

Georgia Surplus Lines Broker Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

SAMPLE

Questions

SAMPLE

- 1. If a driver backs out of a driveway and hits a parked vehicle, what type of coverage applies?**
 - A. Comprehensive coverage**
 - B. Liability coverage**
 - C. Collision coverage**
 - D. Uninsured motorist coverage**
- 2. What responsibility does the Commissioner have regarding the Alien insurer accepted insurer list?**
 - A. Regulate competition among insurers**
 - B. Guarantee solvency**
 - C. Determine the premium rates**
 - D. Manage consumer complaints**
- 3. What is required information on the affidavit filed by a Surplus Lines Broker?**
 - A. Name of the insured**
 - B. Type of coverage**
 - C. Claim history**
 - D. Broker's license number**
- 4. When an insured cancels a policy mid-year and receives less than half of the premium paid, what type of refund applies?**
 - A. Flat refund**
 - B. Pro rata refund**
 - C. Short rate refund**
 - D. Conditional refund**
- 5. How does a Reciprocal Insurer operate?**
 - A. Through a licensed broker**
 - B. By forming a corporation**
 - C. With an attorney-in-fact**
 - D. As a sole proprietorship**

- 6. What is the consequence for a firm, person, or corporation violating provisions of the code?**
- A. Fined**
 - B. Guilty of misdemeanor**
 - C. Suspended license**
 - D. Cease and desist order**
- 7. What type of risks does surplus lines insurance ideally relate to?**
- A. Universal risks**
 - B. High-risk, unique risks not covered by standard policies**
 - C. Low-risk, everyday consumer needs**
 - D. Only natural disaster-related risks**
- 8. Which of the following is a function of the insurance commissioner in Georgia?**
- A. Setting insurance rates**
 - B. Issuing cease and desist orders**
 - C. Granting insurance licenses**
 - D. Collecting taxes from insurance policies**
- 9. What is the primary purpose of a surplus lines broker in Georgia?**
- A. To sell insurance exclusively from admitted insurers**
 - B. To facilitate insurance coverage with non-admitted insurers**
 - C. To manage claims for policyholders**
 - D. To provide financial advice to clients**
- 10. What is typically issued for violating the Georgia insurance code?**
- A. A warning notice**
 - B. A cease and desist order**
 - C. A revocation of license**
 - D. A compliance penalty**

Answers

SAMPLE

1. C
2. B
3. A
4. B
5. C
6. B
7. B
8. B
9. B
10. B

SAMPLE

Explanations

SAMPLE

1. If a driver backs out of a driveway and hits a parked vehicle, what type of coverage applies?

- A. Comprehensive coverage**
- B. Liability coverage**
- C. Collision coverage**
- D. Uninsured motorist coverage**

In the situation where a driver backs out of a driveway and collides with a parked vehicle, collision coverage is the type of insurance that would apply. Collision coverage is designed to pay for damage to your vehicle resulting from a collision with another vehicle, regardless of who is at fault. Therefore, when the driver backs into a parked car, collision coverage would cover the repairs needed for their own vehicle as well as any damage to the parked vehicle, assuming the driver has that coverage in place.

Comprehensive coverage is intended for damages caused by events other than collisions, such as theft, vandalism, or natural disasters, which do not apply in this scenario. Liability coverage, on the other hand, is meant to cover damages or injuries to others for which the policyholder is found to be at fault; while it may address damage to the parked vehicle, it does not cover damages to the driver's own vehicle. Uninsured motorist coverage is specifically designed to cover injuries and damages when the driver is involved in an accident with someone who does not carry insurance, which is not relevant in this case. Thus, collision coverage is the appropriate type of insurance for this incident.

2. What responsibility does the Commissioner have regarding the Alien insurer accepted insurer list?

- A. Regulate competition among insurers**
- B. Guarantee solvency**
- C. Determine the premium rates**
- D. Manage consumer complaints**

The responsibility of the Commissioner regarding the Alien insurer accepted insurer list is to guarantee solvency. This means that the Commissioner ensures that the insurers on this list are financially sound and capable of fulfilling their obligations to policyholders. Maintaining the solvency of these insurers is crucial, as it protects consumers who rely on these companies to pay claims if the need arises. The focus on solvency is essential in the insurance industry because it relates to the capacity of an insurer to meet its long-term obligations, which ultimately safeguards the interests of policyholders. By vetting and accepting insurers based on their financial stability, the Commissioner plays a key role in maintaining a healthy and reliable insurance market. Insurers must demonstrate their financial strength and reliability to be included on this list, reflecting the emphasis on consumer protection and market stability.

3. What is required information on the affidavit filed by a Surplus Lines Broker?

- A. Name of the insured**
- B. Type of coverage**
- C. Claim history**
- D. Broker's license number**

The affidavit filed by a Surplus Lines Broker is a crucial document in the surplus lines insurance process, and it serves to verify certain details about the insurance transaction. One of the key pieces of information that must be included is the name of the insured. This is essential because it identifies the party that is being protected under the surplus lines policy, ensuring that the coverage is accurately attributed to the correct individual or entity. Including the name of the insured helps to maintain clarity and legality in the insurance records and ensures that any future claims or policy documents can be properly associated with the correct insured party. This is important in regulatory oversight as well, ensuring that all parties involved are properly identified and that the insurance requirements are met according to state laws governing surplus lines insurance.

4. When an insured cancels a policy mid-year and receives less than half of the premium paid, what type of refund applies?

- A. Flat refund**
- B. Pro rata refund**
- C. Short rate refund**
- D. Conditional refund**

The situation describes a scenario where an insured cancels their policy before the end of the coverage period and receives less than half of the premium paid back. In this context, the type of refund applicable is a pro-rata refund. A pro-rata refund is calculated based on the amount of time the policy was in effect relative to the total policy term. If a policy is canceled pro-rata, the insured is entitled to a return of the premium that corresponds to the unused portion of the coverage period. Given that the insured is receiving less than half of the premium, this indicates that the policy was likely in force for more than half of the coverage period, and the remaining premium reflects the pro-rated amount. In contrast, the short rate refund is often associated with a situation where a policyholder cancels the policy but incurs a penalty or administrative fee, resulting in a lesser refund than what would be obtained under a pro-rata calculation. This type of refund typically applies when the insured cancels the policy and has utilized some of the coverage time, warranting a lesser refund compared to a pro-rata adjustment. Overall, a pro-rata refund aligns with the situation described, as it effectively compensates the insured based on the actual time the policy was active, ensuring a fair

5. How does a Reciprocal Insurer operate?

- A. Through a licensed broker**
- B. By forming a corporation**
- C. With an attorney-in-fact**
- D. As a sole proprietorship**

A Reciprocal Insurer operates through an attorney-in-fact who manages and conducts the business on behalf of the subscribers. This arrangement is based on reciprocity, where each member of the group agrees to insure one another against losses. The attorney-in-fact is responsible for the operational, financial, and contractual obligations of the reciprocal, including issues like underwriting and claims management. This structure allows members to pool their resources for mutual benefit and risk-sharing. The unique characteristic of a reciprocal insurer lies in its reliance on this management by an attorney-in-fact rather than the typical corporate structure seen in other insurance entities, emphasizing the cooperative nature of its operation.

6. What is the consequence for a firm, person, or corporation violating provisions of the code?

- A. Fined**
- B. Guilty of misdemeanor**
- C. Suspended license**
- D. Cease and desist order**

The correct answer identifies that a firm, person, or corporation found to be in violation of the provisions of the code can be deemed guilty of a misdemeanor. This typically reflects the legal ramifications imposed on entities that fail to comply with established regulations governing their industry. A misdemeanor can result in criminal charges that carry penalties, which may include fines, probation, or even a short-term prison sentence, depending on the severity of the violation. Understanding the classification of violations within insurance law is crucial since it establishes the legal framework and consequences for non-compliance. While fines, suspension of licenses, and cease and desist orders are common regulatory responses in various contexts and may also apply in separate situations, the labeling of the offense as a misdemeanor specifically emphasizes the criminal aspect associated with the violation of the provisions of the code. The other consequences, while potentially applicable to some violations, do not directly address the categorization of penalties under criminal law, which is highlighted by identifying the offense as a misdemeanor.

7. What type of risks does surplus lines insurance ideally relate to?

A. Universal risks

B. High-risk, unique risks not covered by standard policies

C. Low-risk, everyday consumer needs

D. Only natural disaster-related risks

Surplus lines insurance is specifically designed to address unique and high-risk exposures that traditional insurance markets may be unwilling or unable to insure. This type of coverage is essential for unusual or specialized risks that fall outside the scope of standard policies, which typically cater to more common and less complex insurance needs. In situations where standard insurers do not provide adequate coverage, surplus lines brokers can seek out alternative solutions from non-admitted carriers, thus filling a significant gap in the market. The emphasis on high-risk and unique risks sets surplus lines apart from standard coverage options, as it accommodates industries, businesses, or activities that might involve significant liabilities or specialized needs. Examples could include certain types of commercial ventures, high-value properties, or emerging technologies that do not neatly fit into conventional insurance categories. Overall, the understanding of surplus lines insurance as a tool for these specific types of risks is crucial for brokers operating in this arena, as it informs their approach to finding suitable coverage for clients with special requirements.

8. Which of the following is a function of the insurance commissioner in Georgia?

A. Setting insurance rates

B. Issuing cease and desist orders

C. Granting insurance licenses

D. Collecting taxes from insurance policies

The role of the insurance commissioner in Georgia includes issuing cease and desist orders. This function allows the commissioner to take action against individuals or companies that are found to be violating insurance laws or regulations. By issuing such orders, the commissioner helps maintain the integrity of the insurance market, ensuring compliance with legal standards and protecting consumers from unethical practices. The ability to issue cease and desist orders is vital because it empowers the commissioner to stop illegal activities promptly, which can prevent further harm to policyholders and ensure that companies operate within the bounds of the law. This function reflects the regulatory authority vested in the commissioner to enforce insurance statutes and uphold public trust in the insurance industry. Other options, such as setting insurance rates, granting licenses, or collecting taxes, are regulated through various mechanisms and may involve input or oversight from the commissioner, but the specific function of issuing cease and desist orders represents a direct regulatory action that is integral to maintaining lawful operations within the insurance marketplace.

9. What is the primary purpose of a surplus lines broker in Georgia?

- A. To sell insurance exclusively from admitted insurers**
- B. To facilitate insurance coverage with non-admitted insurers**
- C. To manage claims for policyholders**
- D. To provide financial advice to clients**

The primary purpose of a surplus lines broker in Georgia is to facilitate insurance coverage with non-admitted insurers. Surplus lines brokers specialize in placing insurance coverage where standard insurance markets do not offer adequate solutions. This typically occurs for risks that are considered too high or unusual by traditional insurers. As a result, surplus lines brokers have the ability to secure coverage from non-admitted insurers, which are not licensed to do business in Georgia but can offer unique policies that address specific needs of clients. By placing risks with non-admitted insurers, surplus lines brokers help ensure that businesses and individuals can obtain necessary insurance, even when standard market options are limited or unavailable. This role is critical in providing access to a broader range of insurance products and solutions, allowing clients to properly protect themselves against potential risks. In summary, the function of surplus lines brokers is crucial in the insurance market, especially for specialty or hard-to-place risks.

10. What is typically issued for violating the Georgia insurance code?

- A. A warning notice**
- B. A cease and desist order**
- C. A revocation of license**
- D. A compliance penalty**

In the context of violations of the Georgia insurance code, a cease and desist order is typically issued as a formal directive to halt illegal activity. This order serves to protect consumers and ensure compliance with state regulations, signaling to the offending party that their actions are not permissible under the law. A cease and desist order can be issued for a range of violations, allowing regulatory bodies to take immediate action to prevent further infractions while providing the offending party an opportunity to rectify their conduct. This approach promotes adherence to the code and serves as a deterrent to others who may consider engaging in similar violations. It is a vital mechanism to maintain the integrity and trustworthiness of the insurance industry within the state. Other potential responses to violations, like warning notices or license revocation, may occur as subsequent steps if the offending behavior continues or escalates, but the cease and desist order is a primary immediate response for clear violations of the code.