PRACTICE EXAM 4: TEXAS PROPERTY AND CASUALTY INSURANCE LICENSE (145 QUESTIONS)

This 145-question practice examination is designed for Texas Property and Casualty insurance license study. Select the single best answer for each question. Use it as a study simulation; always confirm licensing requirements and current Texas rules with the Texas Department of Insurance.

1. In property and casualty insurance, which statement best describes Insurable interest?

A. insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market
B. termination of a policy before its normal expiration date
C. coverage for vessels, cargo, and related maritime interests
D. a financial stake that would cause loss if the covered property is damaged

2. In property and casualty insurance, which statement best describes Indemnity?

A. restoring an insured to approximately the financial position held before a covered loss
B. the insurer decision not to continue a policy at the end of its term
C. the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily
D. coverage for property of customers while it is in the insured custody, care, or control

3. In property and casualty insurance, which statement best describes Utmost good faith?

A. the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met
B. the expectation that each party deals honestly and discloses material information
C. coverage for customer autos left in the care of a garage operation
D. the stated interval during which coverage is in force

4. In property and casualty insurance, which statement best describes Adhesion contract?

A. a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer
B. the most payable for all covered injury or damage arising from one occurrence
C. coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown
D. a contract drafted by one party that is generally accepted without negotiation

5. In property and casualty insurance, which statement best describes Aleatory contract?

A. coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts
B. the most payable for all covered losses during the policy period
C. a contract in which the exchange of values may be unequal because payment depends on chance
D. making coverage or rate distinctions among similar risks without a sound actuarial or legal basis

6. In property and casualty insurance, which statement best describes Unilateral contract?

A. making a false or misleading statement about a policy, insurer, or insurance benefit
B. a contract in which only the insurer makes an enforceable promise to perform
C. legal responsibility for injury or damage to another person or property
D. crime coverage for loss caused by dishonest acts of employees

7. In property and casualty insurance, which statement best describes Representations?

A. offering an inducement not stated in the policy to persuade a person to buy insurance
B. failure to use the care a reasonably prudent person would use in similar circumstances
C. statements believed true to the applicant knowledge but not guaranteed as absolute facts
D. a three-party guarantee that a principal will perform an obligation to an obligee

8. In property and casualty insurance, which statement best describes Concealment?

A. a bond protecting an employer against dishonest acts by employees
B. the legal obligation to act with reasonable care toward others
C. making false malicious statements that injure an insurer or producer reputation
D. failure to disclose a material fact that an applicant has a duty to reveal

9. In property and casualty insurance, which statement best describes Waiver?

A. the intentional relinquishment of a known right
B. making misleading comparisons to induce a policyholder to replace or surrender coverage
C. physical injury, sickness, disease, or resulting death suffered by a person
D. a surety guarantee that a contractor will perform contractual work

10. In property and casualty insurance, which statement best describes Estoppel?

A. a rule preventing a party from asserting a right after conduct caused reasonable reliance
B. physical injury to tangible property, including resulting loss of use
C. a surety guarantee that certain labor and material obligations will be paid
D. insurance written primarily on the producer, family, employer, or business interests rather than the general public

11. In property and casualty insurance, which statement best describes Direct loss?

A. specified nonphysical offenses such as false arrest, libel, or wrongful eviction
B. statutory coverage for employment-related injury or disease without ordinary negligence litigation
C. the duty to handle premiums and client funds honestly and separately from personal funds
D. physical damage that results immediately from a covered peril

12. In property and casualty insurance, which statement best describes Indirect loss?

A. specified offenses arising from advertising activities, such as certain copyright or slogan claims
B. coverage for certain employee injury claims not covered by workers compensation law
C. a financial consequence that follows from direct property damage
D. the power granted to an agent or producer to act for an insurer within defined limits

13. In property and casualty insurance, which statement best describes Proximate cause?

A. a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury
B. the dominant cause that sets an unbroken chain of events in motion
C. an accident, including continuous or repeated exposure to substantially the same harmful conditions
D. authority expressly granted by the principal to an agent

14. In property and casualty insurance, which statement best describes Named-peril coverage?

A. an unforeseen and unintended event that produces injury or damage
B. a policy providing liability and physical damage coverage for covered business autos
C. authority a third party reasonably believes an agent has because of the principal conduct
D. coverage that applies only to perils specifically listed in the policy

15. In property and casualty insurance, which statement best describes Open-peril coverage?

A. the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered
B. coverage that applies unless the cause of loss is excluded
C. an auto the insured leases, hires, rents, or borrows for business use
D. liability arising from products or completed work after possession or work is finished

16. In property and casualty insurance, which statement best describes Actual cash value?

A. replacement cost reduced by applicable depreciation
B. an auto not owned by the business but used in connection with its operations
C. a false statement that would influence an insurer underwriting decision or policy terms
D. liability assumed by an insured in a contract, subject to policy terms and exceptions

17. In property and casualty insurance, which statement best describes Replacement cost?

A. excess liability coverage that may also broaden selected underlying coverage
B. legal responsibility imposed on one party for the acts of another
C. the cost to repair or replace with like kind and quality without a depreciation deduction
D. an intentional deception used to obtain an improper benefit or cause a loss

18. In property and casualty insurance, which statement best describes Deductible?

A. the portion of a covered loss that the insured retains before policy payment
B. liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product
C. the decision to knowingly absorb a potential loss rather than transfer it to insurance
D. coverage that increases limits above a designated underlying policy without necessarily broadening coverage

19. In property and casualty insurance, which statement best describes Coinsurance clause?

A. eliminating an exposure so that the potential loss cannot occur
B. a condition requiring insurance to equal a stated percentage of property value to avoid a penalty
C. a rule reducing recovery according to the claimant share of fault
D. coverage for claims alleging negligent professional services or errors and omissions

20. In property and casualty insurance, which statement best describes Vacancy provision?

A. a law setting the deadline for filing a legal action
B. coverage for claims alleging wrongful acts in managing an organization
C. taking steps to decrease the frequency or severity of potential losses
D. a condition that can restrict certain property coverage after a building is vacant for a stated period

21. In property and casualty insurance, which statement best describes Appraisal condition?

A. coverage for specified employment-related allegations such as wrongful termination or discrimination
B. money intended to reimburse an injured party for actual loss
C. a process for resolving a disagreement about the amount of loss
D. shifting financial consequences of loss to another party through insurance or contract

22. In property and casualty insurance, which statement best describes Subrogation?

A. coverage addressing specified losses and liability arising from data or network incidents
B. the principle that loss predictions become more reliable as the number of similar exposure units increases
C. money intended to punish particularly wrongful conduct rather than compensate loss
D. the insurer right to recover from a responsible third party after paying a loss

23. In property and casualty insurance, which statement best describes Salvage?

A. remaining damaged property that has residual value after a loss
B. coverage for reasonable medical expenses regardless of fault, subject to policy terms
C. a chance of loss or no loss without the possibility of gain
D. a package policy combining personal property, dwelling, liability, and additional living expense coverages

24. In property and casualty insurance, which statement best describes Abandonment?

A. payments made in addition to liability limits for specified claim-related expenses
B. property insurance primarily designed for a dwelling that may not qualify for a homeowners package
C. an attempted transfer of damaged property to an insurer without policy authority
D. a chance of loss, no loss, or gain

25. In property and casualty insurance, which statement best describes Binder?

A. a condition that increases the frequency or severity of a possible loss
B. temporary evidence of insurance pending issuance of a policy
C. a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages
D. expenses the insurer incurs to defend a covered liability claim

26. In property and casualty insurance, which statement best describes Declarations?

A. a tangible condition that increases the likelihood or severity of loss
B. the policy section identifying the insured, coverage, limits, premium, and policy period
C. liability coverage triggered by injury or damage occurring during the policy period
D. physical damage coverage for upset of a covered auto or impact with another vehicle or object

27. In property and casualty insurance, which statement best describes Insuring agreement?

A. the policy section that broadly states what the insurer agrees to cover
B. liability coverage generally triggered by a claim first made during the policy period
C. physical damage coverage for losses other than collision, such as theft, fire, or hail
D. a character-related condition that increases the chance of intentional loss

28. In property and casualty insurance, which statement best describes Exclusion?

A. coverage for injury caused by a driver without applicable liability insurance
B. the earliest date from which acts may be covered under a claims-made policy
C. policy language removing specified causes, property, persons, or losses from coverage
D. carelessness or indifference to loss because insurance exists

29. In property and casualty insurance, which statement best describes Condition?

A. a condition or situation that creates the possibility of loss
B. coverage that can apply when an at-fault driver liability limits are insufficient
C. additional time to report claims after a claims-made policy ends
D. a duty or requirement that must be met for coverage to apply or continue

30. In property and casualty insurance, which statement best describes Endorsement?

A. first-party coverage for specified medical and income-loss benefits, subject to policy terms
B. a written amendment that adds, removes, or changes policy terms
C. the immediate cause of loss, such as fire, theft, or collision
D. a package policy combining property and liability coverage for eligible small businesses

31. In property and casualty insurance, which statement best describes Mortgagee clause?

A. language protecting a lender interest in covered property subject to stated conditions
B. the price per unit of insurance used to calculate a premium
C. a flexible policy combining selected commercial property and liability coverage parts
D. coverage for necessary increased living costs when a covered loss makes a residence uninhabitable

32. In property and casualty insurance, which statement best describes Loss payable clause?

A. a form addressing direct physical loss or damage to covered business property
B. coverage for certain economic consequences of inability to use covered property after a covered loss
C. the amount charged for insurance coverage
D. language directing payment to a party with an insured financial interest in property

33. In property and casualty insurance, which statement best describes Cancellation?

A. the process of evaluating risk and deciding whether and on what terms to insure it
B. coverage that lists individual high-value items separately with stated coverage
C. termination of a policy before its normal expiration date
D. coverage for lost income and continuing normal operating expenses after covered property damage

34. In property and casualty insurance, which statement best describes Nonrenewal?

A. the insurer decision not to continue a policy at the end of its term
B. personal excess liability coverage above required underlying personal policies
C. coverage for necessary added expense incurred to continue operations after a covered loss
D. insurance purchased by an insurer to transfer part of its risk to another insurer

35. In property and casualty insurance, which statement best describes Policy period?

A. reinsurance negotiated separately for an individual risk
B. property coverage for a building or structure while it is under construction
C. the stated interval during which coverage is in force
D. coverage for direct physical loss by flood, commonly obtained through a separate program or policy

36. In property and casualty insurance, which statement best describes Per-occurrence limit?

A. an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking
B. the most payable for all covered injury or damage arising from one occurrence
C. coverage for movable property, transportation exposures, and specialized property interests
D. a financial stake that would cause loss if the covered property is damaged

37. In property and casualty insurance, which statement best describes Aggregate limit?

A. restoring an insured to approximately the financial position held before a covered loss
B. coverage for vessels, cargo, and related maritime interests
C. coverage for direct wind-related property damage, subject to policy terms and availability
D. the most payable for all covered losses during the policy period

38. In property and casualty insurance, which statement best describes Liability?

A. the expectation that each party deals honestly and discloses material information
B. coverage for property of customers while it is in the insured custody, care, or control
C. legal responsibility for injury or damage to another person or property
D. the state agency that regulates the Texas insurance industry and enforces insurance laws

39. In property and casualty insurance, which statement best describes Negligence?

A. the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority

B. coverage for customer autos left in the care of a garage operation

C. a contract drafted by one party that is generally accepted without negotiation

D. failure to use the care a reasonably prudent person would use in similar circumstances

40. In property and casualty insurance, which statement best describes Duty of care?

A. the legal obligation to act with reasonable care toward others

B. regulatory authorization allowing an insurer to transact insurance in a state

C. coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown

D. a contract in which the exchange of values may be unequal because payment depends on chance

41. In property and casualty insurance, which statement best describes Bodily injury?

A. coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts

B. physical injury, sickness, disease, or resulting death suffered by a person

C. an insurer authorized by the state to transact insurance and subject to its regulation

D. a contract in which only the insurer makes an enforceable promise to perform

42. In property and casualty insurance, which statement best describes Property damage?

A. physical injury to tangible property, including resulting loss of use

B. statements believed true to the applicant knowledge but not guaranteed as absolute facts

C. crime coverage for loss caused by dishonest acts of employees

D. an insurer not licensed in the state but that may be used for eligible surplus-lines placements

43. In property and casualty insurance, which statement best describes Personal injury?

A. a three-party guarantee that a principal will perform an obligation to an obligee

B. insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market

C. failure to disclose a material fact that an applicant has a duty to reveal

D. specified nonphysical offenses such as false arrest, libel, or wrongful eviction

44. In property and casualty insurance, which statement best describes Advertising injury?

A. the intentional relinquishment of a known right

B. specified offenses arising from advertising activities, such as certain copyright or slogan claims

C. a bond protecting an employer against dishonest acts by employees

D. the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily

45. In property and casualty insurance, which statement best describes Occurrence?

A. a rule preventing a party from asserting a right after conduct caused reasonable reliance

B. a surety guarantee that a contractor will perform contractual work

C. an accident, including continuous or repeated exposure to substantially the same harmful conditions

D. the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met

46. In property and casualty insurance, which statement best describes Accident?

A. an unforeseen and unintended event that produces injury or damage

B. physical damage that results immediately from a covered peril

C. a surety guarantee that certain labor and material obligations will be paid

D. a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer

47. In property and casualty insurance, which statement best describes Products-completed operations hazard?

A. statutory coverage for employment-related injury or disease without ordinary negligence litigation
B. a financial consequence that follows from direct property damage
C. making coverage or rate distinctions among similar risks without a sound actuarial or legal basis
D. liability arising from products or completed work after possession or work is finished

48. In property and casualty insurance, which statement best describes Contractual liability?

A. coverage for certain employee injury claims not covered by workers compensation law
B. liability assumed by an insured in a contract, subject to policy terms and exceptions
C. making a false or misleading statement about a policy, insurer, or insurance benefit
D. the dominant cause that sets an unbroken chain of events in motion

49. In property and casualty insurance, which statement best describes Vicarious liability?

A. coverage that applies only to perils specifically listed in the policy
B. legal responsibility imposed on one party for the acts of another
C. offering an inducement not stated in the policy to persuade a person to buy insurance
D. a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury

50. In property and casualty insurance, which statement best describes Strict liability?

A. a policy providing liability and physical damage coverage for covered business autos
B. coverage that applies unless the cause of loss is excluded
C. liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product
D. making false malicious statements that injure an insurer or producer reputation

51. In property and casualty insurance, which statement best describes Comparative negligence?

A. an auto the insured leases, hires, rents, or borrows for business use
B. replacement cost reduced by applicable depreciation
C. a rule reducing recovery according to the claimant share of fault
D. making misleading comparisons to induce a policyholder to replace or surrender coverage

52. In property and casualty insurance, which statement best describes Statute of limitations?

A. a law setting the deadline for filing a legal action
B. an auto not owned by the business but used in connection with its operations
C. insurance written primarily on the producer, family, employer, or business interests rather than the general public
D. the cost to repair or replace with like kind and quality without a depreciation deduction

53. In property and casualty insurance, which statement best describes Compensatory damages?

A. excess liability coverage that may also broaden selected underlying coverage
B. the duty to handle premiums and client funds honestly and separately from personal funds
C. the portion of a covered loss that the insured retains before policy payment
D. money intended to reimburse an injured party for actual loss

54. In property and casualty insurance, which statement best describes Punitive damages?

A. a condition requiring insurance to equal a stated percentage of property value to avoid a penalty
B. coverage that increases limits above a designated underlying policy without necessarily broadening coverage
C. money intended to punish particularly wrongful conduct rather than compensate loss
D. the power granted to an agent or producer to act for an insurer within defined limits

55. In property and casualty insurance, which statement best describes Medical payments coverage?

A. authority expressly granted by the principal to an agent
B. coverage for reasonable medical expenses regardless of fault, subject to policy terms
C. a condition that can restrict certain property coverage after a building is vacant for a stated period
D. coverage for claims alleging negligent professional services or errors and omissions

56. In property and casualty insurance, which statement best describes Supplementary payments?

A. coverage for claims alleging wrongful acts in managing an organization
B. a process for resolving a disagreement about the amount of loss
C. authority a third party reasonably believes an agent has because of the principal conduct
D. payments made in addition to liability limits for specified claim-related expenses

57. In property and casualty insurance, which statement best describes Defense costs?

A. expenses the insurer incurs to defend a covered liability claim
B. coverage for specified employment-related allegations such as wrongful termination or discrimination
C. the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered
D. the insurer right to recover from a responsible third party after paying a loss

58. In property and casualty insurance, which statement best describes Occurrence form?

A. liability coverage triggered by injury or damage occurring during the policy period
B. remaining damaged property that has residual value after a loss
C. coverage addressing specified losses and liability arising from data or network incidents
D. a false statement that would influence an insurer underwriting decision or policy terms

59. In property and casualty insurance, which statement best describes Claims-made form?

A. an attempted transfer of damaged property to an insurer without policy authority
B. a package policy combining personal property, dwelling, liability, and additional living expense coverages
C. an intentional deception used to obtain an improper benefit or cause a loss
D. liability coverage generally triggered by a claim first made during the policy period

60. In property and casualty insurance, which statement best describes Retroactive date?

A. property insurance primarily designed for a dwelling that may not qualify for a homeowners package
B. the decision to knowingly absorb a potential loss rather than transfer it to insurance
C. the earliest date from which acts may be covered under a claims-made policy
D. temporary evidence of insurance pending issuance of a policy

61. In property and casualty insurance, which statement best describes Extended reporting period?

A. a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages
B. additional time to report claims after a claims-made policy ends
C. the policy section identifying the insured, coverage, limits, premium, and policy period
D. eliminating an exposure so that the potential loss cannot occur

62. In property and casualty insurance, which statement best describes Businessowners policy?

A. physical damage coverage for upset of a covered auto or impact with another vehicle or object
B. a package policy combining property and liability coverage for eligible small businesses
C. the policy section that broadly states what the insurer agrees to cover
D. taking steps to decrease the frequency or severity of potential losses

63. In property and casualty insurance, which statement best describes Commercial package policy?

A. physical damage coverage for losses other than collision, such as theft, fire, or hail
B. policy language removing specified causes, property, persons, or losses from coverage
C. a flexible policy combining selected commercial property and liability coverage parts
D. shifting financial consequences of loss to another party through insurance or contract

64. In property and casualty insurance, which statement best describes Commercial property coverage form?

A. the principle that loss predictions become more reliable as the number of similar exposure units increases
B. coverage for injury caused by a driver without applicable liability insurance
C. a duty or requirement that must be met for coverage to apply or continue
D. a form addressing direct physical loss or damage to covered business property

65. In property and casualty insurance, which statement best describes Business income coverage?

A. coverage for lost income and continuing normal operating expenses after covered property damage
B. coverage that can apply when an at-fault driver liability limits are insufficient
C. a written amendment that adds, removes, or changes policy terms
D. a chance of loss or no loss without the possibility of gain

66. In property and casualty insurance, which statement best describes Extra expense coverage?

A. first-party coverage for specified medical and income-loss benefits, subject to policy terms
B. language protecting a lender interest in covered property subject to stated conditions
C. coverage for necessary added expense incurred to continue operations after a covered loss
D. a chance of loss, no loss, or gain

67. In property and casualty insurance, which statement best describes Builders risk coverage?

A. a condition that increases the frequency or severity of a possible loss
B. coverage for necessary increased living costs when a covered loss makes a residence uninhabitable
C. language directing payment to a party with an insured financial interest in property
D. property coverage for a building or structure while it is under construction

68. In property and casualty insurance, which statement best describes Inland marine insurance?

A. coverage for certain economic consequences of inability to use covered property after a covered loss
B. coverage for movable property, transportation exposures, and specialized property interests
C. termination of a policy before its normal expiration date
D. a tangible condition that increases the likelihood or severity of loss

69. In property and casualty insurance, which statement best describes Ocean marine insurance?

A. coverage for vessels, cargo, and related maritime interests
B. a character-related condition that increases the chance of intentional loss
C. the insurer decision not to continue a policy at the end of its term
D. coverage that lists individual high-value items separately with stated coverage

70. In property and casualty insurance, which statement best describes Bailee coverage?

A. personal excess liability coverage above required underlying personal policies
B. coverage for property of customers while it is in the insured custody, care, or control
C. the stated interval during which coverage is in force
D. carelessness or indifference to loss because insurance exists

71. In property and casualty insurance, which statement best describes Garagekeepers coverage?

A. the most payable for all covered injury or damage arising from one occurrence
B. a condition or situation that creates the possibility of loss
C. coverage for customer autos left in the care of a garage operation
D. coverage for direct physical loss by flood, commonly obtained through a separate program or policy

72. In property and casualty insurance, which statement best describes Equipment breakdown coverage?

A. coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown
B. the most payable for all covered losses during the policy period
C. the immediate cause of loss, such as fire, theft, or collision
D. an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking

73. In property and casualty insurance, which statement best describes Crime coverage?

A. coverage for direct wind-related property damage, subject to policy terms and availability
B. legal responsibility for injury or damage to another person or property
C. the price per unit of insurance used to calculate a premium
D. coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts

74. In property and casualty insurance, which statement best describes Employee dishonesty coverage?

A. the state agency that regulates the Texas insurance industry and enforces insurance laws
B. crime coverage for loss caused by dishonest acts of employees
C. failure to use the care a reasonably prudent person would use in similar circumstances
D. the amount charged for insurance coverage

75. In property and casualty insurance, which statement best describes Surety bond?

A. the process of evaluating risk and deciding whether and on what terms to insure it

B. the legal obligation to act with reasonable care toward others

C. the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority

D. a three-party guarantee that a principal will perform an obligation to an obligee

76. In property and casualty insurance, which statement best describes Fidelity bond?

A. insurance purchased by an insurer to transfer part of its risk to another insurer

B. physical injury, sickness, disease, or resulting death suffered by a person

C. a bond protecting an employer against dishonest acts by employees

D. regulatory authorization allowing an insurer to transact insurance in a state

77. In property and casualty insurance, which statement best describes Performance bond?

A. a surety guarantee that a contractor will perform contractual work

B. physical injury to tangible property, including resulting loss of use

C. reinsurance negotiated separately for an individual risk

D. an insurer authorized by the state to transact insurance and subject to its regulation

78. In property and casualty insurance, which statement best describes Payment bond?

A. a financial stake that would cause loss if the covered property is damaged

B. specified nonphysical offenses such as false arrest, libel, or wrongful eviction

C. an insurer not licensed in the state but that may be used for eligible surplus-lines placements

D. a surety guarantee that certain labor and material obligations will be paid

79. In property and casualty insurance, which statement best describes Workers compensation?

A. restoring an insured to approximately the financial position held before a covered loss

B. specified offenses arising from advertising activities, such as certain copyright or slogan claims

C. statutory coverage for employment-related injury or disease without ordinary negligence litigation

D. insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market

80. In property and casualty insurance, which statement best describes Employers liability?

A. coverage for certain employee injury claims not covered by workers compensation law

B. an accident, including continuous or repeated exposure to substantially the same harmful conditions

C. the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily

D. the expectation that each party deals honestly and discloses material information

81. In property and casualty insurance, which statement best describes Commercial general liability policy?

A. a contract drafted by one party that is generally accepted without negotiation

B. a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury

C. the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met

D. an unforeseen and unintended event that produces injury or damage

82. In property and casualty insurance, which statement best describes Commercial auto policy?

A. a policy providing liability and physical damage coverage for covered business autos

B. liability arising from products or completed work after possession or work is finished

C. a contract in which the exchange of values may be unequal because payment depends on chance

D. a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer

83. In property and casualty insurance, which statement best describes Hired auto?

A. liability assumed by an insured in a contract, subject to policy terms and exceptions
B. a contract in which only the insurer makes an enforceable promise to perform
C. an auto the insured leases, hires, rents, or borrows for business use
D. making coverage or rate distinctions among similar risks without a sound actuarial or legal basis

84. In property and casualty insurance, which statement best describes Nonowned auto?

A. making a false or misleading statement about a policy, insurer, or insurance benefit
B. an auto not owned by the business but used in connection with its operations
C. statements believed true to the applicant knowledge but not guaranteed as absolute facts
D. legal responsibility imposed on one party for the acts of another

85. In property and casualty insurance, which statement best describes Umbrella liability policy?

A. offering an inducement not stated in the policy to persuade a person to buy insurance
B. liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product
C. failure to disclose a material fact that an applicant has a duty to reveal
D. excess liability coverage that may also broaden selected underlying coverage

86. In property and casualty insurance, which statement best describes Excess liability policy?

A. making false malicious statements that injure an insurer or producer reputation
B. a rule reducing recovery according to the claimant share of fault
C. coverage that increases limits above a designated underlying policy without necessarily broadening coverage
D. the intentional relinquishment of a known right

87. In property and casualty insurance, which statement best describes Professional liability?

A. a law setting the deadline for filing a legal action
B. making misleading comparisons to induce a policyholder to replace or surrender coverage
C. a rule preventing a party from asserting a right after conduct caused reasonable reliance
D. coverage for claims alleging negligent professional services or errors and omissions

88. In property and casualty insurance, which statement best describes Directors and officers liability?

A. coverage for claims alleging wrongful acts in managing an organization
B. money intended to reimburse an injured party for actual loss
C. insurance written primarily on the producer, family, employer, or business interests rather than the general public
D. physical damage that results immediately from a covered peril

89. In property and casualty insurance, which statement best describes Employment practices liability?

A. the duty to handle premiums and client funds honestly and separately from personal funds
B. coverage for specified employment-related allegations such as wrongful termination or discrimination
C. a financial consequence that follows from direct property damage
D. money intended to punish particularly wrongful conduct rather than compensate loss

90. In property and casualty insurance, which statement best describes Cyber liability?

A. the dominant cause that sets an unbroken chain of events in motion
B. coverage for reasonable medical expenses regardless of fault, subject to policy terms
C. coverage addressing specified losses and liability arising from data or network incidents
D. the power granted to an agent or producer to act for an insurer within defined limits

91. In property and casualty insurance, which statement best describes Homeowners policy?

A. payments made in addition to liability limits for specified claim-related expenses
B. coverage that applies only to perils specifically listed in the policy
C. authority expressly granted by the principal to an agent
D. a package policy combining personal property, dwelling, liability, and additional living expense coverages

92. In property and casualty insurance, which statement best describes Dwelling policy?

A. property insurance primarily designed for a dwelling that may not qualify for a homeowners package
B. authority a third party reasonably believes an agent has because of the principal conduct
C. expenses the insurer incurs to defend a covered liability claim
D. coverage that applies unless the cause of loss is excluded

93. In property and casualty insurance, which statement best describes Personal auto policy?

A. replacement cost reduced by applicable depreciation
B. the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered
C. a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages
D. liability coverage triggered by injury or damage occurring during the policy period

94. In property and casualty insurance, which statement best describes Collision coverage?

A. the cost to repair or replace with like kind and quality without a depreciation deduction
B. physical damage coverage for upset of a covered auto or impact with another vehicle or object
C. liability coverage generally triggered by a claim first made during the policy period
D. a false statement that would influence an insurer underwriting decision or policy terms

95. In property and casualty insurance, which statement best describes Other-than-collision coverage?

A. an intentional deception used to obtain an improper benefit or cause a loss
B. the portion of a covered loss that the insured retains before policy payment
C. the earliest date from which acts may be covered under a claims-made policy
D. physical damage coverage for losses other than collision, such as theft, fire, or hail

96. In property and casualty insurance, which statement best describes Uninsured motorist coverage?

A. coverage for injury caused by a driver without applicable liability insurance
B. the decision to knowingly absorb a potential loss rather than transfer it to insurance
C. additional time to report claims after a claims-made policy ends
D. a condition requiring insurance to equal a stated percentage of property value to avoid a penalty

97. In property and casualty insurance, which statement best describes Underinsured motorist coverage?

A. eliminating an exposure so that the potential loss cannot occur
B. coverage that can apply when an at-fault driver liability limits are insufficient
C. a package policy combining property and liability coverage for eligible small businesses
D. a condition that can restrict certain property coverage after a building is vacant for a stated period

98. In property and casualty insurance, which statement best describes Personal injury protection?

A. taking steps to decrease the frequency or severity of potential losses
B. a process for resolving a disagreement about the amount of loss
C. first-party coverage for specified medical and income-loss benefits, subject to policy terms
D. a flexible policy combining selected commercial property and liability coverage parts

99. In property and casualty insurance, which statement best describes Additional living expense?

A. the insurer right to recover from a responsible third party after paying a loss
B. coverage for necessary increased living costs when a covered loss makes a residence uninhabitable
C. shifting financial consequences of loss to another party through insurance or contract
D. a form addressing direct physical loss or damage to covered business property

100. In property and casualty insurance, which statement best describes Loss of use?

A. coverage for certain economic consequences of inability to use covered property after a covered loss
B. the principle that loss predictions become more reliable as the number of similar exposure units increases
C. remaining damaged property that has residual value after a loss
D. coverage for lost income and continuing normal operating expenses after covered property damage

101. In property and casualty insurance, which statement best describes Scheduled personal property?

A. coverage for necessary added expense incurred to continue operations after a covered loss
B. a chance of loss or no loss without the possibility of gain
C. an attempted transfer of damaged property to an insurer without policy authority
D. coverage that lists individual high-value items separately with stated coverage

102. In property and casualty insurance, which statement best describes Personal umbrella policy?

A. personal excess liability coverage above required underlying personal policies
B. temporary evidence of insurance pending issuance of a policy
C. property coverage for a building or structure while it is under construction
D. a chance of loss, no loss, or gain

103. In property and casualty insurance, which statement best describes Flood insurance?

A. a condition that increases the frequency or severity of a possible loss
B. coverage for direct physical loss by flood, commonly obtained through a separate program or policy
C. coverage for movable property, transportation exposures, and specialized property interests
D. the policy section identifying the insured, coverage, limits, premium, and policy period

104. In property and casualty insurance, which statement best describes Earth movement exclusion?

A. a tangible condition that increases the likelihood or severity of loss
B. coverage for vessels, cargo, and related maritime interests
C. the policy section that broadly states what the insurer agrees to cover
D. an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking

105. In property and casualty insurance, which statement best describes Windstorm coverage?

A. a character-related condition that increases the chance of intentional loss
B. policy language removing specified causes, property, persons, or losses from coverage
C. coverage for direct wind-related property damage, subject to policy terms and availability
D. coverage for property of customers while it is in the insured custody, care, or control

106. In property and casualty insurance, which statement best describes Texas Department of Insurance?

A. carelessness or indifference to loss because insurance exists
B. the state agency that regulates the Texas insurance industry and enforces insurance laws
C. coverage for customer autos left in the care of a garage operation
D. a duty or requirement that must be met for coverage to apply or continue

107. In property and casualty insurance, which statement best describes Commissioner of Insurance?

A. a written amendment that adds, removes, or changes policy terms

B. coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown

C. the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority

D. a condition or situation that creates the possibility of loss

108. In property and casualty insurance, which statement best describes Certificate of authority?

A. regulatory authorization allowing an insurer to transact insurance in a state

B. coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts

C. the immediate cause of loss, such as fire, theft, or collision

D. language protecting a lender interest in covered property subject to stated conditions

109. In property and casualty insurance, which statement best describes Admitted insurer?

A. the price per unit of insurance used to calculate a premium

B. crime coverage for loss caused by dishonest acts of employees

C. language directing payment to a party with an insured financial interest in property

D. an insurer authorized by the state to transact insurance and subject to its regulation

110. In property and casualty insurance, which statement best describes Nonadmitted insurer?

A. termination of a policy before its normal expiration date

B. an insurer not licensed in the state but that may be used for eligible surplus-lines placements

C. a three-party guarantee that a principal will perform an obligation to an obligee

D. the amount charged for insurance coverage

111. In property and casualty insurance, which statement best describes Surplus lines insurance?

A. insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market

B. the insurer decision not to continue a policy at the end of its term

C. the process of evaluating risk and deciding whether and on what terms to insure it

D. a bond protecting an employer against dishonest acts by employees

112. In property and casualty insurance, which statement best describes Texas FAIR Plan Association?

A. insurance purchased by an insurer to transfer part of its risk to another insurer

B. a surety guarantee that a contractor will perform contractual work

C. the stated interval during which coverage is in force

D. the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily

113. In property and casualty insurance, which statement best describes Texas Windstorm Insurance Association?

A. a surety guarantee that certain labor and material obligations will be paid

B. the most payable for all covered injury or damage arising from one occurrence

C. the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met

D. reinsurance negotiated separately for an individual risk

114. In property and casualty insurance, which statement best describes Guaranty association?

A. a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer

B. the most payable for all covered losses during the policy period

C. statutory coverage for employment-related injury or disease without ordinary negligence litigation

D. a financial stake that would cause loss if the covered property is damaged

115. In property and casualty insurance, which statement best describes Unfair discrimination?

A. coverage for certain employee injury claims not covered by workers compensation law
B. legal responsibility for injury or damage to another person or property
C. restoring an insured to approximately the financial position held before a covered loss
D. making coverage or rate distinctions among similar risks without a sound actuarial or legal basis

116. In property and casualty insurance, which statement best describes Misrepresentation?

A. a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury
B. making a false or misleading statement about a policy, insurer, or insurance benefit
C. failure to use the care a reasonably prudent person would use in similar circumstances
D. the expectation that each party deals honestly and discloses material information

117. In property and casualty insurance, which statement best describes Rebating?

A. a contract drafted by one party that is generally accepted without negotiation
B. the legal obligation to act with reasonable care toward others
C. offering an inducement not stated in the policy to persuade a person to buy insurance
D. a policy providing liability and physical damage coverage for covered business autos

118. In property and casualty insurance, which statement best describes Defamation?

A. making false malicious statements that injure an insurer or producer reputation
B. an auto the insured leases, hires, rents, or borrows for business use
C. a contract in which the exchange of values may be unequal because payment depends on chance
D. physical injury, sickness, disease, or resulting death suffered by a person

119. In property and casualty insurance, which statement best describes Twisting?

A. a contract in which only the insurer makes an enforceable promise to perform
B. making misleading comparisons to induce a policyholder to replace or surrender coverage
C. an auto not owned by the business but used in connection with its operations
D. physical injury to tangible property, including resulting loss of use

120. In property and casualty insurance, which statement best describes Controlled business?

A. specified nonphysical offenses such as false arrest, libel, or wrongful eviction
B. excess liability coverage that may also broaden selected underlying coverage
C. insurance written primarily on the producer, family, employer, or business interests rather than the general public
D. statements believed true to the applicant knowledge but not guaranteed as absolute facts

121. In property and casualty insurance, which statement best describes Fiduciary responsibility?

A. coverage that increases limits above a designated underlying policy without necessarily broadening coverage
B. specified offenses arising from advertising activities, such as certain copyright or slogan claims
C. failure to disclose a material fact that an applicant has a duty to reveal
D. the duty to handle premiums and client funds honestly and separately from personal funds

122. In property and casualty insurance, which statement best describes Producer authority?

A. the intentional relinquishment of a known right
B. an accident, including continuous or repeated exposure to substantially the same harmful conditions
C. the power granted to an agent or producer to act for an insurer within defined limits
D. coverage for claims alleging negligent professional services or errors and omissions

123. In property and casualty insurance, which statement best describes Actual authority?

A. authority expressly granted by the principal to an agent
B. an unforeseen and unintended event that produces injury or damage
C. a rule preventing a party from asserting a right after conduct caused reasonable reliance
D. coverage for claims alleging wrongful acts in managing an organization

124. In property and casualty insurance, which statement best describes Apparent authority?

A. physical damage that results immediately from a covered peril
B. liability arising from products or completed work after possession or work is finished
C. coverage for specified employment-related allegations such as wrongful termination or discrimination
D. authority a third party reasonably believes an agent has because of the principal conduct

125. In property and casualty insurance, which statement best describes Policy replacement?

A. liability assumed by an insured in a contract, subject to policy terms and exceptions
B. the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered
C. coverage addressing specified losses and liability arising from data or network incidents
D. a financial consequence that follows from direct property damage

126. In property and casualty insurance, which statement best describes Material misrepresentation?

A. a package policy combining personal property, dwelling, liability, and additional living expense coverages
B. the dominant cause that sets an unbroken chain of events in motion
C. a false statement that would influence an insurer underwriting decision or policy terms
D. legal responsibility imposed on one party for the acts of another

127. In property and casualty insurance, which statement best describes Fraud?

A. an intentional deception used to obtain an improper benefit or cause a loss
B. liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product
C. property insurance primarily designed for a dwelling that may not qualify for a homeowners package
D. coverage that applies only to perils specifically listed in the policy

128. In property and casualty insurance, which statement best describes Risk retention?

A. a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages
B. the decision to knowingly absorb a potential loss rather than transfer it to insurance
C. a rule reducing recovery according to the claimant share of fault
D. coverage that applies unless the cause of loss is excluded

129. In property and casualty insurance, which statement best describes Risk avoidance?

A. replacement cost reduced by applicable depreciation
B. physical damage coverage for upset of a covered auto or impact with another vehicle or object
C. a law setting the deadline for filing a legal action
D. eliminating an exposure so that the potential loss cannot occur

130. In property and casualty insurance, which statement best describes Risk reduction?

A. taking steps to decrease the frequency or severity of potential losses
B. physical damage coverage for losses other than collision, such as theft, fire, or hail
C. the cost to repair or replace with like kind and quality without a depreciation deduction
D. money intended to reimburse an injured party for actual loss

131. In property and casualty insurance, which statement best describes Risk transfer?

A. money intended to punish particularly wrongful conduct rather than compensate loss
B. the portion of a covered loss that the insured retains before policy payment
C. shifting financial consequences of loss to another party through insurance or contract
D. coverage for injury caused by a driver without applicable liability insurance

132. In property and casualty insurance, which statement best describes Law of large numbers?

A. coverage that can apply when an at-fault driver liability limits are insufficient
B. the principle that loss predictions become more reliable as the number of similar exposure units increases
C. coverage for reasonable medical expenses regardless of fault, subject to policy terms
D. a condition requiring insurance to equal a stated percentage of property value to avoid a penalty

133. In property and casualty insurance, which statement best describes Pure risk?

A. payments made in addition to liability limits for specified claim-related expenses
B. first-party coverage for specified medical and income-loss benefits, subject to policy terms
C. a condition that can restrict certain property coverage after a building is vacant for a stated period
D. a chance of loss or no loss without the possibility of gain

134. In property and casualty insurance, which statement best describes Speculative risk?

A. a process for resolving a disagreement about the amount of loss
B. coverage for necessary increased living costs when a covered loss makes a residence uninhabitable
C. expenses the insurer incurs to defend a covered liability claim
D. a chance of loss, no loss, or gain

135. In property and casualty insurance, which statement best describes Hazard?

A. a condition that increases the frequency or severity of a possible loss
B. coverage for certain economic consequences of inability to use covered property after a covered loss
C. the insurer right to recover from a responsible third party after paying a loss
D. liability coverage triggered by injury or damage occurring during the policy period

136. In property and casualty insurance, which statement best describes Physical hazard?

A. coverage that lists individual high-value items separately with stated coverage
B. a tangible condition that increases the likelihood or severity of loss
C. liability coverage generally triggered by a claim first made during the policy period
D. remaining damaged property that has residual value after a loss

137. In property and casualty insurance, which statement best describes Moral hazard?

A. an attempted transfer of damaged property to an insurer without policy authority
B. personal excess liability coverage above required underlying personal policies
C. a character-related condition that increases the chance of intentional loss
D. the earliest date from which acts may be covered under a claims-made policy

138. In property and casualty insurance, which statement best describes Morale hazard?

A. carelessness or indifference to loss because insurance exists
B. additional time to report claims after a claims-made policy ends
C. coverage for direct physical loss by flood, commonly obtained through a separate program or policy
D. temporary evidence of insurance pending issuance of a policy

139. In property and casualty insurance, which statement best describes Exposure?

A. a package policy combining property and liability coverage for eligible small businesses
B. an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking
C. a condition or situation that creates the possibility of loss
D. the policy section identifying the insured, coverage, limits, premium, and policy period

140. In property and casualty insurance, which statement best describes Peril?

A. a flexible policy combining selected commercial property and liability coverage parts
B. the immediate cause of loss, such as fire, theft, or collision
C. the policy section that broadly states what the insurer agrees to cover
D. coverage for direct wind-related property damage, subject to policy terms and availability

141. In property and casualty insurance, which statement best describes Rate?

A. the state agency that regulates the Texas insurance industry and enforces insurance laws
B. a form addressing direct physical loss or damage to covered business property
C. policy language removing specified causes, property, persons, or losses from coverage
D. the price per unit of insurance used to calculate a premium

142. In property and casualty insurance, which statement best describes Premium?

A. coverage for lost income and continuing normal operating expenses after covered property damage
B. a duty or requirement that must be met for coverage to apply or continue
C. the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority
D. the amount charged for insurance coverage

143. In property and casualty insurance, which statement best describes Underwriting?

A. a written amendment that adds, removes, or changes policy terms
B. the process of evaluating risk and deciding whether and on what terms to insure it
C. coverage for necessary added expense incurred to continue operations after a covered loss
D. regulatory authorization allowing an insurer to transact insurance in a state

144. In property and casualty insurance, which statement best describes Reinsurance?

A. language protecting a lender interest in covered property subject to stated conditions
B. property coverage for a building or structure while it is under construction
C. insurance purchased by an insurer to transfer part of its risk to another insurer
D. an insurer authorized by the state to transact insurance and subject to its regulation

145. In property and casualty insurance, which statement best describes Facultative reinsurance?

A. reinsurance negotiated separately for an individual risk
B. coverage for movable property, transportation exposures, and specialized property interests
C. language directing payment to a party with an insured financial interest in property
D. an insurer not licensed in the state but that may be used for eligible surplus-lines placements

Practice Exam 4: Answer Key and Explanations

1. D — Insurable interest means a financial stake that would cause loss if the covered property is damaged. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

2. A — Indemnity means restoring an insured to approximately the financial position held before a covered loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

3. B — Utmost good faith means the expectation that each party deals honestly and discloses material information. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other

choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

4. D — Adhesion contract means a contract drafted by one party that is generally accepted without negotiation. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

5. C — Aleatory contract means a contract in which the exchange of values may be unequal because payment depends on chance. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

6. B — Unilateral contract means a contract in which only the insurer makes an enforceable promise to perform. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

7. C — Representations means statements believed true to the applicant knowledge but not guaranteed as absolute facts. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

8. D — Concealment means failure to disclose a material fact that an applicant has a duty to reveal. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

9. A — Waiver means the intentional relinquishment of a known right. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer. Read every option carefully because related terms can sound similar.

10. A — Estoppel means a rule preventing a party from asserting a right after conduct caused reasonable reliance. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

11. D — Direct loss means physical damage that results immediately from a covered peril. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

12. C — Indirect loss means a financial consequence that follows from direct property damage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices

describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

13. B — Proximate cause means the dominant cause that sets an unbroken chain of events in motion. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

14. D — Named-peril coverage means coverage that applies only to perils specifically listed in the policy. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

15. B — Open-peril coverage means coverage that applies unless the cause of loss is excluded. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

16. A — Actual cash value means replacement cost reduced by applicable depreciation. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer. Read every option carefully because related terms can sound similar.

17. C — Replacement cost means the cost to repair or replace with like kind and quality without a depreciation deduction. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

18. A — Deductible means the portion of a covered loss that the insured retains before policy payment. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

19. B — Coinsurance clause means a condition requiring insurance to equal a stated percentage of property value to avoid a penalty. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

20. D — Vacancy provision means a condition that can restrict certain property coverage after a building is vacant for a stated period. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

21. C — Appraisal condition means a process for resolving a disagreement about the amount of loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices

describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

22. D — Subrogation means the insurer right to recover from a responsible third party after paying a loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

23. A — Salvage means remaining damaged property that has residual value after a loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

24. C — Abandonment means an attempted transfer of damaged property to an insurer without policy authority. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

25. B — Binder means temporary evidence of insurance pending issuance of a policy. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

26. B — Declarations means the policy section identifying the insured, coverage, limits, premium, and policy period. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

27. A — Insuring agreement means the policy section that broadly states what the insurer agrees to cover. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

28. C — Exclusion means policy language removing specified causes, property, persons, or losses from coverage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

29. D — Condition means a duty or requirement that must be met for coverage to apply or continue. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

30. B — Endorsement means a written amendment that adds, removes, or changes policy terms. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices

describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

31. A — Mortgagee clause means language protecting a lender interest in covered property subject to stated conditions. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

32. D — Loss payable clause means language directing payment to a party with an insured financial interest in property. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

33. C — Cancellation means termination of a policy before its normal expiration date. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

34. A — Nonrenewal means the insurer decision not to continue a policy at the end of its term. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

35. C — Policy period means the stated interval during which coverage is in force. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

36. B — Per-occurrence limit means the most payable for all covered injury or damage arising from one occurrence. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

37. D — Aggregate limit means the most payable for all covered losses during the policy period. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

38. C — Liability means legal responsibility for injury or damage to another person or property. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

39. D — Negligence means failure to use the care a reasonably prudent person would use in similar circumstances. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The

other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

40. A — Duty of care means the legal obligation to act with reasonable care toward others. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

41. B — Bodily injury means physical injury, sickness, disease, or resulting death suffered by a person. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

42. A — Property damage means physical injury to tangible property, including resulting loss of use. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

43. D — Personal injury means specified nonphysical offenses such as false arrest, libel, or wrongful eviction. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

44. B — Advertising injury means specified offenses arising from advertising activities, such as certain copyright or slogan claims. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

45. C — Occurrence means an accident, including continuous or repeated exposure to substantially the same harmful conditions. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

46. A — Accident means an unforeseen and unintended event that produces injury or damage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

47. D — Products-completed operations hazard means liability arising from products or completed work after possession or work is finished. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

48. B — Contractual liability means liability assumed by an insured in a contract, subject to policy terms and exceptions. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The

other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

49. B — Vicarious liability means legal responsibility imposed on one party for the acts of another. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

50. C — Strict liability means liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

51. C — Comparative negligence means a rule reducing recovery according to the claimant share of fault. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

52. A — Statute of limitations means a law setting the deadline for filing a legal action. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

53. D — Compensatory damages means money intended to reimburse an injured party for actual loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

54. C — Punitive damages means money intended to punish particularly wrongful conduct rather than compensate loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

55. B — Medical payments coverage means coverage for reasonable medical expenses regardless of fault, subject to policy terms. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

56. D — Supplementary payments means payments made in addition to liability limits for specified claim-related expenses. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

57. A — Defense costs means expenses the insurer incurs to defend a covered liability claim. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices

describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

58. A — Occurrence form means liability coverage triggered by injury or damage occurring during the policy period. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

59. D — Claims-made form means liability coverage generally triggered by a claim first made during the policy period. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

60. C — Retroactive date means the earliest date from which acts may be covered under a claims-made policy. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

61. B — Extended reporting period means additional time to report claims after a claims-made policy ends. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

62. B — Businessowners policy means a package policy combining property and liability coverage for eligible small businesses. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

63. C — Commercial package policy means a flexible policy combining selected commercial property and liability coverage parts. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

64. D — Commercial property coverage form means a form addressing direct physical loss or damage to covered business property. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

65. A — Business income coverage means coverage for lost income and continuing normal operating expenses after covered property damage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

66. C — Extra expense coverage means coverage for necessary added expense incurred to continue operations after a covered loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

67. D — Builders risk coverage means property coverage for a building or structure while it is under construction. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

68. B — Inland marine insurance means coverage for movable property, transportation exposures, and specialized property interests. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

69. A — Ocean marine insurance means coverage for vessels, cargo, and related maritime interests. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

70. B — Bailee coverage means coverage for property of customers while it is in the insured custody, care, or control. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

71. C — Garagekeepers coverage means coverage for customer autos left in the care of a garage operation. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

72. A — Equipment breakdown coverage means coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

73. D — Crime coverage means coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

74. B — Employee dishonesty coverage means crime coverage for loss caused by dishonest acts of employees. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

75. D — Surety bond means a three-party guarantee that a principal will perform an obligation to an obligee. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other

choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

76. C — Fidelity bond means a bond protecting an employer against dishonest acts by employees. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

77. A — Performance bond means a surety guarantee that a contractor will perform contractual work. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

78. D — Payment bond means a surety guarantee that certain labor and material obligations will be paid. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

79. C — Workers compensation means statutory coverage for employment-related injury or disease without ordinary negligence litigation. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

80. A — Employers liability means coverage for certain employee injury claims not covered by workers compensation law. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

81. B — Commercial general liability policy means a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise.

82. A — Commercial auto policy means a policy providing liability and physical damage coverage for covered business autos. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

83. C — Hired auto means an auto the insured leases, hires, rents, or borrows for business use. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

84. B — Nonowned auto means an auto not owned by the business but used in connection with its operations. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other

choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

85. D — Umbrella liability policy means excess liability coverage that may also broaden selected underlying coverage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

86. C — Excess liability policy means coverage that increases limits above a designated underlying policy without necessarily broadening coverage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

87. D — Professional liability means coverage for claims alleging negligent professional services or errors and omissions. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

88. A — Directors and officers liability means coverage for claims alleging wrongful acts in managing an organization. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

89. B — Employment practices liability means coverage for specified employment-related allegations such as wrongful termination or discrimination. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

90. C — Cyber liability means coverage addressing specified losses and liability arising from data or network incidents. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

91. D — Homeowners policy means a package policy combining personal property, dwelling, liability, and additional living expense coverages. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

92. A — Dwelling policy means property insurance primarily designed for a dwelling that may not qualify for a homeowners package. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

93. C — Personal auto policy means a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

94. B — Collision coverage means physical damage coverage for upset of a covered auto or impact with another vehicle or object. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

95. D — Other-than-collision coverage means physical damage coverage for losses other than collision, such as theft, fire, or hail. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

96. A — Uninsured motorist coverage means coverage for injury caused by a driver without applicable liability insurance. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

97. B — Underinsured motorist coverage means coverage that can apply when an at-fault driver liability limits are insufficient. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

98. C — Personal injury protection means first-party coverage for specified medical and income-loss benefits, subject to policy terms. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

99. B — Additional living expense means coverage for necessary increased living costs when a covered loss makes a residence uninhabitable. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

100. A — Loss of use means coverage for certain economic consequences of inability to use covered property after a covered loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

101. D — Scheduled personal property means coverage that lists individual high-value items separately with stated coverage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

102. A — Personal umbrella policy means personal excess liability coverage above required underlying personal policies. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The

other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

103. B — Flood insurance means coverage for direct physical loss by flood, commonly obtained through a separate program or policy. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

104. D — Earth movement exclusion means an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

105. C — Windstorm coverage means coverage for direct wind-related property damage, subject to policy terms and availability. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

106. B — Texas Department of Insurance means the state agency that regulates the Texas insurance industry and enforces insurance laws. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

107. C — Commissioner of Insurance means the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

108. A — Certificate of authority means regulatory authorization allowing an insurer to transact insurance in a state. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

109. D — Admitted insurer means an insurer authorized by the state to transact insurance and subject to its regulation. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

110. B — Nonadmitted insurer means an insurer not licensed in the state but that may be used for eligible surplus-lines placements. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

111. A — Surplus lines insurance means insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

112. D — Texas FAIR Plan Association means the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose.

113. C — Texas Windstorm Insurance Association means the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and.

114. A — Guaranty association means a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

115. D — Unfair discrimination means making coverage or rate distinctions among similar risks without a sound actuarial or legal basis. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

116. B — Misrepresentation means making a false or misleading statement about a policy, insurer, or insurance benefit. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

117. C — Rebating means offering an inducement not stated in the policy to persuade a person to buy insurance. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

118. A — Defamation means making false malicious statements that injure an insurer or producer reputation. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

119. B — Twisting means making misleading comparisons to induce a policyholder to replace or surrender coverage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

120. C — Controlled business means insurance written primarily on the producer, family, employer, or business interests rather than the general public. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

121. D — Fiduciary responsibility means the duty to handle premiums and client funds honestly and separately from personal funds. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

122. C — Producer authority means the power granted to an agent or producer to act for an insurer within defined limits. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

123. A — Actual authority means authority expressly granted by the principal to an agent. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

124. D — Apparent authority means authority a third party reasonably believes an agent has because of the principal conduct. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

125. B — Policy replacement means the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

126. C — Material misrepresentation means a false statement that would influence an insurer underwriting decision or policy terms. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

127. A — Fraud means an intentional deception used to obtain an improper benefit or cause a loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

128. B — Risk retention means the decision to knowingly absorb a potential loss rather than transfer it to insurance. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

129. D — Risk avoidance means eliminating an exposure so that the potential loss cannot occur. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices

describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

130. A — Risk reduction means taking steps to decrease the frequency or severity of potential losses. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

131. C — Risk transfer means shifting financial consequences of loss to another party through insurance or contract. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

132. B — Law of large numbers means the principle that loss predictions become more reliable as the number of similar exposure units increases. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

133. D — Pure risk means a chance of loss or no loss without the possibility of gain. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

134. D — Speculative risk means a chance of loss, no loss, or gain. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

135. A — Hazard means a condition that increases the frequency or severity of a possible loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

136. B — Physical hazard means a tangible condition that increases the likelihood or severity of loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

137. C — Moral hazard means a character-related condition that increases the chance of intentional loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

138. A — Morale hazard means carelessness or indifference to loss because insurance exists. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

139. C — Exposure means a condition or situation that creates the possibility of loss. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

140. B — Peril means the immediate cause of loss, such as fire, theft, or collision. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

141. D — Rate means the price per unit of insurance used to calculate a premium. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

142. D — Premium means the amount charged for insurance coverage. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer. Read every option carefully because related terms can sound similar.

143. B — Underwriting means the process of evaluating risk and deciding whether and on what terms to insure it. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

144. C — Reinsurance means insurance purchased by an insurer to transfer part of its risk to another insurer. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer.

145. A — Facultative reinsurance means reinsurance negotiated separately for an individual risk. It identifies an insurance right, duty, limit, or regulatory concept in a transaction. The other choices describe other concepts and do not define this term. On an exam, link policy language to its effect and choose a precise answer. Read every option carefully because related terms can sound similar.