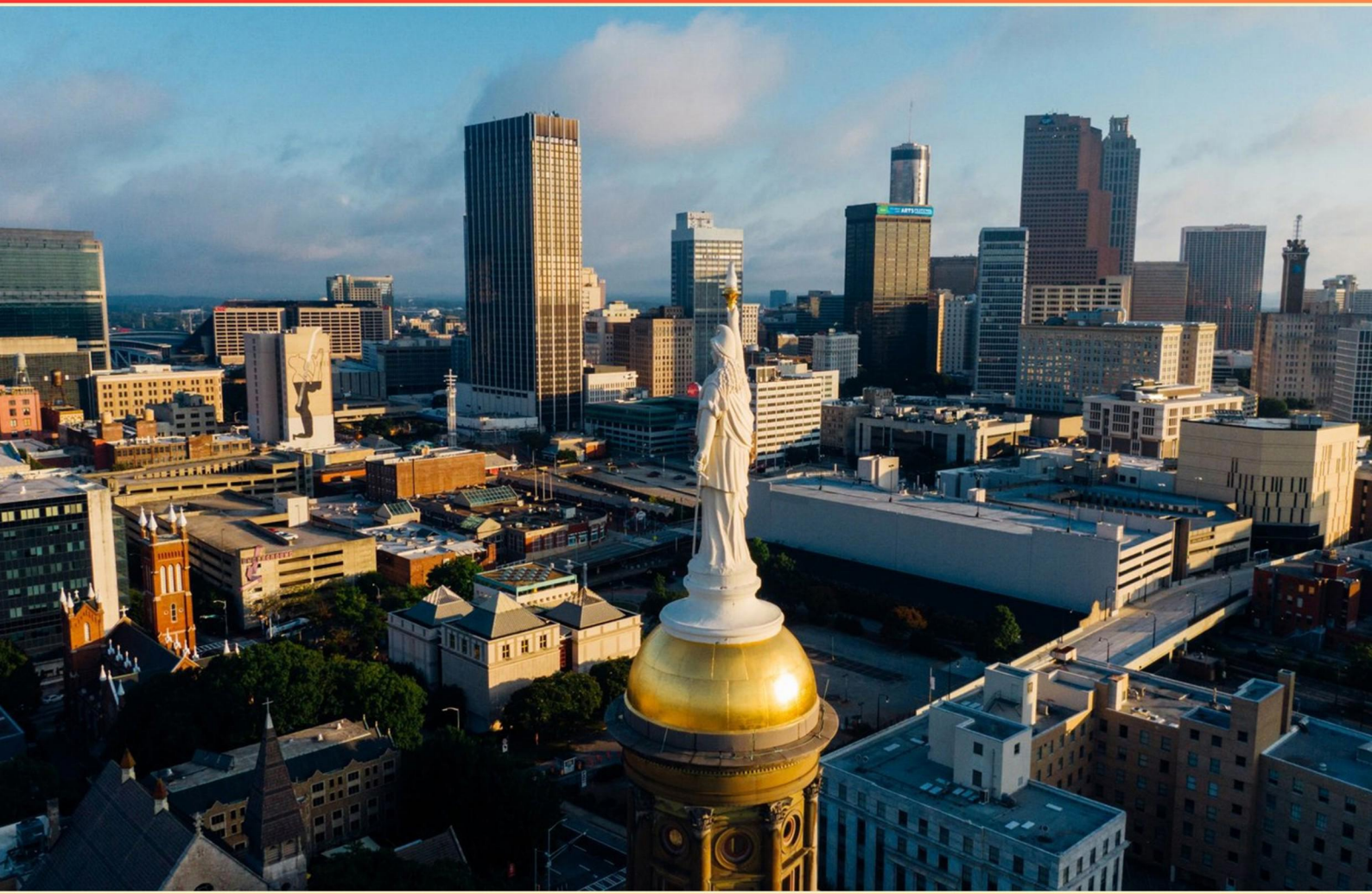


GEORGIA SURPLUS LINES BROKER PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://gasurplusbroker.examzify.com>



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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which of the following is considered a legal responsibility of a Surplus Lines Broker?**
 - A. To market insurance products only
 - B. To maintain accurate records and files
 - C. To invest in affiliates
 - D. To offer discounts to clients

- 2. What is meant by "rated coverage" in surplus lines?**
 - A. Insurance with a fixed premium
 - B. Insurance for low-risk areas
 - C. Insurance priced based on specific underwriting criteria
 - D. Insurance that is not regulated

- 3. What action must a broker take to operate in multiple states?**
 - A. Ignore state requirements if licensed in one state
 - B. Obtain additional surplus lines licenses in each state
 - C. Restrict operations to only one state
 - D. Only notify their current state of operations

- 4. What is the main objective of the Coinsurance Clause in property insurance?**
 - A. To ensure full replacement coverage is met
 - B. To avoid underinsurance penalties
 - C. To dictate policy renewal terms
 - D. To limit total payout after a loss

- 5. What defines speculative risk?**
 - A. It involves potential loss only
 - B. It is a risk that can be insured
 - C. It involves the chance of either loss or gain
 - D. It is a calculated financial risk

- 6. What factors typically determine a "high-risk" classification for surplus lines?**
- A. Claims history and operational risks
 - B. Only the size of the business
 - C. Market trends only
 - D. Volume of insurance sold
- 7. What action is advertising for unauthorized insurers to citizens of Georgia considered?**
- A. Permissible
 - B. Prohibited
 - C. Required
 - D. Regulated
- 8. What type of event does a pipe burst that causes water contamination classify as?**
- A. Incident
 - B. Occurrence
 - C. Claim
 - D. Event
- 9. If a broker's license is revoked, how long must they wait to reapply?**
- A. 1 year
 - B. 2 years
 - C. 3 years
 - D. 4 years
- 10. What additional coverage does umbrella insurance provide?**
- A. Covers non-business related losses
 - B. Protects against legal defense costs
 - C. Covers property damage only
 - D. Excludes personal liability coverage

Answers

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

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Explanations

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1. Which of the following is considered a legal responsibility of a Surplus Lines Broker?

- A. To market insurance products only
- B. To maintain accurate records and files**
- C. To invest in affiliates
- D. To offer discounts to clients

A Surplus Lines Broker has several legal responsibilities, one of which is to maintain accurate records and files. This obligation ensures that all transactions, communications, and documentation related to the brokerage activities are properly documented. Accurate record-keeping is crucial for compliance with regulatory requirements, facilitating audits, and providing a clear history of transactions that can be referenced by both the broker and regulatory bodies. Maintaining comprehensive and organized records helps protect both the broker and clients, as it provides evidence of the broker's adherence to relevant laws and regulations, ensuring transparency in their dealings. This responsibility demonstrates the broker's professionalism and commitment to ethical practices within the insurance industry. The other options listed reflect activities that may be associated with a broker or general business practices but do not pertain explicitly to the legal responsibilities required of a Surplus Lines Broker.

2. What is meant by "rated coverage" in surplus lines?

- A. Insurance with a fixed premium
- B. Insurance for low-risk areas
- C. Insurance priced based on specific underwriting criteria**
- D. Insurance that is not regulated

"Rated coverage" in surplus lines refers to the concept of insurance that is priced based on specific underwriting criteria. This means that the insurer evaluates particular risks associated with the coverage being provided, and the price is determined by the risk assessment conducted through various underwriting factors. These factors may include the type of coverage, the characteristics of the insured entity or property, and any other relevant details that affect risk. In the surplus lines market, which provides coverage for risks that standard insurers may not be willing to underwrite, rated coverage is crucial. It allows for flexibility and customization in pricing to ensure that the premiums are reflective of the actual risk. This is in contrast to other types of insurance that may have fixed premiums or standard pricing models. The reasoning behind considering rated coverage this way highlights the nuances of risk assessment in underwriting, particularly in markets where risks are atypical or not universally insurable, reinforcing the role of the surplus lines broker in facilitating appropriate coverage for unique or complex risks.

3. What action must a broker take to operate in multiple states?

- A. Ignore state requirements if licensed in one state
- B. Obtain additional surplus lines licenses in each state**
- C. Restrict operations to only one state
- D. Only notify their current state of operations

To operate in multiple states, a broker must obtain additional surplus lines licenses in each state where they wish to conduct business. Each state has its own regulatory requirements and licensing criteria for surplus lines brokers, which are designed to ensure that brokers are compliant with local laws and meet the necessary professional standards. By securing the appropriate licenses, the broker ensures that they are authorized to write policies and place coverage in those specific jurisdictions, thereby protecting both themselves and their clients from potential legal repercussions. Operating without the required licenses, as suggested in other options, could lead to penalties or the inability to enforce contracts made by the broker in those states. A broker cannot simply ignore state requirements, restrict their operations to one state, or only notify their current state of operations, as these actions do not conform to the need for proper licensing and regulatory adherence across state lines. Each state has its own distinct set of regulations, making compliance critical for lawful operation.

4. What is the main objective of the Coinsurance Clause in property insurance?

- A. To ensure full replacement coverage is met
- B. To avoid underinsurance penalties**
- C. To dictate policy renewal terms
- D. To limit total payout after a loss

The main objective of the Coinsurance Clause in property insurance is to avoid underinsurance penalties. This clause is designed to encourage policyholders to insure their property for a specified percentage of its full value, typically 80% or more. If the insured property is not covered to at least this threshold, it can result in a reduced payout after a loss occurs. When a policyholder fails to meet the coinsurance requirement, they may face penalties that reduce their claim amount, which can lead to significant financial loss. Therefore, the coinsurance clause incentivizes property owners to maintain adequate insurance levels, thus protecting both the insurer and the insured from the risks associated with underinsurance. The other options, although relevant factors in risk management and insurance policies, do not specifically capture the core purpose of the coinsurance clause as effectively. The clause is not primarily about dictating renewal terms or limiting total payouts after loss; instead, it focuses on ensuring that adequate coverage levels are maintained to avoid penalties in the event of a claim.

5. What defines speculative risk?

- A. It involves potential loss only
- B. It is a risk that can be insured
- C. It involves the chance of either loss or gain**
- D. It is a calculated financial risk

Speculative risk is defined as a situation where there is a chance of either loss or gain. This characteristic sets it apart from other types of risk, such as pure risk, which only involves the possibility of loss without any chance for gain. In a speculative risk scenario, the stakeholder engages in activities that could lead to a profit, such as investing in the stock market, gambling, or launching a new business venture. The outcome is uncertain, meaning that there could be a positive result (gain) or a negative result (loss). This concept is important within the context of risk management and insurance because it indicates risks that are not typically covered by standard insurance policies. Insurers generally focus on pure risks, which can be predicted and managed to some extent since they result in losses, while speculative risks involve uncertainty that goes beyond simple loss avoidance. Understanding this distinction helps brokers determine what risks are insurable and how clients can approach risk in their financial decisions.

6. What factors typically determine a "high-risk" classification for surplus lines?

- A. Claims history and operational risks**
- B. Only the size of the business
- C. Market trends only
- D. Volume of insurance sold

A "high-risk" classification for surplus lines is typically determined by factors such as claims history and operational risks. Claims history refers to the past frequency and severity of claims made by a business, which can indicate potential future risks. Operational risks encompass various aspects related to a company's operations, including safety practices, industry regulations, and management practices, all of which can contribute to the likelihood of claims. Surplus lines insurance is designed to cover risks not adequately addressed by standard insurance markets, and understanding these factors is essential for determining whether a business falls into the high-risk category. An entity with a poor claims history or significant operational risks presents a higher chance of loss to insurers, justifying their classification as high-risk. The other options tend to focus on singular aspects or do not encompass the comprehensive view needed for risk classification. For instance, solely considering the size of the business does not account for the complexities of its operations or historical claims. Similarly, focusing exclusively on market trends ignores specific details about individual businesses that may affect their risk profile. The volume of insurance sold, while relevant in some contexts, does not solely determine high-risk classification as it lacks consideration of claims and operational factors.

7. What action is advertising for unauthorized insurers to citizens of Georgia considered?

- A. Permissible
- B. Prohibited**
- C. Required
- D. Regulated

Advertising for unauthorized insurers to citizens of Georgia is considered prohibited due to state regulations designed to protect consumers. The state has strict laws in place to ensure that insurance sold to its residents comes from licensed and authorized insurers. This regulation serves to safeguard the public from potential risks associated with unregulated or unauthorized insurers, which may not meet the necessary financial stability or consumer protection standards. By prohibiting such advertising, Georgia aims to prevent confusion and ensure that consumers are only exposed to legitimate insurance options that adhere to state laws and regulations. This aligns with the broader goal of maintaining a stable and secure insurance marketplace for residents, ensuring that they receive appropriate coverage and protection under the law.

8. What type of event does a pipe burst that causes water contamination classify as?

- A. Incident
- B. Occurrence**
- C. Claim
- D. Event

A pipe burst that results in water contamination is classified as an "occurrence" because it represents a discrete event that leads to substantial harm or damage over a specific period. In insurance terminology, an occurrence often refers to an accident or a series of accidents that result in bodily injury or property damage during a specific time frame. This classification is significant because it aligns with how insurance policies typically define covered incidents. In the context of property and liability coverage, an occurrence might involve a sudden and accidental event that leads to losses. The distinction is important for claims processing and coverage conditions, as it provides clarity on what incidents the insurer will cover and under what circumstances. Other options, while related, do not capture the specific implications of an occurrence in the insurance framework. An incident could refer to any event, but it doesn't emphasize the ongoing effects leading to liability. A claim is a request for payment or coverage under an insurance policy following an incident, while an event is a broader term that does not imply any specific consequences like contamination or damage. Thus, "occurrence" is the most appropriate classification for this situation within the context of insurance.

9. If a broker's license is revoked, how long must they wait to reapply?

- A. 1 year
- B. 2 years**
- C. 3 years
- D. 4 years

In the context of a broker's license being revoked, the law typically mandates a waiting period before an individual can reapply for a new license. Choosing a wait time of two years aligns with the regulations governing surplus lines brokers in Georgia. This period allows for a cooling-off phase, which may be necessary for regulatory bodies to assess the circumstances surrounding the revocation and determine if the broker should be allowed to practice again. This two-year interval is significant as it gives brokers time to reflect on any issues that led to the revocation, demonstrate reformed practices, and fulfill any requirements set forth by the governing authority. Understanding this timeframe helps potential brokers remain compliant with state regulations and emphasizes the importance of maintaining ethical standards within the industry.

10. What additional coverage does umbrella insurance provide?

- A. Covers non-business related losses
- B. Protects against legal defense costs**
- C. Covers property damage only
- D. Excludes personal liability coverage

Umbrella insurance is designed to provide an extra layer of liability protection beyond what is offered by standard homeowners or auto insurance policies. The correct answer highlights that umbrella insurance specifically protects against legal defense costs, which can be significant. In many scenarios involving lawsuits, the costs associated with legal defense can quickly accumulate and exceed standard policy limits. Umbrella insurance steps in to cover these additional costs, as well as any liability costs that might arise from incidents such as personal injuries or property damage caused to others. While umbrella insurance can indeed cover non-business related losses and personal liability coverage, the unique feature that sets it apart is its enhancement of protection for legal costs. This added layer of defense allows policyholders to feel more secure, knowing that their legal expenses are covered even if they exceed the limits of their primary insurance policies. This is particularly important in today's legal environment, where personal liability claims can be substantial, and having adequate coverage against legal costs is an essential aspect of comprehensive financial protection.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://gasurplusbroker.examzify.com>

We wish you the very best on your exam journey. You've got this!

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