



Texas Property and Casualty Insurance

Practice test

April 6, 2026

Time limit: 150 minutes

Official exam page

californiacerts.com/exams/tx-property-casualty-insurance

Online timed practice

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

If the link does not open, copy and paste the full URL into your browser.

Answer key for this session (PDF):

californiacerts.com/resources/pdfs/tx-property-casualty-insurance/tx-property-casualty-insurance-practice-solution.pdf

1. 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
2. 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
3. The HO-6 policy is designed for:
 - A. Renters
 - B. Owners of older homes
 - C. Condominium unit owners
 - D. Mobile home owners
4. 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
5. 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

6. Which homeowners form is designed for renters?
- A. HO-6
 - B. HO-4
 - C. HO-8
 - D. HO-2
7. Which of the following is typically excluded from commercial property coverage?
- A. Windstorm damage
 - B. Earthquake damage
 - C. Theft
 - D. Fire damage
8. 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
9. 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
10. 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
11. 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
12. 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
13. 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
14. 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
15. 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
16. 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
17. 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

18. 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
19. 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
20. 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
21. 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
22. 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
23. 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
24. 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
25. 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
26. 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
27. 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
28. 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
29. 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

30. 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
31. 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
32. 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
33. 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
34. 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
35. 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
36. 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
37. 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
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. 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
40. 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
41. 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

42. 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
43. 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
44. 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
45. 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
46. 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
47. Under a standard homeowners policy, which of the following is NOT covered?
- A. Windstorm damage
 - B. Flood damage
 - C. Fire damage
 - D. Theft
48. 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
49. 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
50. 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
51. 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
52. 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
53. 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

54. 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
55. 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
56. 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
57. 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
58. 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
59. 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
60. 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
61. 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
62. 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
63. 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
64. 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)
65. 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

66. 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
67. 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
68. 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
69. 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
70. 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
71. 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 untenantable
 - D. Lenders against mortgage payment defaults after a loss
72. 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
73. 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
74. 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
75. 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
76. 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
77. 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

78. 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
79. 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
80. Which of the following is NOT a characteristic of an insurance contract?
- A. Bilateral
 - B. Adhesion
 - C. Conditional
 - D. Aleatory
81. 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
82. 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
83. A stock insurance company is owned by:
- A. The state insurance department
 - B. Its shareholders
 - C. Its policyholders
 - D. A reinsurance pool
84. 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
85. 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
86. 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
87. 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
88. 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
89. 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

90. 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
91. 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
92. 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
93. 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
94. 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
95. 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
96. 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
97. 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
98. 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
99. 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
100. 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
101. 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

102. 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

103. 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

104. 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

105. 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

106. 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%

107. 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

108. 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

109. 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

110. 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

111. 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

112. 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

113. 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

Exam page: californiacerts.com/exams/tx-property-casualty-insu...

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

- D. The values exchanged are unequal and depend on an uncertain future event
- 114.** 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
- 115.** 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
- 116.** 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
- 117.** 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
- 118.** 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
- 119.** 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
- 120.** "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
- 121.** 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
- 122.** 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
- 123.** 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
- 124.** 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
- 125.** 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

- 126.** 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
- 127.** 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
- 128.** 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
- 129.** 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
- 130.** 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
- 131.** 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
- 132.** 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
- 133.** 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
- 134.** 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
- 135.** 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
- 136.** 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
- 137.** 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

138. 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
139. 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
140. 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
141. 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
142. A Texas insurance producer license must be renewed every:
- A. 3 years
 - B. 4 years
 - C. 2 years
 - D. 1 year
143. 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
144. 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
145. 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
146. 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
147. 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
148. 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
149. 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

150. 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