PRACTICE EXAM 14: TEXAS PROPERTY AND CASUALTY INSURANCE LICENSE

This original practice exam contains 145 multiple-choice questions. Choose the single best answer for each item. The question set reflects the current Pearson VUE Texas Property and Casualty content outline, including national property and casualty knowledge and Texas-specific rules. Use the answer key and explanations for review after completing the exam.

1. Which insurance term is best illustrated by this description? A policy condition that may reduce or restrict certain property coverage when a building is vacant.

A. Vacancy provision
B. Texas Department of Insurance
C. Commissioner of Insurance
D. Certificate of authority

2. Which insurance term is best illustrated by this description? A property policy provision requiring insurance to equal a stated percentage of value to avoid a penalty.

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

3. Which insurance term is best illustrated by this description? A valuation method in which insurer and insured agree in advance on a property value, subject to policy terms.

A. Surplus lines insurance
B. Agreed value

C. Admitted insurer
D. Nonadmitted insurer

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

A. Medical payments coverage
B. Financial responsibility law
C. Stated amount
D. Texas Windstorm Insurance Association

5. Which insurance term is best illustrated by this description? A valuation approach using less costly property that performs the same function as damaged property.

A. Functional replacement cost
B. Personal liability coverage
C. Medical payments to others
D. Additional living expense

6. Which insurance term is best illustrated by this description? Coverage that responds first before other applicable insurance for a covered loss.

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

7. Which insurance term is best illustrated by this description? Coverage that responds after applicable primary insurance limits are exhausted.

A. Excess coverage

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

8. Which insurance term is best illustrated by this description? Liability coverage triggered by bodily injury or property damage that occurs during the policy period.

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

9. Which insurance term is best illustrated by this description? Liability coverage triggered when a claim is first made during the policy period, subject to policy terms.

A. Speculative risk
B. Peril
C. Hazard
D. Claims-made basis

10. Which insurance term is best illustrated by this description? The maximum an insurer will pay for all covered losses during a policy period or stated period.

A. Aggregate limit
B. Proximate cause
C. Direct loss
D. Indirect loss

11. Which insurance term is best illustrated by this description? The maximum an insurer will pay for one covered occurrence, subject to policy terms.

A. Endorsement
B. Representation
C. Warranty
D. Per-occurrence limit

12. Which insurance term is best illustrated by this description? Certain claim-related payments made in addition to liability limits, as specified by the policy.

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

13. Which insurance term is best illustrated by this description? The insurer's contractual obligation to defend covered claims against the insured, even if allegations are groundless.

A. Coinsurance clause
B. Agreed value
C. Duty to defend
D. Stated amount

14. Which insurance term is best illustrated by this description? A notice that the insurer will investigate or defend while preserving the right to deny coverage for certain issues.

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

15. Which insurance term is best illustrated by this description? The state agency that regulates the Texas insurance industry and administers insurance laws.

A. Continuing education
B. Texas Department of Insurance
C. License suspension
D. License revocation

16. Which insurance term is best illustrated by this description? The official who leads the Texas Department of Insurance and exercises assigned regulatory authority.

A. Commissioner of Insurance
B. Fraud
C. Commingling
D. Surplus lines insurance

17. Which insurance term is best illustrated by this description? Authorization issued to an insurer permitting it to transact insurance in Texas.

A. Transportation network company
B. Personal injury protection
C. Medical payments coverage
D. Certificate of authority

18. Which insurance term is best illustrated by this description? An insurer organized under the laws of Texas.

A. Domestic insurer
B. Replacement cost
C. Actual cash value
D. Personal liability coverage

19. Which insurance term is best illustrated by this description? An insurer organized under the laws of another U.S. state or territory.

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

20. Which insurance term is best illustrated by this description? An insurer organized under the laws of a country other than the United States.

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

21. Which insurance term is best illustrated by this description? A person required to be licensed to sell, solicit, or negotiate insurance, commonly called an agent.

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

22. Which insurance term is best illustrated by this description? An insurer's authorization for an agent to act on the insurer's behalf for specified insurance business.

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

23. Which insurance term is best illustrated by this description? A time-limited license that may be issued under Texas law when statutory requirements are met.

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

24. Which insurance term is best illustrated by this description? Required post-licensing education intended to maintain a licensee's professional competence.

A. Continuing education
B. Conditions
C. Exclusions
D. Endorsement

25. Which insurance term is best illustrated by this description? A regulatory action temporarily prohibiting a licensee from conducting insurance business.

A. Conditional contract
B. Consideration
C. Offer and acceptance
D. License suspension

26. Which insurance term is best illustrated by this description? A regulatory action permanently terminating a licensee's authority to act under a license.

A. Abandonment
B. License revocation
C. Vacancy provision
D. Coinsurance clause

27. Which insurance term is best illustrated by this description? An order directing a person or entity to stop a prohibited insurance practice.

A. Per-occurrence limit
B. Supplementary payments
C. Duty to defend
D. Cease and desist order

28. Which insurance term is best illustrated by this description? Treating similarly situated insurance risks differently on an improper basis prohibited by insurance law.

A. Appointment
B. Temporary license
C. Unfair discrimination
D. Continuing education

29. Which insurance term is best illustrated by this description? Giving an applicant an unlawful inducement, such as a premium return or valuable consideration, to purchase insurance.

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

30. Which insurance term is best illustrated by this description? Making misleading comparisons to induce a policyholder to replace or lapse existing insurance.

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

31. Which insurance term is best illustrated by this description? Making a false or malicious statement that harms another insurer's or person's business reputation.

A. DP-1 policy
B. Defamation
C. DP-3 policy
D. Replacement cost

32. Which insurance term is best illustrated by this description? An agreement to refuse to deal with a person or business in order to coerce or restrain trade.

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

33. Which insurance term is best illustrated by this description? Using force, pressure, or threats to improperly influence an insurance transaction.

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

34. Which insurance term is best illustrated by this description? Threatening conduct used to improperly influence an insurance transaction.

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

35. Which insurance term is best illustrated by this description? An intentional deception intended to obtain an unauthorized benefit or cause another party a loss.

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

36. Which insurance term is best illustrated by this description? Improperly mixing premium funds or fiduciary funds with personal or operating funds.

A. Law of large numbers
B. Indemnity
C. Commingling
D. Subrogation

37. Which insurance term is best illustrated by this description? Coverage placed with an eligible nonadmitted insurer when coverage cannot be procured from admitted insurers.

A. Declarations
B. Insuring agreement
C. Conditions
D. Surplus lines insurance

38. Which insurance term is best illustrated by this description? An insurer authorized by the Texas Department of Insurance to transact insurance in Texas.

A. Admitted insurer
B. Adhesion contract
C. Unilateral contract
D. Conditional contract

39. Which insurance term is best illustrated by this description? An insurer not authorized as an admitted carrier in Texas, though it may be eligible for surplus lines placement.

A. Appraisal
B. Salvage
C. Nonadmitted insurer
D. Abandonment

40. Which insurance term is best illustrated by this description? The residual market mechanism that helps eligible Texas drivers obtain required auto liability coverage.

A. Claims-made basis
B. Texas Automobile Insurance Plan Association
C. Aggregate limit
D. Per-occurrence limit

41. Which insurance term is best illustrated by this description? An association that may provide limited protection for certain covered claims when a member insurer becomes insolvent.

A. Alien insurer foreign-country carrier
B. Insurance producer licensed sales representative
C. Appointment insurer agent authorization
D. Texas Property and Casualty Insurance Guaranty Association

42. Which insurance term is best illustrated by this description? A statutory system providing defined benefits for employees injured in the course and scope of employment.

A. Defamation
B. Workers compensation
C. Boycott
D. Coercion

43. Which insurance term is best illustrated by this description? The workers compensation principle limiting an employee's remedy against a subscribing employer for covered work injuries.

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

44. Which insurance term is best illustrated by this description? Whether an injury or illness meets statutory requirements for workers compensation benefits.

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

45. Which insurance term is best illustrated by this description? A claim against someone other than the employer or coworker whose negligence caused an employee's injury.

A. Vacancy
B. Theft
C. Vandalism
D. Third-party claim

46. Which insurance term is best illustrated by this description? A company that uses an online platform to connect passengers with drivers using personal vehicles.

A. Commercial package policy
B. Transportation network company
C. Business income coverage
D. Extra expense coverage

47. Which insurance term is best illustrated by this description? No-fault auto coverage for certain medical expenses and lost income, subject to policy and state requirements.

A. Underinsured motorists coverage
B. Collision coverage
C. Personal injury protection
D. Other-than-collision coverage

48. Which insurance term is best illustrated by this description? Auto coverage that pays reasonable medical expenses for covered persons, regardless of fault, subject to policy terms.

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

49. Which insurance term is best illustrated by this description? A law requiring motorists to demonstrate ability to pay for damages arising from motor vehicle accidents.

A. Financial responsibility law
B. Morale hazard
C. Insurable interest
D. Law of large numbers

50. Which insurance term is best illustrated by this description? A Texas residual market association that can provide windstorm and hail coverage in designated coastal areas.

A. Binder
B. Texas Windstorm Insurance Association
C. Certificate of insurance
D. Declarations

51. Which insurance term is best illustrated by this description? A residual market property insurer that may provide basic property coverage to eligible applicants unable to obtain it in the voluntary market.

A. Concealment
B. Aleatory contract
C. Adhesion contract
D. Texas FAIR Plan Association

52. Which insurance term is best illustrated by this description? A homeowners form that generally provides open-peril coverage on the dwelling and named-peril coverage on personal property.

A. HO-3 policy
B. Proof of loss
C. Notice of claim
D. Appraisal

53. Which insurance term is best illustrated by this description? A tenants form that primarily covers a renter's personal property and personal liability rather than the building.

A. Excess coverage
B. Occurrence basis
C. HO-4 policy
D. Claims-made basis

54. Which insurance term is best illustrated by this description? A homeowners form designed for condominium unit owners and their personal property interests.

A. HO-6 policy
B. Domestic insurer
C. Foreign insurer
D. Alien insurer

55. Which insurance term is best illustrated by this description? A basic dwelling form that provides limited named-peril property coverage.

A. Rebating
B. DP-1 policy
C. Twisting
D. Defamation

56. Which insurance term is best illustrated by this description? A dwelling form that generally provides open-peril coverage on the dwelling and named-peril coverage on contents.

A. Texas Automobile Insurance Plan Association
B. Texas Property and Casualty Insurance Guaranty Association
C. Workers compensation
D. DP-3 policy

57. Which insurance term is best illustrated by this description? The cost to repair or replace damaged property with like kind and quality without a deduction for depreciation.

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

58. Which insurance term is best illustrated by this description? The value of damaged property after depreciation is deducted from replacement cost.

A. Actual cash value
B. Scheduled personal property
C. Loss assessment coverage
D. Vacancy

59. Which insurance term is best illustrated by this description? Homeowners coverage that responds to an insured's legal liability for bodily injury or property damage to others.

A. Builders risk coverage
B. Businessowners policy
C. Commercial package policy
D. Personal liability coverage

60. Which insurance term is best illustrated by this description? No-fault homeowners coverage for reasonable medical expenses of guests injured on the insured location.

A. Property damage liability
B. Uninsured motorists coverage
C. Medical payments to others
D. Underinsured motorists coverage

61. Which insurance term is best illustrated by this description? Coverage for increased necessary living costs when a covered loss makes the residence unfit to live in.

A. Hired auto
B. Additional living expense
C. Garagekeepers coverage
D. Garage liability coverage

62. Which insurance term is best illustrated by this description? Coverage that lists specifically described valuable items, often with broader protection than unscheduled property.

A. Physical hazard
B. Moral hazard
C. Scheduled personal property
D. Morale hazard

63. Which insurance term is best illustrated by this description? Condominium coverage that can help pay an insured's share of certain covered association assessments.

A. Named-peril policy
B. Loss assessment coverage
C. Open-peril policy
D. Binder

64. Which insurance term is best illustrated by this description? A condition in which a building is substantially empty of contents and not being used for its intended purpose.

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

65. Which insurance term is best illustrated by this description? The unlawful taking of property with intent to deprive the owner of it.

A. Cancellation
B. Nonrenewal
C. Proof of loss
D. Theft

66. Which insurance term is best illustrated by this description? Willful damage to property by a person acting with malicious intent.

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

67. Which insurance term is best illustrated by this description? Coverage for increased rebuilding costs caused by enforcement of building codes after a covered loss.

A. Commissioner of Insurance
B. Certificate of authority
C. Domestic insurer
D. Ordinance or law coverage

68. Which insurance term is best illustrated by this description? Coverage for direct physical loss by flood, which is generally excluded from standard homeowners policies.

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

69. Which insurance term is best illustrated by this description? Optional coverage that can insure direct physical loss caused by earth movement when the base policy excludes it.

A. Admitted insurer
B. Earthquake endorsement
C. Nonadmitted insurer
D. Texas Automobile Insurance Plan Association

70. Which insurance term is best illustrated by this description? Liability coverage that supplies additional limits above underlying personal auto or homeowners liability policies.

A. Financial responsibility law
B. Texas Windstorm Insurance Association
C. Personal umbrella policy
D. Texas FAIR Plan Association

71. Which insurance term is best illustrated by this description? Coverage for movable property, transportation exposures, or property with specialized coverage needs.

A. Medical payments to others
B. Additional living expense
C. Scheduled personal property
D. Inland marine insurance

72. Which insurance term is best illustrated by this description? Coverage protecting customers' property while it is in the insured bailee's care, custody, or control.

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

73. Which insurance term is best illustrated by this description? Property coverage for a building under construction and materials intended to become part of the project.

A. Builders risk coverage
B. Personal auto policy
C. Bodily injury liability
D. Property damage liability

74. Which insurance term is best illustrated by this description? A package policy combining property and liability protections for eligible small and medium-sized businesses.

A. Businessowners policy
B. Temporary substitute auto
C. Nonowned auto
D. Hired auto

75. Which insurance term is best illustrated by this description? A modular business policy that combines selected coverage parts under one package.

A. Peril
B. Hazard
C. Physical hazard
D. Commercial package policy

76. Which insurance term is best illustrated by this description? Coverage for loss of income resulting from a necessary suspension of operations after a covered direct loss.

A. Direct loss
B. Business income coverage
C. Indirect loss
D. Named-peril policy

77. Which insurance term is best illustrated by this description? Coverage for necessary additional expenses that help a business continue operations after a covered loss.

A. Representation
B. Warranty
C. Extra expense coverage
D. Concealment

78. Which insurance term is best illustrated by this description? Coverage for a business's legal liability for bodily injury, property damage, and personal and advertising injury.

A. Competent parties
B. Commercial general liability
C. Legal purpose
D. Cancellation

79. Which insurance term is best illustrated by this description? CGL liability coverage for injury or damage arising from completed work or products after possession leaves the insured.

A. Agreed value
B. Stated amount
C. Functional replacement cost
D. Products-completed operations

80. Which insurance term is best illustrated by this description? Coverage for claims alleging negligence, errors, or omissions in professional services.

A. Reservation of rights
B. Texas Department of Insurance
C. Professional liability
D. Commissioner of Insurance

81. Which insurance term is best illustrated by this description? Another name for liability insurance protecting against negligent professional advice or services.

A. Errors and omissions coverage
B. License suspension
C. License revocation
D. Cease and desist order

82. Which insurance term is best illustrated by this description? A policy designed to insure eligible private passenger autos and personal auto liability exposures.

A. Commingling
B. Surplus lines insurance
C. Admitted insurer
D. Personal auto policy

83. Which insurance term is best illustrated by this description? Auto liability coverage for damages the insured legally owes because another person was injured.

A. Personal injury protection
B. Medical payments coverage
C. Bodily injury liability
D. Financial responsibility law

84. Which insurance term is best illustrated by this description? Auto liability coverage for damage the insured legally causes to another person's tangible property.

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

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

A. Earthquake endorsement
B. Uninsured motorists coverage
C. Personal umbrella policy
D. Inland marine insurance

86. Which insurance term is best illustrated by this description? Coverage that may apply when an at-fault driver's liability limits are insufficient for the insured's covered damages.

A. Professional liability
B. Errors and omissions coverage
C. Underinsured motorists coverage
D. Personal auto policy

87. Which insurance term is best illustrated by this description? Auto physical damage coverage for upset of the covered auto or impact with another vehicle or object.

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

88. Which insurance term is best illustrated by this description? Auto physical damage coverage for specified noncollision losses such as theft, fire, or hail.

A. Other-than-collision coverage
B. Pure risk
C. Speculative risk
D. Peril

89. Which insurance term is best illustrated by this description? The portion of a covered loss the insured retains before the policy pays its share.

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

90. Which insurance term is best illustrated by this description? Optional auto coverage for expenses of renting a substitute vehicle after a covered physical damage loss.

A. Exclusions
B. Rental reimbursement coverage
C. Endorsement
D. Representation

91. Which insurance term is best illustrated by this description? Optional auto coverage for certain towing and roadside labor costs.

A. Towing and labor coverage
B. Consideration
C. Offer and acceptance
D. Competent parties

92. Which insurance term is best illustrated by this description? A policy provision that gives limited automatic coverage for a vehicle acquired during the policy period.

A. Vacancy provision
B. Coinsurance clause
C. Agreed value
D. Newly acquired auto provision

93. Which insurance term is best illustrated by this description? A nonowned vehicle temporarily used while the insured's covered auto is out of normal use.

A. Supplementary payments
B. Duty to defend
C. Temporary substitute auto
D. Reservation of rights

94. Which insurance term is best illustrated by this description? An auto the insured uses but does not own, lease, or have available for regular use.

A. Temporary license
B. Nonowned auto
C. Continuing education
D. License suspension

95. Which insurance term is best illustrated by this description? An auto the business leases, hires, rents, or borrows, subject to policy terms.

A. Intimidation
B. Fraud
C. Commingling
D. Hired auto

96. Which insurance term is best illustrated by this description? Coverage for customers' autos left in the care of a business such as a repair shop or parking facility.

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

97. Which insurance term is best illustrated by this description? Liability coverage for businesses that sell, service, repair, park, or store autos.

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

98. Which insurance term is best illustrated by this description? Coverage for a motor carrier's legal liability for customers' property while it is being transported.

A. Ordinance or law coverage
B. Motor truck cargo coverage
C. Flood insurance
D. Earthquake endorsement

99. Which insurance term is best illustrated by this description? A commercial auto form designed for businesses that transport goods or passengers for hire.

A. Commercial general liability
B. Products-completed operations
C. Motor carrier coverage form
D. Professional liability

100. Which insurance term is best illustrated by this description? A three-party agreement in which a surety guarantees the principal's performance to the obligee.

A. Deductible
B. Rental reimbursement coverage
C. Towing and labor coverage
D. Surety bond

101. Which insurance term is best illustrated by this description? Coverage protecting an employer from loss caused by dishonest acts of employees.

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

102. Which insurance term is best illustrated by this description? A situation involving only the possibility of loss or no loss, without the possibility of gain.

A. Indemnity
B. Subrogation
C. Contribution by other insurance
D. Pure risk

103. Which insurance term is best illustrated by this description? A situation involving a chance of loss, no loss, or gain, such as an investment.

A. Insuring agreement
B. Speculative risk
C. Conditions
D. Exclusions

104. Which insurance term is best illustrated by this description? The immediate cause of loss, such as fire, windstorm, or theft.

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

105. Which insurance term is best illustrated by this description? A condition or circumstance that increases the chance or severity of loss from a peril.

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

106. Which insurance term is best illustrated by this description? 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

107. Which insurance term is best illustrated by this description? A hazard arising from dishonesty or an increased likelihood of intentional loss.

A. Insurance producer
B. Appointment
C. Moral hazard
D. Temporary license

108. Which insurance term is best illustrated by this description? A hazard arising from carelessness or indifference because insurance exists.

A. Boycott
B. Coercion
C. Intimidation
D. Morale hazard

109. Which insurance term is best illustrated by this description? A lawful financial interest in preserving property or avoiding loss to a person or liability exposure.

A. Insurable interest
B. Exclusive remedy
C. Compensability
D. Third-party claim

110. Which insurance term is best illustrated by this description? The principle that loss predictions improve as the number of similar exposure units increases.

A. HO-6 policy
B. Law of large numbers
C. DP-1 policy
D. DP-3 policy

111. Which insurance term is best illustrated by this description? The principle that insurance seeks to restore the insured financially without allowing profit from a loss.

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

112. Which insurance term is best illustrated by this description? The insurer's right after payment to pursue a responsible third party to recover the amount paid.

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

113. Which insurance term is best illustrated by this description? A method of sharing a covered loss among two or more insurers covering the same interest and exposure.

A. Collision coverage
B. Other-than-collision coverage
C. Deductible
D. Contribution by other insurance

114. Which insurance term is best illustrated by this description? The dominant cause that sets in motion an unbroken chain of events leading to loss.

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

115. Which insurance term is best illustrated by this description? Physical damage directly caused by a covered peril.

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

116. Which insurance term is best illustrated by this description? A consequential financial loss that results from direct physical damage, such as lost income.

A. Certificate of insurance
B. Indirect loss
C. Declarations
D. Insuring agreement

117. Which insurance term is best illustrated by this description? A policy that covers only losses caused by perils specifically listed in the contract.

A. Named-peril policy
B. Aleatory contract
C. Adhesion contract
D. Unilateral contract

118. Which insurance term is best illustrated by this description? A policy that covers risks of direct physical loss unless the loss is excluded.

A. Notice of claim
B. Open-peril policy
C. Appraisal
D. Salvage

119. Which insurance term is best illustrated by this description? Temporary evidence of insurance pending issuance of the policy or rejection of the application.

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

120. Which insurance term is best illustrated by this description? A document that provides evidence of insurance but does not amend the policy itself.

A. Foreign insurer
B. Alien insurer
C. Certificate of insurance
D. Insurance producer

121. Which insurance term is best illustrated by this description? The policy section identifying the named insured, covered property, limits, deductibles, and policy period.

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

122. Which insurance term is best illustrated by this description? The policy section that broadly states the insurer's promise to pay or provide coverage.

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

123. Which insurance term is best illustrated by this description? Policy provisions describing duties and procedures that must be followed for coverage to apply.

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

124. Which insurance term is best illustrated by this description? Policy provisions removing specified causes of loss, property, persons, or circumstances from coverage.

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

125. Which insurance term is best illustrated by this description? A written amendment that adds, deletes, or changes policy coverage or terms.

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

126. Which insurance term is best illustrated by this description? A statement made to induce an insurer to issue coverage that is believed true to the applicant's knowledge.

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

127. Which insurance term is best illustrated by this description? A statement or promise that must be strictly true or performed as required by the contract.

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

128. Which insurance term is best illustrated by this description? Failure to disclose a material fact that the insurer needs to evaluate the risk.

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

129. Which insurance term is best illustrated by this description? A false statement of material fact that can affect underwriting or claim handling.

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

130. Which insurance term is best illustrated by this description? Intentional withholding of a material fact from an insurer during application or claim handling.

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

131. Which insurance term is best illustrated by this description? An insurance contract in which values exchanged may be unequal because payment depends on an uncertain event.

A. Nonrenewal
B. Proof of loss
C. Aleatory contract
D. Notice of claim

132. Which insurance term is best illustrated by this description? A contract drafted by one party, generally the insurer, with ambiguities interpreted against the drafter.

A. Primary coverage
B. Excess coverage
C. Occurrence basis
D. Adhesion contract

133. Which insurance term is best illustrated by this description? A contract in which only the insurer makes an enforceable promise to perform after premium is paid.

A. Certificate of authority
B. Unilateral contract
C. Domestic insurer
D. Foreign insurer

134. Which insurance term is best illustrated by this description? A contract requiring the insured to satisfy stated conditions before the insurer's promise becomes enforceable.

A. Conditional contract
B. Unfair discrimination
C. Rebating
D. Twisting

135. Which insurance term is best illustrated by this description? The exchange of value that supports an insurance contract, including premium and the insurer's promise.

A. Nonadmitted insurer not authorized carrier
B. Texas Automobile Insurance Plan Association residual market
C. Texas Property and Casualty Insurance Guaranty Association
D. Consideration contractual exchange requirement

136. Which insurance term is best illustrated by this description? The mutual assent needed to form a contract, with an offer made and accepted.

A. Texas Windstorm Insurance Association
B. Texas FAIR Plan Association
C. Offer and acceptance
D. HO-3 policy

137. Which insurance term is best illustrated by this description? People or entities legally capable of entering into an enforceable contract.

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

138. Which insurance term is best illustrated by this description? A contract requirement that the agreement's objective must not violate law or public policy.

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

139. Which insurance term is best illustrated by this description? Termination of a policy before its normal expiration date.

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

140. Which insurance term is best illustrated by this description? A decision not to continue a policy beyond the end of its current policy period.

A. Nonowned auto
B. Hired auto
C. Garagekeepers coverage
D. Nonrenewal

141. Which insurance term is best illustrated by this description? A formal statement supporting a claim and describing the loss, required under many property policies.

A. Hazard
B. Physical hazard
C. Proof of loss
D. Moral hazard

142. Which insurance term is best illustrated by this description? Prompt communication to the insurer that a loss or occurrence may give rise to a claim.

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

143. Which insurance term is best illustrated by this description? A policy process for resolving a disagreement about the amount of a property loss, not coverage itself.

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

144. Which insurance term is best illustrated by this description? Damaged property remaining after a loss that may have residual value.

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

145. Which insurance term is best illustrated by this description? An insured's attempt to give damaged property to the insurer and demand full payment, generally not permitted without agreement.

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

Practice Exam 14: Answer Key and Explanations

1. A — The keyed answer is Vacancy provision. It describes a policy condition that may reduce or restrict certain property coverage when a building is vacant. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

2. D — The keyed answer is Coinsurance clause. It describes a property policy provision requiring insurance to equal a stated percentage of value to avoid a penalty. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

3. B — The keyed answer is Agreed value. It describes a valuation method in which insurer and insured agree in advance on a property value, subject to policy terms. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

4. C — The keyed answer is Stated amount. It describes a policy limit based on an amount shown in the declarations that may limit payment but is not necessarily a guaranteed. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

5. A — The keyed answer is Functional replacement cost. It describes a valuation approach using less costly property that performs the same function as damaged property. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

6. C — The keyed answer is Primary coverage. It describes coverage that responds first before other applicable insurance for a covered loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

7. A — The keyed answer is Excess coverage. It describes coverage that responds after applicable primary insurance limits are exhausted. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

8. B — The keyed answer is Occurrence basis. It describes liability coverage triggered by bodily injury or property damage that occurs during the policy period. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

9. D — The keyed answer is Claims-made basis. It describes liability coverage triggered when a claim is first made during the policy period, subject to policy terms. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

10. A — The keyed answer is Aggregate limit. It describes the maximum an insurer will pay for all covered losses during a policy period or stated period. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

11. D — The keyed answer is Per-occurrence limit. It describes the maximum an insurer will pay for one covered occurrence, subject to policy terms. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

12. B — The keyed answer is Supplementary payments. It describes certain claim-related payments made in addition to liability limits, as specified by the policy. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

13. C — The keyed answer is Duty to defend. It describes the insurer's contractual obligation to defend covered claims against the insured, even if allegations are groundless. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

14. C — The keyed answer is Reservation of rights. It describes a notice that the insurer will investigate or defend while preserving the right to deny coverage for certain issues. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

15. B — The keyed answer is Texas Department of Insurance. It describes the state agency that regulates the texas insurance industry and administers insurance laws. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

16. A — The keyed answer is Commissioner of Insurance. It describes the official who leads the texas department of insurance and exercises assigned regulatory authority. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

17. D — The keyed answer is Certificate of authority. It describes authorization issued to an insurer permitting it to transact insurance in texas. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

18. A — The keyed answer is Domestic insurer. It describes an insurer organized under the laws of texas. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

19. C — The keyed answer is Foreign insurer. It describes an insurer organized under the laws of another u.s. state or territory. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

20. D — The keyed answer is Alien insurer. It describes an insurer organized under the laws of a country other than the united states. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

21. B — The keyed answer is Insurance producer. It describes a person required to be licensed to sell, solicit, or negotiate insurance, commonly called an agent. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

22. B — The keyed answer is Appointment. It describes an insurer's authorization for an agent to act on the insurer's behalf for specified insurance business. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

23. C — The keyed answer is Temporary license. It describes a time-limited license that may be issued under texas law when statutory requirements are met. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

24. A — The keyed answer is Continuing education. It describes required post-licensing education intended to maintain a licensee's professional competence. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

25. D — The keyed answer is License suspension. It describes a regulatory action temporarily prohibiting a licensee from conducting insurance business. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

26. B — The keyed answer is License revocation. It describes a regulatory action permanently terminating a licensee's authority to act under a license. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

27. D — The keyed answer is Cease and desist order. It describes an order directing a person or entity to stop a prohibited insurance practice. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

28. C — The keyed answer is Unfair discrimination. It describes treating similarly situated insurance risks differently on an improper basis prohibited by insurance law. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

29. A — The keyed answer is Rebating. It describes giving an applicant an unlawful inducement, such as a premium return or valuable consideration, to purchase insurance. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

30. A — The keyed answer is Twisting. It describes making misleading comparisons to induce a policyholder to replace or lapse existing insurance. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

31. B — The keyed answer is Defamation. It describes making a false or malicious statement that harms another insurer's or person's business reputation. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

32. D — The keyed answer is Boycott. It describes an agreement to refuse to deal with a person or business in order to coerce or restrain trade. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

33. C — The keyed answer is Coercion. It describes using force, pressure, or threats to improperly influence an insurance transaction. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

34. B — The keyed answer is Intimidation. It describes threatening conduct used to improperly influence an insurance transaction. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

35. A — The keyed answer is Fraud. It describes an intentional deception intended to obtain an unauthorized benefit or cause another party a loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

36. C — The keyed answer is Commingling. It describes improperly mixing premium funds or fiduciary funds with personal or operating funds. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

37. D — The keyed answer is Surplus lines insurance. It describes coverage placed with an eligible nonadmitted insurer when coverage cannot be procured from admitted insurers. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

38. A — The keyed answer is Admitted insurer. It describes an insurer authorized by the texas department of insurance to transact insurance in texas. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

39. C — The keyed answer is Nonadmitted insurer. It describes an insurer not authorized as an admitted carrier in texas, though it may be eligible for surplus lines placement. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

40. B — The keyed answer is Texas Automobile Insurance Plan Association. It describes the residual market mechanism that helps eligible texas drivers obtain required auto liability coverage. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

41. D — The keyed answer is Texas Property and Casualty Insurance Guaranty Association. It describes an association that may provide limited protection for certain covered claims when a member insurer becomes. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

42. B — The keyed answer is Workers compensation. It describes a statutory system providing defined benefits for employees injured in the course and scope of employment. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

43. A — The keyed answer is Exclusive remedy. It describes the workers compensation principle limiting an employee's remedy against a subscribing employer for covered work injuries. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

44. C — The keyed answer is Compensability. It describes whether an injury or illness meets statutory requirements for workers compensation benefits. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

45. D — The keyed answer is Third-party claim. It describes a claim against someone other than the employer or coworker whose negligence caused an employee's injury. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

46. B — The keyed answer is Transportation network company. It describes a company that uses an online platform to connect passengers with drivers using personal vehicles. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

47. C — The keyed answer is Personal injury protection. It describes no-fault auto coverage for certain medical expenses and lost income, subject to policy and state requirements. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

48. D — The keyed answer is Medical payments coverage. It describes auto coverage that pays reasonable medical expenses for covered persons, regardless of fault, subject to policy terms. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

49. A — The keyed answer is Financial responsibility law. It describes a law requiring motorists to demonstrate ability to pay for damages arising from motor vehicle accidents. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

50. B — The keyed answer is Texas Windstorm Insurance Association. It describes a texas residual market association that can provide windstorm and hail coverage in designated coastal areas. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

51. D — The keyed answer is Texas FAIR Plan Association. It describes a residual market property insurer that may provide basic property coverage to eligible applicants unable to obtain it in. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

52. A — The keyed answer is HO-3 policy. It describes a homeowners form that generally provides open-peril coverage on the dwelling and named-peril coverage on personal property. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

53. C — The keyed answer is HO-4 policy. It describes a tenants form that primarily covers a renter's personal property and personal liability rather than the building. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

54. A — The keyed answer is HO-6 policy. It describes a homeowners form designed for condominium unit owners and their personal property interests. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

55. B — The keyed answer is DP-1 policy. It describes a basic dwelling form that provides limited named-peril property coverage. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

56. D — The keyed answer is DP-3 policy. It describes a dwelling form that generally provides open-peril coverage on the dwelling and named-peril coverage on contents. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

57. C — The keyed answer is Replacement cost. It describes the cost to repair or replace damaged property with like kind and quality without a deduction for depreciation. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

58. A — The keyed answer is Actual cash value. It describes the value of damaged property after depreciation is deducted from replacement cost. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

59. D — The keyed answer is Personal liability coverage. It describes homeowners coverage that responds to an insured's legal liability for bodily injury or property damage to others. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

60. C — The keyed answer is Medical payments to others. It describes no-fault homeowners coverage for reasonable medical expenses of guests injured on the insured location. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

61. B — The keyed answer is Additional living expense. It describes coverage for increased necessary living costs when a covered loss makes the residence unfit to live in. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

62. C — The keyed answer is Scheduled personal property. It describes coverage that lists specifically described valuable items, often with broader protection than unscheduled property. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

63. B — The keyed answer is Loss assessment coverage. It describes condominium coverage that can help pay an insured's share of certain covered association assessments. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

64. A — The keyed answer is Vacancy. It describes a condition in which a building is substantially empty of contents and not being used for its intended purpose. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

65. D — The keyed answer is Theft. It describes the unlawful taking of property with intent to deprive the owner of it. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

66. A — The keyed answer is Vandalism. It describes willful damage to property by a person acting with malicious intent. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

67. D — The keyed answer is Ordinance or law coverage. It describes coverage for increased rebuilding costs caused by enforcement of building codes after a covered loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

68. C — The keyed answer is Flood insurance. It describes coverage for direct physical loss by flood, which is generally excluded from standard homeowners policies. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

69. B — The keyed answer is Earthquake endorsement. It describes optional coverage that can insure direct physical loss caused by earth movement when the base policy excludes it. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

70. C — The keyed answer is Personal umbrella policy. It describes liability coverage that supplies additional limits above underlying personal auto or homeowners liability policies. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

71. D — The keyed answer is Inland marine insurance. It describes coverage for movable property, transportation exposures, or property with specialized coverage needs. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

72. B — The keyed answer is Bailee's customers coverage. It describes coverage protecting customers' property while it is in the insured bailee's care, custody, or control. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

73. A — The keyed answer is Builders risk coverage. It describes property coverage for a building under construction and materials intended to become part of the project. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

74. A — The keyed answer is Businessowners policy. It describes a package policy combining property and liability protections for eligible small and medium-sized businesses. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

75. D — The keyed answer is Commercial package policy. It describes a modular business policy that combines selected coverage parts under one package. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

76. B — The keyed answer is Business income coverage. It describes coverage for loss of income resulting from a necessary suspension of operations after a covered direct loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

77. C — The keyed answer is Extra expense coverage. It describes coverage for necessary additional expenses that help a business continue operations after a covered loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

78. B — The keyed answer is Commercial general liability. It describes coverage for a business's legal liability for bodily injury, property damage, and personal and advertising injury. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

79. D — The keyed answer is Products-completed operations. It describes cgl liability coverage for injury or damage arising from completed work or products after possession leaves the insured. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

80. C — The keyed answer is Professional liability. It describes coverage for claims alleging negligence, errors, or omissions in professional services. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

81. A — The keyed answer is Errors and omissions coverage. It describes another name for liability insurance protecting against negligent professional advice or services. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

82. D — The keyed answer is Personal auto policy. It describes a policy designed to insure eligible private passenger autos and personal auto liability exposures. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

83. C — The keyed answer is Bodily injury liability. It describes auto liability coverage for damages the insured legally owes because another person was injured. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

84. A — The keyed answer is Property damage liability. It describes auto liability coverage for damage the insured legally causes to another person's tangible property. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

85. B — The keyed answer is Uninsured motorists coverage. It describes coverage that may protect an insured when injured by a driver who has no applicable liability insurance. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

86. C — The keyed answer is Underinsured motorists coverage. It describes coverage that may apply when an at-fault driver's liability limits are insufficient for the insured's covered damages. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

87. B — The keyed answer is Collision coverage. It describes auto physical damage coverage for upset of the covered auto or impact with another vehicle or object. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

88. A — The keyed answer is Other-than-collision coverage. It describes auto physical damage coverage for specified noncollision losses such as theft, fire, or hail. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

89. D — The keyed answer is Deductible. It describes the portion of a covered loss the insured retains before the policy pays its share. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

90. B — The keyed answer is Rental reimbursement coverage. It describes optional auto coverage for expenses of renting a substitute vehicle after a covered physical damage loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

91. A — The keyed answer is Towing and labor coverage. It describes optional auto coverage for certain towing and roadside labor costs. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

92. D — The keyed answer is Newly acquired auto provision. It describes a policy provision that gives limited automatic coverage for a vehicle acquired during the policy period. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

93. C — The keyed answer is Temporary substitute auto. It describes a nonowned vehicle temporarily used while the insured's covered auto is out of normal use. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

94. B — The keyed answer is Nonowned auto. It describes an auto the insured uses but does not own, lease, or have available for regular use. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

95. D — The keyed answer is Hired auto. It describes an auto the business leases, hires, rents, or borrows, subject to policy terms. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

96. C — The keyed answer is Garagekeepers coverage. It describes coverage for customers' autos left in the care of a business such as a repair shop or parking facility. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

97. A — The keyed answer is Garage liability coverage. It describes liability coverage for businesses that sell, service, repair, park, or store autos. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

98. B — The keyed answer is Motor truck cargo coverage. It describes coverage for a motor carrier's legal liability for customers' property while it is being transported. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

99. C — The keyed answer is Motor carrier coverage form. It describes a commercial auto form designed for businesses that transport goods or passengers for hire. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

100. D — The keyed answer is Surety bond. It describes a three-party agreement in which a surety guarantees the principal's performance to the obligee. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

101. A — The keyed answer is Fidelity bond. It describes coverage protecting an employer from loss caused by dishonest acts of employees. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

102. D — The keyed answer is Pure risk. It describes a situation involving only the possibility of loss or no loss, without the possibility of gain. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

103. B — The keyed answer is Speculative risk. It describes a situation involving a chance of loss, no loss, or gain, such as an investment. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

104. C — The keyed answer is Peril. It describes the immediate cause of loss, such as fire, windstorm, or theft. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

105. A — The keyed answer is Hazard. It describes a condition or circumstance that increases the chance or severity of loss from a peril. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

106. B — The keyed answer is Physical hazard. It describes a tangible condition, such as faulty wiring, that increases the likelihood or severity of loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

107. C — The keyed answer is Moral hazard. It describes a hazard arising from dishonesty or an increased likelihood of intentional loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

108. D — The keyed answer is Morale hazard. It describes a hazard arising from carelessness or indifference because insurance exists. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

109. A — The keyed answer is Insurable interest. It describes a lawful financial interest in preserving property or avoiding loss to a person or liability exposure. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

110. B — The keyed answer is Law of large numbers. It describes the principle that loss predictions improve as the number of similar exposure units increases. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

111. C — The keyed answer is Indemnity. It describes the principle that insurance seeks to restore the insured financially without allowing profit from a loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

112. A — The keyed answer is Subrogation. It describes the insurer's right after payment to pursue a responsible third party to recover the amount paid. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

113. D — The keyed answer is Contribution by other insurance. It describes a method of sharing a covered loss among two or more insurers covering the same interest and exposure. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

114. D — The keyed answer is Proximate cause. It describes the dominant cause that sets in motion an unbroken chain of events leading to loss. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

115. C — The keyed answer is Direct loss. It describes physical damage directly caused by a covered peril. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

116. B — The keyed answer is Indirect loss. It describes a consequential financial loss that results from direct physical damage, such as lost income. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

117. A — The keyed answer is Named-peril policy. It describes a policy that covers only losses caused by perils specifically listed in the contract. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

118. B — The keyed answer is Open-peril policy. It describes a policy that covers risks of direct physical loss unless the loss is excluded. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

119. D — The keyed answer is Binder. It describes temporary evidence of insurance pending issuance of the policy or rejection of the application. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

120. C — The keyed answer is Certificate of insurance. It describes a document that provides evidence of insurance but does not amend the policy itself. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

121. A — The keyed answer is Declarations. It describes the policy section identifying the named insured, covered property, limits, deductibles, and policy period. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

122. B — The keyed answer is Insuring agreement. It describes the policy section that broadly states the insurer's promise to pay or provide coverage. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

123. C — The keyed answer is Conditions. It describes policy provisions describing duties and procedures that must be followed for coverage to apply. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

124. A — The keyed answer is Exclusions. It describes policy provisions removing specified causes of loss, property, persons, or circumstances from coverage. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

125. D — The keyed answer is Endorsement. It describes a written amendment that adds, deletes, or changes policy coverage or terms. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

126. B — The keyed answer is Representation. It describes a statement made to induce an insurer to issue coverage that is believed true to the applicant's knowledge. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

127. D — The keyed answer is Warranty. It describes a statement or promise that must be strictly true or performed as required by the contract. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

128. A — The keyed answer is Concealment. It describes failure to disclose a material fact that the insurer needs to evaluate the risk. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

129. C — The keyed answer is Misrepresentation. It describes a false statement of material fact that can affect underwriting or claim handling. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

130. A — The keyed answer is Concealment. It describes intentional withholding of a material fact from an insurer during application or claim handling. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

131. C — The keyed answer is Aleatory contract. It describes an insurance contract in which values exchanged may be unequal because payment depends on an uncertain event. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

132. D — The keyed answer is Adhesion contract. It describes a contract drafted by one party, generally the insurer, with ambiguities interpreted against the drafter. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

133. B — The keyed answer is Unilateral contract. It describes a contract in which only the insurer makes an enforceable promise to perform after premium is paid. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

134. A — The keyed answer is Conditional contract. It describes a contract requiring the insured to satisfy stated conditions before the insurer's promise becomes enforceable. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

135. D — The keyed answer is Consideration. It describes the exchange of value that supports an insurance contract, including premium and the insurer's promise. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

136. C — The keyed answer is Offer and acceptance. It describes the mutual assent needed to form a contract, with an offer made and accepted. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

137. B — The keyed answer is Competent parties. It describes people or entities legally capable of entering into an enforceable contract. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

138. A — The keyed answer is Legal purpose. It describes a contract requirement that the agreement's objective must not violate law or public policy. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

139. B — The keyed answer is Cancellation. It describes termination of a policy before its normal expiration date. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

140. D — The keyed answer is Nonrenewal. It describes a decision not to continue a policy beyond the end of its current policy period. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

141. C — The keyed answer is Proof of loss. It describes a formal statement supporting a claim and describing the loss, required under many property policies. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

142. C — The keyed answer is Notice of claim. It describes prompt communication to the insurer that a loss or occurrence may give rise to a claim. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

143. D — The keyed answer is Appraisal. It describes a policy process for resolving a disagreement about the amount of a property loss, not coverage itself. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.

144. B — The keyed answer is Salvage. It describes damaged property remaining after a loss that may have residual value. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them. Apply the exact wording in the fact pattern.

145. A — The keyed answer is Abandonment. It describes an insured's attempt to give damaged property to the insurer and demand full payment, generally not permitted without agreement. The remaining options are separate terms that may be associated with insurance but do not meet this definition. Use the stated function, coverage trigger, or legal role to eliminate them.