

LOUISIANA SURPLUS LINES PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 NOT an element of insurable risk?**
 - A. Due to chance
 - B. Definite and measurable
 - C. Insurance must be mandatory
 - D. Not catastrophic
- 2. Which of the following options facilitates insurance coverage?**
 - A. High credibility of risk
 - B. Definitive and measurable criteria
 - C. A common understanding of risk
 - D. A mandatory insurance requirement
- 3. When must a surplus lines producer file an affidavit with the state?**
 - A. When renewing their insurance license
 - B. When placing coverage with an admitted insurer
 - C. When placing coverage with a non-admitted insurer
 - D. When changing insurance carriers
- 4. How often must surplus lines producers renew their licenses in Louisiana?**
 - A. Every two years.
 - B. Every year.
 - C. Every three years.
 - D. Every five years.
- 5. Which of the following is NOT a responsibility of the surplus lines broker?**
 - A. Collecting premiums from the insured
 - B. Issuing policies on behalf of insurers
 - C. Keeping a record of each surplus line contract
 - D. Providing claims assistance to the insured
- 6. What type of coverage is typically excluded from surplus lines insurance?**
 - A. Coverage for high-risk businesses
 - B. Coverage that is available from admitted insurers within the state
 - C. Coverage for international risks
 - D. Coverage for standard home insurance

7. Which principle reinforces that ambiguities in insurance contracts should favor the policyholder?

- A. Conventional agreement
- B. Reasonable expectations
- C. Good faith agreement
- D. Informed consent

8. What is an indemnity contract?

- A. An agreement for repayment regardless of circumstances
- B. A contract that voids coverage after a loss
- C. An agreement to pay on behalf of another under specific circumstances
- D. A contract providing full compensation without limitations

9. What is the purpose of a "policyholder notice" in surplus lines insurance?

- A. To inform about a policy renewal date
- B. To outline claims procedures
- C. To communicate the status of coverage from a non-admitted insurer
- D. To provide updates on premium changes

10. What is Underwriting authority?

- A. The ability to set premium rates
- B. The scope of underwriting decisions requiring higher approval
- C. The authority to approve claims directly
- D. The discretion allowed for making coverage determinations

Answers

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

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Explanations

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1. Which of the following is NOT an element of insurable risk?

- A. Due to chance
- B. Definite and measurable
- C. Insurance must be mandatory**
- D. Not catastrophic

Insurance must be mandatory is not an element of insurable risk. For a risk to be insurable, it is not a requirement that individuals or entities must be mandated to purchase insurance. Instead, insurable risks typically involve voluntary participation where individuals or organizations choose to purchase insurance to protect against potential losses. Insurable risks are characterized by several key elements. Risks that are due to chance involve situations that are unpredictable and occur randomly, making them suitable for insurance. Definite and measurable risks refer to situations where the loss can be quantified and identified clearly, such as in the case of a house fire or theft, making it easier for insurance companies to assess and underwrite the risk. Additionally, risks should not be catastrophic in nature, as catastrophic events could result in widespread claims that exceed the insurance provider's ability to cover, thus making them uninsurable. Therefore, the inclusion of "insurance must be mandatory" as a requirement does not align with the essential characteristics of insurable risk.

2. Which of the following options facilitates insurance coverage?

- A. High credibility of risk
- B. Definitive and measurable criteria**
- C. A common understanding of risk
- D. A mandatory insurance requirement

Definitive and measurable criteria play a crucial role in facilitating insurance coverage because they provide a clear and quantifiable basis for assessing risk. When insurance underwriters can use specific criteria to evaluate the risk associated with insuring an individual or entity, they can more accurately determine premiums and coverage limits. These criteria help in standardizing risk assessment, making it easier for insurers to categorize risks and offer appropriate coverage options. The presence of measurable criteria enables the establishment of rating systems, which directly influences underwriting decisions. This structured approach allows both insurers and insureds to understand the exposure better, leading to more informed decisions and potentially reducing the overall cost of insurance. Thus, the capacity to articulate and quantify risk through definitive criteria is foundational to the viability and availability of insurance coverage.

3. When must a surplus lines producer file an affidavit with the state?

- A. When renewing their insurance license
- B. When placing coverage with an admitted insurer
- C. When placing coverage with a non-admitted insurer**
- D. When changing insurance carriers

A surplus lines producer is required to file an affidavit with the state when placing coverage with a non-admitted insurer. This is because non-admitted insurers are those that are not licensed in the state to conduct insurance business but can offer coverage in certain situations where admitted insurers cannot or do not provide the necessary coverage. The purpose of the affidavit is to document and confirm the circumstances under which the surplus lines coverage is being procured. This helps maintain regulatory oversight and ensures that the surplus lines market operates in compliance with state laws. It is a mechanism to ensure that producers are following the proper practices when dealing with non-admitted carriers, as these policies are often subject to different scrutiny compared to those issued by admitted carriers. In contrast, the other options do not pertain to the necessity of filing an affidavit. Renewing an insurance license, placing coverage with an admitted insurer, and changing insurance carriers do not involve the same regulatory reporting requirements as those necessary for transactions with non-admitted insurers.

4. How often must surplus lines producers renew their licenses in Louisiana?

- A. Every two years.**
- B. Every year.
- C. Every three years.
- D. Every five years.

Surplus lines producers in Louisiana are required to renew their licenses every two years. This renewal cycle ensures that producers stay current with changes in laws, regulations, and market practices that affect surplus lines insurance. By requiring renewal every two years, the Louisiana Department of Insurance helps maintain a competent and knowledgeable workforce that can effectively navigate the complexities associated with surplus insurance markets. Additionally, this timeframe allows the state to manage compliance and oversight, ensuring that all producers are up to date with their continuing education requirements and licensing conditions.

5. Which of the following is NOT a responsibility of the surplus lines broker?

- A. Collecting premiums from the insured
- B. Issuing policies on behalf of insurers
- C. Keeping a record of each surplus line contract
- D. Providing claims assistance to the insured**

The correct answer highlights a responsibility that falls outside the typical scope of a surplus lines broker's duties. Surplus lines brokers primarily focus on placing insurance that cannot be secured through standard markets. Their main responsibilities include collecting premiums from insured clients, issuing policies on behalf of non-admitted insurers, and maintaining accurate records of each surplus line contract. While providing claims assistance can be a supportive role in the overall insurance process, it is generally the responsibility of the insurer or claims adjuster to handle claims once a policy is in effect. The surplus lines broker's role is more about facilitating the placement of coverage and ensuring compliance with regulatory requirements rather than managing claims processes directly. Thus, the option referring to providing claims assistance is not aligned with the core responsibilities of a surplus lines broker. This distinction clarifies the specific functions of brokers in the insurance marketplace and emphasizes the collaborative nature of the insurance industry where different parties handle different roles.

6. What type of coverage is typically excluded from surplus lines insurance?

- A. Coverage for high-risk businesses
- B. Coverage that is available from admitted insurers within the state**
- C. Coverage for international risks
- D. Coverage for standard home insurance

Surplus lines insurance is specifically designed to cover risks that admitted insurers in a state are not willing to underwrite. This includes high-risk businesses and specialized coverage needs that are not met by standard policies. However, if coverage is readily available from admitted insurers, it is not permissible to issue that coverage through a surplus lines insurer. This ensures that standard market capacity is utilized before turning to the surplus lines market, which is intended for unique, difficult-to-place risks. By excluding coverage that is available from admitted insurers, the surplus lines market focuses on insuring those risks that do not fit within the standard underwriting guidelines.

7. Which principle reinforces that ambiguities in insurance contracts should favor the policyholder?

- A. Conventional agreement
- B. Reasonable expectations**
- C. Good faith agreement
- D. Informed consent

The principle that reinforces the idea that ambiguities in insurance contracts should favor the policyholder is the doctrine of reasonable expectations. This doctrine holds that when an insurance policy language is not clearly defined, the interpretation should lean toward what the average policyholder would reasonably expect from their coverage. This approach helps protect policyholders, especially those who may not have the expertise to fully understand complex legal terminology or risks associated with specific policy stipulations. In essence, this principle is built on the understanding that insurance contracts are often more favorable to the insurer, who typically drafts the language used in these contracts. Therefore, if there's a disagreement or confusion regarding the policy terms, the interpretation that benefits the policyholder is favored to ensure fairness and equity in the contractual relationship. This doctrine is significant in the field of insurance because it establishes a balance between the insurer's and the insured's interests, aiming to ensure that policyholders receive the coverage they believed they were purchasing, thus reinforcing consumer trust in insurance practices.

8. What is an indemnity contract?

- A. An agreement for repayment regardless of circumstances
- B. A contract that voids coverage after a loss
- C. An agreement to pay on behalf of another under specific circumstances**
- D. A contract providing full compensation without limitations

An indemnity contract is designed specifically to provide financial protection by agreeing to compensate for a loss or damage incurred by another party under certain conditions. This means that the indemnifier agrees to reimburse or pay on behalf of the indemnified party when specific, agreed-upon events occur. The terms of the contract typically outline the circumstances that must arise for the indemnifier to have an obligation to fulfill the payment. In contrast, an agreement that promises repayment regardless of circumstances does not accurately reflect the nature of indemnity, which is contingent on specific situations. Similarly, a contract that voids coverage after a loss contradicts the fundamental principle of indemnity, which is meant to protect against losses rather than negate coverage after it occurs. Lastly, a contract providing full compensation without limitations is not characteristic of indemnity contracts, which usually involve defined coverage limits and conditions. The structured nature of indemnity aims to balance risks and responsibilities between the parties involved.

9. What is the purpose of a "policyholder notice" in surplus lines insurance?

- A. To inform about a policy renewal date
- B. To outline claims procedures
- C. To communicate the status of coverage from a non-admitted insurer**
- D. To provide updates on premium changes

The purpose of a "policyholder notice" in surplus lines insurance is to communicate the status of coverage from a non-admitted insurer. Surplus lines insurance is often placed with companies that are not licensed in the policyholder's state but are allowed to provide coverage due to the nature of the risks involved. This notice is critical because it ensures that the policyholder is aware that they are obtaining coverage from a non-admitted carrier, meaning that the insurer does not have the same regulatory oversight as admitted insurers. This is important as policyholders need to understand the implications of this status, including potential risks and the lack of state guaranty fund protections in the event of insurer insolvency. The other options do not reflect the specific role of the policyholder notice. While informing about policy renewal dates, outlining claims procedures, or providing updates on premium changes are important components of an insurance policy, they do not uniquely pertain to the requirement of disclosing the status and regulatory framework of non-admitted insurers in surplus lines insurance. Thus, the focus on communication regarding the status of coverage captures the essential purpose of the policyholder notice in this context.

10. What is Underwriting authority?

- A. The ability to set premium rates
- B. The scope of underwriting decisions requiring higher approval**
- C. The authority to approve claims directly
- D. The discretion allowed for making coverage determinations

Underwriting authority refers to the scope of underwriting decisions that require higher approval. This is a crucial aspect of the underwriting process, as it delineates the limits within which an underwriter can operate without needing to escalate decisions to a higher authority. In many insurance companies, different levels of underwriters have varying degrees of authority, which helps manage risk exposure and ensures that policies are issued appropriately. When underwriters are operating within their granted authority, they can approve risks, set premiums, and make coverage determinations within specific guidelines. However, when a situation exceeds their level of authority—often due to unusual risks, high premium amounts, or larger coverage limits—they must seek approval from a senior underwriter or manager. This structure helps maintain oversight, accountability, and consistency across the underwriting process. The other options mentioned do touch on important aspects of underwriting, such as premium setting, claims approval, and coverage determination. However, they do not encompass the unique definition of underwriting authority, which specifically relates to the framework of approval necessary for underwriting decisions.

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://louisianasurpluslines.examzify.com>

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

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