

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 14-71 Texas Exam for Surplus Lines

60 questions – One-hour time limit

1.0 Insurance Regulation 22%

1.1 Licensing regulation for surplus lines

- Purpose (Ins. 981.001)
- Process (Ins. 981.203; TAC 15.3)
- Definitions (Ins. 981.002)
- Who may be licensed
 - Individuals
 - Corporations and partnerships
- Licensing requirements (TAC. 15.3)
 - Current license (Ins. 981.202)
 - Financial solvency (TAC 15.4)
- Maintenance and duration
 - Renewals (TAC 15.3(g))
 - Change of address (TAC 19.906)
- Disciplinary actions (TAC 15.5)
 - Reasons
 - Hearings
 - Suspension or revocation (Ins. 981.221)
 - Reinstatement
 - Cease and desist order (TAC 1.901–.911)
- Authority of license (TAC 15.6)

1.2 State regulation

- Commissioner general duties and powers (Ins. 31.001, .002, .021; Ins. 981.009)
- Unfair insurance trade practices (TAC 21.3)
 - Misrepresentation (Ins. 541.051, .061; TAC 21.4)
 - False advertising (Ins. 541.052; TAC 21.115)
 - Defamation of insurer (Ins. 541.053)
 - Boycott, coercion, intimidation (Ins. 541.054)
 - False financial statements (Ins. 541.055)
 - Rebates (Ins. 4005.053, .101(b)(9))
 - Unlawful inducement (TAC 21.109)
- Unfair claims settlement practices (Ins. 542.001–.014; TAC 21.201–.205)

1.3 Federal regulation

- Fair Credit Reporting Act (15 USC 1681–1681d)
- Fraud and false statements (18 USC 1033(e))

2.0 General Insurance 15%

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
 - Aleatory contract
 - Personal contract
 - Unilateral contract
 - Conditional contract

- Legal interpretations affecting contracts
 - Reasonable expectations
 - Indemnity
 - Utmost good faith
 - Representations/misrepresentations
 - Warranties
 - Concealment
 - Fraud
 - Waiver and estoppel

3.9 Surplus lines tax

- Amount (Ins. 225.004)
- Collection (Ins. 225.006; Pub. Fin. TAC 3.822)

3.10 Surplus Lines Stamping Office (Ins. 981.151–.160; TAC 15.101)

- Surplus lines stamping fee (Ins. 981.154(b)(5); TAC 15.10)
- Policy forms filing (Ins. 981.105; TAC 15.23)

3.0 Surplus Lines Markets and Practices 63%

3.1 Foreign unlicensed market

- Insurance exchanges
- Foreign insurers

3.2 Alien insurers

- London market
 - Lloyd's of London
 - Brokers
 - Underwriters
 - Other London companies
- Other alien markets
- United States trust funds

3.3 Alternative markets

- Captives
- Risk retention groups (Ins. 2201.001–.209)
- Purchasing groups (Ins. 2201.001–.259; TAC 15.25)

3.4 Eligible surplus lines insurers

- Requirements (TAC 15.8)
- List of eligible unauthorized insurers (TAC 15.8(j))
- Service of process (Ins. 804.106)

3.5 Surplus lines coverages

- Characteristics and uses
- Types of coverages available

3.6 Requirements for placement of surplus lines insurance (Ins. 981.004; TAC 15.7)

- Independently procured insurance
- Diligent effort (TAC 15.9)
- Notice to insured (Ins. 981.101)
 - Unlicensed insurer
 - Texas Property and Casualty Guaranty Association
 - Premium tax
- Evidence of insurance (TAC 15.22)
- Minimum content of contract (TAC 15.21)

3.7 Authority of surplus lines agent (TAC 15.6)

- Binding
- Underwriting
- Claims
- Commissions

3.8 Records of surplus lines agent

- Content of records
 - Policy number (TAC 15.15)
 - Contract file (TAC 15.16)
 - Accounting records (TAC 15.17, .19, .20)
- Maintenance (Ins. 981.215; TAC 15.17)
- Annual report (Ins. 981.216)
- Penalties