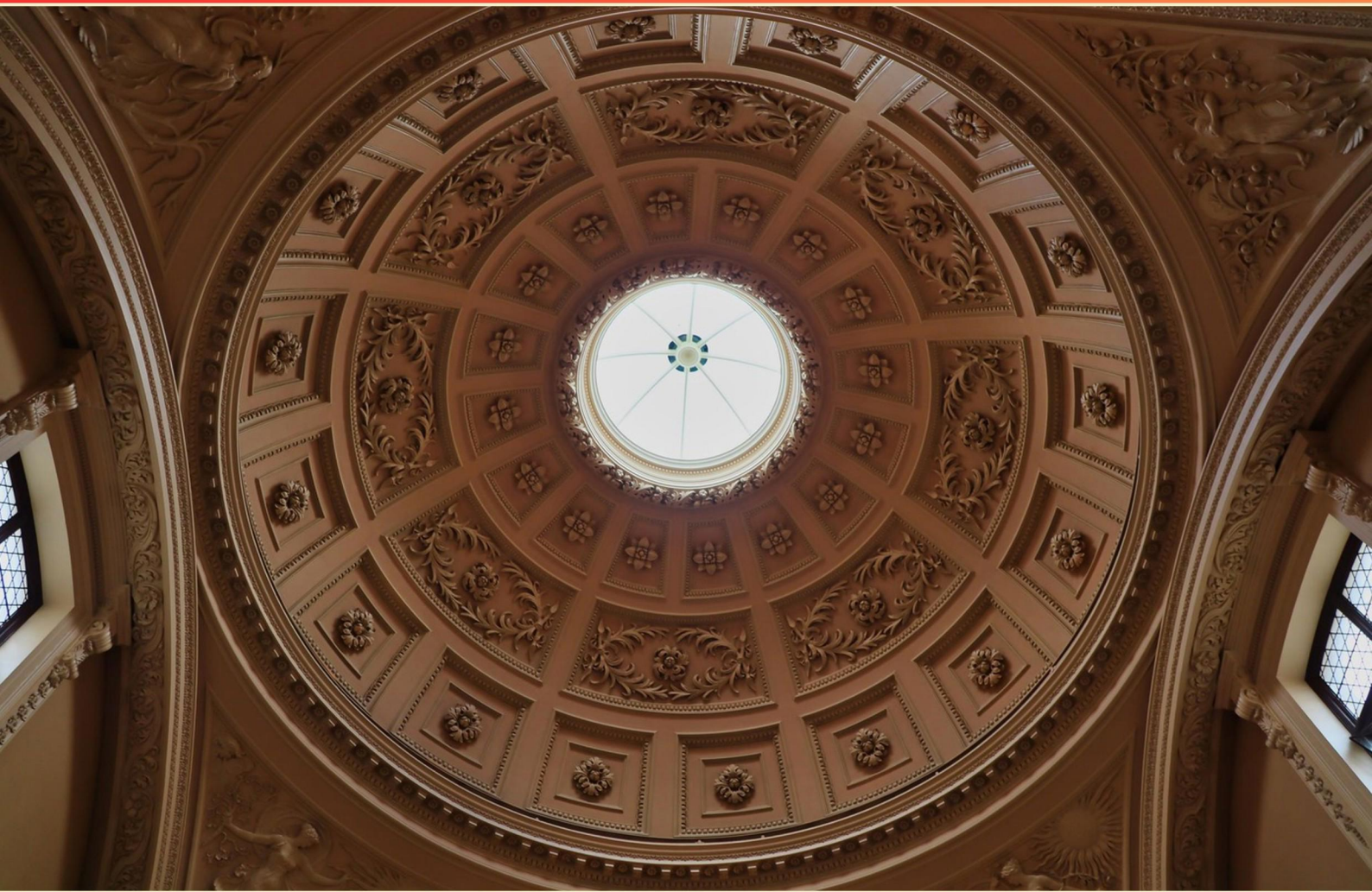


WASHINGTON SURPLUS LINES BROKER PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

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

<https://washingtonsurpluslinesbroker.examzify.com>



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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. 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
- 2. What must be considered if the company were to liquidate Par Value bonds?**
 - A. Yield rates
 - B. Amortization if the par value is less than current market value
 - C. Interest payments
 - D. Insurance valuations
- 3. What percentage range is considered for 'Adjusted Policyholders' Surplus'?**
 - A. Greater than -5% and less than 15%
 - B. Greater than -10% and less than 25%
 - C. Greater than 0% and less than 10%
 - D. Greater than 5% and less than 20%
- 4. Which of the following statements is FALSE regarding the requirement of a WA bond for a resident surplus lines broker?**
 - A. \$20,000 bond in favor of WA State
 - B. A maximum of \$100,000 guarantee
 - C. A bond in favor of the people of WA for a min of \$2,500
 - D. A \$200,000 guarantee letter
- 5. A '_____ _____' is a coverholder classified by Lloyd's as a service company.**
 - A. Risk Manager
 - B. Service Provider
 - C. Insurance Broker
 - D. Service Company

- 6. What statement about 'Stated Premium' as per 48.18.180 is TRUE?**
- A. Premium excludes all fees and charges.
 - B. Each violation is classified as a minor offense.
 - C. If the premium difference is less than \$10, notification is not required.
 - D. All of the above.
- 7. 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
- 8. In insurance accounting, how long is the typical collection period for agents' balances?**
- A. 30 days
 - B. 60 days
 - C. 90 days
 - D. 120 days
- 9. In the Lloyd's market, who conducts face-to-face negotiations with brokers regarding risks?**
- A. Managing Agents
 - B. Members
 - C. Underwriters
 - D. Service Companies
- 10. True or False: Policy limits are refreshed when tail coverage is purchased.**
- A. True
 - B. False
 - C. Depends on the insurer
 - D. N/A

Answers

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

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Explanations

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1. 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.

2. What must be considered if the company were to liquidate Par Value bonds?

- A. Yield rates
- B. Amortization if the par value is less than current market value**
- C. Interest payments
- D. Insurance valuations

When a company liquidates par value bonds, one of the primary considerations is the amortization process, particularly if the par value of the bonds is less than their current market value. This situation arises when bonds are sold at a premium or discount relative to their face value. In the event of liquidation, it is important to adjust the book value of the bonds to reflect their current market value accurately. If the par value is less than the current market value, the bond must be amortized to account for the difference, typically recognizing a gain or loss on the sale. This process ensures that financial statements accurately represent the economic reality of the transaction. Additionally, understanding this aspect is crucial for determining how the bonds will impact the company's financial standing and obligations during the liquidation process. Thus, focusing on amortization reflects a thorough understanding of bond valuation and accounting practices that are essential in scenarios involving bond liquidation.

3. What percentage range is considered for 'Adjusted Policyholders' Surplus'?

- A. Greater than -5% and less than 15%
- B. Greater than -10% and less than 25%**
- C. Greater than 0% and less than 10%
- D. Greater than 5% and less than 20%

The concept of 'Adjusted Policyholders' Surplus' plays a crucial role in assessing the financial health and stability of insurance companies. The definition establishes a benchmark for the financial cushion that policyholders have in the insurance sector, reflecting the company's ability to meet its obligations and manage risk effectively. The percentage range considered appropriate signifies a threshold where the company is neither excessively undercapitalized nor overcapitalized. A range exceeding -10% and less than 25% indicates that the insurer maintains a reasonable level of surplus relative to its liabilities. This allows for a range of financial performance while still ensuring that potential risks are adequately covered, supporting both operational effectiveness and consumer confidence. Understanding this range is essential for those involved in surplus lines business, as it provides insight into the solvency and operational stability of insurers engaging in surplus lines business, which often involve higher risk compared to standard lines of insurance. This awareness is paramount when evaluating the financial strength of potential markets for placement of insurance coverage.

4. Which of the following statements is FALSE regarding the requirement of a WA bond for a resident surplus lines broker?

- A. \$20,000 bond in favor of WA State
- B. A maximum of \$100,000 guarantee
- C. A bond in favor of the people of WA for a min of \$2,500
- D. A \$200,000 guarantee letter**

In the context of the requirements for a Washington resident surplus lines broker, it is essential to understand the bond requirements set by the state. The statement about needing a \$200,000 guarantee letter is false because the requirement for a resident surplus lines broker in Washington is a \$20,000 bond in favor of the state, as specified by the legislation. The bond serves as a financial guarantee that the broker will comply with the laws and regulations governing surplus lines insurance in Washington. Additionally, there are provisions for various bonds and guarantees, including a minimum guarantee amount that may be referenced but does not extend to a \$200,000 guarantee letter, which is simply not part of the requirements. This highlights the state's emphasis on ensuring that brokers have a reliable financial backing, adequately protecting both consumers and the state itself without necessitating an excessively high guarantee.

5. 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.

6. What statement about 'Stated Premium' as per 48.18.180 is TRUE?

- A. Premium excludes all fees and charges.
- B. Each violation is classified as a minor offense.
- C. If the premium difference is less than \$10, notification is not required.**
- D. All of the above.

The true statement regarding 'Stated Premium' as defined in Washington's law is that if the premium difference is less than \$10, notification is not required. This provision is important as it helps streamline communication in transactions where minor discrepancies in premium amounts occur. By setting a threshold below which notifications are unnecessary, it reduces administrative burden on both brokers and insurers while still maintaining compliance with regulatory requirements. This regulation encourages brokers to handle minor differences in premium without the need for formal notifications, which can save time and resources. It reflects an understanding that not all premium differences warrant significant administrative response, especially when the variations are minimal and unlikely to impact the overall integrity of the transaction or the insured's coverage. The other statements in the context do not align with the regulations as accurately or are not applicable under the same section of the law regarding 'Stated Premium.' Thus, option C stands out as the correct answer reflecting a specific operational detail relevant to surplus lines brokers practicing in Washington.

7. 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.

8. In insurance accounting, how long is the typical collection period for agents' balances?

- A. 30 days
- B. 60 days
- C. 90 days**
- D. 120 days

In insurance accounting, the typical collection period for agents' balances is around 90 days. This time frame allows insurers to effectively manage and expect payments from agents who are responsible for collecting premiums from policyholders. A 90-day collection period is standard because it provides sufficient time for agents to collect funds, process the payments, and remit them to the insurance company. This period also aligns with the typical cash flow cycles within the insurance industry, where premiums may be collected in installments or after certain billing periods. It establishes a balance between allowing agents enough time to fulfill their collection responsibilities while ensuring the insurance company can maintain its financial operations without significant delays in cash flow. Understanding this period is crucial for effectively managing accounts receivable, as it helps companies forecast their cash flow and liquidity needs. It is also important for evaluating an agent's performance and the efficiency of the collection process.

9. In the Lloyd's market, who conducts face-to-face negotiations with brokers regarding risks?

- A. Managing Agents
- B. Members
- C. Underwriters**
- D. Service Companies

In the Lloyd's market, underwriters are the individuals who conduct face-to-face negotiations with brokers regarding risks. Their primary role involves assessing and pricing insurance risks, which requires direct interaction with brokers to understand the details of the risks being presented. Underwriters possess the expertise necessary to evaluate the insurability of specific risks and to determine the terms and conditions of policies. This negotiation process is crucial, as it allows for a clear communication of the broker's needs and the underwriter's considerations, fostering a more tailored approach to risk management and insurance coverage. The relationship between brokers and underwriters is integral to the success of transactions within the Lloyd's market, as brokers represent the interests of their clients while underwriters aim to balance those interests with the financial viability of the risks accepted. While managing agents oversee the operations of syndicates and members are the individuals or entities that provide capital and share in the profits and losses, it is primarily the underwriters who engage in the direct negotiation process when determining coverage for specific risks. Service companies, on the other hand, provide support services but are not directly involved in negotiations regarding risk assessment.

10. True or False: Policy limits are refreshed when tail coverage is purchased.

- A. True
- B. False**
- C. Depends on the insurer
- D. N/A

When tail coverage is purchased, it is designed to provide an extension of coverage for claims that arise from incidents that occurred during the policy period but were reported after the policy has expired. However, the original policy limits do not get refreshed or reinstated. Instead, the tail coverage operates within the original policy limits that were in place at the time of the primary coverage. This means that if there were claims made, they would still be subject to the limits that were previously established, and tail coverage is simply extending the time frame in which claims can be made. This understanding is crucial in evaluating the implications of tail coverage, particularly for professionals in fields like healthcare, where claim reporting can often extend beyond the actual coverage period.

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:

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

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