

Washington Surplus Lines Broker Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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- 1. How is a Treaty defined in terms of reinsurance?**
 - A. A casual agreement between two insurance parties**
 - B. An obligatory agreement between the ceding company and reinsurer**
 - C. A policy covering risks of multiple insurers**
 - D. A temporary arrangement for reinsurance**

- 2. Which form must be provided to the Commissioner to seek a waiver?**
 - A. Application for Waiver Form**
 - B. Insurance Coverage Form**
 - C. Letter to Commissioner**
 - D. Request for Exception**

- 3. What happens if a certificate is not renewed by the specified date?**
 - A. It remains active**
 - B. It expires**
 - C. It is automatically renewed**
 - D. It can be reactivated within 30 days**

- 4. What is the classification if the stated premium on a policy is incorrect?**
 - A. Minor Infraction**
 - B. Gross Misdemeanor**
 - C. Major Felony**
 - D. Misdemeanor**

- 5. What is the fine associated with filing incorrect premium declarations?**
 - A. \$250**
 - B. \$500**
 - C. \$750**
 - D. \$1000**

6. After the tax is due, how many days after will interest be applied?

- A. 30 days**
- B. 45 days**
- C. 61 days**
- D. 90 days**

7. True or False: An insurer can enter ceding commission from a reinsurer as an asset immediately on its balance sheet.

- A. True**
- B. False**
- C. Only after the reinsurance contract ends**
- D. Only if a loss occurs**

8. What criteria must an association meet to offer a bond?

- A. Exist for at least 3 years**
- B. Common membership and formed for a purpose other than obtaining a bond**
- C. Have at least 15 members**
- D. Must be a registered corporation**

9. Which entity writes the insurance risks in Lloyd's, with underwriters determining the terms?

- A. Syndicate**
- B. Members Agent**
- C. Managing Agent**
- D. Cover Holder**

10. A '_____' is a coverholder classified by Lloyd's as a service company.

- A. Risk Manager**
- B. Service Provider**
- C. Insurance Broker**
- D. Service Company**

Answers

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

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Explanations

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1. How is a Treaty defined in terms of reinsurance?

- A. A casual agreement between two insurance parties
- B. An obligatory agreement between the ceding company and reinsurer**
- C. A policy covering risks of multiple insurers
- D. A temporary arrangement for reinsurance

A treaty in the context of reinsurance is defined as an obligatory agreement between the ceding company and the reinsurer. This type of arrangement signifies a formal agreement where the ceding company agrees to cede a specified portion of its risks to the reinsurer. Unlike casual agreements or temporary arrangements that may lack formal obligations, a treaty establishes a binding legal framework outlining the responsibilities and terms under which risks are shared. It typically encompasses a range of policies or risks rather than being limited to individual transactions, thereby ensuring both parties are contractually obligated to adhere to the agreed-upon terms throughout the duration of the treaty. This characteristic provides stability and predictability in risk management for both the ceding company and the reinsurer.

2. Which form must be provided to the Commissioner to seek a waiver?

- A. Application for Waiver Form
- B. Insurance Coverage Form
- C. Letter to Commissioner**
- D. Request for Exception

To seek a waiver from the Commissioner, it is essential to provide a Letter to the Commissioner. This form of communication serves as a formal request that outlines the specific circumstances and reasons for which the waiver is being sought. It typically includes details pertinent to the situation and desired exceptions. Crafting a well-structured letter demonstrates professionalism and clarity, which is vital in formal proceedings involving regulatory authorities. While other options may seem relevant or useful, they do not fulfill the formal requirements set forth for requesting a waiver. For instance, an Application for Waiver Form is not specifically defined as the required document and may lead to confusion among applicants regarding the proper protocols. Similarly, an Insurance Coverage Form is related to policy details rather than waiver requests and therefore cannot be used for this purpose. Lastly, a Request for Exception, while it might convey intent, lacks the specificity and formality that a letter addressed to the Commissioner provides. Thus, the Letter to the Commissioner is not only appropriate but also aligns with regulatory expectations for such requests.

3. What happens if a certificate is not renewed by the specified date?

- A. It remains active
- B. It expires**
- C. It is automatically renewed
- D. It can be reactivated within 30 days

When a certificate is not renewed by the specified date, it expires. This means that the legal authority or validity that the certificate provided is no longer active, and the individual or entity must cease operations that require that certificate until it is renewed. Expiration often leads to a lapse in insurance coverage or the inability to perform certain activities legally until the necessary renewal procedures are completed. In many professional contexts, including licensing and insurance, the expiration of a certificate typically means that any protections or privileges granted by that certificate no longer apply. Therefore, a renewal process must be initiated to regain these benefits. This system ensures that only those who meet the current qualification standards are allowed to operate under that certification or license, contributing to maintaining safety and compliance within the industry.

4. What is the classification if the stated premium on a policy is incorrect?

- A. Minor Infraction
- B. Gross Misdemeanor**
- C. Major Felony
- D. Misdemeanor

The classification is considered a gross misdemeanor when the stated premium on a policy is incorrect. This classification reflects the significant severity associated with misrepresenting insurance premium information, which can lead to fraudulent activity or substantial financial risk for the insurer and the insured. In the insurance industry, accuracy in the premium declared is critical for risk assessment and underwriting processes. Misstating this information can impact the integrity of the insurance pool and the equitable distribution of rates among policyholders. Addressing this discrepancy with a gross misdemeanor classification allows regulatory bodies to impose stricter penalties, ensuring that brokers and agents maintain high ethical standards in underwriting practices. It serves as a deterrent to prevent inaccuracies and uphold the overall reliability of the insurance system. Less severe classifications, such as minor infractions or misdemeanors, would not appropriately reflect the seriousness of misrepresenting premium amounts, as they may not encompass the potential consequences tied to such inaccuracies in the context of financial responsibility and consumer trust in the insurance market.

5. What is the fine associated with filing incorrect premium declarations?

- A. \$250
- B. \$500**
- C. \$750
- D. \$1000

The fine associated with filing incorrect premium declarations is set at \$500. This applies when brokers fail to provide accurate information regarding the premiums they are declaring. This is an important aspect of compliance within the surplus lines market, as accurate premium reporting is essential for regulatory oversight and ensuring that the proper surplus lines taxes are collected and reported. Maintaining transparent and correct records helps promote fairness and accountability in the insurance industry. Understanding these regulations is critical for brokers to avoid penalties that could affect their business operations and relationships with insurers and clients.

6. After the tax is due, how many days after will interest be applied?

- A. 30 days
- B. 45 days
- C. 61 days**
- D. 90 days

In Washington, the application of interest on overdue taxes begins after a grace period following the due date of the tax. This grace period is specifically set at 61 days. Therefore, if the tax remains unpaid after this time, interest will start to accrue. Understanding this timeline is crucial for tax compliance, as any overdue taxes can lead to additional financial liabilities due to the interest applied. In this context, recognizing the significance of the 61-day period is necessary for effective tax planning and helps ensure timely payments to avoid these accruing interest charges.

7. True or False: An insurer can enter ceding commission from a reinsurer as an asset immediately on its balance sheet.

- A. True**
- B. False
- C. Only after the reinsurance contract ends
- D. Only if a loss occurs

The statement that an insurer can enter ceding commission from a reinsurer as an asset immediately on its balance sheet is true. In insurance accounting, ceding commission represents a contractual agreement where the reinsurer provides a commission to the primary insurer for transferring risk. This commission is typically related to the reinsurance premium and is intended to cover administrative costs and profit margins for the ceding insurer. Because the ceding commission is a recognized asset that reflects a future economic benefit, it can be recorded on the balance sheet as soon as the reinsurance agreement is in force and the ceding commission is established. This accounting treatment aligns with the principles of recognizing assets based on enforceable agreements and the expectation of receiving future benefits, as stipulated by relevant accounting standards. This makes it an immediate asset rather than one constrained by future events or conditions.

8. What criteria must an association meet to offer a bond?

- A. Exist for at least 3 years
- B. Common membership and formed for a purpose other than obtaining a bond**
- C. Have at least 15 members
- D. Must be a registered corporation

An association must have common membership and be formed for a purpose other than obtaining a bond to be eligible to offer a bond. This criterion ensures that the association is organized for legitimate reasons and has a cohesive identity that extends beyond just the financial arrangement of issuing a bond. The focus on purpose helps to differentiate genuine associations that serve the interests of their members from those that may form solely for financial gain through bond issuance. It reinforces the notion that the members are united by a common goal or interest, which promotes stability and accountability within the group. While the other criteria listed might have some significance in different contexts or regulatory stipulations, they do not specifically address the fundamental requirement regarding the purpose and nature of the association in relation to bond issuance.

9. Which entity writes the insurance risks in Lloyd's, with underwriters determining the terms?

- A. Syndicate**
- B. Members Agent
- C. Managing Agent
- D. Cover Holder

The correct answer is the syndicate. In Lloyd's of London, a syndicate is a group of investors or members who come together to pool their resources to underwrite insurance risks. Each syndicate operates under the supervision of a managing agent, who oversees the operations, marketing, and administrative aspects of the syndicate. Underwriters, who may be part of the syndicate, evaluate the risks and set the terms of coverage, including premiums and policy conditions. This structure allows for a diverse range of risks to be tackled collectively, pooling capital to share in any losses or profits incurred. While managing agents play a crucial role in the overall operation and management of the syndicate, they do not write the insurance risks themselves; they do facilitate the functions that allow the syndicate to operate effectively. Cover holders are authorized to enter into contracts of insurance on behalf of the syndicate but do not form the syndicate itself. Members' agents are responsible for representing the interests of individual members within a syndicate but do not have the underwriting authority. Thus, the syndicate is the fundamental entity that writes the insurance risks, making it the correct choice.

10. A '_____' is a coverholder classified by Lloyd's as a service company.

- A. Risk Manager**
- B. Service Provider**
- C. Insurance Broker**
- D. Service Company**

The term "Service Company" refers specifically to a coverholder that is designated by Lloyd's to perform certain functions related to the underwriting and servicing of policies on behalf of Lloyd's syndicates. Service companies typically have administrative and operational roles that facilitate the efficient handling of insurance policies, claims processing, and customer service tasks. Understanding the classification by Lloyd's is significant since only those companies that meet certain criteria and operational standards within Lloyd's framework can be recognized as service companies. These companies play a critical role in ensuring that the obligations of the syndicate are fulfilled while maintaining the integrity and reputation of the Lloyd's market. The other options, while related to functions within the insurance industry, do not capture the specific designation associated with Lloyd's. A risk manager is typically involved in identifying and mitigating risks for businesses and might not be a Lloyd's coverholder, while an insurance broker acts as an intermediary between clients and insurers but does not necessarily have the same service company designation as defined by Lloyd's. The term "service provider" can describe various entities in the insurance sector but is not specifically aligned with the Lloyd's classification of coverholders.

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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://washingtonsurpluslinesbroker.examzify.com>

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

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