

WASHINGTON SURPLUS LINES BROKER PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

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

<https://washingtonsurpluslinesbroker.examzify.com>



Copyright © 2026 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 accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

SAMPLE

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

SAMPLE

- 1. Where are Certificates and supporting documents sent?**
 - A. To the insured
 - B. To the local insurance office
 - C. To the WA SL Association
 - D. To the national insurance board
- 2. What does the Adjusted Liabilities to Liquid Assets ratio measure?**
 - A. The capability to handle policyholder claims
 - B. The collection of outstanding agent balances
 - C. The relationship between liabilities and liquid assets
 - D. The annualized income from the investment portfolio
- 3. What is the primary purpose of the FAIR plan?**
 - A. Provide insurance for luxury properties
 - B. Offer coverage to high-value homes
 - C. Insure properties in less desirable areas
 - D. Regulate home insurance prices
- 4. 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
- 5. Which financial measure reflects the economic health of an insurance company over a year?**
 - A. Liquidity Ratio
 - B. Gross Change in Policyholders' Surplus
 - C. Investment Yield Ratio
 - D. Profitability Ratio
- 6. What does FSA stand for in the context of insurance regulations?**
 - A. Financial Services Agency
 - B. Financial Security Authority
 - C. Financial Service Authority
 - D. Financial Standards Association

- 7. What is the surcharge if the renewal request is made after 60 days but before 12 months after the expiration date?**
- A. 25% of license fee
 - B. 50% of license fee
 - C. 100% of license fee
 - D. 200% of license fee
- 8. Which entity can grant reciprocity for a non-resident in relation to surplus lines?**
- A. NAIC
 - B. NRRA
 - C. Insurance Commissioner
 - D. Syndicate
- 9. What amount of bond must a surplus lines broker carry in Washington State?**
- A. \$10,000
 - B. \$50,000
 - C. \$20,000
 - D. \$100,000
- 10. What does a Two-Year Overall Operating Ratio below 100% signify?**
- A. Operating loss
 - B. Break-even performance
 - C. Operating profit
 - D. Increased administrative expenses

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Where are Certificates and supporting documents sent?

- A. To the insured
- B. To the local insurance office
- C. To the WA SL Association**
- D. To the national insurance board

In the context of surplus lines insurance within Washington state, the correct procedure entails that Certificates and supporting documents are sent to the Washington Surplus Lines Association (WA SL Association). This organization is responsible for overseeing surplus lines transactions, ensuring compliance with state laws, and facilitating communication between surplus lines brokers and state regulatory authorities. The WA SL Association plays a vital role in maintaining records associated with surplus lines insurance, including the required documentation for transactions. This helps ensure that all operations conform to state regulations and provides a centralized location for the collection and management of relevant data regarding surplus lines business in Washington. The other options do not align with the proper protocol for surplus lines documentation. While certificates and documents may be relevant to insured parties or necessary for local offices, the specific legal and regulatory framework mandates that they are submitted to the WA SL Association.

2. What does the Adjusted Liabilities to Liquid Assets ratio measure?

- A. The capability to handle policyholder claims
- B. The collection of outstanding agent balances
- C. The relationship between liabilities and liquid assets**
- D. The annualized income from the investment portfolio

The Adjusted Liabilities to Liquid Assets ratio primarily measures the relationship between an insurer's obligations (liabilities) and its readily available financial resources (liquid assets). This ratio is a critical indicator of an insurer's financial health, represented by its ability to meet short-term obligations and policyholder claims using liquid assets. By assessing how much liabilities can be covered by liquid assets, stakeholders can better understand the financial stability and solvency of the insurer. A higher ratio may indicate potential liquidity issues, where the company could struggle to meet its obligations, while a lower ratio suggests a stronger capability to cover its liabilities with available liquid resources. Overall, this ratio is a vital component in analyzing an insurer's financial resilience and operational effectiveness.

3. What is the primary purpose of the FAIR plan?

- A. Provide insurance for luxury properties
- B. Offer coverage to high-value homes
- C. Insure properties in less desirable areas**
- D. Regulate home insurance prices

The primary purpose of the FAIR (Fair Access to Insurance Requirements) plan is to provide insurance coverage to properties that are in areas where traditional insurance companies are unwilling to underwrite policies. This is particularly important for properties located in less desirable or high-risk areas, such as those prone to natural disasters, vandalism, or other risks that make them difficult to insure through standard channels. By facilitating access to insurance for these properties, the FAIR plan aims to ensure that owners are not left without coverage simply due to the overall risk associated with their location. It helps stabilize the insurance market by providing options for property owners who might otherwise struggle to find insurance. Additionally, it promotes equity in the insurance market, allowing for better risk management across various communities. The focus of the FAIR plan is not on luxury properties, high-value homes, or regulating insurance prices, as these aspects do not align with its foundational goal of improving access to insurance for properties in underserved markets.

4. 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.

5. Which financial measure reflects the economic health of an insurance company over a year?

- A. Liquidity Ratio
- B. Gross Change in Policyholders' Surplus
- C. Investment Yield Ratio
- D. Profitability Ratio**

The profitability ratio is fundamentally important because it reflects the overall financial performance and efficiency of an insurance company in generating profit relative to its revenue, assets, or equity over a specified time frame, usually a year. This metric encompasses various aspects of the company's financial health, including how well it manages expenses, premium income, and claims payouts, amongst other financial activities. By assessing the profitability ratio, stakeholders, including regulators, investors, and policyholders, can gain insight into how effectively the company is being run and whether it is positioned for long-term sustainability. A positive profitability ratio indicates that the company is generating more income than it is spending, which is essential for maintaining reserves, investing in growth, and ensuring that it can meet future liabilities to policyholders. In contrast, while other measures like the liquidity ratio or investment yield ratio provide valuable insights into aspects of the company's financial status—such as its short-term solvency or investment efficiency—they do not present a complete picture of economic health over a full year the way profitability ratios do.

6. What does FSA stand for in the context of insurance regulations?

- A. Financial Services Agency
- B. Financial Security Authority
- C. Financial Service Authority**
- D. Financial Standards Association

In the context of insurance regulations, FSA stands for Financial Service Authority. This organization was responsible for regulating the financial services industry, including insurance, in certain jurisdictions, notably in the UK until it was replaced by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The FSA played a crucial role in ensuring the financial markets operate in a fair, efficient, and transparent manner, which is vital for maintaining consumer trust and stability within the financial sector. Understanding this definition is essential for recognizing the impact of regulatory bodies on insurance practices and consumer protection within the industry. The FSA's functions included overseeing market conduct and authorizing firms to provide financial services, which directly influences how insurance entities operate and comply with relevant laws and regulations.

7. What is the surcharge if the renewal request is made after 60 days but before 12 months after the expiration date?

- A. 25% of license fee
- B. 50% of license fee
- C. 100% of license fee
- D. 200% of license fee**

The correct answer reflects the specific provisions governing the renewal of a surplus lines broker's license in Washington State. If a renewal request is submitted after 60 days but before 12 months following the expiration date, a surcharge is imposed as a penalty for the delay. According to Washington state regulations, this penalty is set at an amount equivalent to 200% of the license fee, which emphasizes the importance the state places on timely renewal applications. It acts both as a deterrent to late renewals and as a means of ensuring that brokers maintain their licensure status proactively. This sizable surcharge underscores the regulatory framework that aims to promote compliance and timely renewal to facilitate uninterrupted service and accountability within the surplus lines market. Understanding the consequences of late renewal is crucial for brokers, as it can significantly impact their operational capabilities and financial obligations.

8. Which entity can grant reciprocity for a non-resident in relation to surplus lines?

- A. NAIC
- B. NRRRA**
- C. Insurance Commissioner
- D. Syndicate

The National Risk Retention Act (NRRRA) is the correct answer because it establishes guidelines for non-resident surplus lines brokers and promotes uniformity across states in the regulation of surplus lines insurance. One of the key provisions of the NRRRA is that it allows states to grant reciprocity to non-resident brokers, meaning that if a broker is licensed in one state, they may not need to be licensed in other states to transact surplus lines business, provided that the other states have similar reciprocity agreements in place. This promotes efficiency and helps streamline the process for brokers working across state lines, making it easier for them to conduct business and ensuring that there is a level of consistency in how surplus lines are managed nationally. By facilitating this reciprocity, the NRRRA supports the surplus lines market and aids in maintaining competition and responsiveness to policyholder needs. In contrast, while the NAIC (National Association of Insurance Commissioners) provides recommendations and frameworks for insurance regulation, it does not have the authority to grant reciprocity directly. The Insurance Commissioner typically oversees the state's insurance regulations and licensing but acts within the parameters set forth by acts like the NRRRA. Syndicates, which are groups of individual underwriters that come together to share risk, do not grant reciprocity.

9. What amount of bond must a surplus lines broker carry in Washington State?

- A. \$10,000
- B. \$50,000
- C. \$20,000**
- D. \$100,000

In Washington State, a surplus lines broker is required to maintain a bond in the amount of \$20,000. This bond serves several purposes, primarily to protect consumers and ensure that brokers adhere to state regulations and ethical standards in their dealings. The bond provides a source of recovery for clients in the event of a broker's failure to fulfill their obligations, such as misappropriation of funds or other malpractices. By requiring this specific amount, the state establishes a baseline of financial responsibility that surplus lines brokers must uphold, helping maintain trust in the insurance market.

10. What does a Two-Year Overall Operating Ratio below 100% signify?

- A. Operating loss
- B. Break-even performance
- C. Operating profit**
- D. Increased administrative expenses

A Two-Year Overall Operating Ratio below 100% signifies that the company is generating an operating profit. The operating ratio is a financial metric used to assess the efficiency of a company's management by comparing operating expenses to net sales. When this ratio is below 100%, it indicates that the expenses incurred in operations are less than the revenue generated from those operations, thereby resulting in a profit. This is a positive indicator for the organization's financial health, showing that it is able to cover its operational costs while still earning a profit from its activities. In contrast, a ratio above 100% would indicate an operating loss, demonstrating that expenses exceed revenues.

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!

SAMPLE