

Texas Property and Casualty Insurance

Practice Test

March 30, 2026

Time limit: 150 minutes

Online practice: californiacerts.com/exams/tx-property-casualty-insurance/practice

Exam overview: californiacerts.com/exams/tx-property-casualty-insurance

Solution key: <https://californiacerts.com/resources/pdfs/tx-property-casualty-insurance/tx-property-casualty-insurance-practice-solution.pdf>

1. Insurable interest in property insurance must exist:
 - A. At the time the policy is renewed
 - B. At the time the premium is paid
 - C. At the time the policy is applied for
 - D. At the time of loss

2. Under a PAP, "Part C — Uninsured Motorist" coverage applies when:
 - A. The insured's vehicle is stolen by an uninsured driver
 - B. The insured is injured as a pedestrian by any vehicle
 - C. The insured is at fault and the other driver has no insurance
 - D. The insured is injured by a driver with no liability insurance or a hit-and-run driver

3. A property insured for \$200,000 replacement cost has an 80% coinsurance requirement. The property's replacement cost is \$300,000. A \$60,000 loss occurs. How much does the insurer pay (ignoring deductible)?
 - A. \$48,000
 - B. \$40,000
 - C. \$50,000
 - D. \$60,000

4. An "occurrence" policy provides coverage for:
 - A. Losses that are reported and paid within the same policy year
 - B. Losses reported during the policy period regardless of when they occurred
 - C. Losses caused by a single event only, not ongoing conditions
 - D. Losses that occur during the policy period regardless of when the claim is filed

5. A stock insurance company is owned by:
 - A. The state insurance department
 - B. Its shareholders
 - C. Its policyholders
 - D. A reinsurance pool

6. A "cancellation" of an insurance policy initiated by the insurer during the policy period requires:
 - A. 30 days notice for all cancellations regardless of reason
 - B. No advance notice is required for insurer-initiated cancellations
 - C. 10 days for nonpayment; 30 days for other reasons within first 60 days;

- 60 days for
policies in force over 60 days
D. 60 days notice for all mid-term cancellations
7. An "extended reporting period" (tail coverage) on a claims-made policy:
A. Extends the time to report claims after the policy expires for occurrences during the policy period
B. Extends the policy period for new occurrences after expiration
C. Automatically renews the policy for an additional term
D. Provides coverage for claims filed before the policy inception date
8. Which of the following is covered under the "personal injury" portion of a CGL?
A. Property damage caused by the insured's products
B. Medical expenses of injured customers
C. False arrest, libel, and slander
D. Bodily injury from a slip and fall on business premises
9. An "occurrence" trigger for property insurance means:
A. The loss and claim must both occur during the policy period
B. Coverage only applies if the loss is reported within 30 days
C. The claim must be filed during the policy period
D. The loss occurred during the policy period, regardless of when the claim is filed
10. The law of large numbers in insurance means:
A. Smaller risks are pooled separately from larger risks
B. As similar exposure units increase, actual loss experience approaches predicted loss experience
C. Larger losses are more common than smaller losses
D. The insurer must pay all claims regardless of premium collected
11. A commercial property policy's "debris removal" coverage pays for:
A. The cost to rebuild the structure after a total loss
B. Emergency expenses incurred immediately after a loss
C. The cost of temporary repairs to protect property
D. The cost to remove debris of covered property following a covered loss
12. The "protective safeguards" endorsement may suspend coverage if:
A. The insured fails to pay premium on time
B. The insured fails to maintain required fire protection systems and a loss occurs
C. The insured changes the use of the property
D. The property is vacant for more than 30 days
13. Which of the following is an example of a "physical hazard"?
A. A tangible condition such as faulty wiring or icy sidewalks that increases the chance of loss
B. The tendency to be careless because of having insurance
C. A misrepresentation on an insurance application

D. An insured who intentionally causes a loss

14. The "medical payments" coverage in a CGL policy:

- A. Pays medical expenses of injured third parties regardless of fault as a goodwill coverage
- B. Requires proof of the insured's negligence before paying
- C. Covers the insured's own medical expenses after an accident
- D. Pays only after the insured's health insurance is exhausted

15. Under a commercial property policy, the insured's duty to provide a "proof of loss" requires:

- A. Notify the mortgagee before filing any claim
- B. File a police report within 24 hours of any loss
- C. Submit a sworn statement detailing the loss circumstances and amount within a specified time
- D. Hire a licensed public adjuster to document the loss

16. The "claims-made" form CGL policy covers claims:

- A. For all claims regardless of when the occurrence took place
- B. Any time for occurrences during the policy period regardless of when claimed
- C. Only for claims filed within 30 days of the occurrence
- D. First made during the policy period for occurrences after the retroactive date

17. Which of the following BEST describes "agreed value" coverage?

- A. Coverage that applies only to agreed-upon perils
- B. Coverage that increases the policy limit after a total loss
- C. Coverage that pays replacement cost on a blanket basis
- D. Coverage that suspends the coinsurance clause with a pre-agreed value

18. The "replacement cost" loss settlement method pays:

- A. The original purchase price of the damaged property
- B. The cost to repair or replace with new materials of like kind and quality without deducting depreciation
- C. The replacement cost minus applicable depreciation
- D. The fair market value at the time of loss

19. An insurance policy is considered a contract of adhesion because:

- A. It guarantees equal bargaining power between insurer and insured
- B. It allows the insured to modify coverage terms at any time
- C. It requires both parties to negotiate every policy term
- D. It is drafted entirely by the insurer and ambiguities are construed against the insurer

20. Under the commercial auto policy, "physical damage" coverage includes:

- A. Liability for bodily injury and property damage to others
- B. Collision and other than collision (comprehensive) coverage
- C. Medical payments for the driver and passengers

D. Uninsured motorist bodily injury coverage

21. Under Texas workers compensation, "temporary total disability" (TTD) benefits pay:

- A. 100% of the worker's average weekly wage
- B. 70% of the worker's average weekly wage
- C. 50% of the worker's average weekly wage
- D. A fixed statutory amount set by the DWC

22. A "professional liability" policy (E&O) covers:

- A. Bodily injury caused by professional tools or equipment
- B. All liability claims against licensed professionals
- C. Property damage at the professional's office
- D. Claims arising from negligent acts, errors, or omissions in the rendering of professional services

23. Under a commercial auto policy, "uninsured motorist" (UM) coverage pays when:

- A. The insured collides with a vehicle owned by a government entity
- B. The insured's vehicle is stolen by an uninsured person
- C. The insured is at fault in an accident with an uninsured driver
- D. The insured is injured by a driver who has no liability insurance

24. The "additional living expenses" (ALE) coverage in a homeowners policy pays for:

- A. The full cost of a replacement home while repairs are made
- B. Lost income if the insured cannot work due to property damage
- C. Additional costs to maintain normal living standard when home is uninhabitable after a covered loss
- D. The cost to repair or replace damaged personal property

25. Under a CGL policy, "personal and advertising injury" includes:

- A. Bodily injury from slips and falls on business premises
- B. Injuries to employees during the course of employment
- C. Property damage caused by the insured's products
- D. Libel, slander, false arrest, wrongful eviction, and copyright infringement in advertising

26. Which of the following statements about insurance policy exclusions is correct?

- A. Exclusions remove specific perils, property, or situations from coverage granted in the insuring agreement
- B. Exclusions expand coverage beyond the insuring agreement
- C. Exclusions are optional provisions the insured may waive
- D. Exclusions only apply to commercial policies, not personal lines

27. Under the Texas Insurance Code, an insurer must give how many days notice to cancel a policy for nonpayment of premium?

- A. 60 days
- B. 30 days
- C. 10 days

D. 5 days

28. The "Causes of Loss — Special Form" excludes which of the following?

- A. Collapse and water damage from plumbing
- B. Earth movement, flood, war, and nuclear hazard
- C. Fire, windstorm, and hail
- D. Theft, vandalism, and malicious mischief

29. The term "actual cash value" (ACV) is BEST defined as:

- A. The cost to replace property with new materials of like kind and quality
- B. Replacement cost minus depreciation, reflecting the property's fair market value at time of loss
- C. The appraised value set at policy inception
- D. The original purchase price of the property

30. An "inland marine" policy is MOST likely used to cover:

- A. Property in transit or mobile property such as contractor equipment and fine arts
- B. Liability for injuries occurring on business premises
- C. Employee dishonesty and theft
- D. Real property permanently attached to land

31. The Texas FAIR Plan provides:

- A. Health insurance for uninsurable applicants
- B. Auto insurance for drivers rejected by all admitted carriers
- C. Basic property insurance to applicants who cannot get coverage in the voluntary market
- D. All lines of insurance for high-risk applicants statewide

32. The "fellow employee" exclusion in a workers comp policy means:

- A. Bars coverage for pre-existing conditions
- B. Excludes injuries caused by the employee's own negligence
- C. Prevents the employer from recovering overpaid benefits
- D. Prevents an injured worker from suing a coworker under the employer's workers comp policy

33. A "binder" in insurance provides:

- A. A written policy endorsement modifying existing coverage
- B. A temporary agreement providing immediate coverage until a formal policy is issued
- C. A premium financing arrangement for new policies
- D. Permanent coverage that cannot be cancelled

34. Which of the following would NOT be covered under a standard commercial property policy?

- A. Company-owned automobiles
- B. Business furniture and equipment
- C. Inventory and stock
- D. Tenant improvements made by the insured

- 35.** The "care, custody, or control" exclusion in a CGL policy excludes:
- A. Property in the insured's care, custody, or control
 - B. Property of employees while at the workplace
 - C. Property owned by the insured at any location
 - D. Property damage caused intentionally by the insured
- 36.** Which type of insurer is owned by its policyholders?
- A. A mutual company
 - B. A surplus lines carrier
 - C. A captive insurer
 - D. A stock company
- 37.** The "products-completed operations" hazard under a CGL covers:
- A. Bodily injury or property damage from products after leaving the insured's control or from completed work
 - B. Injuries to employees working on the insured's products
 - C. Damage to the insured's own products during manufacturing
 - D. Liability for product recalls and withdrawal costs
- 38.** Under the Commercial Property Coverage Form, "extra expense" coverage pays for:
- A. Additional costs above normal expenses to continue operations after a covered loss
 - B. The total revenue lost during a shutdown
 - C. The cost of the physical repairs to the building
 - D. The cost to hire extra staff during repairs
- 39.** The Commercial Property Building and Personal Property Coverage Form (CPP) covers which of the following?
- A. Land and outdoor property
 - B. The building, business personal property, and personal property of others in the insured's care
 - C. Money and securities without limit
 - D. Vehicles and aircraft owned by the business
- 40.** Which of the following is typically excluded from commercial property coverage?
- A. Windstorm damage
 - B. Earthquake damage
 - C. Theft
 - D. Fire damage
- 41.** Under the commercial property policy, "loss of rents" coverage protects:
- A. Tenants against increases in rent after a covered loss
 - B. Business owners against lost profits from market downturns
 - C. Property owners against lost rental income when a covered loss makes premises untenable
 - D. Lenders against mortgage payment defaults after a loss
- 42.** A "nonsubscribing" employer in Texas:
- A. Can limit employee injury awards to a fixed statutory amount
 - B. Is exempt from all workplace injury lawsuits
 - C. Loses exclusive remedy protection and faces unlimited tort liability; cannot use negligence defenses
 - D. Must pay workers comp benefits through a state fund

- 43.** A "liquor liability" endorsement is needed when:
- A. The insured is in the business of selling, serving, or furnishing alcoholic beverages
 - B. The insured serves alcohol at a company holiday party
 - C. The insured's employees drink alcohol on premises
 - D. The insured sells alcohol at retail as a minor part of operations
- 44.** Which of the following BEST defines the principle of indemnity?
- A. The insured receives a fixed benefit regardless of actual loss
 - B. The insured is restored to the same financial position as before the loss, no better, no worse
 - C. The insurer pays full replacement cost regardless of depreciation
 - D. The insurer profits from every policy that does not result in a claim
- 45.** Which of the following is NOT a characteristic of an insurance contract?
- A. Bilateral
 - B. Adhesion
 - C. Conditional
 - D. Aleatory
- 46.** Under a CGL policy, the "per occurrence" limit applies to:
- A. All damages paid during the entire policy period
 - B. Only the first claim filed in the policy period
 - C. All claims by a single claimant during the policy period
 - D. All damages arising from any one occurrence
- 47.** The "employers liability" coverage in a workers comp policy protects the employer against:
- A. Medical expenses not covered by the workers comp policy
 - B. Fines and penalties imposed by the Division of Workers Compensation
 - C. Suits by injured employees or their families outside the workers comp exclusive remedy
 - D. All workers comp claims filed against the employer
- 48.** A Texas resident who obtains an insurance license in another state and moves to Texas must:
- A. Apply for a Texas resident license within 90 days of establishing Texas residency
 - B. Continue operating under their out-of-state license for up to one year
 - C. Immediately surrender all licenses until Texas residency is established
 - D. Pass the Texas exam again regardless of prior licensure
- 49.** Under the PAP, "underinsured motorist" (UIM) coverage pays when:
- A. The at-fault driver has no insurance at all
 - B. The at-fault driver has insurance but not enough to cover the insured's damages
 - C. The insured's own liability coverage is insufficient
 - D. The insured is underinsured relative to the value of their vehicle
- 50.** The term "adverse selection" in insurance refers to:
- A. Insurers select only the safest risks to maximize profit
 - B. The insurer rejects all applications above a certain risk threshold
 - C. High-risk individuals are less likely to seek insurance
 - D. Higher-risk individuals are more likely to seek insurance, skewing the pool toward greater risk

- 51.** Which of the following is NOT a required element of an insurable risk?
- A. The loss must be intentionally caused by a third party
 - B. There must be a large number of similar exposure units
 - C. The loss must be accidental from the insured's standpoint
 - D. The loss must be measurable in financial terms
- 52.** The vacancy clause in a commercial property policy typically suspends certain coverages after the building has been vacant for:
- A. 60 days
 - B. 180 days
 - C. 30 days
 - D. 90 days
- 53.** Under a PAP, "Part B — Medical Payments" coverage pays:
- A. Reasonable medical expenses for the insured and passengers regardless of fault
 - B. Medical expenses only if the insured is at fault
 - C. Lost wages for injured passengers
 - D. Pain and suffering damages for accident victims
- 54.** Which of the following BEST describes a "warranty" in an insurance contract?
- A. A condition that must be met only at the time of renewal
 - B. A promise to pay premiums on time
 - C. A statement believed to be true at the time it is made
 - D. A statement guaranteed to be true; breach can void the policy
- 55.** Texas is unique among all U.S. states in that it:
- A. Sets the highest minimum workers comp benefits in the country
 - B. Prohibits employees from suing employers for work injuries
 - C. Requires all employers to carry workers compensation insurance
 - D. Allows private employers to opt out of the workers compensation system
- 56.** The "scheduled personal property" endorsement on a homeowners policy:
- A. Replaces the base homeowners policy for personal property
 - B. Provides broader coverage with higher limits for high-value items like jewelry and fine art
 - C. Covers business property kept in the home
 - D. Automatically doubles the coverage limit for all personal property
- 57.** Under Texas law, an insurer that engages in "unfair discrimination" in underwriting:
- A. Is permitted if the discrimination is disclosed to the applicant
 - B. Faces no penalty if the practice is consistent across all applicants
 - C. Is only prohibited for personal lines, not commercial
 - D. May have their license suspended or revoked and face fines
- 58.** Business interruption insurance (business income coverage) pays for:
- A. Lost net income and continuing expenses during suspension of operations after a covered loss
 - B. Loan payments during the period of restoration
 - C. Additional marketing costs to rebuild customer base
 - D. All revenue losses regardless of cause

59. The "extended replacement cost" endorsement provides:
- A. Guarantees the insurer will pay the full replacement cost regardless of the policy limit
 - B. Reduces the coinsurance requirement to 70%
 - C. Extends the policy period during the period of restoration
 - D. Pays above the policy limit if actual rebuilding costs exceed coverage due to inflation or code upgrades
60. A "backup of sewers and drains" endorsement covers:
- A. Damage caused when sewers or drains reverse flow into the structure
 - B. Flood damage from rising surface water
 - C. Overflow from a nearby body of water
 - D. Water damage from burst pipes inside the building
61. Using the coinsurance formula, an insured carries \$60,000 of coverage on a building worth \$100,000 with an 80% coinsurance requirement. A \$20,000 loss occurs. How much will the insurer pay?
- A. \$15,000
 - B. \$12,000
 - C. \$20,000
 - D. \$16,000
62. An "open peril" or "special form" property policy covers:
- A. Only the perils listed in the policy
 - B. All causes of loss with no exclusions
 - C. All causes of loss except those specifically excluded
 - D. Only losses occurring at the described premises
63. Which of the following describes "contingent liability" coverage?
- A. Provides coverage for losses at contingent business locations
 - B. Covers the insured's liability for acts of employees
 - C. Covers liability arising from acts of independent contractors or subcontractors without adequate insurance
 - D. Covers the insured's liability for products sold through distributors
64. A "surplus lines" insurer in Texas is:
- A. A non-admitted carrier covering risks that admitted insurers are unwilling to write
 - B. A government-run insurer of last resort
 - C. An insurer that only writes reinsurance contracts
 - D. A state-licensed insurer subject to the guaranty fund
65. Which of the following is TRUE about a "fire legal liability" endorsement?
- A. Covers the landlord's liability to tenants for fire injuries
 - B. Provides coverage for intentional fire damage by the insured
 - C. Protects a tenant who negligently causes fire damage to a landlord's building
 - D. Replaces the need for a commercial general liability policy
66. Which of the following is TRUE about "directors and officers" (D&O) liability insurance?
- A. Replaces workers compensation for executive employees
 - B. Protects directors and officers against personal liability for wrongful acts in their managerial capacity
 - C. Provides coverage for the corporation's property damage
 - D. Covers all corporate employees for any job-related liability

- 67.** Which of the following describes "ocean marine" insurance?
- A. Vehicles transported by truck or rail
 - B. Aircraft and their cargo
 - C. Ships (hulls), cargo, and liability for vessels on the ocean
 - D. Property stored in warehouses near ports
- 68.** Which of the following is typically excluded from a CGL policy?
- A. Personal injury arising from advertising
 - B. Property damage caused by the insured's operations
 - C. Bodily injury to customers on business premises
 - D. Professional liability (errors and omissions)
- 69.** The "inflation guard" endorsement on a homeowners policy:
- A. Automatically increases the dwelling limit periodically to keep pace with construction cost inflation
 - B. Adjusts the premium downward if construction costs decline
 - C. Increases all coverage limits including personal property by the same percentage
 - D. Guarantees the insurer will pay full replacement cost regardless of the policy limit
- 70.** The doctrine of proximate cause determines:
- A. Whether the insured was negligent in causing the loss
 - B. The total dollar amount of a covered loss
 - C. Whether the policy was in force at the time of loss
 - D. The dominant uninterrupted cause that sets in motion the chain of events leading to a loss
- 71.** Which of the following would be covered under an "electronic data processing" (EDP) floater?
- A. Employee use of company computers for personal purposes
 - B. Only hardware physically damaged by fire or theft
 - C. Computers, hardware, software, and data against a broad range of perils including electrical disturbance
 - D. Liability for data breaches and cyber attacks
- 72.** Which Texas state agency regulates the insurance industry?
- A. Texas State Board of Insurance Producers
 - B. Texas Department of Insurance (TDI)
 - C. Texas Department of Commerce
 - D. National Association of Insurance Commissioners
- 73.** The coinsurance clause in a commercial property policy requires the insured to carry coverage equal to at least what percentage of the property's value?
- A. 80%
 - B. 100%
 - C. 90%
 - D. 70%
- 74.** The Commercial General Liability (CGL) policy covers which of the following?
- A. Professional errors and omissions
 - B. Auto liability and workers compensation
 - C. Bodily injury, property damage liability, personal and advertising injury, and medical payments
 - D. Employee theft and dishonesty

- 75.** Which of the following is an "unfair trade practice" under the Texas Insurance Code?
- A. Offering a rebate not specified in the policy to induce a purchase
 - B. Appointing a producer to represent multiple insurers
 - C. Charging a premium that reflects the insured's actual risk
 - D. Issuing a policy without a signed application
- 76.** Under Texas workers compensation, the "exclusive remedy" doctrine means:
- A. The employer can choose to deny claims without review
 - B. The employer is immune from all workplace safety lawsuits
 - C. The employee must exhaust workers comp before suing the employer
 - D. Workers comp benefits are the employee's only remedy against a subscribing employer for work injuries
- 77.** "Non-owned auto" coverage under a commercial auto policy covers:
- A. The employee's own liability when driving a personal vehicle for business
 - B. Physical damage to an employee's personal vehicle during business use
 - C. The employer's liability when employees use personal vehicles for business
 - D. All vehicles not specifically listed on the commercial auto policy
- 78.** An "umbrella" liability policy differs from an "excess" liability policy in that:
- A. An excess policy covers gaps not addressed by underlying policies
 - B. An umbrella can cover gaps in underlying coverage; excess only adds limits without expanding coverage
 - C. An umbrella has lower limits than an excess policy
 - D. There is no practical difference between umbrella and excess policies
- 79.** Under a commercial property policy, "newly acquired property" is typically covered:
- A. For the full policy limit immediately upon acquisition
 - B. Automatically for 30 days up to a specified limit while the insured arranges to formally add the property
 - C. Only if the property is in the same state as the existing locations
 - D. Only after the insured submits a written request to add the property
- 80.** Under a commercial auto policy, "hired auto" coverage applies to:
- A. Vehicles owned by employees and used for business
 - B. All vehicles used in connection with the insured's business
 - C. Vehicles owned by the insured but not listed on the policy
 - D. Vehicles the insured rents, hires, borrows, or leases for business use
- 81.** A "difference in conditions" (DIC) policy is MOST commonly used to:
- A. Fill gaps in standard property coverage for excluded perils like flood and earthquake
 - B. Provide liability coverage for property damage to others
 - C. Cover only property located outside the United States
 - D. Replace all primary property coverage with a single policy
- 82.** The "contractual liability" coverage in a CGL policy covers:
- A. Coverage for all written contracts regardless of content
 - B. Liability the insured assumes by contract such as indemnification agreements
 - C. Liability for breach of contract by the insured
 - D. All contractual disputes between the insured and third parties

- 83.** A "non-owned building" coverage endorsement is designed for:
- A. A lender whose mortgage interest is not covered
 - B. A tenant who has made improvements to leased space
 - C. A contractor who builds on property they do not own
 - D. A building owner who leases property to others
- 84.** Under a PAP, the "duty to defend" means:
- A. The insured must defend themselves and seek reimbursement later
 - B. The duty applies only after a judgment is entered against the insured
 - C. The insurer must defend the insured against covered claims even if the suit is groundless or fraudulent
 - D. Defense costs reduce the available liability limit
- 85.** Which of the following statements about the "appraisal" clause is correct?
- A. Waives the insurer's right to deny a claim
 - B. Allows the insured to sue the insurer in any jurisdiction
 - C. Determines whether a peril is covered under the policy
 - D. Resolves disputes about the amount of a loss, not whether a loss is covered
- 86.** Which of the following describes "reinsurance"?
- A. A policyholder self-insures a portion of their own risk
 - B. Two insurers share premiums on a single policy equally
 - C. An insured transfers risk to a government pool
 - D. An insurer transfers a portion of its risk to another insurer to limit its exposure
- 87.** Which of the following BEST describes a "named peril" policy?
- A. Covers all perils including flood and earthquake
 - B. Covers only losses caused by fire and lightning
 - C. Covers only perils specifically listed in the policy
 - D. Covers all perils except those specifically excluded
- 88.** The "mortgagee clause" in a property policy protects the lender by:
- A. Transfers the insured's coverage entirely to the lender
 - B. Requires the lender to pay the premium if the insured defaults
 - C. Allows the lender to collect the claim payment directly without the insured's consent
 - D. Gives the lender independent coverage rights and requires notice of cancellation
- 89.** A "personal umbrella" policy provides:
- A. Coverage only for claims excluded by underlying policies
 - B. Excess liability above underlying auto and homeowners limits, with some gap coverage
 - C. Primary liability replacing the auto and homeowners policies
 - D. Property coverage for high-value personal items
- 90.** A commercial property policy's "liberalization" clause means:
- A. Automatically extends broadened coverage to existing policies without additional premium
 - B. Requires the insured to pay additional premium for any coverage improvement
 - C. Allows the insurer to reduce coverage mid-term without notice
 - D. Liberalizes the cancellation notice requirements
- 91.** Which of the following describes "estoppel" in insurance?
- A. The insured waives a known right under the policy
 - B. The insurer exercises its right to cancel coverage retroactively

- C. Both parties agree to modify coverage terms mid-policy
- D. The insurer is barred from denying coverage when its prior actions led the insured to believe coverage existed

92. A "garage liability" policy is designed for:

- A. Auto dealers and service operations for liability from their business and customer vehicles in their care
- B. Taxi and rideshare companies for passenger liability
- C. Any business that owns a fleet of commercial vehicles
- D. Trucking companies for cargo in transit

93. A "blanket" property policy differs from a "specific" policy in that:

- A. A blanket policy requires a higher coinsurance percentage than a specific policy
- B. A blanket policy assigns separate limits to each location
- C. A blanket policy covers multiple locations or property types under a single limit
- D. A blanket policy only covers real property, not personal property

94. An "additional insured" endorsement on a CGL policy:

- A. Reduces the premium for the named insured
- B. Gives the additional insured the right to modify the policy
- C. Transfers all liability from the named insured to the additional insured
- D. Extends the named insured's CGL coverage to a third party for liability from the named insured's operations

95. Equipment breakdown (boiler and machinery) coverage protects against:

- A. Sudden and accidental breakdown of boilers, HVAC, and electrical equipment
- B. Theft of business equipment
- C. Normal wear and tear on mechanical equipment
- D. Losses caused by earthquake to building equipment

96. A "cyber liability" policy is designed to cover:

- A. Liability for defamatory statements posted online by employees
- B. Data breaches, ransomware, network intrusions, notification costs, and third-party claims
- C. Physical damage to computer hardware from fire or theft
- D. Errors made by software vendors in program code

97. Which of the following is true about a "unilateral" insurance contract?

- A. Only the insurer makes a legally enforceable promise; the insured is not legally bound to pay premiums
- B. The insured must perform a specific act before coverage attaches
- C. The insurer may change policy terms at any time without notice
- D. Both parties make legally enforceable promises

98. The Texas Division of Workers' Compensation (DWC) is responsible for:

- A. Providing workers comp insurance directly to employers
- B. Regulating the workers comp system, resolving disputes, and enforcing compliance
- C. Setting premium rates for all workers comp carriers in Texas
- D. Investigating workplace accidents on behalf of injured employees

99. The purpose of the "insuring agreement" in a policy is to:

- A. Identify the insured's duties after a loss
- B. Define the premium payment schedule

- C. List all exclusions and conditions that limit coverage
- D. Describe the insurer's promise and the broad scope of what is covered

100. Under a Builders Risk policy, coverage typically ends when:

- A. The building is completed and occupied, the policy expires, or the insured's interest ends
- B. The building permit is issued
- C. The project financing is secured
- D. The foundation is completed

101. Under a standard fire policy, which of the following perils is covered?

- A. Theft and vandalism
- B. Windstorm and hail
- C. Flood and earthquake
- D. Fire, lightning, and removal

102. A "reporting form" commercial property policy requires the insured to:

- A. Report any change in ownership within 30 days
- B. Submit to an audit every 5 years
- C. Report actual values at risk periodically so premium reflects actual exposure
- D. Report all losses immediately regardless of amount

103. The "business pursuits" exclusion in a homeowners policy means:

- A. All business activities are covered under Section II of the homeowners policy
- B. Homeowners liability excludes business activities; a separate business policy or endorsement is needed
- C. The exclusion only applies to businesses with employees
- D. Business pursuits are covered if conducted in the home

104. A "deductible" in an insurance policy serves to:

- A. Eliminate the need for an insuring agreement
- B. Reduce small nuisance claims, lower premiums, and encourage loss prevention
- C. Transfer the insured's entire risk to the insurer after a threshold is met
- D. Force the insured to purchase additional coverage for small losses

105. Under a homeowners policy, jewelry is subject to a special limit of liability typically set at:

- A. \$5,000
- B. \$10,000
- C. \$2,500
- D. \$1,500

106. Under the commercial property broad form, which of the following perils is added compared to the basic form?

- A. Collapse, weight of snow/ice/sleet, and water damage from plumbing systems
- B. Earth movement and volcanic eruption
- C. Theft and vandalism
- D. Flood and earthquake

107. A Texas P&C producer license requires completion of how many pre-licensing education hours?

- A. 20 hours
- B. 60 hours
- C. No pre-licensing hours required
- D. 40 hours

- 108.** Under a homeowners policy, Section II — Liability covers:
- A. Coverage for damage to the insured's own property only
 - B. Workers compensation for household employees
 - C. Coverage for the insured's own bodily injury on the property
 - D. Personal liability for BI/PD the insured is responsible for plus medical payments to others
- 109.** The Texas Windstorm Insurance Association (TWIA) provides:
- A. Flood insurance for properties in FEMA flood zones
 - B. Windstorm and hail coverage of last resort in designated Gulf Coast catastrophe areas
 - C. All property insurance for high-risk properties statewide
 - D. Auto insurance for high-risk drivers rejected by admitted carriers
- 110.** Under a standard homeowners policy, which of the following is NOT covered?
- A. Windstorm damage
 - B. Flood damage
 - C. Fire damage
 - D. Theft
- 111.** Which of the following is TRUE about "functional replacement cost" coverage?
- A. Pays the full replacement cost without applying depreciation
 - B. Pays to replace an older building with one using modern materials that performs the same function
 - C. Pays additional amounts for ornamental or historic features
 - D. Pays the original construction cost of the building
- 112.** The HO-3 homeowners policy covers personal property on what basis?
- A. Named peril basis
 - B. Replacement cost without depreciation
 - C. Agreed value basis
 - D. Open peril basis
- 113.** Under the Texas Insurance Code, "twisting" refers to:
- A. Offering a premium discount to retain a policyholder
 - B. Replacing a policy with one from the same insurer
 - C. Misrepresentation to induce a policyholder to cancel an existing policy and replace it to their detriment
 - D. Failing to disclose policy exclusions to an applicant
- 114.** The "pair and set" clause in a property policy addresses:
- A. Excludes pairs and sets from coverage entirely
 - B. Requires both items to be damaged before paying any claim
 - C. Pays only the reduction in value of the entire pair or set caused by the loss of one item
 - D. Pays full replacement cost of the undamaged item in the pair or set
- 115.** A Texas insurance producer license must be renewed every:
- A. 3 years
 - B. 4 years
 - C. 2 years
 - D. 1 year

- 116.** The HO-6 policy is designed for:
- A. Renters
 - B. Owners of older homes
 - C. Condominium unit owners
 - D. Mobile home owners
- 117.** Under the commercial property policy, "accounts receivable" coverage protects against:
- A. Bad debts written off due to customer insolvency
 - B. Electronic fund transfers made without authorization
 - C. Fraudulent use of the insured's credit accounts
 - D. Inability to collect money owed when records are destroyed by a covered peril
- 118.** Under a personal auto policy (PAP), "Part A — Liability" covers:
- A. Uninsured motorist losses
 - B. Physical damage to the insured's own vehicle
 - C. Medical expenses of the insured and passengers regardless of fault
 - D. Bodily injury and property damage the insured is legally obligated to pay from auto accidents
- 119.** Subrogation allows an insurer to:
- A. Step into the insured's shoes and recover from the negligent third party after paying a claim
 - B. Deny the insured's claim after payment to a third party
 - C. Require the insured to sue the negligent party directly before filing a claim
 - D. Share the loss equally with all insurers on the risk
- 120.** Which of the following is TRUE about flood insurance under the NFIP?
- A. Standard property policies exclude flood; it must be purchased separately through the NFIP
 - B. Standard property policies automatically include flood coverage
 - C. The NFIP provides coverage for all flood-related losses without limit
 - D. Flood coverage is included only in commercial policies
- 121.** The difference between HO-2 and HO-3 homeowners forms is:
- A. HO-2 covers renters; HO-3 covers homeowners
 - B. HO-2 covers the dwelling on a named peril basis; HO-3 covers it on an open peril basis
 - C. HO-2 and HO-3 provide identical coverage with different premium structures
 - D. HO-3 excludes personal property; HO-2 includes it
- 122.** Under the Texas workers compensation system, a "subscribing" employer:
- A. Can deny all work injury claims without review
 - B. Receives statutory protections including the exclusive remedy doctrine
 - C. Must pay injured employees directly without insurer involvement
 - D. Is exempt from OSHA regulations
- 123.** A "retroactive date" on a claims-made CGL policy:
- A. The earliest date for which claims are covered; occurrences before this date are not covered
 - B. The expiration date of the prior policy
 - C. The date the policy was first issued
 - D. The date the insurer begins investigating a claim

- 124.** An insurance policy is described as "aleatory" because:
- A. The insurer's obligation is conditional on premium payment only
 - B. Both parties exchange equal value at the time of contract formation
 - C. The insurer always pays more than the premium collected
 - D. The values exchanged are unequal and depend on an uncertain future event
- 125.** The "principle of contribution" applies when:
- A. When two policies cover different risks owned by the same insured
 - B. When two or more policies cover the same loss, each pays its pro-rata share
 - C. When the insurer and insured disagree on the value of a claim
 - D. When a policy is cancelled mid-term and premium is refunded
- 126.** A "valued policy" pays in the event of total loss:
- A. A pre-agreed fixed amount regardless of ACV at time of loss
 - B. The lesser of repair cost or market value
 - C. The actual cash value at time of loss
 - D. The replacement cost minus depreciation
- 127.** Under a PAP, "Part D — Physical Damage" includes which two coverages?
- A. Collision and other than collision (comprehensive)
 - B. Towing and rental reimbursement
 - C. Liability and medical payments
 - D. Uninsured motorist and underinsured motorist
- 128.** The "subrogation" condition in a property policy allows the insurer to:
- A. Offset future premiums against prior claims paid
 - B. Deny a claim if the insured contributed to the loss
 - C. Recover from the negligent third party responsible for the loss after paying a claim
 - D. Transfer the insured's rights to a reinsurer
- 129.** Which homeowners form is designed for renters?
- A. HO-6
 - B. HO-4
 - C. HO-8
 - D. HO-2
- 130.** Under a CGL, the "damage to premises rented to you" coverage pays for:
- A. Loss of the insured's personal property in rented space
 - B. All property damage to leased space regardless of cause
 - C. Property damage to rented premises caused by fire
 - D. The landlord's liability to tenants for building defects
- 131.** The principle of utmost good faith requires:
- A. Both parties must fully and honestly disclose all material facts
 - B. The insured must disclose facts only after a claim is filed
 - C. The insured may withhold information that would raise their premium
 - D. Only the insurer must disclose material facts
- 132.** Under a commercial auto policy in Texas, the minimum liability limits required by law are:
- A. 50/100/50
 - B. 15/30/10
 - C. 25/50/25
 - D. 30/60/25 — \$30,000 per person, \$60,000 per occurrence BI, \$25,000 PD

- 133.** The "pollution exclusion" in a standard CGL policy:
- A. Does not apply to gradual pollution releases, only sudden events
 - B. Can be waived by the insured for an additional premium
 - C. Only applies to environmental cleanup costs, not bodily injury
 - D. Bars coverage for bodily injury or property damage arising from the release of pollutants
- 134.** Under a PAP, which of the following persons is considered an "insured" under Part A?
- A. Named insureds, resident relatives, and permissive users of a covered auto
 - B. Only the named insured listed on the declarations page
 - C. Named insured and spouse only
 - D. Any driver who has a valid license
- 135.** The Texas Life, Accident, Health, and Hospital Service Insurance Guaranty Association (and its P&C equivalent) protects policyholders when:
- A. Any insurer licensed in Texas fails to pay a claim
 - B. Only life and health insurers, not P&C carriers
 - C. All insurers operating in Texas regardless of admitted status
 - D. An admitted insurer becomes insolvent; surplus lines carriers are not covered
- 136.** An "employer's non-owned auto" liability endorsement covers:
- A. All auto liability of the employer regardless of vehicle ownership
 - B. Physical damage to employee vehicles used for business
 - C. The employee's liability for accidents in personal vehicles
 - D. The employer's liability when employees use personal vehicles for business errands
- 137.** Which of the following is TRUE about homeowners insurance in Texas?
- A. Texas uses TDI promulgated forms (HO-A, HO-B, HO-C) or independently filed forms; HO-A is most restrictive
 - B. Texas homeowners policies must provide flood coverage by law
 - C. Texas does not regulate homeowners policy forms
 - D. Texas requires all homeowners insurers to use ISO forms only
- 138.** For a personal auto policy in force for more than 60 days, how much notice must a Texas insurer give before cancelling?
- A. No notice required after 60 days
 - B. 60 days for any cancellation
 - C. 10 days for nonpayment; 30 days for any other reason
 - D. 30 days for all cancellations
- 139.** The "sue and labor" clause in a property policy requires the insured to:
- A. Take reasonable steps to protect property from further damage after a covered loss
 - B. Sue the insurer if a claim is denied
 - C. File a proof of loss within 24 hours of a loss
 - D. Hire a public adjuster within 10 days of a loss
- 140.** A moral hazard in insurance refers to:
- A. The risk that premiums will be insufficient to cover future losses
 - B. An increased risk of loss arising from the dishonest character or fraudulent intent of the insured
 - C. A physical condition on insured property that increases the chance of loss
 - D. The tendency of insured persons to be careless because they have insurance

- 141.** What is the difference between a peril and a hazard?
- A. The financial amount the insured must pay before insurance responds
 - B. A condition that increases the probability or severity of a loss
 - C. The maximum amount an insurer will pay under a policy
 - D. The cause of a loss, such as fire, theft, or windstorm
- 142.** The National Flood Insurance Program (NFIP) maximum coverage limits for a residential building are:
- A. \$250,000 building / \$100,000 contents
 - B. \$100,000 building / \$50,000 contents
 - C. \$350,000 building / \$150,000 contents
 - D. \$500,000 building / \$250,000 contents
- 143.** The "occurrence" form CGL policy covers claims:
- A. During the policy period regardless of when the claim is filed
 - B. Any time as long as the insurer is still in business
 - C. Only during the policy period if the claim is also filed during the policy period
 - D. Within one year after the policy expires
- 144.** Under Texas law, "rebating" in insurance means:
- A. Charging different premiums for different risk levels
 - B. Paying a producer a commission for selling a policy
 - C. Offering or giving anything of value not in the policy as an inducement to purchase
 - D. Refusing to renew a policy based on claims history
- 145.** When a Texas insurer nonrenews a homeowners policy, they must provide written notice at least:
- A. 45 days
 - B. 10 days
 - C. 60 days
 - D. 30 days
- 146.** The HO-8 homeowners form is designed for:
- A. Vacation and seasonal homes
 - B. Older homes where replacement cost exceeds market value; pays ACV or modified replacement cost
 - C. New homes with high replacement costs
 - D. Homes in high-risk flood zones
- 147.** The "ordinance or law" endorsement covers:
- A. Coverage for losses caused by government-ordered property seizure
 - B. The cost of permits required before construction can begin
 - C. The cost to demolish and remove an undamaged portion of a building
 - D. The additional cost to rebuild to current building codes after a covered loss
- 148.** Under Texas workers compensation, "impairment income benefits" (IIB) are paid:
- A. For the first 90 days after the injury occurs
 - B. Only for injuries resulting in permanent total disability
 - C. During the entire period of disability regardless of recovery
 - D. After maximum medical improvement is reached, based on the impairment rating
- 149.** Which of the following is the purpose of a "waiver of subrogation" endorsement?
- A. Eliminates the deductible for losses caused by third parties
 - B. Requires the insurer to pay before pursuing recovery

- C. Waives the insured's right to sue the insurer
- D. Prevents the insurer from recovering from a specified third party after paying a claim

150. Under the Texas Insurance Code, a producer who receives insurance premiums from a client must:

- A. Deposit premiums in a personal account until the policy is issued
- B. Return premiums to the client until coverage is confirmed
- C. Hold premiums for up to 90 days before remitting
- D. Promptly remit premiums to the insurer or hold them in a separate fiduciary account