# PRACTICE EXAM 12: TEXAS PROPERTY AND CASUALTY INSURANCE LICENSE

*This original practice exam contains 145 multiple-choice questions. Select the single best answer for each question. It is designed around the current Pearson VUE Texas Property and Casualty content outline, including national product knowledge and Texas-specific rules. Review all answers and explanations after completing the exam.*

**1.** Which term best fits this description? A homeowners form that generally provides open-peril coverage on the dwelling and named-peril coverage on personal property.

A. HO-4 policy
B. HO-3 policy
C. HO-6 policy
D. DP-1 policy

**2.** Which term best fits this description? A tenants form that primarily covers a renter's personal property and personal liability rather than the building.

A. HO-4 policy
B. HO-6 policy
C. DP-1 policy
D. DP-3 policy

**3.** Which term best fits this description? A homeowners form designed for condominium unit owners and their personal property interests.

A. DP-1 policy
B. DP-3 policy

C. HO-6 policy
D. Replacement cost

**4.** Which term best fits this description? A basic dwelling form that provides limited named-peril property coverage.

A. DP-3 policy
B. DP-1 policy
C. Replacement cost
D. Actual cash value

**5.** Which term best fits this description? A dwelling form that generally provides open-peril coverage on the dwelling and named-peril coverage on contents.

A. Replacement cost
B. Actual cash value
C. Personal liability coverage
D. DP-3 policy

**6.** Which term best fits this description? The cost to repair or replace damaged property with like kind and quality without a deduction for depreciation.

A. Replacement cost
B. Actual cash value
C. Personal liability coverage
D. Medical payments to others

**7.** Which term best fits this description? The value of damaged property after depreciation is deducted from replacement cost.

A. Personal liability coverage

B. Medical payments to others
C. Additional living expense
D. Actual cash value

**8.** Which term best fits this description? Homeowners coverage that responds to an insured's legal liability for bodily injury or property damage to others.

A. Medical payments to others
B. Additional living expense
C. Personal liability coverage
D. Scheduled personal property

**9.** Which term best fits this description? No-fault homeowners coverage for reasonable medical expenses of guests injured on the insured location.

A. Additional living expense
B. Medical payments to others
C. Scheduled personal property
D. Loss assessment coverage

**10.** Which term best fits this description? Coverage for increased necessary living costs when a covered loss makes the residence unfit to live in.

A. Additional living expense
B. Scheduled personal property
C. Loss assessment coverage
D. Vacancy

**11.** Which term best fits this description? Coverage that lists specifically described valuable items, often with broader protection than unscheduled property.

A. Loss assessment coverage
B. Scheduled personal property
C. Vacancy
D. Theft

**12.** Which term best fits this description? Condominium coverage that can help pay an insured's share of certain covered association assessments.

A. Vacancy
B. Theft
C. Loss assessment coverage
D. Vandalism

**13.** Which term best fits this description? A condition in which a building is substantially empty of contents and not being used for its intended purpose.

A. Theft
B. Vandalism
C. Ordinance or law coverage
D. Vacancy

**14.** Which term best fits this description? The unlawful taking of property with intent to deprive the owner of it.

A. Vandalism
B. Ordinance or law coverage
C. Flood insurance
D. Theft

**15.** Which term best fits this description? Willful damage to property by a person acting with malicious intent.

A. Vandalism
B. Ordinance or law coverage
C. Flood insurance
D. Earthquake endorsement

**16.** Which term best fits this description? Coverage for increased rebuilding costs caused by enforcement of building codes after a covered loss.

A. Flood insurance
B. Ordinance or law coverage
C. Earthquake endorsement
D. Personal umbrella policy

**17.** Which term best fits this description? Coverage for direct physical loss by flood, which is generally excluded from standard homeowners policies.

A. Earthquake endorsement
B. Personal umbrella policy
C. Flood insurance
D. Inland marine insurance

**18.** Which term best fits this description? Optional coverage that can insure direct physical loss caused by earth movement when the base policy excludes it.

A. Earthquake endorsement
B. Personal umbrella policy
C. Inland marine insurance
D. Bailee's customers coverage

**19.** Which term best fits this description? Liability coverage that supplies additional limits above underlying personal auto or homeowners liability policies.

A. Inland marine insurance
B. Bailee's customers coverage
C. Builders risk coverage
D. Personal umbrella policy

**20.** Which term best fits this description? Coverage for movable property, transportation exposures, or property with specialized coverage needs.

A. Bailee's customers coverage
B. Inland marine insurance
C. Builders risk coverage
D. Businessowners policy

**21.** Which term best fits this description? Coverage protecting customers' property while it is in the insured bailee's care, custody, or control.

A. Builders risk coverage
B. Businessowners policy
C. Bailee's customers coverage
D. Commercial package policy

**22.** Which term best fits this description? Property coverage for a building under construction and materials intended to become part of the project.

A. Businessowners policy
B. Commercial package policy
C. Business income coverage
D. Builders risk coverage

**23.** Which term best fits this description? A package policy combining property and liability protections for eligible small and medium-sized businesses.

A. Businessowners policy
B. Commercial package policy
C. Business income coverage
D. Extra expense coverage

**24.** Which term best fits this description? A modular business policy that combines selected coverage parts under one package.

A. Business income coverage
B. Extra expense coverage
C. Commercial package policy
D. Commercial general liability

**25.** Which term best fits this description? Coverage for loss of income resulting from a necessary suspension of operations after a covered direct loss.

A. Extra expense coverage
B. Business income coverage
C. Commercial general liability
D. Products-completed operations

**26.** Which term best fits this description? Coverage for necessary additional expenses that help a business continue operations after a covered loss.

A. Extra expense coverage
B. Commercial general liability
C. Products-completed operations
D. Professional liability

**27.** Which term best fits this description? Coverage for a business's legal liability for bodily injury, property damage, and personal and advertising injury.

A. Products-completed operations
B. Professional liability
C. Errors and omissions coverage
D. Commercial general liability

**28.** Which term best fits this description? CGL liability coverage for injury or damage arising from completed work or products after possession leaves the insured.

A. Professional liability
B. Products-completed operations
C. Errors and omissions coverage
D. Personal auto policy

**29.** Which term best fits this description? Coverage for claims alleging negligence, errors, or omissions in professional services.

A. Errors and omissions coverage
B. Personal auto policy
C. Professional liability
D. Bodily injury liability

**30.** Which term best fits this description? Another name for liability insurance protecting against negligent professional advice or services.

A. Errors and omissions coverage
B. Personal auto policy
C. Bodily injury liability
D. Property damage liability

**31.** Which term best fits this description? A policy designed to insure eligible private passenger autos and personal auto liability exposures.

A. Bodily injury liability
B. Personal auto policy
C. Property damage liability
D. Uninsured motorists coverage

**32.** Which term best fits this description? Auto liability coverage for damages the insured legally owes because another person was injured.

A. Property damage liability
B. Uninsured motorists coverage
C. Bodily injury liability
D. Underinsured motorists coverage

**33.** Which term best fits this description? Auto liability coverage for damage the insured legally causes to another person's tangible property.

A. Uninsured motorists coverage
B. Underinsured motorists coverage
C. Collision coverage
D. Property damage liability

**34.** Which term best fits this description? Coverage that may protect an insured when injured by a driver who has no applicable liability insurance.

A. Uninsured motorists coverage
B. Underinsured motorists coverage
C. Collision coverage
D. Other-than-collision coverage

**35.** Which term best fits this description? Coverage that may apply when an at-fault driver's liability limits are insufficient for the insured's covered damages.

A. Collision coverage
B. Other-than-collision coverage
C. Deductible
D. Underinsured motorists coverage

**36.** Which term best fits this description? Auto physical damage coverage for upset of the covered auto or impact with another vehicle or object.

A. Other-than-collision coverage
B. Collision coverage
C. Deductible
D. Rental reimbursement coverage

**37.** Which term best fits this description? Auto physical damage coverage for specified noncollision losses such as theft, fire, or hail.

A. Deductible
B. Rental reimbursement coverage
C. Other-than-collision coverage
D. Towing and labor coverage

**38.** Which term best fits this description? The portion of a covered loss the insured retains before the policy pays its share.

A. Rental reimbursement coverage
B. Towing and labor coverage
C. Newly acquired auto provision
D. Deductible

**39.** Which term best fits this description? Optional auto coverage for expenses of renting a substitute vehicle after a covered physical damage loss.

A. Towing and labor coverage
B. Newly acquired auto provision
C. Rental reimbursement coverage
D. Temporary substitute auto

**40.** Which term best fits this description? Optional auto coverage for certain towing and roadside labor costs.

A. Newly acquired auto provision
B. Towing and labor coverage
C. Temporary substitute auto
D. Nonowned auto

**41.** Which term best fits this description? A policy provision that gives limited automatic coverage for a vehicle acquired during the policy period.

A. Newly acquired auto provision
B. Temporary substitute auto
C. Nonowned auto
D. Hired auto

**42.** Which term best fits this description? A nonowned vehicle temporarily used while the insured's covered auto is out of normal use.

A. Nonowned auto
B. Hired auto
C. Garagekeepers coverage
D. Temporary substitute auto

**43.** Which term best fits this description? An auto the insured uses but does not own, lease, or have available for regular use.

A. Nonowned auto
B. Hired auto
C. Garagekeepers coverage
D. Garage liability coverage

**44.** Which term best fits this description? An auto the business leases, hires, rents, or borrows, subject to policy terms.

A. Garagekeepers coverage
B. Garage liability coverage
C. Hired auto
D. Motor truck cargo coverage

**45.** Which term best fits this description? Coverage for customers' autos left in the care of a business such as a repair shop or parking facility.

A. Garage liability coverage
B. Garagekeepers coverage
C. Motor truck cargo coverage
D. Motor carrier coverage form

**46.** Which term best fits this description? Liability coverage for businesses that sell, service, repair, park, or store autos.

A. Motor truck cargo coverage
B. Garage liability coverage
C. Motor carrier coverage form
D. Surety bond

**47.** Which term best fits this description? Coverage for a motor carrier's legal liability for customers' property while it is being transported.

A. Motor truck cargo coverage
B. Motor carrier coverage form
C. Surety bond
D. Fidelity bond

**48.** Which term best fits this description? A commercial auto form designed for businesses that transport goods or passengers for hire.

A. Surety bond
B. Fidelity bond
C. Motor carrier coverage form
D. Pure risk

**49.** Which term best fits this description? A three-party agreement in which a surety guarantees the principal's performance to the obligee.

A. Fidelity bond
B. Pure risk
C. Speculative risk
D. Surety bond

**50.** Which term best fits this description? Coverage protecting an employer from loss caused by dishonest acts of employees.

A. Pure risk
B. Speculative risk
C. Fidelity bond
D. Peril

**51.** Which term best fits this description? A situation involving only the possibility of loss or no loss, without the possibility of gain.

A. Speculative risk
B. Pure risk
C. Peril
D. Hazard

**52.** Which term best fits this description? A situation involving a chance of loss, no loss, or gain, such as an investment.

A. Speculative risk
B. Peril
C. Hazard
D. Physical hazard

**53.** Which term best fits this description? The immediate cause of loss, such as fire, windstorm, or theft.

A. Hazard
B. Physical hazard
C. Moral hazard
D. Peril

**54.** Which term best fits this description? A condition or circumstance that increases the chance or severity of loss from a peril.

A. Hazard
B. Physical hazard
C. Moral hazard
D. Morale hazard

**55.** Which term best fits this description? A tangible condition, such as faulty wiring, that increases the likelihood or severity of loss.

A. Moral hazard
B. Morale hazard
C. Insurable interest
D. Physical hazard

**56.** Which term best fits this description? A hazard arising from dishonesty or an increased likelihood of intentional loss.

A. Morale hazard
B. Insurable interest
C. Moral hazard
D. Law of large numbers

**57.** Which term best fits this description? A hazard arising from carelessness or indifference because insurance exists.

A. Insurable interest
B. Morale hazard
C. Law of large numbers
D. Indemnity

**58.** Which term best fits this description? A lawful financial interest in preserving property or avoiding loss to a person or liability exposure.

A. Law of large numbers
B. Insurable interest
C. Indemnity
D. Subrogation

**59.** Which term best fits this description? The principle that loss predictions improve as the number of similar exposure units increases.

A. Indemnity
B. Subrogation
C. Law of large numbers
D. Contribution by other insurance

**60.** Which term best fits this description? The principle that insurance seeks to restore the insured financially without allowing profit from a loss.

A. Indemnity
B. Subrogation
C. Contribution by other insurance
D. Proximate cause

**61.** Which term best fits this description? The insurer's right after payment to pursue a responsible third party to recover the amount paid.

A. Contribution by other insurance
B. Proximate cause
C. Direct loss
D. Subrogation

**62.** Which term best fits this description? A method of sharing a covered loss among two or more insurers covering the same interest and exposure.

A. Proximate cause
B. Direct loss
C. Indirect loss
D. Contribution by other insurance

**63.** Which term best fits this description? The dominant cause that sets in motion an unbroken chain of events leading to loss.

A. Proximate cause
B. Direct loss
C. Indirect loss
D. Named-peril policy

**64.** Which term best fits this description? Physical damage directly caused by a covered peril.

A. Indirect loss
B. Named-peril policy
C. Direct loss
D. Open-peril policy

**65.** Which term best fits this description? A consequential financial loss that results from direct physical damage, such as lost income.

A. Named-peril policy
B. Indirect loss
C. Open-peril policy
D. Binder

**66.** Which term best fits this description? A policy that covers only losses caused by perils specifically listed in the contract.

A. Open-peril policy
B. Named-peril policy
C. Binder
D. Certificate of insurance

**67.** Which term best fits this description? A policy that covers risks of direct physical loss unless the loss is excluded.

A. Binder
B. Certificate of insurance
C. Open-peril policy
D. Declarations

**68.** Which term best fits this description? Temporary evidence of insurance pending issuance of the policy or rejection of the application.

A. Certificate of insurance
B. Declarations
C. Insuring agreement
D. Binder

**69.** Which term best fits this description? A document that provides evidence of insurance but does not amend the policy itself.

A. Certificate of insurance
B. Declarations
C. Insuring agreement
D. Conditions

**70.** Which term best fits this description? The policy section identifying the named insured, covered property, limits, deductibles, and policy period.

A. Declarations
B. Insuring agreement
C. Conditions
D. Exclusions

**71.** Which term best fits this description? The policy section that broadly states the insurer's promise to pay or provide coverage.

A. Conditions
B. Insuring agreement
C. Exclusions
D. Endorsement

**72.** Which term best fits this description? Policy provisions describing duties and procedures that must be followed for coverage to apply.

A. Exclusions
B. Endorsement
C. Conditions
D. Representation

**73.** Which term best fits this description? Policy provisions removing specified causes of loss, property, persons, or circumstances from coverage.

A. Endorsement
B. Representation
C. Warranty
D. Exclusions

**74.** Which term best fits this description? A written amendment that adds, deletes, or changes policy coverage or terms.

A. Endorsement
B. Representation
C. Warranty
D. Concealment

**75.** Which term best fits this description? A statement made to induce an insurer to issue coverage that is believed true to the applicant's knowledge.

A. Warranty
B. Representation
C. Concealment
D. Misrepresentation

**76.** Which term best fits this description? A statement or promise that must be strictly true or performed as required by the contract.

A. Concealment
B. Misrepresentation
C. Aleatory contract
D. Warranty

**77.** Which term best fits this description? Failure to disclose a material fact that the insurer needs to evaluate the risk.

A. Misrepresentation
B. Aleatory contract
C. Concealment
D. Adhesion contract

**78.** Which term best fits this description? A false statement of material fact that can affect underwriting or claim handling.

A. Misrepresentation
B. Concealment
C. Aleatory contract
D. Adhesion contract

**79.** Which term best fits this description? Intentional withholding of a material fact from an insurer during application or claim handling.

A. Aleatory contract
B. Adhesion contract
C. Unilateral contract
D. Concealment

**80.** Which term best fits this description? An insurance contract in which values exchanged may be unequal because payment depends on an uncertain event.

A. Adhesion contract
B. Unilateral contract
C. Aleatory contract
D. Conditional contract

**81.** Which term best fits this description? A contract drafted by one party, generally the insurer, with ambiguities interpreted against the drafter.

A. Unilateral contract
B. Adhesion contract
C. Conditional contract
D. Consideration

**82.** Which term best fits this description? A contract in which only the insurer makes an enforceable promise to perform after premium is paid.

A. Conditional contract
B. Consideration
C. Unilateral contract
D. Offer and acceptance

**83.** Which term best fits this description? A contract requiring the insured to satisfy stated conditions before the insurer's promise becomes enforceable.

A. Conditional contract
B. Consideration
C. Offer and acceptance
D. Competent parties

**84.** Which term best fits this description? The exchange of value that supports an insurance contract, including premium and the insurer's promise.

A. Offer and acceptance
B. Consideration
C. Competent parties
D. Legal purpose

**85.** Which term best fits this description? The mutual assent needed to form a contract, with an offer made and accepted.

A. Competent parties
B. Legal purpose
C. Cancellation
D. Offer and acceptance

**86.** Which term best fits this description? People or entities legally capable of entering into an enforceable contract.

A. Legal purpose
B. Competent parties
C. Cancellation
D. Nonrenewal

**87.** Which term best fits this description? A contract requirement that the agreement's objective must not violate law or public policy.

A. Legal purpose
B. Cancellation
C. Nonrenewal
D. Proof of loss

**88.** Which term best fits this description? Termination of a policy before its normal expiration date.

A. Nonrenewal
B. Proof of loss
C. Cancellation
D. Notice of claim

**89.** Which term best fits this description? A decision not to continue a policy beyond the end of its current policy period.

A. Proof of loss
B. Notice of claim
C. Appraisal
D. Nonrenewal

**90.** Which term best fits this description? A formal statement supporting a claim and describing the loss, required under many property policies.

A. Proof of loss
B. Notice of claim
C. Appraisal
D. Salvage

**91.** Which term best fits this description? Prompt communication to the insurer that a loss or occurrence may give rise to a claim.

A. Appraisal
B. Salvage
C. Notice of claim
D. Abandonment

**92.** Which term best fits this description? A policy process for resolving a disagreement about the amount of a property loss, not coverage itself.

A. Salvage
B. Appraisal
C. Abandonment
D. Vacancy provision

**93.** Which term best fits this description? Damaged property remaining after a loss that may have residual value.

A. Abandonment
B. Vacancy provision
C. Coinsurance clause
D. Salvage

**94.** Which term best fits this description? An insured's attempt to give damaged property to the insurer and demand full payment, generally not permitted without agreement.

A. Vacancy provision
B. Coinsurance clause
C. Abandonment
D. Agreed value

**95.** Which term best fits this description? A policy condition that may reduce or restrict certain property coverage when a building is vacant.

A. Vacancy provision
B. Coinsurance clause
C. Agreed value
D. Stated amount

**96.** Which term best fits this description? A property policy provision requiring insurance to equal a stated percentage of value to avoid a penalty.

A. Agreed value
B. Stated amount
C. Functional replacement cost
D. Coinsurance clause

**97.** Which term best fits this description? A valuation method in which insurer and insured agree in advance on a property value, subject to policy terms.

A. Stated amount
B. Agreed value
C. Functional replacement cost
D. Primary coverage

**98.** Which term best fits this description? A policy limit based on an amount shown in the declarations that may limit payment but is not necessarily a guaranteed value.

A. Functional replacement cost
B. Primary coverage
C. Excess coverage
D. Stated amount

**99.** Which term best fits this description? A valuation approach using less costly property that performs the same function as damaged property.

A. Primary coverage
B. Excess coverage
C. Functional replacement cost
D. Occurrence basis

**100.** Which term best fits this description? Coverage that responds first before other applicable insurance for a covered loss.

A. Primary coverage
B. Excess coverage
C. Occurrence basis
D. Claims-made basis

**101.** Which term best fits this description? Coverage that responds after applicable primary insurance limits are exhausted.

A. Occurrence basis
B. Excess coverage
C. Claims-made basis
D. Aggregate limit

**102.** Which term best fits this description? Liability coverage triggered by bodily injury or property damage that occurs during the policy period.

A. Claims-made basis
B. Aggregate limit
C. Per-occurrence limit
D. Occurrence basis

**103.** Which term best fits this description? Liability coverage triggered when a claim is first made during the policy period, subject to policy terms.

A. Claims-made basis
B. Aggregate limit
C. Per-occurrence limit
D. Supplementary payments

**104.** Which term best fits this description? The maximum an insurer will pay for all covered losses during a policy period or stated period.

A. Per-occurrence limit
B. Aggregate limit
C. Supplementary payments
D. Duty to defend

**105.** Which term best fits this description? The maximum an insurer will pay for one covered occurrence, subject to policy terms.

A. Supplementary payments
B. Duty to defend
C. Per-occurrence limit
D. Reservation of rights

**106.** Which term best fits this description? Certain claim-related payments made in addition to liability limits, as specified by the policy.

A. Duty to defend
B. Reservation of rights
C. Texas Department of Insurance
D. Supplementary payments

**107.** Which term best fits this description? The insurer's contractual obligation to defend covered claims against the insured, even if allegations are groundless.

A. Duty to defend
B. Reservation of rights
C. Texas Department of Insurance
D. Commissioner of Insurance

**108.** Which term best fits this description? A notice that the insurer will investigate or defend while preserving the right to deny coverage for certain issues.

A. Texas Department of Insurance
B. Commissioner of Insurance
C. Reservation of rights
D. Certificate of authority

**109.** Which term best fits this description? The state agency that regulates the Texas insurance industry and administers insurance laws.

A. Commissioner of Insurance
B. Texas Department of Insurance
C. Certificate of authority
D. Domestic insurer

**110.** Which term best fits this description? The official who leads the Texas Department of Insurance and exercises assigned regulatory authority.

A. Certificate of authority
B. Commissioner of Insurance
C. Domestic insurer
D. Foreign insurer

**111.** Which term best fits this description? Authorization issued to an insurer permitting it to transact insurance in Texas.

A. Domestic insurer
B. Foreign insurer
C. Alien insurer
D. Certificate of authority

**112.** Which term best fits this description? An insurer organized under the laws of Texas.

A. Foreign insurer
B. Alien insurer
C. Domestic insurer
D. Insurance producer

**113.** Which term best fits this description? An insurer organized under the laws of another U.S. state or territory.

A. Foreign insurer
B. Alien insurer
C. Insurance producer
D. Appointment

**114.** Which term best fits this description? An insurer organized under the laws of a country other than the United States.

A. Insurance producer
B. Alien insurer
C. Appointment
D. Temporary license

**115.** Which term best fits this description? A person required to be licensed to sell, solicit, or negotiate insurance, commonly called an agent.

A. Insurance producer
B. Appointment
C. Temporary license
D. Continuing education

**116.** Which term best fits this description? An insurer's authorization for an agent to act on the insurer's behalf for specified insurance business.

A. Temporary license
B. Continuing education
C. Appointment
D. License suspension

**117.** Which term best fits this description? A time-limited license that may be issued under Texas law when statutory requirements are met.

A. Continuing education
B. License suspension
C. License revocation
D. Temporary license

**118.** Which term best fits this description? Required post-licensing education intended to maintain a licensee's professional competence.

A. Continuing education
B. License suspension
C. License revocation
D. Cease and desist order

**119.** Which term best fits this description? A regulatory action temporarily prohibiting a licensee from conducting insurance business.

A. License revocation
B. License suspension
C. Cease and desist order
D. Unfair discrimination

**120.** Which term best fits this description? A regulatory action permanently terminating a licensee's authority to act under a license.

A. Cease and desist order
B. Unfair discrimination
C. Rebating
D. License revocation

**121.** Which term best fits this description? An order directing a person or entity to stop a prohibited insurance practice.

A. Unfair discrimination
B. Rebating
C. Cease and desist order
D. Twisting

**122.** Which term best fits this description? Treating similarly situated insurance risks differently on an improper basis prohibited by insurance law.

A. Rebating
B. Unfair discrimination
C. Twisting
D. Defamation

**123.** Which term best fits this description? Giving an applicant an unlawful inducement, such as a premium return or valuable consideration, to purchase insurance.

A. Rebating
B. Twisting
C. Defamation
D. Boycott

**124.** Which term best fits this description? Making misleading comparisons to induce a policyholder to replace or lapse existing insurance.

A. Defamation
B. Boycott
C. Twisting
D. Coercion

**125.** Which term best fits this description? Making a false or malicious statement that harms another insurer's or person's business reputation.

A. Boycott
B. Coercion
C. Intimidation
D. Defamation

**126.** Which term best fits this description? An agreement to refuse to deal with a person or business in order to coerce or restrain trade.

A. Boycott
B. Coercion
C. Intimidation
D. Fraud

**127.** Which term best fits this description? Using force, pressure, or threats to improperly influence an insurance transaction.

A. Intimidation
B. Fraud
C. Coercion
D. Commingling

**128.** Which term best fits this description? Threatening conduct used to improperly influence an insurance transaction.

A. Fraud
B. Intimidation
C. Commingling
D. Surplus lines insurance

**129.** Which term best fits this description? An intentional deception intended to obtain an unauthorized benefit or cause another party a loss.

A. Commingling
B. Surplus lines insurance
C. Admitted insurer
D. Fraud

**130.** Which term best fits this description? Improperly mixing premium funds or fiduciary funds with personal or operating funds.

A. Commingling
B. Surplus lines insurance
C. Admitted insurer
D. Nonadmitted insurer

**131.** Which term best fits this description? Coverage placed with an eligible nonadmitted insurer when coverage cannot be procured from admitted insurers.

A. Admitted insurer
B. Nonadmitted insurer
C. Surplus lines insurance
D. Texas Automobile Insurance Plan Association

**132.** Which term best fits this description? An insurer authorized by the Texas Department of Insurance to transact insurance in Texas.

A. Nonadmitted insurer
B. Texas Automobile Insurance Plan Association
C. Texas Property and Casualty Insurance Guaranty Association
D. Admitted insurer

**133.** Which term best fits this description? An insurer not authorized as an admitted carrier in Texas, though it may be eligible for surplus lines placement.

A. Texas Automobile Insurance Plan Association
B. Nonadmitted insurer
C. Texas Property and Casualty Insurance Guaranty Association
D. Workers compensation

**134.** Which term best fits this description? The residual market mechanism that helps eligible Texas drivers obtain required auto liability coverage.

A. Texas Property and Casualty Insurance Guaranty Association
B. Workers compensation
C. Exclusive remedy
D. Texas Automobile Insurance Plan Association

**135.** Which term best fits this description? An association that may provide limited protection for certain covered claims when a member insurer becomes insolvent.

A. Workers compensation statutory benefit system
B. Texas Property and Casualty Insurance Guaranty Association
C. Exclusive remedy workers injury principle
D. Compensability statutory injury eligibility status

**136.** Which term best fits this description? A statutory system providing defined benefits for employees injured in the course and scope of employment.

A. Exclusive remedy
B. Compensability
C. Workers compensation
D. Third-party claim

**137.** Which term best fits this description? The workers compensation principle limiting an employee's remedy against a subscribing employer for covered work injuries.

A. Exclusive remedy
B. Compensability
C. Third-party claim
D. Transportation network company

**138.** Which term best fits this description? Whether an injury or illness meets statutory requirements for workers compensation benefits.

A. Third-party claim
B. Compensability
C. Transportation network company
D. Personal injury protection

**139.** Which term best fits this description? A claim against someone other than the employer or coworker whose negligence caused an employee's injury.

A. Transportation network company
B. Personal injury protection
C. Third-party claim
D. Medical payments coverage

**140.** Which term best fits this description? A company that uses an online platform to connect passengers with drivers using personal vehicles.

A. Personal injury protection
B. Medical payments coverage
C. Financial responsibility law
D. Transportation network company

**141.** Which term best fits this description? No-fault auto coverage for certain medical expenses and lost income, subject to policy and state requirements.

A. Personal injury protection
B. Medical payments coverage
C. Financial responsibility law
D. Texas Windstorm Insurance Association

**142.** Which term best fits this description? Auto coverage that pays reasonable medical expenses for covered persons, regardless of fault, subject to policy terms.

A. Medical payments coverage
B. Financial responsibility law
C. Texas Windstorm Insurance Association
D. Texas FAIR Plan Association

**143.** Which term best fits this description? A law requiring motorists to demonstrate ability to pay for damages arising from motor vehicle accidents.

A. Texas Windstorm Insurance Association
B. Financial responsibility law
C. Texas FAIR Plan Association
D. HO-3 policy

**144.** Which term best fits this description? A Texas residual market association that can provide windstorm and hail coverage in designated coastal areas.

A. Texas FAIR Plan Association
B. HO-3 policy
C. Texas Windstorm Insurance Association
D. HO-4 policy

**145.** Which term best fits this description? A residual market property insurer that may provide basic property coverage to eligible applicants unable to obtain it in the voluntary market.

A. HO-3 policy
B. HO-4 policy
C. HO-6 policy
D. Texas FAIR Plan Association

## Practice Exam 12: Answer Key and Explanations

**1. B —** HO-3 policy is correct. It means a homeowners form that generally provides open-peril coverage on the dwelling and named-peril coverage on personal property. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**2. A —** HO-4 policy is correct. It means a tenants form that primarily covers a renter's personal property and personal liability rather than the building. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**3. C** — HO-6 policy is correct. It means a homeowners form designed for condominium unit owners and their personal property interests. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**4. B** — DP-1 policy is correct. It means a basic dwelling form that provides limited named-peril property coverage. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**5. D** — DP-3 policy is correct. It means a dwelling form that generally provides open-peril coverage on the dwelling and named-peril coverage on contents. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**6. A** — Replacement cost is correct. It means the cost to repair or replace damaged property with like kind and quality without a deduction for depreciation. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**7. D** — Actual cash value is correct. It means the value of damaged property after depreciation is deducted from replacement cost. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**8. C** — Personal liability coverage is correct. It means homeowners coverage that responds to an insured's legal liability for bodily injury or property damage to others. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**9. B** — Medical payments to others is correct. It means no-fault homeowners coverage for reasonable medical expenses of guests injured on the insured location. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**10. A** — Additional living expense is correct. It means coverage for increased necessary living costs when a covered loss makes the residence unfit to live in. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**11. B** — Scheduled personal property is correct. It means coverage that lists specifically described valuable items, often with broader protection than unscheduled property. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**12. C** — Loss assessment coverage is correct. It means condominium coverage that can help pay an insured's share of certain covered association assessments. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**13. D** — Vacancy is correct. It means a condition in which a building is substantially empty of contents and not being used for its intended purpose. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**14. D** — Theft is correct. It means the unlawful taking of property with intent to deprive the owner of it. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**15. A** — Vandalism is correct. It means willful damage to property by a person acting with malicious intent. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**16. B** — Ordinance or law coverage is correct. It means coverage for increased rebuilding costs caused by enforcement of building codes after a covered loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**17. C** — Flood insurance is correct. It means coverage for direct physical loss by flood, which is generally excluded from standard homeowners policies. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**18. A** — Earthquake endorsement is correct. It means optional coverage that can insure direct physical loss caused by earth movement when the base policy excludes it. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**19. D** — Personal umbrella policy is correct. It means liability coverage that supplies additional limits above underlying personal auto or homeowners liability policies. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**20. B** — Inland marine insurance is correct. It means coverage for movable property, transportation exposures, or property with specialized coverage needs. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**21. C** — Bailee's customers coverage is correct. It means coverage protecting customers' property while it is in the insured bailee's care, custody, or control. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**22. D** — Builders risk coverage is correct. It means property coverage for a building under construction and materials intended to become part of the project. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**23. A** — Businessowners policy is correct. It means a package policy combining property and liability protections for eligible small and medium-sized businesses. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**24. C** — Commercial package policy is correct. It means a modular business policy that combines selected coverage parts under one package. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**25. B** — Business income coverage is correct. It means coverage for loss of income resulting from a necessary suspension of operations after a covered direct loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**26. A** — Extra expense coverage is correct. It means coverage for necessary additional expenses that help a business continue operations after a covered loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**27. D** — Commercial general liability is correct. It means coverage for a business's legal liability for bodily injury, property damage, and personal and advertising injury. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**28. B** — Products-completed operations is correct. It means cgl liability coverage for injury or damage arising from completed work or products after possession leaves the insured. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**29. C** — Professional liability is correct. It means coverage for claims alleging negligence, errors, or omissions in professional services. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**30. A** — Errors and omissions coverage is correct. It means another name for liability insurance protecting against negligent professional advice or services. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**31. B** — Personal auto policy is correct. It means a policy designed to insure eligible private passenger autos and personal auto liability exposures. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**32. C** — Bodily injury liability is correct. It means auto liability coverage for damages the insured legally owes because another person was injured. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**33. D** — Property damage liability is correct. It means auto liability coverage for damage the insured legally causes to another person's tangible property. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**34. A** — Uninsured motorists coverage is correct. It means coverage that may protect an insured when injured by a driver who has no applicable liability insurance. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**35. D** — Underinsured motorists coverage is correct. It means coverage that may apply when an at-fault driver's liability limits are insufficient for the insured's covered damages. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**36. B** — Collision coverage is correct. It means auto physical damage coverage for upset of the covered auto or impact with another vehicle or object. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**37. C** — Other-than-collision coverage is correct. It means auto physical damage coverage for specified noncollision losses such as theft, fire, or hail. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**38. D** — Deductible is correct. It means the portion of a covered loss the insured retains before the policy pays its share. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**39. C** — Rental reimbursement coverage is correct. It means optional auto coverage for expenses of renting a substitute vehicle after a covered physical damage loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**40. B** — Towing and labor coverage is correct. It means optional auto coverage for certain towing and roadside labor costs. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**41. A** — Newly acquired auto provision is correct. It means a policy provision that gives limited automatic coverage for a vehicle acquired during the policy period. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**42. D** — Temporary substitute auto is correct. It means a nonowned vehicle temporarily used while the insured's covered auto is out of normal use. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**43. A** — Nonowned auto is correct. It means an auto the insured uses but does not own, lease, or have available for regular use. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**44. C** — Hired auto is correct. It means an auto the business leases, hires, rents, or borrows, subject to policy terms. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**45. B** — Garagekeepers coverage is correct. It means coverage for customers' autos left in the care of a business such as a repair shop or parking facility. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**46. B** — Garage liability coverage is correct. It means liability coverage for businesses that sell, service, repair, park, or store autos. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**47. A** — Motor truck cargo coverage is correct. It means coverage for a motor carrier's legal liability for customers' property while it is being transported. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**48. C** — Motor carrier coverage form is correct. It means a commercial auto form designed for businesses that transport goods or passengers for hire. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**49. D** — Surety bond is correct. It means a three-party agreement in which a surety guarantees the principal's performance to the obligee. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**50. C** — Fidelity bond is correct. It means coverage protecting an employer from loss caused by dishonest acts of employees. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**51. B** — Pure risk is correct. It means a situation involving only the possibility of loss or no loss, without the possibility of gain. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**52. A** — Speculative risk is correct. It means a situation involving a chance of loss, no loss, or gain, such as an investment. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**53. D** — Peril is correct. It means the immediate cause of loss, such as fire, windstorm, or theft. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**54. A** — Hazard is correct. It means a condition or circumstance that increases the chance or severity of loss from a peril. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**55. D** — Physical hazard is correct. It means a tangible condition, such as faulty wiring, that increases the likelihood or severity of loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**56. C** — Moral hazard is correct. It means a hazard arising from dishonesty or an increased likelihood of intentional loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**57. B** — Morale hazard is correct. It means a hazard arising from carelessness or indifference because insurance exists. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**58. B** — Insurable interest is correct. It means a lawful financial interest in preserving property or avoiding loss to a person or liability exposure. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**59. C** — Law of large numbers is correct. It means the principle that loss predictions improve as the number of similar exposure units increases. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**60. A** — Indemnity is correct. It means the principle that insurance seeks to restore the insured financially without allowing profit from a loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**61. D** — Subrogation is correct. It means the insurer's right after payment to pursue a responsible third party to recover the amount paid. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**62. D** — Contribution by other insurance is correct. It means a method of sharing a covered loss among two or more insurers covering the same interest and exposure. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**63. A** — Proximate cause is correct. It means the dominant cause that sets in motion an unbroken chain of events leading to loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**64. C** — Direct loss is correct. It means physical damage directly caused by a covered peril. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing. Review the stated function before choosing.

**65. B** — Indirect loss is correct. It means a consequential financial loss that results from direct physical damage, such as lost income. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**66. B —** Named-peril policy is correct. It means a policy that covers only losses caused by perils specifically listed in the contract. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**67. C —** Open-peril policy is correct. It means a policy that covers risks of direct physical loss unless the loss is excluded. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**68. D —** Binder is correct. It means temporary evidence of insurance pending issuance of the policy or rejection of the application. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**69. A —** Certificate of insurance is correct. It means a document that provides evidence of insurance but does not amend the policy itself. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**70. A —** Declarations is correct. It means the policy section identifying the named insured, covered property, limits, deductibles, and policy period. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**71. B —** Insuring agreement is correct. It means the policy section that broadly states the insurer's promise to pay or provide coverage. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**72. C —** Conditions is correct. It means policy provisions describing duties and procedures that must be followed for coverage to apply. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**73. D —** Exclusions is correct. It means policy provisions removing specified causes of loss, property, persons, or circumstances from coverage. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**74. A —** Endorsement is correct. It means a written amendment that adds, deletes, or changes policy coverage or terms. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**75. B —** Representation is correct. It means a statement made to induce an insurer to issue coverage that is believed true to the applicant's knowledge. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**76. D —** Warranty is correct. It means a statement or promise that must be strictly true or performed as required by the contract. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**77. C —** Concealment is correct. It means failure to disclose a material fact that the insurer needs to evaluate the risk. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**78. A —** Misrepresentation is correct. It means a false statement of material fact that can affect underwriting or claim handling. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**79. D —** Concealment is correct. It means intentional withholding of a material fact from an insurer during application or claim handling. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**80. C —** Aleatory contract is correct. It means an insurance contract in which values exchanged may be unequal because payment depends on an uncertain event. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**81. B —** Adhesion contract is correct. It means a contract drafted by one party, generally the insurer, with ambiguities interpreted against the drafter. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**82. C —** Unilateral contract is correct. It means a contract in which only the insurer makes an enforceable promise to perform after premium is paid. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**83. A —** Conditional contract is correct. It means a contract requiring the insured to satisfy stated conditions before the insurer's promise becomes enforceable. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**84. B** — Consideration is correct. It means the exchange of value that supports an insurance contract, including premium and the insurer's promise. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**85. D** — Offer and acceptance is correct. It means the mutual assent needed to form a contract, with an offer made and accepted. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**86. B** — Competent parties is correct. It means people or entities legally capable of entering into an enforceable contract. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**87. A** — Legal purpose is correct. It means a contract requirement that the agreement's objective must not violate law or public policy. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**88. C** — Cancellation is correct. It means termination of a policy before its normal expiration date. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing. Review the stated function before choosing.

**89. D** — Nonrenewal is correct. It means a decision not to continue a policy beyond the end of its current policy period. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**90. A** — Proof of loss is correct. It means a formal statement supporting a claim and describing the loss, required under many property policies. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**91. C** — Notice of claim is correct. It means prompt communication to the insurer that a loss or occurrence may give rise to a claim. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**92. B** — Appraisal is correct. It means a policy process for resolving a disagreement about the amount of a property loss, not coverage itself. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**93. D** — Salvage is correct. It means damaged property remaining after a loss that may have residual value. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**94. C** — Abandonment is correct. It means an insured's attempt to give damaged property to the insurer and demand full payment, generally not permitted without agreement. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**95. A** — Vacancy provision is correct. It means a policy condition that may reduce or restrict certain property coverage when a building is vacant. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**96. D** — Coinsurance clause is correct. It means a property policy provision requiring insurance to equal a stated percentage of value to avoid a penalty. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**97. B** — Agreed value is correct. It means a valuation method in which insurer and insured agree in advance on a property value, subject to policy terms. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**98. D** — Stated amount is correct. It means a policy limit based on an amount shown in the declarations that may limit payment but is not necessarily a guaranteed value. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong.

**99. C** — Functional replacement cost is correct. It means a valuation approach using less costly property that performs the same function as damaged property. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**100. A** — Primary coverage is correct. It means coverage that responds first before other applicable insurance for a covered loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**101. B** — Excess coverage is correct. It means coverage that responds after applicable primary insurance limits are exhausted. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**102. D —** Occurrence basis is correct. It means liability coverage triggered by bodily injury or property damage that occurs during the policy period. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**103. A —** Claims-made basis is correct. It means liability coverage triggered when a claim is first made during the policy period, subject to policy terms. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**104. B —** Aggregate limit is correct. It means the maximum an insurer will pay for all covered losses during a policy period or stated period. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**105. C —** Per-occurrence limit is correct. It means the maximum an insurer will pay for one covered occurrence, subject to policy terms. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**106. D —** Supplementary payments is correct. It means certain claim-related payments made in addition to liability limits, as specified by the policy. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**107. A —** Duty to defend is correct. It means the insurer's contractual obligation to defend covered claims against the insured, even if allegations are groundless. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**108. C —** Reservation of rights is correct. It means a notice that the insurer will investigate or defend while preserving the right to deny coverage for certain issues. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**109. B —** Texas Department of Insurance is correct. It means the state agency that regulates the texas insurance industry and administers insurance laws. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**110. B —** Commissioner of Insurance is correct. It means the official who leads the texas department of insurance and exercises assigned regulatory authority. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**111. D** — Certificate of authority is correct. It means authorization issued to an insurer permitting it to transact insurance in texas. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**112. C** — Domestic insurer is correct. It means an insurer organized under the laws of texas. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing. Review the stated function before choosing.

**113. A** — Foreign insurer is correct. It means an insurer organized under the laws of another u.s. state or territory. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**114. B** — Alien insurer is correct. It means an insurer organized under the laws of a country other than the united states. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**115. A** — Insurance producer is correct. It means a person required to be licensed to sell, solicit, or negotiate insurance, commonly called an agent. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**116. C** — Appointment is correct. It means an insurer's authorization for an agent to act on the insurer's behalf for specified insurance business. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**117. D** — Temporary license is correct. It means a time-limited license that may be issued under texas law when statutory requirements are met. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**118. A** — Continuing education is correct. It means required post-licensing education intended to maintain a licensee's professional competence. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**119. B** — License suspension is correct. It means a regulatory action temporarily prohibiting a licensee from conducting insurance business. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**120. D** — License revocation is correct. It means a regulatory action permanently terminating a licensee's authority to act under a license. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**121. C** — Cease and desist order is correct. It means an order directing a person or entity to stop a prohibited insurance practice. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**122. B** — Unfair discrimination is correct. It means treating similarly situated insurance risks differently on an improper basis prohibited by insurance law. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**123. A** — Rebating is correct. It means giving an applicant an unlawful inducement, such as a premium return or valuable consideration, to purchase insurance. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**124. C** — Twisting is correct. It means making misleading comparisons to induce a policyholder to replace or lapse existing insurance. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**125. D** — Defamation is correct. It means making a false or malicious statement that harms another insurer's or person's business reputation. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**126. A** — Boycott is correct. It means an agreement to refuse to deal with a person or business in order to coerce or restrain trade. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**127. C** — Coercion is correct. It means using force, pressure, or threats to improperly influence an insurance transaction. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**128. B** — Intimidation is correct. It means threatening conduct used to improperly influence an insurance transaction. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing. Review the stated function before choosing.

**129. D** — Fraud is correct. It means an intentional deception intended to obtain an unauthorized benefit or cause another party a loss. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**130. A** — Commingling is correct. It means improperly mixing premium funds or fiduciary funds with personal or operating funds. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**131. C** — Surplus lines insurance is correct. It means coverage placed with an eligible nonadmitted insurer when coverage cannot be procured from admitted insurers. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**132. D** — Admitted insurer is correct. It means an insurer authorized by the texas department of insurance to transact insurance in texas. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**133. B** — Nonadmitted insurer is correct. It means an insurer not authorized as an admitted carrier in texas, though it may be eligible for surplus lines placement. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**134. D** — Texas Automobile Insurance Plan Association is correct. It means the residual market mechanism that helps eligible texas drivers obtain required auto liability coverage. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**135. B** — Texas Property and Casualty Insurance Guaranty Association is correct. It means an association that may provide limited protection for certain covered claims when a member insurer becomes insolvent. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong.

**136. C** — Workers compensation is correct. It means a statutory system providing defined benefits for employees injured in the course and scope of employment. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**137. A** — Exclusive remedy is correct. It means the workers compensation principle limiting an employee's remedy against a subscribing employer for covered work injuries. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**138. B —** Compensability is correct. It means whether an injury or illness meets statutory requirements for workers compensation benefits. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing. Review the stated function before choosing.

**139. C —** Third-party claim is correct. It means a claim against someone other than the employer or coworker whose negligence caused an employee's injury. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**140. D —** Transportation network company is correct. It means a company that uses an online platform to connect passengers with drivers using personal vehicles. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**141. A —** Personal injury protection is correct. It means no-fault auto coverage for certain medical expenses and lost income, subject to policy and state requirements. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**142. A —** Medical payments coverage is correct. It means auto coverage that pays reasonable medical expenses for covered persons, regardless of fault, subject to policy terms. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**143. B —** Financial responsibility law is correct. It means a law requiring motorists to demonstrate ability to pay for damages arising from motor vehicle accidents. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**144. C —** Texas Windstorm Insurance Association is correct. It means a texas residual market association that can provide windstorm and hail coverage in designated coastal areas. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong. Review the stated function before choosing.

**145. D —** Texas FAIR Plan Association is correct. It means a residual market property insurer that may provide basic property coverage to eligible applicants unable to obtain it in the voluntary market. Other options name different coverage, contract, or legal concepts. Match the precise trigger described; a related insurance term may still be wrong.