

# Texas Surplus Lines Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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**SAMPLE**

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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

- 1. What is a key responsibility of agents dealing with surplus lines?**
  - A. To charge lower premiums than competitors**
  - B. To ensure compliance with regulations**
  - C. To promote all insurance products equally**
  - D. To minimize communication with clients**
- 2. Can a Texas agent solicit business for a surplus lines insurer that is not eligible?**
  - A. Yes, if the client requests it**
  - B. No, only eligible surplus lines insurers can be approached**
  - C. Yes, but only after filing a report**
  - D. It depends on the type of insurance offered**
- 3. What can happen if a warranty is found to be false?**
  - A. The policy remains valid**
  - B. The contract can be voided**
  - C. The insurer must pay regardless**
  - D. The insured can renew without issues**
- 4. What type of companies are Stock Insurance Companies?**
  - A. Owned by policyholders who receive dividends**
  - B. Owned by stockholders who may receive dividends**
  - C. Unincorporated groups that insure each other**
  - D. Non-profit organizations providing mutual aid**
- 5. Which party generally holds the responsibility of cooperating in settling a loss?**
  - A. The agent**
  - B. The insurer**
  - C. The insured**
  - D. The beneficiary**

- 6. Which type of insurer is considered alien in the U.S.?**
- A. An insurer with headquarters in the U.S.**
  - B. An insurer based in one U.S. state**
  - C. An insurer domiciled outside the United States**
  - D. An insurer that operates in multiple U.S. states**
- 7. State government insurance programs typically include:**
- A. Social Security Insurance.**
  - B. Unemployment Insurance.**
  - C. Federal Deposit Insurance Corporation.**
  - D. National Flood Insurance Program.**
- 8. What is essential for a risk to be insurable according to the criteria provided?**
- A. It must be entirely predictable**
  - B. It must be ambiguous and unavoidable**
  - C. It must be outside of the insured's control**
  - D. It must involve multiple parties**
- 9. Who are exclusive agents responsible for?**
- A. Representing multiple insurance companies**
  - B. Marketing various products independently**
  - C. Representing a single insurance company or group under similar management**
  - D. Operating without a formal contract**
- 10. What must a risk be to be considered insurable?**
- A. Vague and unpredictable**
  - B. Definite as to time, cause, and location**
  - C. Highly complex and multifaceted**
  - D. Guaranteed to happen**

## **Answers**

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

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## **Explanations**

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**1. What is a key responsibility of agents dealing with surplus lines?**

- A. To charge lower premiums than competitors**
- B. To ensure compliance with regulations**
- C. To promote all insurance products equally**
- D. To minimize communication with clients**

Agents dealing with surplus lines have a crucial responsibility to ensure compliance with regulations. The surplus lines market exists to provide coverage for risks that standard insurance companies are unwilling or unable to insure. This market is heavily regulated to ensure that the underwriting practices, as well as the financial stability of surplus lines carriers, are sound and in line with legal standards. Agents must navigate both state and federal regulations to ensure that all transactions comply with the law. This includes ensuring that the surplus lines insurer is eligible to do business in the state and that the policies sold meet the necessary requirements. In addition to compliance, agents also need to maintain proper documentation and inform clients about their rights and the characteristics of surplus lines insurance, enhancing transparency in the process. This focus on compliance protects both the agents and their clients, ensuring that coverage is reliable and lawful.

**2. Can a Texas agent solicit business for a surplus lines insurer that is not eligible?**

- A. Yes, if the client requests it**
- B. No, only eligible surplus lines insurers can be approached**
- C. Yes, but only after filing a report**
- D. It depends on the type of insurance offered**

A Texas agent is prohibited from soliciting business for a surplus lines insurer that is not eligible. The surplus lines market is intended for insurers that meet specific criteria established under Texas law, ensuring they are financially stable and legitimately authorized to operate in the state. This regulation exists to protect consumers, as eligible surplus lines insurers must meet certain minimum standards. If an agent were to solicit business for a non-eligible insurer, it could expose clients to higher risks and undermine the integrity of the Texas insurance marketplace. The rule helps maintain a level of accountability and financial strength within the surplus lines industry, ensuring that only those insurers that comply with the regulatory framework can offer such policies in Texas. The focus on eligible insurers aims to ensure that clients are only provided options from companies that have met rigorous state standards, thereby protecting the interests of both the clients and the legal framework of the Texas insurance market.

### 3. What can happen if a warranty is found to be false?

- A. The policy remains valid
- B. The contract can be voided**
- C. The insurer must pay regardless
- D. The insured can renew without issues

When a warranty is found to be false, it is significant because warranties serve as promises made by the insured regarding certain conditions or facts that are material to the risk being insured. A warranty is a crucial part of the insurance contract, as it assures the insurer that the information provided is accurate and that the conditions stated in the warranty will be complied with. If a warranty is breached or found to be false, it can give the insurer the right to void the contract. Voiding the contract means that the insurance coverage is no longer in force from the inception of the policy, as though it never existed. This can have serious implications for the insured, as they may find themselves without coverage at a critical time. Therefore, the correct answer reflects the legal principle that a false warranty undermines the basis of the insurance contract, allowing the insurer to cancel it.

### 4. What type of companies are Stock Insurance Companies?

- A. Owned by policyholders who receive dividends
- B. Owned by stockholders who may receive dividends**
- C. Unincorporated groups that insure each other
- D. Non-profit organizations providing mutual aid

Stock Insurance Companies are typically owned by stockholders who invest in the company and expect to see a return on their investment through dividends, should the company be profitable. This structure allows stockholders to have a claim on corporate assets and profits, unlike policyholders in mutual insurance companies who are the owners but do not receive dividends from profits unless declared by the company. The distinction between stock insurance companies and other types is crucial. For instance, mutual insurance companies are owned by the policyholders themselves, who may receive dividends, but they operate under a different ownership structure focused on serving their members rather than generating profit for stockholders. Additionally, unincorporated groups and non-profit organizations provide services in ways that do not align with the stockholder model, where financial performance guides decision-making and profit distribution in the form of dividends. Thus, identifying that stock insurance companies are owned by stockholders provides clarity on their operational and financial structure.

**5. Which party generally holds the responsibility of cooperating in settling a loss?**

- A. The agent**
- B. The insurer**
- C. The insured**
- D. The beneficiary**

The insured typically bears the responsibility of cooperating in settling a loss because they are the party most directly affected by the loss. As the individual or entity that has suffered a loss, the insured has a vested interest in the claims process and ensuring that their claim is accurately assessed and resolved. The insured is required to provide the insurer with relevant information and documentation regarding the loss, which may include details such as the circumstances of the incident, evidence of the damage, and any other pertinent records. This cooperation is essential for the insurer to evaluate the claim fairly and determine the appropriate compensation. While the insurer is responsible for processing the claim and the agent plays a role in facilitating communication, it is ultimately the insured's responsibility to engage in the process actively. Beneficiaries, in this context, typically receive benefits from insurance policies but are not directly involved in the loss settlement with the insurer.

**6. Which type of insurer is considered alien in the U.S.?**

- A. An insurer with headquarters in the U.S.**
- B. An insurer based in one U.S. state**
- C. An insurer domiciled outside the United States**
- D. An insurer that operates in multiple U.S. states**

An alien insurer is defined as one that is domiciled outside of the United States. This means that the company is incorporated and primarily operates under the regulations of a foreign country. The classification of an insurer as alien is important in the context of insurance regulation and market participation in the U.S. insurance industry, as it influences how the company is licensed, the regulations it must adhere to, and its ability to operate within various states in the U.S. In this scenario, the other options do not fit the criteria for an alien insurer. An insurer with headquarters in the U.S. is considered domestic, while an insurer based in one U.S. state is classified as a local or domestic insurer as well. An insurer that operates in multiple U.S. states can also be classified as a national or regional insurer, but it does not fall into the "alien" category unless it is based outside the country. Therefore, the correct identification of an alien insurer as one domiciled outside the United States accurately reflects its designation within insurance terminology.

**7. State government insurance programs typically include:**

- A. Social Security Insurance.**
- B. Unemployment Insurance.**
- C. Federal Deposit Insurance Corporation.**
- D. National Flood Insurance Program.**

State government insurance programs often include Unemployment Insurance, which is designed to provide financial assistance to individuals who have lost their jobs through no fault of their own. This program is administered at the state level and is funded by state and federal payroll taxes collected from employers. The purpose of Unemployment Insurance is to help individuals maintain a basic standard of living while they seek new employment, thereby stabilizing the economy during periods of high unemployment. The other choices mentioned do not fit the criteria as state government insurance programs. Social Security Insurance is primarily a federal program providing retirement benefits and disability assistance rather than a state program. The Federal Deposit Insurance Corporation (FDIC) is also a federal entity that insures deposits at banks and savings institutions but does not fall under state government programs. The National Flood Insurance Program, while providing flood insurance, is a federal program intended to assist property owners in flood-prone areas rather than being administered by the states directly. Thus, Unemployment Insurance is the most suitable option for state government insurance programs.

**8. What is essential for a risk to be insurable according to the criteria provided?**

- A. It must be entirely predictable**
- B. It must be ambiguous and unavoidable**
- C. It must be outside of the insured's control**
- D. It must involve multiple parties**

For a risk to be insurable, it is essential that the risk is outside of the insured's control. This means that the event causing the risk must occur due to factors that are not manageable or influenced by the insured party. Insurers look for risks that can be objectively evaluated and for which the cause can be determined without the insured's interference. When risks are outside the insured's control, they align with the principles of insurability, where the insurer can predict the frequency and severity of losses based on statistical data. This allows insurers to establish premiums and reserves based on the likelihood of a covered event occurring. Moreover, if a risk were entirely predictable or manageable by the insured, there would be little need for insurance, as individuals would be able to avoid the risk altogether or mitigate it significantly. The concept of insurability relies on risks that can be pooled among many insureds, allowing for an equitable distribution of losses across a larger group. Hence, having multiple parties or making a risk ambiguous are not essential criteria; rather, the focus is on the uncontrollable nature of the risk itself.

## 9. Who are exclusive agents responsible for?

- A. Representing multiple insurance companies
- B. Marketing various products independently
- C. Representing a single insurance company or group under similar management**
- D. Operating without a formal contract

Exclusive agents are responsible for representing a single insurance company or a group of companies that are under similar management. This structure allows the agent to focus on the specific products and services offered by that insurance company, providing them with in-depth knowledge about these offerings and the company's overall philosophy. By representing only one company or a closely aligned group, exclusive agents can build strong, direct relationships with their clients, gaining trust and understanding their needs thoroughly. This specialization enhances their ability to tailor policies effectively and address the specific concerns of policyholders, as their expertise is tightly aligned with one insurer's products and underwriting guidelines. In contrast, agents who represent multiple insurance companies may lack this level of specialized knowledge and commitment to one insurer's products, which can affect their effectiveness in certain client interactions. Additionally, agents operating without a formal contract would generally not be considered as exclusive agents, as exclusivity typically relies on a formal agreement with the insurance provider they represent.

## 10. What must a risk be to be considered insurable?

- A. Vague and unpredictable
- B. Definite as to time, cause, and location**
- C. Highly complex and multifaceted
- D. Guaranteed to happen

For a risk to be considered insurable, it must be definite as to time, cause, and location. This means that the insurer can clearly identify when a loss may occur, the specific cause of the potential loss, and where it will happen. These characteristics allow insurers to assess the risk accurately and price the insurance policy appropriately. Defining the time frame allows for better risk evaluation, as certain risks may only manifest within specific periods. Knowing the cause provides clarity about what factors can trigger a claim, while the location means that the insurer can analyze geographical risks that may affect the likelihood of a loss, such as natural disasters or crime rates. On the contrary, risks that are vague and unpredictable lack the necessary clarity for proper underwriting, complex risks may involve too many variables for straightforward assessment, and guaranteed occurrences do not reflect the nature of insurable risks, as insurance functions on the basis of uncertainty rather than certainty.

## 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](mailto:hello@examzify.com).**

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

**<https://txsurpluslines.examzify.com>**

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