

YOUR EXAM CONTENT OUTLINE

for examinations on or after July 1, 2006.

If you do not receive both pages of this outline, please contact Thomson Prometric.

The following outline describes the content of one of the Pennsylvania 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.

Pennsylvania Producer's Examination for Surplus Lines Insurance

Series 16-09

60 questions – One-hour time limit

1.0 Insurance Regulation 25%

1.1 Licensing regulation for surplus lines

- Purpose (40 P.S. § 991.1601)
 - Definitions (40 P.S. § 991.1602)
 - Who may be licensed (40 P.S. §§ 991.1603, .1615)
 - Individuals
 - Corporations and partnerships
 - Current licensing requirements (40 P.S. § 991.1615(b))
 - Disciplinary actions
 - Grounds (40 P.S. § 991.1623)
 - Penalties (40 P.S. §§ 310.91, 1171.11, 991.1624–.1625)
 - Renewals (40 P.S. § 1615(d))
 - Authority of license (40 P.S. §§ 991.1616–.1622)
- ##### **1.2 Unfair insurance practices (40 P.S. §§ 1171.1–.11, 1171.13–.15)**
- ##### **1.3 Act 147 of 2002 (40 P.S. § 310.11; 40 P.S. §§ 310.71–310.74)**
- Prohibited acts (40 P.S. § 310.11)
 - Commissions and fees (40 P.S. §§ 310.72–310.74)
 - Producer disclosure (40 P.S. § 310.71)

2.0 General Insurance 5%

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
 - Fraternal benefit societies
 - Reciprocal
 - Lloyd's associations
- Private versus government insurers
- Admitted versus nonadmitted insurers
- Domestic, foreign and alien insurers
- Financial status (independent rating services)
- Marketing (distribution) systems

2.3 Producers and general rules of agency

- Insurer as principal
- Producer/insurer relationship
- Powers and authority of producers
 - 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 Surplus Lines Markets and Practices 70%

3.1 United States nonadmitted market

Insurance exchanges

Foreign nonadmitted market

3.2 Alien insurers

London market

Lloyd's of London

Other London companies

Other alien markets

United States trust funds

3.3 Alternative markets

Risk retention groups (40 P.S. §§ 991.1501–1506)

Purchasing groups (40 P.S. §§ 991-1508–1512)

Independently procured insurance

(40 P.S. § 991.1602)

3.4 Eligible surplus lines insurers

Requirements

(40 P.S. § 991.1605; 31 Pa. Code Ch. 124.9–.10)

List of eligible surplus lines insurers

(40 P.S. § 991.1605(b))

Withdrawal of eligibility (40 P.S. § 991.1607)

Service of process (40 P.S. § 991.1624)

3.5 Surplus lines coverages

Characteristics and uses

Types of coverages available

3.6 Requirements for placement of surplus lines insurance (40 P.S. §§ 991.1604, 991.1606)

Diligent search

Declarations (40 P.S. § 991.1609;

31 Pa. Code Ch. 124.5–.6)

Exempt risks (40 P.S. § 991.1610)

Notice to insured (40 P.S. § 991.1608)

Unlicensed insurer

Pennsylvania Property and Casualty Insurance

Guaranty Association

(40 P.S. §§ 991.1801–.1820)

Evidence of insurance

(40 P.S. § 991.1612; 31 Pa. Code Ch. 124.4)

3.7 Authority of surplus lines licensee

Binding (40 P.S. §§ 991.1614, .1618;

31 Pa. Code Ch. 124.1–.3)

3.8 Records of licensee

Content of records (40 P.S. § 991.1619(a))

Maintenance (40 P.S. § 991.1619(b))

Reporting (40 P.S. § 991.1620)

3.9 Surplus lines tax (40 P.S. §§ 991.1621–1622)

Amount

Collection

Remittance

Tax report

3.10 Surplus lines advisory organization (40 P.S. § 991.1611)

Surplus lines stamping fee

Functions