PRACTICE EXAM 5: 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. Which property and casualty insurance term means making false malicious statements that injure an insurer or producer reputation?

A. Other-than-collision coverage
B. Defamation
C. Direct loss
D. Fraud

2. Identify the insurance term defined as the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority.

A. Commissioner of Insurance
B. Texas Department of Insurance
C. Personal auto policy
D. Occurrence form

3. In insurance terminology, what is a condition that can restrict certain property coverage after a building is vacant for a stated period?

A. Policy period
B. Vacancy provision
C. Commercial auto policy
D. Twisting

4. Which term most precisely describes regulatory authorization allowing an insurer to transact insurance in a state?

A. Loss of use
B. Law of large numbers
C. Open-peril coverage
D. Certificate of authority

5. Choose the property and casualty term for remaining damaged property that has residual value after a loss.

A. Crime coverage
B. Employee dishonesty coverage
C. Salvage
D. Inland marine insurance

6. Which property and casualty insurance term means authority expressly granted by the principal to an agent?

A. Nonadmitted insurer
B. Actual authority
C. Surplus lines insurance
D. Business income coverage

7. Identify the insurance term defined as a contract in which only the insurer makes an enforceable promise to perform.

A. Scheduled personal property
B. Risk reduction
C. Named-peril coverage
D. Unilateral contract

8. In insurance terminology, what is authority a third party reasonably believes an agent has because of the principal conduct?

A. Guaranty association
B. Underwriting
C. Apparent authority
D. Comparative negligence

9. Which term most precisely describes the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily?

A. Texas FAIR Plan Association
B. Additional living expense
C. Risk avoidance
D. Personal injury

10. Choose the property and casualty term for a tangible condition that increases the likelihood or severity of loss.

A. Supplementary payments
B. Aleatory contract
C. Waiver
D. Physical hazard

11. Which property and casualty insurance term means a contract drafted by one party that is generally accepted without negotiation?

A. Adhesion contract
B. Claims-made form
C. Personal injury protection
D. Aggregate limit

12. Identify the insurance term defined as the immediate cause of loss, such as fire, theft, or collision.

A. Misrepresentation
B. Peril
C. Advertising injury
D. Hazard

13. In insurance terminology, what is additional time to report claims after a claims-made policy ends?

A. Employers liability
B. Exclusion
C. Extended reporting period
D. Flood insurance

14. Which term most precisely describes coverage for claims alleging wrongful acts in managing an organization?

A. Directors and officers liability
B. Builders risk coverage
C. Coinsurance clause
D. Nonowned auto

15. Choose the property and casualty term for language protecting a lender interest in covered property subject to stated conditions.

A. Per-occurrence limit
B. Mortgagee clause
C. Underinsured motorist coverage
D. Deductible

16. Which property and casualty insurance term means the dominant cause that sets an unbroken chain of events in motion?

A. Employment practices liability
B. Hired auto
C. Liability
D. Proximate cause

17. Identify the insurance term defined as coverage for injury caused by a driver without applicable liability insurance.

A. Punitive damages
B. Indirect loss
C. Uninsured motorist coverage
D. Utmost good faith

18. In insurance terminology, what is a chance of loss, no loss, or gain?

A. Insurable interest
B. Bodily injury
C. Loss payable clause
D. Speculative risk

19. Which term most precisely describes a flexible policy combining selected commercial property and liability coverage parts?

A. Commercial property coverage form
B. Commercial package policy
C. Binder
D. Rate

20. Choose the property and casualty term for the policy section that broadly states what the insurer agrees to cover.

A. Nonrenewal
B. Workers compensation
C. Insuring agreement
D. Rebating

21. Which property and casualty insurance term means the amount charged for insurance coverage?

A. Premium
B. Subrogation
C. Replacement cost
D. Excess liability policy

22. Identify the insurance term defined as coverage for property of customers while it is in the insured custody, care, or control.

A. Appraisal condition
B. Declarations
C. Occurrence
D. Bailee coverage

23. In insurance terminology, what is the earliest date from which acts may be covered under a claims-made policy?

A. Concealment
B. Retroactive date
C. Earth movement exclusion
D. Indemnity

24. Which term most precisely describes excess liability coverage that may also broaden selected underlying coverage?

A. Umbrella liability policy
B. Policy replacement
C. Risk transfer
D. Windstorm coverage

25. Choose the property and casualty term for a duty or requirement that must be met for coverage to apply or continue.

A. Actual cash value
B. Contractual liability
C. Condition
D. Unfair discrimination

26. Which property and casualty insurance term means insurance written primarily on the producer, family, employer, or business interests rather than the general public?

A. Statute of limitations
B. Cyber liability
C. Reinsurance
D. Controlled business

27. Identify the insurance term defined as expenses the insurer incurs to defend a covered liability claim.

A. Pure risk
B. Defense costs
C. Medical payments coverage
D. Morale hazard

28. In insurance terminology, what is coverage for vessels, cargo, and related maritime interests?

A. Surety bond
B. Property damage
C. Ocean marine insurance
D. Moral hazard

29. Which term most precisely describes the power granted to an agent or producer to act for an insurer within defined limits?

A. Producer authority
B. Fidelity bond
C. Payment bond
D. Homeowners policy

30. Choose the property and casualty term for a condition or situation that creates the possibility of loss.

A. Collision coverage
B. Texas Windstorm Insurance Association
C. Fiduciary responsibility
D. Exposure

31. Which property and casualty insurance term means an unforeseen and unintended event that produces injury or damage?

A. Dwelling policy
B. Accident
C. Professional liability
D. Admitted insurer

32. Identify the insurance term defined as money intended to reimburse an injured party for actual loss.

A. Endorsement
B. Equipment breakdown coverage
C. Compensatory damages
D. Estoppel

33. In insurance terminology, what is an intentional deception used to obtain an improper benefit or cause a loss?

A. Performance bond
B. Garagekeepers coverage
C. Fraud
D. Businessowners policy

34. Which term most precisely describes the state agency that regulates the Texas insurance industry and enforces insurance laws?

A. Texas Department of Insurance
B. Abandonment
C. Cancellation
D. Extra expense coverage

35. Choose the property and casualty term for making misleading comparisons to induce a policyholder to replace or surrender coverage.

A. Negligence
B. Products-completed operations hazard
C. Commercial general liability policy
D. Twisting

36. Which property and casualty insurance term means the principle that loss predictions become more reliable as the number of similar exposure units increases?

A. Risk retention
B. Law of large numbers
C. Strict liability
D. Defamation

37. Identify the insurance term defined as crime coverage for loss caused by dishonest acts of employees.

A. Employee dishonesty coverage
B. Direct loss
C. Duty of care
D. Commissioner of Insurance

38. In insurance terminology, what is insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market?

A. Surplus lines insurance
B. Occurrence form
C. Vacancy provision
D. Material misrepresentation

39. Which term most precisely describes coverage that applies only to perils specifically listed in the policy?

A. Personal umbrella policy
B. Named-peril coverage
C. Certificate of authority
D. Commercial auto policy

40. Choose the property and casualty term for the process of evaluating risk and deciding whether and on what terms to insure it.

A. Salvage
B. Facultative reinsurance
C. Open-peril coverage
D. Underwriting

41. Which property and casualty insurance term means eliminating an exposure so that the potential loss cannot occur?

A. Crime coverage
B. Vicarious liability
C. Risk avoidance
D. Actual authority

42. Identify the insurance term defined as a contract in which the exchange of values may be unequal because payment depends on chance.

A. Representations
B. Aleatory contract
C. Business income coverage
D. Unilateral contract

43. In insurance terminology, what is liability coverage generally triggered by a claim first made during the policy period?

A. Risk reduction
B. Other-than-collision coverage
C. Claims-made form
D. Apparent authority

44. Which term most precisely describes making a false or misleading statement about a policy, insurer, or insurance benefit?

A. Misrepresentation
B. Comparative negligence
C. Texas FAIR Plan Association
D. Personal auto policy

45. Choose the property and casualty term for coverage for direct physical loss by flood, commonly obtained through a separate program or policy.

A. Physical hazard
B. Personal injury
C. Policy period
D. Flood insurance

46. Which property and casualty insurance term means an auto not owned by the business but used in connection with its operations?

A. Waiver
B. Nonowned auto
C. Adhesion contract
D. Loss of use

47. Identify the insurance term defined as the portion of a covered loss that the insured retains before policy payment.

A. Aggregate limit
B. Peril
C. Deductible
D. Inland marine insurance

48. In insurance terminology, what is coverage for specified employment-related allegations such as wrongful termination or discrimination?

A. Employment practices liability
B. Nonadmitted insurer
C. Advertising injury
D. Extended reporting period

49. Which term most precisely describes a financial consequence that follows from direct property damage?

A. Directors and officers liability
B. Indirect loss
C. Scheduled personal property
D. Employers liability

50. Choose the property and casualty term for a financial stake that would cause loss if the covered property is damaged.

A. Builders risk coverage
B. Guaranty association
C. Mortgagee clause
D. Insurable interest

51. Which property and casualty insurance term means temporary evidence of insurance pending issuance of a policy?

A. Underinsured motorist coverage
B. Proximate cause
C. Binder
D. Additional living expense

52. Identify the insurance term defined as the insurer decision not to continue a policy at the end of its term.

A. Hired auto
B. Uninsured motorist coverage
C. Supplementary payments
D. Nonrenewal

53. In insurance terminology, what is the cost to repair or replace with like kind and quality without a depreciation deduction?

A. Replacement cost
B. Punitive damages
C. Speculative risk
D. Personal injury protection

54. Which term most precisely describes an accident, including continuous or repeated exposure to substantially the same harmful conditions?

A. Commercial package policy
B. Bodily injury
C. Occurrence
D. Hazard

55. Choose the property and casualty term for failure to disclose a material fact that an applicant has a duty to reveal.

A. Rate
B. Exclusion
C. Insuring agreement
D. Concealment

56. Which property and casualty insurance term means shifting financial consequences of loss to another party through insurance or contract?

A. Premium
B. Risk transfer
C. Coinsurance clause
D. Workers compensation

57. Identify the insurance term defined as making coverage or rate distinctions among similar risks without a sound actuarial or legal basis.

A. Unfair discrimination
B. Subrogation
C. Per-occurrence limit
D. Bailee coverage

58. In insurance terminology, what is insurance purchased by an insurer to transfer part of its risk to another insurer?

A. Liability
B. Reinsurance
C. Appraisal condition
D. Retroactive date

59. Which term most precisely describes a chance of loss or no loss without the possibility of gain?

A. Utmost good faith
B. Indemnity
C. Pure risk
D. Umbrella liability policy

60. Choose the property and casualty term for physical injury to tangible property, including resulting loss of use.

A. Property damage
B. Loss payable clause
C. Policy replacement
D. Condition

61. Which property and casualty insurance term means a surety guarantee that certain labor and material obligations will be paid?

A. Contractual liability
B. Controlled business
C. Commercial property coverage form
D. Payment bond

62. Identify the insurance term defined as the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met.

A. Statute of limitations
B. Rebating
C. Defense costs
D. Texas Windstorm Insurance Association

63. In insurance terminology, what is property insurance primarily designed for a dwelling that may not qualify for a homeowners package?

A. Medical payments coverage
B. Ocean marine insurance
C. Dwelling policy
D. Excess liability policy

64. Which term most precisely describes a written amendment that adds, removes, or changes policy terms?

A. Declarations
B. Endorsement
C. Surety bond
D. Producer authority

65. Choose the property and casualty term for a package policy combining property and liability coverage for eligible small businesses.

A. Businessowners policy
B. Homeowners policy
C. Exposure
D. Earth movement exclusion

66. Which property and casualty insurance term means termination of a policy before its normal expiration date?

A. Cancellation
B. Accident
C. Collision coverage
D. Windstorm coverage

67. Identify the insurance term defined as a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury.

A. Actual cash value
B. Admitted insurer
C. Compensatory damages
D. Commercial general liability policy

68. In insurance terminology, what is liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product?

A. Estoppel
B. Strict liability
C. Fraud
D. Cyber liability

69. Which term most precisely describes physical damage that results immediately from a covered peril?

A. Texas Department of Insurance
B. Morale hazard
C. Direct loss
D. Garagekeepers coverage

70. Choose the property and casualty term for liability coverage triggered by injury or damage occurring during the policy period.

A. Occurrence form
B. Abandonment
C. Twisting
D. Moral hazard

71. Which property and casualty insurance term means a policy providing liability and physical damage coverage for covered business autos?

A. Products-completed operations hazard
B. Fidelity bond
C. Law of large numbers
D. Commercial auto policy

72. Identify the insurance term defined as coverage that applies unless the cause of loss is excluded.

A. Risk retention
B. Open-peril coverage
C. Fiduciary responsibility
D. Employee dishonesty coverage

73. In insurance terminology, what is coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts?

A. Crime coverage
B. Surplus lines insurance
C. Professional liability
D. Duty of care

74. Which term most precisely describes coverage for lost income and continuing normal operating expenses after covered property damage?

A. Material misrepresentation
B. Named-peril coverage
C. Business income coverage
D. Equipment breakdown coverage

75. Choose the property and casualty term for taking steps to decrease the frequency or severity of potential losses.

A. Personal umbrella policy
B. Underwriting
C. Risk reduction
D. Performance bond

76. Which property and casualty insurance term means a rule reducing recovery according to the claimant share of fault?

A. Risk avoidance
B. Comparative negligence
C. Extra expense coverage
D. Facultative reinsurance

77. Identify the insurance term defined as specified nonphysical offenses such as false arrest, libel, or wrongful eviction.

A. Vicarious liability
B. Aleatory contract
C. Negligence
D. Personal injury

78. In insurance terminology, what is the intentional relinquishment of a known right?

A. Defamation
B. Waiver
C. Representations
D. Claims-made form

79. Which term most precisely describes the most payable for all covered losses during the policy period?

A. Commissioner of Insurance
B. Misrepresentation
C. Other-than-collision coverage
D. Aggregate limit

80. Choose the property and casualty term for specified offenses arising from advertising activities, such as certain copyright or slogan claims.

A. Advertising injury
B. Flood insurance
C. Personal auto policy
D. Vacancy provision

81. Which property and casualty insurance term means coverage for certain employee injury claims not covered by workers compensation law?

A. Policy period
B. Certificate of authority
C. Employers liability
D. Nonowned auto

82. Identify the insurance term defined as property coverage for a building or structure while it is under construction.

A. Salvage
B. Deductible
C. Builders risk coverage
D. Loss of use

83. In insurance terminology, what is coverage that can apply when an at-fault driver liability limits are insufficient?

A. Underinsured motorist coverage
B. Actual authority
C. Employment practices liability
D. Inland marine insurance

84. Which term most precisely describes an auto the insured leases, hires, rents, or borrows for business use?

A. Nonadmitted insurer
B. Hired auto
C. Unilateral contract
D. Indirect loss

85. Choose the property and casualty term for money intended to punish particularly wrongful conduct rather than compensate loss.

A. Scheduled personal property
B. Insurable interest
C. Apparent authority
D. Punitive damages

86. Which property and casualty insurance term means physical injury, sickness, disease, or resulting death suffered by a person?

A. Guaranty association
B. Binder
C. Bodily injury
D. Texas FAIR Plan Association

87. Identify the insurance term defined as the price per unit of insurance used to calculate a premium.

A. Nonrenewal
B. Rate
C. Physical hazard
D. Additional living expense

88. In insurance terminology, what is statutory coverage for employment-related injury or disease without ordinary negligence litigation?

A. Adhesion contract
B. Replacement cost
C. Supplementary payments
D. Workers compensation

89. Which term most precisely describes the insurer right to recover from a responsible third party after paying a loss?

A. Subrogation
B. Personal injury protection
C. Peril
D. Occurrence

90. Choose the property and casualty term for a process for resolving a disagreement about the amount of loss.

A. Appraisal condition
B. Concealment
C. Extended reporting period
D. Hazard

91. Which property and casualty insurance term means restoring an insured to approximately the financial position held before a covered loss?

A. Risk transfer
B. Directors and officers liability
C. Exclusion
D. Indemnity

92. Identify the insurance term defined as the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered.

A. Unfair discrimination
B. Policy replacement
C. Coinsurance clause
D. Mortgagee clause

93. In insurance terminology, what is liability assumed by an insured in a contract, subject to policy terms and exceptions?

A. Proximate cause
B. Per-occurrence limit
C. Contractual liability
D. Reinsurance

94. Which term most precisely describes a law setting the deadline for filing a legal action?

A. Statute of limitations
B. Uninsured motorist coverage
C. Pure risk
D. Liability

95. Choose the property and casualty term for coverage for reasonable medical expenses regardless of fault, subject to policy terms.

A. Utmost good faith
B. Speculative risk
C. Property damage
D. Medical payments coverage

96. Which property and casualty insurance term means a three-party guarantee that a principal will perform an obligation to an obligee?

A. Payment bond
B. Loss payable clause
C. Surety bond
D. Commercial package policy

97. Identify the insurance term defined as a package policy combining personal property, dwelling, liability, and additional living expense coverages.

A. Commercial property coverage form
B. Homeowners policy
C. Texas Windstorm Insurance Association
D. Insuring agreement

98. In insurance terminology, what is physical damage coverage for upset of a covered auto or impact with another vehicle or object?

A. Collision coverage
B. Premium
C. Dwelling policy
D. Rebating

99. Which term most precisely describes an insurer authorized by the state to transact insurance and subject to its regulation?

A. Bailee coverage
B. Admitted insurer
C. Excess liability policy
D. Endorsement

100. Choose the property and casualty term for a rule preventing a party from asserting a right after conduct caused reasonable reliance.

A. Declarations
B. Retroactive date
C. Estoppel
D. Businessowners policy

101. Which property and casualty insurance term means coverage for customer autos left in the care of a garage operation?

A. Cancellation
B. Earth movement exclusion
C. Umbrella liability policy
D. Garagekeepers coverage

102. Identify the insurance term defined as an attempted transfer of damaged property to an insurer without policy authority.

A. Abandonment
B. Condition
C. Commercial general liability policy
D. Windstorm coverage

103. In insurance terminology, what is liability arising from products or completed work after possession or work is finished?

A. Strict liability
B. Actual cash value
C. Products-completed operations hazard
D. Controlled business

104. Which term most precisely describes the decision to knowingly absorb a potential loss rather than transfer it to insurance?

A. Cyber liability
B. Risk retention
C. Defense costs
D. Direct loss

105. Choose the property and casualty term for the legal obligation to act with reasonable care toward others.

A. Morale hazard
B. Occurrence form
C. Ocean marine insurance
D. Duty of care

106. Which property and casualty insurance term means a false statement that would influence an insurer underwriting decision or policy terms?

A. Moral hazard
B. Material misrepresentation
C. Commercial auto policy
D. Producer authority

107. Identify the insurance term defined as personal excess liability coverage above required underlying personal policies.

A. Exposure
B. Open-peril coverage
C. Fidelity bond
D. Personal umbrella policy

108. In insurance terminology, what is reinsurance negotiated separately for an individual risk?

A. Fiduciary responsibility
B. Crime coverage
C. Facultative reinsurance
D. Accident

109. Which term most precisely describes legal responsibility imposed on one party for the acts of another?

A. Vicarious liability
B. Business income coverage
C. Compensatory damages
D. Professional liability

110. Choose the property and casualty term for statements believed true to the applicant knowledge but not guaranteed as absolute facts.

A. Representations
B. Fraud
C. Risk reduction
D. Equipment breakdown coverage

111. Which property and casualty insurance term means physical damage coverage for losses other than collision, such as theft, fire, or hail?

A. Texas Department of Insurance
B. Performance bond
C. Other-than-collision coverage
D. Comparative negligence

112. Identify the insurance term defined as a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages.

A. Extra expense coverage
B. Personal injury
C. Twisting
D. Personal auto policy

113. In insurance terminology, what is the stated interval during which coverage is in force?

A. Law of large numbers
B. Policy period
C. Waiver
D. Negligence

114. Which term most precisely describes coverage for certain economic consequences of inability to use covered property after a covered loss?

A. Employee dishonesty coverage
B. Defamation
C. Aggregate limit
D. Loss of use

115. Choose the property and casualty term for coverage for movable property, transportation exposures, and specialized property interests.

A. Inland marine insurance
B. Surplus lines insurance
C. Advertising injury
D. Commissioner of Insurance

116. Which property and casualty insurance term means an insurer not licensed in the state but that may be used for eligible surplus-lines placements?

A. Named-peril coverage
B. Employers liability
C. Nonadmitted insurer
D. Vacancy provision

117. Identify the insurance term defined as coverage that lists individual high-value items separately with stated coverage.

A. Certificate of authority
B. Scheduled personal property
C. Builders risk coverage
D. Underwriting

118. In insurance terminology, what is a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer?

A. Salvage
B. Guaranty association
C. Underinsured motorist coverage
D. Risk avoidance

119. Which term most precisely describes coverage for necessary increased living costs when a covered loss makes a residence uninhabitable?

A. Additional living expense
B. Actual authority
C. Hired auto
D. Aleatory contract

120. Choose the property and casualty term for payments made in addition to liability limits for specified claim-related expenses.

A. Claims-made form
B. Punitive damages
C. Unilateral contract
D. Supplementary payments

121. Which property and casualty insurance term means first-party coverage for specified medical and income-loss benefits, subject to policy terms?

A. Bodily injury
B. Misrepresentation
C. Personal injury protection
D. Apparent authority

122. Identify the insurance term defined as a condition that increases the frequency or severity of a possible loss.

A. Texas FAIR Plan Association
B. Flood insurance
C. Rate
D. Hazard

123. In insurance terminology, what is policy language removing specified causes, property, persons, or losses from coverage?

A. Nonowned auto
B. Exclusion
C. Physical hazard
D. Workers compensation

124. Which term most precisely describes a condition requiring insurance to equal a stated percentage of property value to avoid a penalty?

A. Coinsurance clause
B. Adhesion contract
C. Subrogation
D. Deductible

125. Choose the property and casualty term for the most payable for all covered injury or damage arising from one occurrence.

A. Employment practices liability
B. Appraisal condition
C. Per-occurrence limit
D. Peril

126. Which property and casualty insurance term means legal responsibility for injury or damage to another person or property?

A. Indemnity
B. Extended reporting period
C. Indirect loss
D. Liability

127. Identify the insurance term defined as the expectation that each party deals honestly and discloses material information.

A. Policy replacement
B. Utmost good faith
C. Insurable interest
D. Directors and officers liability

128. In insurance terminology, what is language directing payment to a party with an insured financial interest in property?

A. Contractual liability
B. Mortgagee clause
C. Loss payable clause
D. Binder

129. Which term most precisely describes a form addressing direct physical loss or damage to covered business property?

A. Commercial property coverage form
B. Statute of limitations
C. Nonrenewal
D. Proximate cause

130. Choose the property and casualty term for offering an inducement not stated in the policy to persuade a person to buy insurance.

A. Replacement cost
B. Medical payments coverage
C. Rebating
D. Uninsured motorist coverage

131. Which property and casualty insurance term means coverage that increases limits above a designated underlying policy without necessarily broadening coverage?

A. Excess liability policy
B. Speculative risk
C. Surety bond
D. Occurrence

132. Identify the insurance term defined as the policy section identifying the insured, coverage, limits, premium, and policy period.

A. Commercial package policy
B. Homeowners policy
C. Concealment
D. Declarations

133. In insurance terminology, what is an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking?

A. Collision coverage
B. Earth movement exclusion
C. Insuring agreement
D. Risk transfer

134. Which term most precisely describes coverage for direct wind-related property damage, subject to policy terms and availability?

A. Premium
B. Admitted insurer
C. Unfair discrimination
D. Windstorm coverage

135. Choose the property and casualty term for replacement cost reduced by applicable depreciation.

A. Bailee coverage
B. Estoppel
C. Actual cash value
D. Reinsurance

136. Which property and casualty insurance term means coverage addressing specified losses and liability arising from data or network incidents?

A. Cyber liability
B. Retroactive date
C. Pure risk
D. Garagekeepers coverage

137. Identify the insurance term defined as carelessness or indifference to loss because insurance exists.

A. Umbrella liability policy
B. Morale hazard
C. Abandonment
D. Property damage

138. In insurance terminology, what is a character-related condition that increases the chance of intentional loss?

A. Condition
B. Payment bond
C. Moral hazard
D. Products-completed operations hazard

139. Which term most precisely describes a bond protecting an employer against dishonest acts by employees?

A. Risk retention
B. Fidelity bond
C. Texas Windstorm Insurance Association
D. Controlled business

140. Choose the property and casualty term for the duty to handle premiums and client funds honestly and separately from personal funds.

A. Dwelling policy
B. Defense costs
C. Duty of care
D. Fiduciary responsibility

141. Which property and casualty insurance term means coverage for claims alleging negligent professional services or errors and omissions?

A. Professional liability
B. Material misrepresentation
C. Ocean marine insurance
D. Endorsement

142. Identify the insurance term defined as coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown.

A. Businessowners policy
B. Personal umbrella policy
C. Equipment breakdown coverage
D. Producer authority

143. In insurance terminology, what is a surety guarantee that a contractor will perform contractual work?

A. Performance bond
B. Exposure
C. Cancellation
D. Facultative reinsurance

144. Which term most precisely describes coverage for necessary added expense incurred to continue operations after a covered loss?

A. Accident
B. Commercial general liability policy
C. Vicarious liability
D. Extra expense coverage

145. Choose the property and casualty term for failure to use the care a reasonably prudent person would use in similar circumstances.

A. Strict liability
B. Negligence
C. Compensatory damages
D. Representations

Practice Exam 5: Answer Key and Explanations

1. B — The correct term is Defamation, which means making false malicious statements that injure an insurer or producer reputation. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

2. A — The correct term is Commissioner of Insurance, which means the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

3. B — The correct term is Vacancy provision, which means a condition that can restrict certain property coverage after a building is vacant for a stated period. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language.

4. D — The correct term is Certificate of authority, which means regulatory authorization allowing an insurer to transact insurance in a state. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

5. C — The correct term is Salvage, which means remaining damaged property that has residual value after a loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

6. B — The correct term is Actual authority, which means authority expressly granted by the principal to an agent. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

7. D — The correct term is Unilateral contract, which means a contract in which only the insurer makes an enforceable promise to perform. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

8. C — The correct term is Apparent authority, which means authority a third party reasonably believes an agent has because of the principal conduct. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

9. A — The correct term is Texas FAIR Plan Association, which means the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam.

10. D — The correct term is Physical hazard, which means a tangible condition that increases the likelihood or severity of loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

11. A — The correct term is Adhesion contract, which means a contract drafted by one party that is generally accepted without negotiation. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

12. B — The correct term is Peril, which means the immediate cause of loss, such as fire, theft, or collision. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

13. C — The correct term is Extended reporting period, which means additional time to report claims after a claims-made policy ends. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

14. A — The correct term is Directors and officers liability, which means coverage for claims alleging wrongful acts in managing an organization. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

15. B — The correct term is Mortgagee clause, which means language protecting a lender interest in covered property subject to stated conditions. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

16. D — The correct term is Proximate cause, which means the dominant cause that sets an unbroken chain of events in motion. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

17. C — The correct term is Uninsured motorist coverage, which means coverage for injury caused by a driver without applicable liability insurance. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

18. D — The correct term is Speculative risk, which means a chance of loss, no loss, or gain. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

19. B — The correct term is Commercial package policy, which means a flexible policy combining selected commercial property and liability coverage parts. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

20. C — The correct term is Insuring agreement, which means the policy section that broadly states what the insurer agrees to cover. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

21. A — The correct term is Premium, which means the amount charged for insurance coverage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

22. D — The correct term is Bailee coverage, which means coverage for property of customers while it is in the insured custody, care, or control. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

23. B — The correct term is Retroactive date, which means the earliest date from which acts may be covered under a claims-made policy. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

24. A — The correct term is Umbrella liability policy, which means excess liability coverage that may also broaden selected underlying coverage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

25. C — The correct term is Condition, which means a duty or requirement that must be met for coverage to apply or continue. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

26. D — The correct term is Controlled business, which means insurance written primarily on the producer, family, employer, or business interests rather than the general public. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

27. B — The correct term is Defense costs, which means expenses the insurer incurs to defend a covered liability claim. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

28. C — The correct term is Ocean marine insurance, which means coverage for vessels, cargo, and related maritime interests. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

29. A — The correct term is Producer authority, which means the power granted to an agent or producer to act for an insurer within defined limits. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

30. D — The correct term is Exposure, which means a condition or situation that creates the possibility of loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

31. B — The correct term is Accident, which means an unforeseen and unintended event that produces injury or damage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

32. C — The correct term is Compensatory damages, which means money intended to reimburse an injured party for actual loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

33. C — The correct term is Fraud, which means an intentional deception used to obtain an improper benefit or cause a loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

34. A — The correct term is Texas Department of Insurance, which means the state agency that regulates the Texas insurance industry and enforces insurance laws. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

35. D — The correct term is Twisting, which means making misleading comparisons to induce a policyholder to replace or surrender coverage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

36. B — The correct term is Law of large numbers, which means the principle that loss predictions become more reliable as the number of similar exposure units increases. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative.

37. A — The correct term is Employee dishonesty coverage, which means crime coverage for loss caused by dishonest acts of employees. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

38. A — The correct term is Surplus lines insurance, which means insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

39. B — The correct term is Named-peril coverage, which means coverage that applies only to perils specifically listed in the policy. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

40. D — The correct term is Underwriting, which means the process of evaluating risk and deciding whether and on what terms to insure it. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

41. C — The correct term is Risk avoidance, which means eliminating an exposure so that the potential loss cannot occur. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

42. B — The correct term is Aleatory contract, which means a contract in which the exchange of values may be unequal because payment depends on chance. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

43. C — The correct term is Claims-made form, which means liability coverage generally triggered by a claim first made during the policy period. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

44. A — The correct term is Misrepresentation, which means making a false or misleading statement about a policy, insurer, or insurance benefit. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

45. D — The correct term is Flood insurance, which means coverage for direct physical loss by flood, commonly obtained through a separate program or policy. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

46. B — The correct term is Nonowned auto, which means an auto not owned by the business but used in connection with its operations. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

47. C — The correct term is Deductible, which means the portion of a covered loss that the insured retains before policy payment. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

48. A — The correct term is Employment practices liability, which means coverage for specified employment-related allegations such as wrongful termination or discrimination. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

49. B — The correct term is Indirect loss, which means a financial consequence that follows from direct property damage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

50. D — The correct term is Insurable interest, which means a financial stake that would cause loss if the covered property is damaged. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

51. C — The correct term is Binder, which means temporary evidence of insurance pending issuance of a policy. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

52. D — The correct term is Nonrenewal, which means the insurer decision not to continue a policy at the end of its term. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

53. A — The correct term is Replacement cost, which means the cost to repair or replace with like kind and quality without a depreciation deduction. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

54. C — The correct term is Occurrence, which means an accident, including continuous or repeated exposure to substantially the same harmful conditions. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

55. D — The correct term is Concealment, which means failure to disclose a material fact that an applicant has a duty to reveal. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

56. B — The correct term is Risk transfer, which means shifting financial consequences of loss to another party through insurance or contract. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

57. A — The correct term is Unfair discrimination, which means making coverage or rate distinctions among similar risks without a sound actuarial or legal basis. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

58. B — The correct term is Reinsurance, which means insurance purchased by an insurer to transfer part of its risk to another insurer. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

59. C — The correct term is Pure risk, which means a chance of loss or no loss without the possibility of gain. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

60. A — The correct term is Property damage, which means physical injury to tangible property, including resulting loss of use. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

61. D — The correct term is Payment bond, which means a surety guarantee that certain labor and material obligations will be paid. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

62. D — The correct term is Texas Windstorm Insurance Association, which means the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an.

63. C — The correct term is Dwelling policy, which means property insurance primarily designed for a dwelling that may not qualify for a homeowners package. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

64. B — The correct term is Endorsement, which means a written amendment that adds, removes, or changes policy terms. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

65. A — The correct term is Businessowners policy, which means a package policy combining property and liability coverage for eligible small businesses. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

66. A — The correct term is Cancellation, which means termination of a policy before its normal expiration date. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

67. D — The correct term is Commercial general liability policy, which means a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the.

68. B — The correct term is Strict liability, which means liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative.

69. C — The correct term is Direct loss, which means physical damage that results immediately from a covered peril. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

70. A — The correct term is Occurrence form, which means liability coverage triggered by injury or damage occurring during the policy period. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

71. D — The correct term is Commercial auto policy, which means a policy providing liability and physical damage coverage for covered business autos. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

72. B — The correct term is Open-peril coverage, which means coverage that applies unless the cause of loss is excluded. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

73. A — The correct term is Crime coverage, which means coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

74. C — The correct term is Business income coverage, which means coverage for lost income and continuing normal operating expenses after covered property damage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

75. C — The correct term is Risk reduction, which means taking steps to decrease the frequency or severity of potential losses. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

76. B — The correct term is Comparative negligence, which means a rule reducing recovery according to the claimant share of fault. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

77. D — The correct term is Personal injury, which means specified nonphysical offenses such as false arrest, libel, or wrongful eviction. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

78. B — The correct term is Waiver, which means the intentional relinquishment of a known right. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

79. D — The correct term is Aggregate limit, which means the most payable for all covered losses during the policy period. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

80. A — The correct term is Advertising injury, which means specified offenses arising from advertising activities, such as certain copyright or slogan claims. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

81. C — The correct term is Employers liability, which means coverage for certain employee injury claims not covered by workers compensation law. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

82. C — The correct term is Builders risk coverage, which means property coverage for a building or structure while it is under construction. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

83. A — The correct term is Underinsured motorist coverage, which means coverage that can apply when an at-fault driver liability limits are insufficient. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

84. B — The correct term is Hired auto, which means an auto the insured leases, hires, rents, or borrows for business use. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

85. D — The correct term is Punitive damages, which means money intended to punish particularly wrongful conduct rather than compensate loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

86. C — The correct term is Bodily injury, which means physical injury, sickness, disease, or resulting death suffered by a person. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

87. B — The correct term is Rate, which means the price per unit of insurance used to calculate a premium. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

88. D — The correct term is Workers compensation, which means statutory coverage for employment-related injury or disease without ordinary negligence litigation. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

89. A — The correct term is Subrogation, which means the insurer right to recover from a responsible third party after paying a loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

90. A — The correct term is Appraisal condition, which means a process for resolving a disagreement about the amount of loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

91. D — The correct term is Indemnity, which means restoring an insured to approximately the financial position held before a covered loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

92. B — The correct term is Policy replacement, which means the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

93. C — The correct term is Contractual liability, which means liability assumed by an insured in a contract, subject to policy terms and exceptions. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

94. A — The correct term is Statute of limitations, which means a law setting the deadline for filing a legal action. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

95. D — The correct term is Medical payments coverage, which means coverage for reasonable medical expenses regardless of fault, subject to policy terms. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

96. C — The correct term is Surety bond, which means a three-party guarantee that a principal will perform an obligation to an obligee. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

97. B — The correct term is Homeowners policy, which means a package policy combining personal property, dwelling, liability, and additional living expense coverages. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

98. A — The correct term is Collision coverage, which means physical damage coverage for upset of a covered auto or impact with another vehicle or object. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

99. B — The correct term is Admitted insurer, which means an insurer authorized by the state to transact insurance and subject to its regulation. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

100. C — The correct term is Estoppel, which means a rule preventing a party from asserting a right after conduct caused reasonable reliance. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

101. D — The correct term is Garagekeepers coverage, which means coverage for customer autos left in the care of a garage operation. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

102. A — The correct term is Abandonment, which means an attempted transfer of damaged property to an insurer without policy authority. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

103. C — The correct term is Products-completed operations hazard, which means liability arising from products or completed work after possession or work is finished. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

104. B — The correct term is Risk retention, which means the decision to knowingly absorb a potential loss rather than transfer it to insurance. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

105. D — The correct term is Duty of care, which means the legal obligation to act with reasonable care toward others. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

106. B — The correct term is Material misrepresentation, which means a false statement that would influence an insurer underwriting decision or policy terms. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

107. D — The correct term is Personal umbrella policy, which means personal excess liability coverage above required underlying personal policies. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

108. C — The correct term is Facultative reinsurance, which means reinsurance negotiated separately for an individual risk. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

109. A — The correct term is Vicarious liability, which means legal responsibility imposed on one party for the acts of another. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

110. A — The correct term is Representations, which means statements believed true to the applicant knowledge but not guaranteed as absolute facts. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

111. C — The correct term is Other-than-collision coverage, which means physical damage coverage for losses other than collision, such as theft, fire, or hail. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

112. D — The correct term is Personal auto policy, which means a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

113. B — The correct term is Policy period, which means the stated interval during which coverage is in force. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to.

114. D — The correct term is Loss of use, which means coverage for certain economic consequences of inability to use covered property after a covered loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

115. A — The correct term is Inland marine insurance, which means coverage for movable property, transportation exposures, and specialized property interests. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

116. C — The correct term is Nonadmitted insurer, which means an insurer not licensed in the state but that may be used for eligible surplus-lines placements. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

117. B — The correct term is Scheduled personal property, which means coverage that lists individual high-value items separately with stated coverage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

118. B — The correct term is Guaranty association, which means a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

119. A — The correct term is Additional living expense, which means coverage for necessary increased living costs when a covered loss makes a residence uninhabitable. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

120. D — The correct term is Supplementary payments, which means payments made in addition to liability limits for specified claim-related expenses. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

121. C — The correct term is Personal injury protection, which means first-party coverage for specified medical and income-loss benefits, subject to policy terms. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

122. D — The correct term is Hazard, which means a condition that increases the frequency or severity of a possible loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

123. B — The correct term is Exclusion, which means policy language removing specified causes, property, persons, or losses from coverage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

124. A — The correct term is Coinsurance clause, which means a condition requiring insurance to equal a stated percentage of property value to avoid a penalty. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

125. C — The correct term is Per-occurrence limit, which means the most payable for all covered injury or damage arising from one occurrence. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.

126. D — The correct term is Liability, which means legal responsibility for injury or damage to another person or property. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

127. B — The correct term is Utmost good faith, which means the expectation that each party deals honestly and discloses material information. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

128. C — The correct term is Loss payable clause, which means language directing payment to a party with an insured financial interest in property. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

129. A — The correct term is Commercial property coverage form, which means a form addressing direct physical loss or damage to covered business property. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

130. C — The correct term is Rebating, which means offering an inducement not stated in the policy to persuade a person to buy insurance. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

131. A — The correct term is Excess liability policy, which means coverage that increases limits above a designated underlying policy without necessarily broadening coverage. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

132. D — The correct term is Declarations, which means the policy section identifying the insured, coverage, limits, premium, and policy period. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

133. B — The correct term is Earth movement exclusion, which means an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and.

134. D — The correct term is Windstorm coverage, which means coverage for direct wind-related property damage, subject to policy terms and availability. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

135. C — The correct term is Actual cash value, which means replacement cost reduced by applicable depreciation. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

136. A — The correct term is Cyber liability, which means coverage addressing specified losses and liability arising from data or network incidents. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that.

137. B — The correct term is Morale hazard, which means carelessness or indifference to loss because insurance exists. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds to it.

138. C — The correct term is Moral hazard, which means a character-related condition that increases the chance of intentional loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

139. B — The correct term is Fidelity bond, which means a bond protecting an employer against dishonest acts by employees. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

140. D — The correct term is Fiduciary responsibility, which means the duty to handle premiums and client funds honestly and separately from personal funds. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

141. A — The correct term is Professional liability, which means coverage for claims alleging negligent professional services or errors and omissions. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely.

142. C — The correct term is Equipment breakdown coverage, which means coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select.

143. A — The correct term is Performance bond, which means a surety guarantee that a contractor will perform contractual work. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term that precisely corresponds.

144. D — The correct term is Extra expense coverage, which means coverage for necessary added expense incurred to continue operations after a covered loss. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the.

145. B — The correct term is Negligence, which means failure to use the care a reasonably prudent person would use in similar circumstances. This distinction matters because insurance terminology can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not match the definition given. On an exam, identify the operative language and select the term.