PRACTICE EXAM 13: TEXAS PROPERTY AND CASUALTY INSURANCE LICENSE

This original practice exam contains 145 multiple-choice questions. Select the single best answer for each question. Coverage reflects the current Pearson VUE Texas Property and Casualty content outline, including national product knowledge and Texas-specific rules. Review the complete answer key and explanations after testing.

1. In an insurance scenario, which term applies when the facts show the following? A commercial auto form designed for businesses that transport goods or passengers for hire.

A. Physical hazard
B. Motor carrier coverage form
C. Moral hazard
D. Morale hazard

2. In an insurance scenario, which term applies when the facts show the following? A three-party agreement in which a surety guarantees the principal's performance to the obligee.

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

3. In an insurance scenario, which term applies when the facts show the following? Coverage protecting an employer from loss caused by dishonest acts of employees.

A. Fidelity bond
B. Certificate of insurance

C. Declarations
D. Insuring agreement

4. In an insurance scenario, which term applies when the facts show the following? A situation involving only the possibility of loss or no loss, without the possibility of gain.

A. Warranty
B. Concealment
C. Misrepresentation
D. Pure risk

5. In an insurance scenario, which term applies when the facts show the following? A situation involving a chance of loss, no loss, or gain, such as an investment.

A. Conditional contract
B. Consideration
C. Speculative risk
D. Offer and acceptance

6. In an insurance scenario, which term applies when the facts show the following? The immediate cause of loss, such as fire, windstorm, or theft.

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

7. In an insurance scenario, which term applies when the facts show the following? A condition or circumstance that increases the chance or severity of loss from a peril.

A. Agreed value

B. Stated amount
C. Hazard
D. Functional replacement cost

8. In an insurance scenario, which term applies when the facts show the following? A tangible condition, such as faulty wiring, that increases the likelihood or severity of loss.

A. Aggregate limit
B. Physical hazard
C. Per-occurrence limit
D. Supplementary payments

9. In an insurance scenario, which term applies when the facts show the following? A hazard arising from dishonesty or an increased likelihood of intentional loss.

A. Certificate of authority
B. Domestic insurer
C. Foreign insurer
D. Moral hazard

10. In an insurance scenario, which term applies when the facts show the following? A hazard arising from carelessness or indifference because insurance exists.

A. Morale hazard
B. Continuing education
C. License suspension
D. License revocation

11. In an insurance scenario, which term applies when the facts show the following? A lawful financial interest in preserving property or avoiding loss to a person or liability exposure.

A. Defamation
B. Insurable interest
C. Boycott
D. Coercion

12. In an insurance scenario, which term applies when the facts show the following? The principle that loss predictions improve as the number of similar exposure units increases.

A. Admitted insurer
B. Nonadmitted insurer
C. Texas Automobile Insurance Plan Association
D. Law of large numbers

13. In an insurance scenario, which term applies when the facts show the following? The principle that insurance seeks to restore the insured financially without allowing profit from a loss.

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

14. In an insurance scenario, which term applies when the facts show the following? The insurer's right after payment to pursue a responsible third party to recover the amount paid.

A. HO-3 policy
B. HO-4 policy
C. HO-6 policy
D. Subrogation

15. In an insurance scenario, which term applies when the facts show the following? A method of sharing a covered loss among two or more insurers covering the same interest and exposure.

A. Personal liability coverage
B. Medical payments to others
C. Contribution by other insurance
D. Additional living expense

16. In an insurance scenario, which term applies when the facts show the following? The dominant cause that sets in motion an unbroken chain of events leading to loss.

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

17. In an insurance scenario, which term applies when the facts show the following? Physical damage directly caused by a covered peril.

A. Direct loss
B. Builders risk coverage
C. Businessowners policy
D. Commercial package policy

18. In an insurance scenario, which term applies when the facts show the following? A consequential financial loss that results from direct physical damage, such as lost income.

A. Professional liability
B. Errors and omissions coverage
C. Personal auto policy
D. Indirect loss

19. In an insurance scenario, which term applies when the facts show the following? A policy that covers only losses caused by perils specifically listed in the contract.

A. Collision coverage
B. Named-peril policy
C. Other-than-collision coverage
D. Deductible

20. In an insurance scenario, which term applies when the facts show the following? A policy that covers risks of direct physical loss unless the loss is excluded.

A. Open-peril policy
B. Nonowned auto
C. Hired auto
D. Garagekeepers coverage

21. In an insurance scenario, which term applies when the facts show the following? Temporary evidence of insurance pending issuance of the policy or rejection of the application.

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

22. In an insurance scenario, which term applies when the facts show the following? A document that provides evidence of insurance but does not amend the policy itself.

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

23. In an insurance scenario, which term applies when the facts show the following? The policy section identifying the named insured, covered property, limits, deductibles, and policy period.

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

24. In an insurance scenario, which term applies when the facts show the following? The policy section that broadly states the insurer's promise to pay or provide coverage.

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

25. In an insurance scenario, which term applies when the facts show the following? Policy provisions describing duties and procedures that must be followed for coverage to apply.

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

26. In an insurance scenario, which term applies when the facts show the following? Policy provisions removing specified causes of loss, property, persons, or circumstances from coverage.

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

27. In an insurance scenario, which term applies when the facts show the following? A written amendment that adds, deletes, or changes policy coverage or terms.

A. Appraisal
B. Endorsement
C. Salvage
D. Abandonment

28. In an insurance scenario, which term applies when the facts show the following? A statement made to induce an insurer to issue coverage that is believed true to the applicant's knowledge.

A. Representation
B. Functional replacement cost
C. Primary coverage
D. Excess coverage

29. In an insurance scenario, which term applies when the facts show the following? A statement or promise that must be strictly true or performed as required by the contract.

A. Supplementary payments
B. Duty to defend
C. Reservation of rights
D. Warranty

30. In an insurance scenario, which term applies when the facts show the following? Failure to disclose a material fact that the insurer needs to evaluate the risk.

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

31. In an insurance scenario, which term applies when the facts show the following? A false statement of material fact that can affect underwriting or claim handling.

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

32. In an insurance scenario, which term applies when the facts show the following? Intentional withholding of a material fact from an insurer during application or claim handling.

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

33. In an insurance scenario, which term applies when the facts show the following? An insurance contract in which values exchanged may be unequal because payment depends on an uncertain event.

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

34. In an insurance scenario, which term applies when the facts show the following? A contract drafted by one party, generally the insurer, with ambiguities interpreted against the drafter.

A. Adhesion contract
B. Personal injury protection
C. Medical payments coverage
D. Financial responsibility law

35. In an insurance scenario, which term applies when the facts show the following? A contract in which only the insurer makes an enforceable promise to perform after premium is paid.

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

36. In an insurance scenario, which term applies when the facts show the following? A contract requiring the insured to satisfy stated conditions before the insurer's promise becomes enforceable.

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

37. In an insurance scenario, which term applies when the facts show the following? The exchange of value that supports an insurance contract, including premium and the insurer's promise.

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

38. In an insurance scenario, which term applies when the facts show the following? The mutual assent needed to form a contract, with an offer made and accepted.

A. Commercial package policy
B. Business income coverage
C. Extra expense coverage
D. Offer and acceptance

39. In an insurance scenario, which term applies when the facts show the following? People or entities legally capable of entering into an enforceable contract.

A. Personal auto policy
B. Bodily injury liability
C. Competent parties
D. Property damage liability

40. In an insurance scenario, which term applies when the facts show the following? A contract requirement that the agreement's objective must not violate law or public policy.

A. Deductible
B. Legal purpose
C. Rental reimbursement coverage
D. Towing and labor coverage

41. In an insurance scenario, which term applies when the facts show the following? Termination of a policy before its normal expiration date.

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

42. In an insurance scenario, which term applies when the facts show the following? A decision not to continue a policy beyond the end of its current policy period.

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

43. In an insurance scenario, which term applies when the facts show the following? A formal statement supporting a claim and describing the loss, required under many property policies.

A. Law of large numbers
B. Proof of loss
C. Indemnity
D. Subrogation

44. In an insurance scenario, which term applies when the facts show the following? Prompt communication to the insurer that a loss or occurrence may give rise to a claim.

A. Named-peril policy
B. Open-peril policy
C. Notice of claim
D. Binder

45. In an insurance scenario, which term applies when the facts show the following? A policy process for resolving a disagreement about the amount of a property loss, not coverage itself.

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

46. In an insurance scenario, which term applies when the facts show the following? Damaged property remaining after a loss that may have residual value.

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

47. In an insurance scenario, which term applies when the facts show the following? An insured's attempt to give damaged property to the insurer and demand full payment, generally not permitted without agreement.

A. Abandonment
B. Legal purpose
C. Cancellation
D. Nonrenewal

48. In an insurance scenario, which term applies when the facts show the following? A policy condition that may reduce or restrict certain property coverage when a building is vacant.

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

49. In an insurance scenario, which term applies when the facts show the following? A property policy provision requiring insurance to equal a stated percentage of value to avoid a penalty.

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

50. In an insurance scenario, which term applies when the facts show the following? A valuation method in which insurer and insured agree in advance on a property value, subject to policy terms.

A. Reservation of rights
B. Texas Department of Insurance
C. Commissioner of Insurance
D. Agreed value

51. In an insurance scenario, which term applies when the facts show the following? A policy limit based on an amount shown in the declarations that may limit payment but is not necessarily a guaranteed value.

A. Stated amount
B. Insurance producer
C. Appointment
D. Temporary license

52. In an insurance scenario, which term applies when the facts show the following? A valuation approach using less costly property that performs the same function as damaged property.

A. Unfair discrimination
B. Rebating
C. Functional replacement cost
D. Twisting

53. In an insurance scenario, which term applies when the facts show the following? Coverage that responds first before other applicable insurance for a covered loss.

A. Fraud
B. Primary coverage
C. Commingling
D. Surplus lines insurance

54. In an insurance scenario, which term applies when the facts show the following? Coverage that responds after applicable primary insurance limits are exhausted.

A. Excess coverage
B. Workers compensation
C. Exclusive remedy
D. Compensability

55. In an insurance scenario, which term applies when the facts show the following? Liability coverage triggered by bodily injury or property damage that occurs during the policy period.

A. Financial responsibility law
B. Texas Windstorm Insurance Association
C. Texas FAIR Plan Association
D. Occurrence basis

56. In an insurance scenario, which term applies when the facts show the following? Liability coverage triggered when a claim is first made during the policy period, subject to policy terms.

A. DP-3 policy
B. Replacement cost
C. Claims-made basis
D. Actual cash value

57. In an insurance scenario, which term applies when the facts show the following? The maximum an insurer will pay for all covered losses during a policy period or stated period.

A. Loss assessment coverage
B. Aggregate limit
C. Vacancy
D. Theft

58. In an insurance scenario, which term applies when the facts show the following? The maximum an insurer will pay for one covered occurrence, subject to policy terms.

A. Personal umbrella policy
B. Inland marine insurance
C. Per-occurrence limit

D. Bailee's customers coverage

59. In an insurance scenario, which term applies when the facts show the following? Certain claim-related payments made in addition to liability limits, as specified by the policy.

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

60. In an insurance scenario, which term applies when the facts show the following? The insurer's contractual obligation to defend covered claims against the insured, even if allegations are groundless.

A. Duty to defend
B. Property damage liability
C. Uninsured motorists coverage
D. Underinsured motorists coverage

61. In an insurance scenario, which term applies when the facts show the following? A notice that the insurer will investigate or defend while preserving the right to deny coverage for certain issues.

A. Towing and labor coverage
B. Reservation of rights
C. Newly acquired auto provision
D. Temporary substitute auto

62. In an insurance scenario, which term applies when the facts show the following? The state agency that regulates the Texas insurance industry and administers insurance laws.

A. Motor truck cargo coverage
B. Texas Department of Insurance

C. Motor carrier coverage form

D. Surety bond

63. In an insurance scenario, which term applies when the facts show the following? The official who leads the Texas Department of Insurance and exercises assigned regulatory authority.

A. Hazard

B. Physical hazard

C. Commissioner of Insurance

D. Moral hazard

64. In an insurance scenario, which term applies when the facts show the following? Authorization issued to an insurer permitting it to transact insurance in Texas.

A. Certificate of authority

B. Subrogation

C. Contribution by other insurance

D. Proximate cause

65. In an insurance scenario, which term applies when the facts show the following? An insurer organized under the laws of Texas.

A. Binder

B. Certificate of insurance

C. Declarations

D. Domestic insurer

66. In an insurance scenario, which term applies when the facts show the following? An insurer organized under the laws of another U.S. state or territory.

A. Representation

B. Warranty
C. Foreign insurer
D. Concealment

67. In an insurance scenario, which term applies when the facts show the following? An insurer organized under the laws of a country other than the United States.

A. Alien insurer
B. Unilateral contract
C. Conditional contract
D. Consideration

68. In an insurance scenario, which term applies when the facts show the following? A person required to be licensed to sell, solicit, or negotiate insurance, commonly called an agent.

A. Nonrenewal
B. Proof of loss
C. Notice of claim
D. Insurance producer

69. In an insurance scenario, which term applies when the facts show the following? An insurer's authorization for an agent to act on the insurer's behalf for specified insurance business.

A. Coinsurance clause
B. Appointment
C. Agreed value
D. Stated amount

70. In an insurance scenario, which term applies when the facts show the following? A time-limited license that may be issued under Texas law when statutory requirements are met.

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

71. In an insurance scenario, which term applies when the facts show the following? Required post-licensing education intended to maintain a licensee's professional competence.

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

72. In an insurance scenario, which term applies when the facts show the following? A regulatory action temporarily prohibiting a licensee from conducting insurance business.

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

73. In an insurance scenario, which term applies when the facts show the following? A regulatory action permanently terminating a licensee's authority to act under a license.

A. License revocation
B. Twisting
C. Defamation
D. Boycott

74. In an insurance scenario, which term applies when the facts show the following? An order directing a person or entity to stop a prohibited insurance practice.

A. Surplus lines insurance
B. Admitted insurer
C. Nonadmitted insurer
D. Cease and desist order

75. In an insurance scenario, which term applies when the facts show the following? Treating similarly situated insurance risks differently on an improper basis prohibited by insurance law.

A. Compensability
B. Third-party claim
C. Unfair discrimination
D. Transportation network company

76. In an insurance scenario, which term applies when the facts show the following? Giving an applicant an unlawful inducement, such as a premium return or valuable consideration, to purchase insurance.

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

77. In an insurance scenario, which term applies when the facts show the following? Making misleading comparisons to induce a policyholder to replace or lapse existing insurance.

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

78. In an insurance scenario, which term applies when the facts show the following? Making a false or malicious statement that harms another insurer's or person's business reputation.

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

79. In an insurance scenario, which term applies when the facts show the following? An agreement to refuse to deal with a person or business in order to coerce or restrain trade.

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

80. In an insurance scenario, which term applies when the facts show the following? Using force, pressure, or threats to improperly influence an insurance transaction.

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

81. In an insurance scenario, which term applies when the facts show the following? Threatening conduct used to improperly influence an insurance transaction.

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

82. In an insurance scenario, which term applies when the facts show the following? An intentional deception intended to obtain an unauthorized benefit or cause another party a loss.

A. Temporary substitute auto
B. Nonowned auto
C. Hired auto
D. Fraud

83. In an insurance scenario, which term applies when the facts show the following? Improperly mixing premium funds or fiduciary funds with personal or operating funds.

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

84. In an insurance scenario, which term applies when the facts show the following? Coverage placed with an eligible nonadmitted insurer when coverage cannot be procured from admitted insurers.

A. Surplus lines insurance
B. Moral hazard
C. Morale hazard
D. Insurable interest

85. In an insurance scenario, which term applies when the facts show the following? An insurer authorized by the Texas Department of Insurance to transact insurance in Texas.

A. Proximate cause
B. Admitted insurer
C. Direct loss
D. Indirect loss

86. In an insurance scenario, which term applies when the facts show the following? An insurer not authorized as an admitted carrier in Texas, though it may be eligible for surplus lines placement.

A. Declarations
B. Nonadmitted insurer
C. Insuring agreement
D. Conditions

87. In an insurance scenario, which term applies when the facts show the following? The residual market mechanism that helps eligible Texas drivers obtain required auto liability coverage.

A. Concealment
B. Misrepresentation
C. Aleatory contract
D. Texas Automobile Insurance Plan Association

88. In an insurance scenario, which term applies when the facts show the following? An association that may provide limited protection for certain covered claims when a member insurer becomes insolvent.

A. Consideration contractual exchange requirement
B. Offer and acceptance mutual agreement
C. Texas Property and Casualty Insurance Guaranty Association
D. Competent parties legal capacity requirement

89. In an insurance scenario, which term applies when the facts show the following? A statutory system providing defined benefits for employees injured in the course and scope of employment.

A. Workers compensation
B. Notice of claim
C. Appraisal
D. Salvage

90. In an insurance scenario, which term applies when the facts show the following? The workers compensation principle limiting an employee's remedy against a subscribing employer for covered work injuries.

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

91. In an insurance scenario, which term applies when the facts show the following? Whether an injury or illness meets statutory requirements for workers compensation benefits.

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

92. In an insurance scenario, which term applies when the facts show the following? A claim against someone other than the employer or coworker whose negligence caused an employee's injury.

A. Domestic insurer
B. Foreign insurer
C. Alien insurer
D. Third-party claim

93. In an insurance scenario, which term applies when the facts show the following? A company that uses an online platform to connect passengers with drivers using personal vehicles.

A. Transportation network company
B. License suspension
C. License revocation
D. Cease and desist order

94. In an insurance scenario, which term applies when the facts show the following? No-fault auto coverage for certain medical expenses and lost income, subject to policy and state requirements.

A. Personal injury protection
B. Boycott
C. Coercion
D. Intimidation

95. In an insurance scenario, which term applies when the facts show the following? Auto coverage that pays reasonable medical expenses for covered persons, regardless of fault, subject to policy terms.

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

96. In an insurance scenario, which term applies when the facts show the following? A law requiring motorists to demonstrate ability to pay for damages arising from motor vehicle accidents.

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

97. In an insurance scenario, which term applies when the facts show the following? A Texas residual market association that can provide windstorm and hail coverage in designated coastal areas.

A. HO-4 policy
B. HO-6 policy
C. Texas Windstorm Insurance Association
D. DP-1 policy

98. In an insurance scenario, which term applies when the facts show the following? A residual market property insurer that may provide basic property coverage to eligible applicants unable to obtain it in the voluntary market.

A. Medical payments to others
B. Texas FAIR Plan Association
C. Additional living expense
D. Scheduled personal property

99. In an insurance scenario, which term applies when the facts show the following? A homeowners form that generally provides open-peril coverage on the dwelling and named-peril coverage on personal property.

A. Ordinance or law coverage
B. Flood insurance
C. Earthquake endorsement
D. HO-3 policy

100. In an insurance scenario, which term applies when the facts show the following? A tenants form that primarily covers a renter's personal property and personal liability rather than the building.

A. Businessowners policy
B. Commercial package policy
C. HO-4 policy
D. Business income coverage

101. In an insurance scenario, which term applies when the facts show the following? A homeowners form designed for condominium unit owners and their personal property interests.

A. HO-6 policy
B. Errors and omissions coverage
C. Personal auto policy

D. Bodily injury liability

102. In an insurance scenario, which term applies when the facts show the following? A basic dwelling form that provides limited named-peril property coverage.

A. Other-than-collision coverage
B. Deductible
C. DP-1 policy
D. Rental reimbursement coverage

103. In an insurance scenario, which term applies when the facts show the following? A dwelling form that generally provides open-peril coverage on the dwelling and named-peril coverage on contents.

A. Hired auto
B. Garagekeepers coverage
C. Garage liability coverage
D. DP-3 policy

104. In an insurance scenario, which term applies when the facts show the following? The cost to repair or replace damaged property with like kind and quality without a deduction for depreciation.

A. Replacement cost
B. Pure risk
C. Speculative risk
D. Peril

105. In an insurance scenario, which term applies when the facts show the following? The value of damaged property after depreciation is deducted from replacement cost.

A. Insurable interest
B. Actual cash value

C. Law of large numbers
D. Indemnity

106. In an insurance scenario, which term applies when the facts show the following? Homeowners coverage that responds to an insured's legal liability for bodily injury or property damage to others.

A. Personal liability coverage
B. Indirect loss
C. Named-peril policy
D. Open-peril policy

107. In an insurance scenario, which term applies when the facts show the following? No-fault homeowners coverage for reasonable medical expenses of guests injured on the insured location.

A. Conditions
B. Exclusions
C. Medical payments to others
D. Endorsement

108. In an insurance scenario, which term applies when the facts show the following? Coverage for increased necessary living costs when a covered loss makes the residence unfit to live in.

A. Concealment
B. Additional living expense
C. Aleatory contract
D. Adhesion contract

109. In an insurance scenario, which term applies when the facts show the following? Coverage that lists specifically described valuable items, often with broader protection than unscheduled property.

A. Competent parties

B. Legal purpose
C. Cancellation
D. Scheduled personal property

110. In an insurance scenario, which term applies when the facts show the following? Condominium coverage that can help pay an insured's share of certain covered association assessments.

A. Loss assessment coverage
B. Salvage
C. Abandonment
D. Vacancy provision

111. In an insurance scenario, which term applies when the facts show the following? A condition in which a building is substantially empty of contents and not being used for its intended purpose.

A. Primary coverage
B. Vacancy
C. Excess coverage
D. Occurrence basis

112. In an insurance scenario, which term applies when the facts show the following? The unlawful taking of property with intent to deprive the owner of it.

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

113. In an insurance scenario, which term applies when the facts show the following? Willful damage to property by a person acting with malicious intent.

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

114. In an insurance scenario, which term applies when the facts show the following? Coverage for increased rebuilding costs caused by enforcement of building codes after a covered loss.

A. Cease and desist order
B. Unfair discrimination
C. Rebating
D. Ordinance or law coverage

115. In an insurance scenario, which term applies when the facts show the following? Coverage for direct physical loss by flood, which is generally excluded from standard homeowners policies.

A. Intimidation
B. Fraud
C. Flood insurance
D. Commingling

116. In an insurance scenario, which term applies when the facts show the following? Optional coverage that can insure direct physical loss caused by earth movement when the base policy excludes it.

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

117. In an insurance scenario, which term applies when the facts show the following? Liability coverage that supplies additional limits above underlying personal auto or homeowners liability policies.

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

118. In an insurance scenario, which term applies when the facts show the following? Coverage for movable property, transportation exposures, or property with specialized coverage needs.

A. DP-1 policy
B. DP-3 policy
C. Replacement cost
D. Inland marine insurance

119. In an insurance scenario, which term applies when the facts show the following? Coverage protecting customers' property while it is in the insured bailee's care, custody, or control.

A. Scheduled personal property
B. Loss assessment coverage
C. Bailee's customers coverage
D. Vacancy

120. In an insurance scenario, which term applies when the facts show the following? Property coverage for a building under construction and materials intended to become part of the project.

A. Earthquake endorsement
B. Builders risk coverage
C. Personal umbrella policy
D. Inland marine insurance

121. In an insurance scenario, which term applies when the facts show the following? A package policy combining property and liability protections for eligible small and medium-sized businesses.

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

122. In an insurance scenario, which term applies when the facts show the following? A modular business policy that combines selected coverage parts under one package.

A. Bodily injury liability
B. Property damage liability
C. Commercial package policy
D. Uninsured motorists coverage

123. In an insurance scenario, which term applies when the facts show the following? Coverage for loss of income resulting from a necessary suspension of operations after a covered direct loss.

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

124. In an insurance scenario, which term applies when the facts show the following? Coverage for necessary additional expenses that help a business continue operations after a covered loss.

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

125. In an insurance scenario, which term applies when the facts show the following? Coverage for a business's legal liability for bodily injury, property damage, and personal and advertising injury.

A. Commercial general liability
B. Peril
C. Hazard
D. Physical hazard

126. In an insurance scenario, which term applies when the facts show the following? CGL liability coverage for injury or damage arising from completed work or products after possession leaves the insured.

A. Indemnity
B. Products-completed operations
C. Subrogation
D. Contribution by other insurance

127. In an insurance scenario, which term applies when the facts show the following? Coverage for claims alleging negligence, errors, or omissions in professional services.

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

128. In an insurance scenario, which term applies when the facts show the following? Another name for liability insurance protecting against negligent professional advice or services.

A. Errors and omissions coverage
B. Endorsement
C. Representation
D. Warranty

129. In an insurance scenario, which term applies when the facts show the following? A policy designed to insure eligible private passenger autos and personal auto liability exposures.

A. Adhesion contract
B. Unilateral contract
C. Conditional contract
D. Personal auto policy

130. In an insurance scenario, which term applies when the facts show the following? Auto liability coverage for damages the insured legally owes because another person was injured.

A. Cancellation
B. Bodily injury liability
C. Nonrenewal
D. Proof of loss

131. In an insurance scenario, which term applies when the facts show the following? Auto liability coverage for damage the insured legally causes to another person's tangible property.

A. Vacancy provision
B. Coinsurance clause
C. Agreed value
D. Property damage liability

132. In an insurance scenario, which term applies when the facts show the following? Coverage that may protect an insured when injured by a driver who has no applicable liability insurance.

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

133. In an insurance scenario, which term applies when the facts show the following? Coverage that may apply when an at-fault driver's liability limits are insufficient for the insured's covered damages.

A. Texas Department of Insurance
B. Commissioner of Insurance
C. Underinsured motorists coverage
D. Certificate of authority

134. In an insurance scenario, which term applies when the facts show the following? Auto physical damage coverage for upset of the covered auto or impact with another vehicle or object.

A. Appointment
B. Temporary license
C. Collision coverage
D. Continuing education

135. In an insurance scenario, which term applies when the facts show the following? Auto physical damage coverage for specified noncollision losses such as theft, fire, or hail.

A. Other-than-collision coverage
B. Rebating
C. Twisting
D. Defamation

136. In an insurance scenario, which term applies when the facts show the following? The portion of a covered loss the insured retains before the policy pays its share.

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

137. In an insurance scenario, which term applies when the facts show the following? Optional auto coverage for expenses of renting a substitute vehicle after a covered physical damage loss.

A. Exclusive remedy
B. Compensability
C. Third-party claim
D. Rental reimbursement coverage

138. In an insurance scenario, which term applies when the facts show the following? Optional auto coverage for certain towing and roadside labor costs.

A. Towing and labor coverage
B. Texas Windstorm Insurance Association
C. Texas FAIR Plan Association
D. HO-3 policy

139. In an insurance scenario, which term applies when the facts show the following? A policy provision that gives limited automatic coverage for a vehicle acquired during the policy period.

A. Replacement cost
B. Actual cash value
C. Newly acquired auto provision
D. Personal liability coverage

140. In an insurance scenario, which term applies when the facts show the following? A nonowned vehicle temporarily used while the insured's covered auto is out of normal use.

A. Vacancy
B. Temporary substitute auto
C. Theft
D. Vandalism

141. In an insurance scenario, which term applies when the facts show the following? An auto the insured uses but does not own, lease, or have available for regular use.

A. Inland marine insurance
B. Bailee's customers coverage
C. Builders risk coverage
D. Nonowned auto

142. In an insurance scenario, which term applies when the facts show the following? An auto the business leases, hires, rents, or borrows, subject to policy terms.

A. Commercial general liability
B. Hired auto
C. Products-completed operations
D. Professional liability

143. In an insurance scenario, which term applies when the facts show the following? Coverage for customers' autos left in the care of a business such as a repair shop or parking facility.

A. Uninsured motorists coverage
B. Underinsured motorists coverage
C. Garagekeepers coverage
D. Collision coverage

144. In an insurance scenario, which term applies when the facts show the following? Liability coverage for businesses that sell, service, repair, park, or store autos.

A. Newly acquired auto provision
B. Temporary substitute auto
C. Nonowned auto
D. Garage liability coverage

145. In an insurance scenario, which term applies when the facts show the following? 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

Practice Exam 13: Answer Key and Explanations

1. B — Motor carrier coverage form is correct. In this scenario it refers to a commercial auto form designed for businesses that transport goods or passengers for hire. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

2. B — Surety bond is correct. In this scenario it refers to a three-party agreement in which a surety guarantees the principal's performance to the obligee. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

3. A — Fidelity bond is correct. In this scenario it refers to coverage protecting an employer from loss caused by dishonest acts of employees. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

4. D — Pure risk is correct. In this scenario it refers to a situation involving only the possibility of loss or no loss, without the possibility of gain. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

5. C — Speculative risk is correct. In this scenario it refers to a situation involving a chance of loss, no loss, or gain, such as an investment. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

6. A — Peril is correct. In this scenario it refers to the immediate cause of loss, such as fire, windstorm, or theft. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

7. C — Hazard is correct. In this scenario it refers to a condition or circumstance that increases the chance or severity of loss from a peril. The alternatives describe different insurance coverages, policy

procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

8. B — Physical hazard is correct. In this scenario it refers to a tangible condition, such as faulty wiring, that increases the likelihood or severity of loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

9. D — Moral hazard is correct. In this scenario it refers to a hazard arising from dishonesty or an increased likelihood of intentional loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

10. A — Morale hazard is correct. In this scenario it refers to a hazard arising from carelessness or indifference because insurance exists. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

11. B — Insurable interest is correct. In this scenario it refers to a lawful financial interest in preserving property or avoiding loss to a person or liability exposure. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

12. D — Law of large numbers is correct. In this scenario it refers to the principle that loss predictions improve as the number of similar exposure units increases. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

13. C — Indemnity is correct. In this scenario it refers to the principle that insurance seeks to restore the insured financially without allowing profit from a loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

14. D — Subrogation is correct. In this scenario it refers to the insurer's right after payment to pursue a responsible third party to recover the amount paid. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

15. C — Contribution by other insurance is correct. In this scenario it refers to a method of sharing a covered loss among two or more insurers covering the same interest and exposure. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

16. B — Proximate cause is correct. In this scenario it refers to the dominant cause that sets in motion an unbroken chain of events leading to loss. The alternatives describe different insurance coverages, policy

procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

17. A — Direct loss is correct. In this scenario it refers to physical damage directly caused by a covered peril. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts. Compare each option to the stated facts.

18. D — Indirect loss is correct. In this scenario it refers to a consequential financial loss that results from direct physical damage, such as lost income. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

19. B — Named-peril policy is correct. In this scenario it refers to a policy that covers only losses caused by perils specifically listed in the contract. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

20. A — Open-peril policy is correct. In this scenario it refers to a policy that covers risks of direct physical loss unless the loss is excluded. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

21. C — Binder is correct. In this scenario it refers to temporary evidence of insurance pending issuance of the policy or rejection of the application. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

22. B — Certificate of insurance is correct. In this scenario it refers to a document that provides evidence of insurance but does not amend the policy itself. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

23. C — Declarations is correct. In this scenario it refers to the policy section identifying the named insured, covered property, limits, deductibles, and policy period. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

24. D — Insuring agreement is correct. In this scenario it refers to the policy section that broadly states the insurer's promise to pay or provide coverage. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

25. A — Conditions is correct. In this scenario it refers to policy provisions describing duties and procedures that must be followed for coverage to apply. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

26. C — Exclusions is correct. In this scenario it refers to policy provisions removing specified causes of loss, property, persons, or circumstances from coverage. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

27. B — Endorsement is correct. In this scenario it refers to a written amendment that adds, deletes, or changes policy coverage or terms. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

28. A — Representation is correct. In this scenario it refers to a statement made to induce an insurer to issue coverage that is believed true to the applicant's knowledge. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

29. D — Warranty is correct. In this scenario it refers to a statement or promise that must be strictly true or performed as required by the contract. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

30. D — Concealment is correct. In this scenario it refers to failure to disclose a material fact that the insurer needs to evaluate the risk. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

31. A — Misrepresentation is correct. In this scenario it refers to a false statement of material fact that can affect underwriting or claim handling. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

32. C — Concealment is correct. In this scenario it refers to intentional withholding of a material fact from an insurer during application or claim handling. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

33. B — Aleatory contract is correct. In this scenario it refers to an insurance contract in which values exchanged may be unequal because payment depends on an uncertain event. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

34. A — Adhesion contract is correct. In this scenario it refers to a contract drafted by one party, generally the insurer, with ambiguities interpreted against the drafter. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

35. C — Unilateral contract is correct. In this scenario it refers to a contract in which only the insurer makes an enforceable promise to perform after premium is paid. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

36. D — Conditional contract is correct. In this scenario it refers to a contract requiring the insured to satisfy stated conditions before the insurer's promise becomes enforceable. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

37. B — Consideration is correct. In this scenario it refers to the exchange of value that supports an insurance contract, including premium and the insurer's promise. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

38. D — Offer and acceptance is correct. In this scenario it refers to the mutual assent needed to form a contract, with an offer made and accepted. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

39. C — Competent parties is correct. In this scenario it refers to people or entities legally capable of entering into an enforceable contract. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

40. B — Legal purpose is correct. In this scenario it refers to a contract requirement that the agreement's objective must not violate law or public policy. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

41. A — Cancellation is correct. In this scenario it refers to termination of a policy before its normal expiration date. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts. Compare each option to the stated facts.

42. A — Nonrenewal is correct. In this scenario it refers to a decision not to continue a policy beyond the end of its current policy period. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

43. B — Proof of loss is correct. In this scenario it refers to a formal statement supporting a claim and describing the loss, required under many property policies. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

44. C — Notice of claim is correct. In this scenario it refers to prompt communication to the insurer that a loss or occurrence may give rise to a claim. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

45. D — Appraisal is correct. In this scenario it refers to a policy process for resolving a disagreement about the amount of a property loss, not coverage itself. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

46. C — Salvage is correct. In this scenario it refers to damaged property remaining after a loss that may have residual value. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

47. A — Abandonment is correct. In this scenario it refers to an insured's attempt to give damaged property to the insurer and demand full payment, generally not permitted without agreement. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

48. B — Vacancy provision is correct. In this scenario it refers to a policy condition that may reduce or restrict certain property coverage when a building is vacant. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

49. D — Coinsurance clause is correct. In this scenario it refers to a property policy provision requiring insurance to equal a stated percentage of value to avoid a penalty. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

50. D — Agreed value is correct. In this scenario it refers to a valuation method in which insurer and insured agree in advance on a property value, subject to policy terms. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

51. A — Stated amount is correct. In this scenario it refers to a policy limit based on an amount shown in the declarations that may limit payment but is not necessarily a guaranteed value. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

52. C — Functional replacement cost is correct. In this scenario it refers to a valuation approach using less costly property that performs the same function as damaged property. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

53. B — Primary coverage is correct. In this scenario it refers to coverage that responds first before other applicable insurance for a covered loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

54. A — Excess coverage is correct. In this scenario it refers to coverage that responds after applicable primary insurance limits are exhausted. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

55. D — Occurrence basis is correct. In this scenario it refers to liability coverage triggered by bodily injury or property damage that occurs during the policy period. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

56. C — Claims-made basis is correct. In this scenario it refers to liability coverage triggered when a claim is first made during the policy period, subject to policy terms. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

57. B — Aggregate limit is correct. In this scenario it refers to the maximum an insurer will pay for all covered losses during a policy period or stated period. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

58. C — Per-occurrence limit is correct. In this scenario it refers to the maximum an insurer will pay for one covered occurrence, subject to policy terms. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

59. D — Supplementary payments is correct. In this scenario it refers to certain claim-related payments made in addition to liability limits, as specified by the policy. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

60. A — Duty to defend is correct. In this scenario it refers to the insurer's contractual obligation to defend covered claims against the insured, even if allegations are groundless. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

61. B — Reservation of rights is correct. In this scenario it refers to a notice that the insurer will investigate or defend while preserving the right to deny coverage for certain issues. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

62. B — Texas Department of Insurance is correct. In this scenario it refers to the state agency that regulates the texas insurance industry and administers insurance laws. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

63. C — Commissioner of Insurance is correct. In this scenario it refers to the official who leads the texas department of insurance and exercises assigned regulatory authority. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

64. A — Certificate of authority is correct. In this scenario it refers to authorization issued to an insurer permitting it to transact insurance in texas. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

65. D — Domestic insurer is correct. In this scenario it refers to an insurer organized under the laws of texas. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts. Compare each option to the stated facts.

66. C — Foreign insurer is correct. In this scenario it refers to an insurer organized under the laws of another u.s. state or territory. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

67. A — Alien insurer is correct. In this scenario it refers to an insurer organized under the laws of a country other than the united states. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

68. D — Insurance producer is correct. In this scenario it refers to a person required to be licensed to sell, solicit, or negotiate insurance, commonly called an agent. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

69. B — Appointment is correct. In this scenario it refers to an insurer's authorization for an agent to act on the insurer's behalf for specified insurance business. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

70. D — Temporary license is correct. In this scenario it refers to a time-limited license that may be issued under texas law when statutory requirements are met. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

71. C — Continuing education is correct. In this scenario it refers to required post-licensing education intended to maintain a licensee's professional competence. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

72. B — License suspension is correct. In this scenario it refers to a regulatory action temporarily prohibiting a licensee from conducting insurance business. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

73. A — License revocation is correct. In this scenario it refers to a regulatory action permanently terminating a licensee's authority to act under a license. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

74. D — Cease and desist order is correct. In this scenario it refers to an order directing a person or entity to stop a prohibited insurance practice. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

75. C — Unfair discrimination is correct. In this scenario it refers to treating similarly situated insurance risks differently on an improper basis prohibited by insurance law. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

76. A — Rebating is correct. In this scenario it refers to giving an applicant an unlawful inducement, such as a premium return or valuable consideration, to purchase insurance. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

77. B — Twisting is correct. In this scenario it refers to making misleading comparisons to induce a policyholder to replace or lapse existing insurance. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

78. C — Defamation is correct. In this scenario it refers to making a false or malicious statement that harms another insurer's or person's business reputation. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

79. B — Boycott is correct. In this scenario it refers to an agreement to refuse to deal with a person or business in order to coerce or restrain trade. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

80. A — Coercion is correct. In this scenario it refers to using force, pressure, or threats to improperly influence an insurance transaction. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

81. D — Intimidation is correct. In this scenario it refers to threatening conduct used to improperly influence an insurance transaction. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts. Compare each option to the stated facts.

82. D — Fraud is correct. In this scenario it refers to an intentional deception intended to obtain an unauthorized benefit or cause another party a loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

83. C — Commingling is correct. In this scenario it refers to improperly mixing premium funds or fiduciary funds with personal or operating funds. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

84. A — Surplus lines insurance is correct. In this scenario it refers to coverage placed with an eligible nonadmitted insurer when coverage cannot be procured from admitted insurers. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

85. B — Admitted insurer is correct. In this scenario it refers to an insurer authorized by the texas department of insurance to transact insurance in texas. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

86. B — Nonadmitted insurer is correct. In this scenario it refers to an insurer not authorized as an admitted carrier in texas, though it may be eligible for surplus lines placement. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

87. D — Texas Automobile Insurance Plan Association is correct. In this scenario it refers to the residual market mechanism that helps eligible texas drivers obtain required auto liability coverage. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

88. C — Texas Property and Casualty Insurance Guaranty Association is correct. In this scenario it refers to an association that may provide limited protection for certain covered claims when a member insurer becomes insolvent. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

89. A — Workers compensation is correct. In this scenario it refers to a statutory system providing defined benefits for employees injured in the course and scope of employment. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

90. B — Exclusive remedy is correct. In this scenario it refers to the workers compensation principle limiting an employee's remedy against a subscribing employer for covered work injuries. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

91. C — Compensability is correct. In this scenario it refers to whether an injury or illness meets statutory requirements for workers compensation benefits. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

92. D — Third-party claim is correct. In this scenario it refers to a claim against someone other than the employer or coworker whose negligence caused an employee's injury. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

93. A — Transportation network company is correct. In this scenario it refers to a company that uses an online platform to connect passengers with drivers using personal vehicles. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

94. A — Personal injury protection is correct. In this scenario it refers to no-fault auto coverage for certain medical expenses and lost income, subject to policy and state requirements. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

95. D — Medical payments coverage is correct. In this scenario it refers to auto coverage that pays reasonable medical expenses for covered persons, regardless of fault, subject to policy terms. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

96. B — Financial responsibility law is correct. In this scenario it refers to a law requiring motorists to demonstrate ability to pay for damages arising from motor vehicle accidents. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

97. C — Texas Windstorm Insurance Association is correct. In this scenario it refers to a texas residual market association that can provide windstorm and hail coverage in designated coastal areas. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

98. B — Texas FAIR Plan Association is correct. In this scenario it refers to a residual market property insurer that may provide basic property coverage to eligible applicants unable to obtain it in the voluntary market. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

99. D — HO-3 policy is correct. In this scenario it refers to a homeowners form that generally provides open-peril coverage on the dwelling and named-peril coverage on personal property. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

100. C — HO-4 policy is correct. In this scenario it refers to a tenants form that primarily covers a renter's personal property and personal liability rather than the building. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

101. A — HO-6 policy is correct. In this scenario it refers to a homeowners form designed for condominium unit owners and their personal property interests. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

102. C — DP-1 policy is correct. In this scenario it refers to a basic dwelling form that provides limited named-peril property coverage. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

103. D — DP-3 policy is correct. In this scenario it refers to a dwelling form that generally provides open-peril coverage on the dwelling and named-peril coverage on contents. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

104. A — Replacement cost is correct. In this scenario it refers to the cost to repair or replace damaged property with like kind and quality without a deduction for depreciation. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

105. B — Actual cash value is correct. In this scenario it refers to the value of damaged property after depreciation is deducted from replacement cost. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

106. A — Personal liability coverage is correct. In this scenario it refers to homeowners coverage that responds to an insured's legal liability for bodily injury or property damage to others. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

107. C — Medical payments to others is correct. In this scenario it refers to no-fault homeowners coverage for reasonable medical expenses of guests injured on the insured location. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

108. B — Additional living expense is correct. In this scenario it refers to coverage for increased necessary living costs when a covered loss makes the residence unfit to live in. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

109. D — Scheduled personal property is correct. In this scenario it refers to coverage that lists specifically described valuable items, often with broader protection than unscheduled property. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

110. A — Loss assessment coverage is correct. In this scenario it refers to condominium coverage that can help pay an insured's share of certain covered association assessments. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

111. B — Vacancy is correct. In this scenario it refers to a condition in which a building is substantially empty of contents and not being used for its intended purpose. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

112. C — Theft is correct. In this scenario it refers to the unlawful taking of property with intent to deprive the owner of it. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

113. D — Vandalism is correct. In this scenario it refers to willful damage to property by a person acting with malicious intent. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

114. D — Ordinance or law coverage is correct. In this scenario it refers to coverage for increased rebuilding costs caused by enforcement of building codes after a covered loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

115. C — Flood insurance is correct. In this scenario it refers to coverage for direct physical loss by flood, which is generally excluded from standard homeowners policies. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

116. A — Earthquake endorsement is correct. In this scenario it refers to optional coverage that can insure direct physical loss caused by earth movement when the base policy excludes it. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

117. B — Personal umbrella policy is correct. In this scenario it refers to liability coverage that supplies additional limits above underlying personal auto or homeowners liability policies. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

118. D — Inland marine insurance is correct. In this scenario it refers to coverage for movable property, transportation exposures, or property with specialized coverage needs. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

119. C — Bailee's customers coverage is correct. In this scenario it refers to coverage protecting customers' property while it is in the insured bailee's care, custody, or control. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

120. B — Builders risk coverage is correct. In this scenario it refers to property coverage for a building under construction and materials intended to become part of the project. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

121. A — Businessowners policy is correct. In this scenario it refers to a package policy combining property and liability protections for eligible small and medium-sized businesses. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

122. C — Commercial package policy is correct. In this scenario it refers to a modular business policy that combines selected coverage parts under one package. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

123. D — Business income coverage is correct. In this scenario it refers to coverage for loss of income resulting from a necessary suspension of operations after a covered direct loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

124. B — Extra expense coverage is correct. In this scenario it refers to coverage for necessary additional expenses that help a business continue operations after a covered loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

125. A — Commercial general liability is correct. In this scenario it refers to coverage for a business's legal liability for bodily injury, property damage, and personal and advertising injury. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

126. B — Products-completed operations is correct. In this scenario it refers to cgl liability coverage for injury or damage arising from completed work or products after possession leaves the insured. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

127. C — Professional liability is correct. In this scenario it refers to coverage for claims alleging negligence, errors, or omissions in professional services. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

128. A — Errors and omissions coverage is correct. In this scenario it refers to another name for liability insurance protecting against negligent professional advice or services. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

129. D — Personal auto policy is correct. In this scenario it refers to a policy designed to insure eligible private passenger autos and personal auto liability exposures. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

130. B — Bodily injury liability is correct. In this scenario it refers to auto liability coverage for damages the insured legally owes because another person was injured. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

131. D — Property damage liability is correct. In this scenario it refers to auto liability coverage for damage the insured legally causes to another person's tangible property. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

132. A — Uninsured motorists coverage is correct. In this scenario it refers to coverage that may protect an insured when injured by a driver who has no applicable liability insurance. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

133. C — Underinsured motorists coverage is correct. In this scenario it refers to coverage that may apply when an at-fault driver's liability limits are insufficient for the insured's covered damages. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

134. C — Collision coverage is correct. In this scenario it refers to auto physical damage coverage for upset of the covered auto or impact with another vehicle or object. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

135. A — Other-than-collision coverage is correct. In this scenario it refers to auto physical damage coverage for specified noncollision losses such as theft, fire, or hail. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

136. B — Deductible is correct. In this scenario it refers to the portion of a covered loss the insured retains before the policy pays its share. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

137. D — Rental reimbursement coverage is correct. In this scenario it refers to optional auto coverage for expenses of renting a substitute vehicle after a covered physical damage loss. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

138. A — Towing and labor coverage is correct. In this scenario it refers to optional auto coverage for certain towing and roadside labor costs. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

139. C — Newly acquired auto provision is correct. In this scenario it refers to a policy provision that gives limited automatic coverage for a vehicle acquired during the policy period. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

140. B — Temporary substitute auto is correct. In this scenario it refers to a nonowned vehicle temporarily used while the insured's covered auto is out of normal use. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

141. D — Nonowned auto is correct. In this scenario it refers to an auto the insured uses but does not own, lease, or have available for regular use. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

142. B — Hired auto is correct. In this scenario it refers to an auto the business leases, hires, rents, or borrows, subject to policy terms. The alternatives describe different insurance coverages, policy

procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

143. C — Garagekeepers coverage is correct. In this scenario it refers to coverage for customers' autos left in the care of a business such as a repair shop or parking facility. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.

144. D — Garage liability coverage is correct. In this scenario it refers to liability coverage for businesses that sell, service, repair, park, or store autos. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer. Compare each option to the stated facts.

145. A — Motor truck cargo coverage is correct. In this scenario it refers to coverage for a motor carrier's legal liability for customers' property while it is being transported. The alternatives describe different insurance coverages, policy procedures, or legal concepts. Identify the exact role played by the term before selecting an answer.