may be false. **IE:** If an insured was asked, when was the last time they were at the doctor and they respond "April"; however, they forgot it was May, we still treat that as a representation since they thought it was true at the time.

e. MISREPRESENTATIONS

Statements that are knowingly untrue are considered misrepresentations. In Life, Accident and Health, these statements may void a policy if discovered within the first 2 years of a policies inception. **IE:** If an insured intentionally lies on an application or an insurer puts out a deceiving marketing piece, those are misrepresentations. An agent misleading an insured about dividend guarantees or expected outcomes are all methods of misrepresentation as well.

f. WARRANTY

Warranties are **literal** true statements backed with a guarantee; not generally used for applications. The entire contract written by the insurer is filled with warranties, the insurer states they will cover certain losses, and guarantees that claims will be paid.

g. CONCEALMENT

Omitting or withholding information from an underwriter on an **application**. Applications have limited numbers of questions on them and cannot cover every possible scenario, thus it is understood the applicant should be forthright and upcoming with any extra information. If they hide or omit a material fact during the application process, that would be considered concealment.

h. FRAUD – Material Misrepresentation

Intentional and knowingly deceiving a person for **financial gain** would be considered fraud. Stealing, Embezzling, False Financial reports are all considered Fraud.



i. WAIVER AND ESTOPPEL

- **WAIVER** the intentional giving up of a right within a contract.
- **ESTOPPEL** prevents an insurer from asserting the right that was previously waived. Waiver and Estoppel is normally found when an insured pays their premiums late on a reoccurring basis and the insurer still accepts the funds.

Since the insurer waived the premium due date, any claims that occur within this gap, the insurer may be required to pay to pay the claim.

F. FEDERAL REGULATION

All federal regulation is enacted by **Congress** and applies to all insurance on a **federal level**.

1. FAIR CREDIT REPORTING ACT (FCRA)

FCRA was implemented to provide consumers protection and ensure accuracy for what is obtained within their credit report. FCRA was affected on April 25th, 1971 and is very important for insurance because credit reports are an integral part of underwriting. If there is incorrect information the credit bureaus must **establish a method of correcting** the information, and any corrected information must send to all other creditors of the past 2 years. There are two main reports used in insurance.

- **Consumer Report:** A soft-pull of credit to check debts and balances. This does not affect an insureds credit score with the **credit rating agencies**.
- **Investigative Consumer Report:** A 3rd party company is hired to investigate a person's Hobbies, Habits, Reputation and Employment status through **Physical Inspections**. As a producer, any time a consumer report is ordered we must notify the insured using a Disclosure Notification Authorization, which is used to inform the insured of their privacy rights; the insured does not need to sign any document, only receive it at the time of **application** or within 3 days, a verbal notification sometimes suffices. Should the reports adversely affect insureds rates; the insured must

REQUIREMENTS TO OBTAIN A RESIDENT LICENSE:

- Age 18+ and a trustworthy character
- Pass the required exam within the past 12 months
- File the application, with recent fingerprints
- List the past **5 years** of residence and include business experience
- Have a principle office located in Texas
- Pay the required fee of \$50 to the Department of Insurance
- Attorneys and Accountants are still required to take the exam if engaged in selling insurance



Certain people are **NOT** required to take the exam to work in insurance:

- People not soliciting insurance (secretary's & receptionists)
- Underwriters (CPCU, CLHU)
- Executive officers of insurance companies
- Certified Financial Planners (CFP)
- Funeral Directors
- Selling Life Insurance Under \$25,000

3. RESIDENT INDIVIDUAL PRODUCERS LICENSE:

An individual residing in Texas, who is actively engaged in soliciting (selling) insurance and appointed by an insurer, will receive a resident individual producers license; this is the most common type of license, and is likely the license you are studying for. The license will remain in effect for two years and renew every **two years** on the last day of the month of your **birth date**.

4. LICENSE RENEWAL

In order to renew the license, a few requirements must be met:

Continuing Education (CE):

- **24** total hours every two years, with **2 hours** in ethics
- If selling annuities, the producer needs a **4-hour** certification CE course
- If selling Medicare Supplement or Long-Term Care, there is an **8-hour CE course**
- **Zero** excess hours may roll-over into the next 2-year period
- Records must be kept in a separate file and maintained for **4 years**
- Producers licensed for 20 years, you may be exempt from CE requirements
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Failure to complete Continuing Education

- For the first 30 days, a \$25 fine is assessed, 31 to 120 days, a \$50 fine and the producer must submit a new application
- After 1 year of failure to complete CE's, a new exam must be taken
- A fine of \$50 per CE credit not completed

Upon moving (even down the street), conviction of a felony, name change, or regulatory action, the producer must notify the commissioner within **30 days** to update records.



5. NON-RESIDENT LICENSE

Upon receiving a resident license in the producer's home state, the producer may apply for a nonresident license to sell insurance in other states. The producer must only file an application and pay a fee to the non-resident state and **no additional exams** or continuing education credits are required.

Only Texas continuing education and exam requirements would be required; the non-resident state accepts these based on a **reciprocal agreement**.

Specific to Life, Accident and Health:

Term Life – Temporary Life insurance with No Cash Value

Whole Life – Permanent Life Insurance that endows at age 100, builds cash value

Universal Life – Flexible Life insurance with a Target Premium and a Corridor

Annuity – Steady Stream of Income for Retirement, an example is Social Security

Variable – An account invested in the stock market

Major Medical – Health Insurance with a Deductible and Coinsurance

Long Term Care – Pays for Nursing Homes and Home Health/Custodial care for at least 1 year if unable to perform 2 Activities of Daily Living

Disability Insurance – Insurance that covers loss of income if you are disabled

Elimination Period – A deductible/waiting period on disability policies

Medicare – Federal Health insurance for people over age 65 or disabled people

Medicaid – Federal and State Health insurance for low income or disabled people



Specific to Property and Casualty:

Property Insurance – First party coverage that pays you in the event of Fire, Lightning, Explosion, Wind, Hail, Aircraft, Riot, Vehicle, Volcano, Explosion, Smoke

Liability (Casualty) Insurance – Protects you from lawsuits, and pays other people if you injure them, such as your dog biting them

Peril – A cause of loss, such as Fire, Lightning etc.

Hazard – Increased Chance of Loss, such as a broken step

HO-2: Broad Form Homeowners

HO-3: Special Form Homeowners

HO-4: Renters/Tenants Insurance

HO-5: Comprehensive Homeowners (the best)

HO-6: Condominium Insurance

HO-8: Older/Historic Homes

Coverage A: Structure

Coverage B: Other Structures

Coverage C: Personal Property (Contents)

Coverage D: Fair Rental Value (Rental Income)

Coverage E: Liability

Coverage F: Medical Payments to Others (\$1,000 per person, No Fault)

There is much much more information needed to learn for the test but memorizing these basics before class can give you a leg-up when coming to class. It saves you about two hours of learning.

We will go over this material in class as well and add to it.