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39	A	B	C	D	E

PRACTICE QUESTIONS

Utah Insurance

1721

Surplus Lines Producer Exam

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

Before you begin

What this is

9 practice questions for Utah Insurance 1721, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, 1721
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1

SINGLE CHOICE

Under the NAIC Non-Admitted Insurance Model Act (#4), surplus line insurance may be placed with an unauthorized insurer only after the producing broker has done which of the following?

- ☐ A Obtained prior written approval from the insured's primary commercial insurer
- ☒ B Made a diligent effort to place the coverage with admitted insurers and maintained documentation of that effort
- ☐ C Filed the policy form with the state insurance department for review
- ☐ D Received certification from the insurer that the risk is uninsurable in the admitted market

ANSWER B

WHY The cornerstone of surplus lines regulation is the diligent search requirement (also called the diligent effort requirement). Under the NAIC Non-Admitted Insurance Model Act #4, the surplus lines producer must make a good-faith effort to place the risk with admitted (authorized) carriers before placing it with a non-admitted insurer, and must document that effort. Options A, C, and D describe requirements that are not part of the standard diligent search process.

QUESTION 2

SINGLE CHOICE

A surplus lines producer in Utah wishes to export a risk to an unauthorized insurer. Which of the following is required to be filed with the Utah Insurance Department?

- ☐ A The insured's signed waiver of all policyholder rights
- ☒ B An affidavit or other documentation evidencing the diligent search of the admitted market
- ☐ C The unauthorized insurer's annual financial statement certified by a Utah CPA
- ☐ D A copy of the producing broker's personal surplus lines license

ANSWER B

WHY When exporting a risk to a non-admitted (unauthorized) insurer, the surplus lines producer must file evidence of the diligent search of the admitted market with the Utah Insurance Department. This is typically done via an affidavit or comparable documentation. Waivers of policyholder rights (A) and CPA-certified annual financial statements from the insurer (C) are not standard export requirements, and the broker's own license copy (D) is not what's filed for an export transaction.

QUESTION 3

SINGLE CHOICE

The NAIC publishes the Quarterly Listing of Alien Insurers maintained on the Quarterly Listing Notice. For an alien insurer to be eligible to receive surplus lines business in most U.S. jurisdictions, the insurer must appear on which of the following listings?

- ☒ **A** The NAIC Quarterly Listing of Alien Insurers (maintained by the NAIC International Insurance Department)
- ☐ **B** The A.M. Best List of Approved Foreign Insurers
- ☐ **C** The state's domestic insurer registry
- ☐ **D** The Federal Insurance Administration's approved reinsurer list

ANSWER A

WHY Alien insurers (those domiciled outside the U.S.) must appear on the NAIC's Quarterly Listing of Alien Insurers in order to be considered eligible to accept surplus lines business in most U.S. states, including Utah. While A.M. Best ratings are commonly used to establish financial strength of insurers, they are not the eligibility listing referenced in the Model Act. The domestic insurer registry (C) covers U.S. insurers, and (D) refers to federal reinsurance listings.

QUESTION 4 SINGLE CHOICE

In most states that have adopted a surplus lines tax based on the NAIC Non-Admitted Insurance Model Act, the premium tax on surplus lines policies is calculated on which of the following?

- ☐ A The insurer's gross surplus lines premium less return premiums
- ☒ B The gross premium charged by the unauthorized insurer, with no deductions for commissions or premiums returned
- ☐ C Only the net premium after deducting producer commissions
- ☐ D The insured's annualized payroll exposure for the policy term

ANSWER B

WHY Under the NAIC Non-Admitted Insurance Model Act, the surplus lines premium tax is generally calculated on the gross premium charged by the unauthorized insurer, without deductions for commissions returned. The full gross premium is the tax base (subject to any applicable state-specific rate, such as Utah's 4.25% non-admitted premium tax). Return premiums may result in a tax credit/refund but are not netted against the gross when calculating the original tax owed.

QUESTION 5 SINGLE CHOICE

A surplus lines producer in Utah must hold which of the following to legally transact surplus lines insurance in the state?

- ☒ A A general property and casualty producer license with a surplus lines qualification, in addition to a surplus lines license issued by the Utah Insurance Department
- ☐ B Only a resident property and casualty producer license, with no additional endorsement required
- ☐ C A federal surplus lines permit issued by the U.S. Treasury Department
- ☐ D A bail bond agent license endorsement

ANSWER A

WHY In Utah, as in most states, a person must hold both a property/casualty producer license AND a separate surplus lines license (or surplus lines qualification) issued by the Utah Insurance Department to transact surplus lines business. There is no federal surplus lines permit (C) — surplus lines regulation is exclusively a state matter under the McCarran-Ferguson Act. A bail bond endorsement (D) is unrelated.

QUESTION 6

MULTIPLE CHOICE

Which of the following are generally required as part of the diligent search of the admitted market before placing a risk in the surplus lines market? (Choose two.)

- ☒ **A** Contacting a reasonable number of admitted insurers that typically write the type of coverage involved
- ☒ **B** Maintaining a written record of the insurers contacted and their declinations or non-responses
- ☐ **C** Obtaining the insured's notarized statement that they will never seek coverage in the admitted market
- ☐ **D** Filing a federal antitrust waiver with the U.S. Department of Justice

ANSWER A - B

WHY The diligent search requires the surplus lines producer to (A) contact a reasonable number of admitted insurers who customarily write the type of coverage involved, and (B) keep written documentation of the insurers contacted and their declinations or non-quotes. A notarized statement from the insured waiving future admitted-market coverage (C) is not a standard requirement, and there is no federal antitrust waiver filing (D) required for surplus lines placements.

QUESTION 7

SINGLE CHOICE

Which of the following best describes the typical characteristic of a risk that is eligible for placement in the surplus lines market?

- ☐ A A risk that is competitive in price and offered by many admitted insurers at standard rates
- ☒ B A risk that requires unusual or specialized coverage, has high hazard characteristics, or otherwise does not readily fit standard admitted-market underwriting
- ☐ C A risk that is automatically assigned by the state insurance department to a designated insurer of last resort
- ☐ D A risk covered by a federal crop insurance program

ANSWER B

WHY Surplus lines is designed to provide a market for risks that are unusual, hazardous, or specialized in nature and that licensed admitted insurers are unwilling to write at standard rates or terms. Such risks may involve unique exposures, high loss potential, or non-standard subject matter. Options A (competitive standard risk) is the opposite of surplus lines; C describes assigned risk plans/fair plans; and D describes federal crop insurance, a separate program.

QUESTION 8

SINGLE CHOICE

Under the NAIC Non-Admitted Insurance Model Act, a foreign (non-domiciled U.S.) insurer is generally considered an eligible surplus lines insurer if it meets which of the following conditions?

- ☒ **A** It is authorized to write the same lines of business in its state of domicile as those it proposes to write on a surplus lines basis
- ☐ **B** It is domiciled in the same state where the insured risk is located
- ☐ **C** It maintains a federal insurance charter from the U.S. Treasury
- ☐ **D** It has been in business for at least 50 years

ANSWER A

WHY Under the Model Act, a non-admitted insurer is eligible for surplus lines only if it is authorized to write the type of insurance involved in its state of domicile. Surplus lines eligibility is not restricted to insurers domiciled in the insured's state (B) — that's the opposite of how surplus lines works. There is no federal insurance charter (C), and no general 50-year operational requirement (D); minimum capital, surplus, and experience standards are used, but 50 years is not the threshold.

QUESTION 9

MULTIPLE CHOICE

Which of the following are typical required disclosures in a surplus lines policy as required by the NAIC Non-Admitted Insurance Model Act? (Choose two.)

- ☒ **A** A statement that the insurer is not licensed in the state and is not subject to the state's rate and form filing requirements
- ☒ **B** The producer's surplus lines license number
- ☐ **C** A statement that the insured has automatic free-look cancellation rights identical to admitted-market policies
- ☐ **D** A statement that the insured's policy proceeds are guaranteed by the state insurance guaranty association

ANSWER A • B

WHY Standard required disclosures on surplus lines policies include (A) a clear notice that the insurer is not licensed in the state and so is not subject to the state's rate/form review, and (B) the surplus lines producer's license identification. Free-look rights identical to admitted policies (C) are not guaranteed, and policy proceeds are NOT backed by the state guaranty association (D) — in fact, surplus lines policies typically must explicitly state that guaranty fund coverage does not apply, which makes D clearly wrong.